

# Rába Nyrt. Flash Report for the first 6 months of 2008

Unaudited, consolidated flash report in consideration of the International Financial Reporting Standards (IFRS)

Company:	Rába Járműipari Holding Nyilvánosan Működő Részvénytársaság
Company address:	H-9027 Győr, Martin út 1.
Sector:	Machine industry
Period:	First 6 months of 2008
Telephone	36-96-624-460
Telefax:	36-96-624-006
E-mail:	<a href="mailto:adam.steszli@raba.hu">adam.steszli@raba.hu</a>
Investors' contact:	Ádám Steszli

## Short summary

### External environment

- Because of the economic slow-down manifest in the US, the expansion of the US freight vehicle market has yet to begin. The sales opportunities for special axles viewed as a project reached the level of the previous quarter. The European market of heavy vehicles continues to perform well. The Russian bus market is comparable to the same period of last year.
- The increase of raw material prices gained new impetus this year. The increase over the end of the last quarter was some 22% and 35% compared to the end of 2007.
- Energy prices increased by 9.4% compared to the same period of last year and by 0.6% compared to the last quarter.
- Considerably, 14.3% lower USD exchange rate and 1.0% lower EUR exchange rate compared to the same period of last year. The decline compared to the last quarter is 8.4% and 5.4% respectively.

### Key events and achievements

Rába Axle Co. and the German Claas Selbstfahrende Erntemaschinen GmbH have signed a complete supply agreement effective until 30<sup>th</sup> September 2009, including extension options as well, as a result of which the expected sales volume may be as high as EUR 5 million annually.

In line with Rába's strategy and the announcement made during the quarter, the foundry, which earlier formed part of the Axle business, has been operating as a joint venture as from 1 January, 2008. This quarter saw the commencement of the implementation of the development programme resolved by the shareholders.

A considerable change in product structure and increase in volume occurred in the Component Business compared to the earlier year, in that the amount supplied per vehicle declined, primarily due to the changes in material contents, which, in turn was offset by the increase in the number of units ordered.

In accordance with the changes in the IFRS regulations, the FX shipping costs earlier reducing the sales revenue line, have been moved to the indirect cost line. Due to the changes in the accounting policy, the trade tax earlier shown under other expenditures has been reclassified as taxes.

In the first 6 months of 2008 the company registered an increase in sales of 18.3% at group

level compared to the first 6 months of 2007, thus the total revenue amounted to HUF 32.9 billion.

The gross margin was 1.7% lower due to the decline in the USD exchange rate and to the drastic increase in raw material prices. In addition to the hedge transactions, which are shown in the financial profit line, Rába has mechanisms in place to offset these negative factors by passing on the effects to the customers, these, however, have a delayed effect only. Because of these factors and due to the increase in sales, in the first 6 months of 2008 the gross profit exceeded the level of last year's by HUF 467 million. Indirect costs exclusive of other expenditures increased slightly by 3.3% in the first 6 months of 2008.

There were only minor real property sales in the current quarter, which had no material impact on the profitability.

The operating profit in the first 6 months of 2008 increased substantially compared to the first 6 months of last year, amounting to HUF 746 million. All three businesses were profitable during the quarter.

The EBITDA increased by 13.9%, amounting to HUF 2,198 million, or HUF 2,834 million, including the activated hedge, as well.

The structure of the balance sheet improved considerably compared to the same period of last year. Net borrowings remained under HUF 10 billion, in line with the previous two quarters. The closing figure was HUF 9.5 billion. This is due to the positive operating profit, the activated FX hedge positions and was hindered by the increase in working capital. The level of indebtedness continued to decline to 30.9% {net borrowings/(net borrowings+shareholders' equity+participations)} which suggests a healthy capital structure.

### **Sales and position of strategic markets**

On the **American market**, the sales revenue during the first 6 months of 2008 was USD 61.2 million, against USD 38.4 million during the same period of 2007. This means an increase of 59%, resulting from two opposite effects: the period was characterised on the one hand by the substantial, temporary decline in the heavy vehicle market, which was compensated by the expansion of the cooperation with our strategic partner in the field of special axles.

On the **EU market** Rába's sales figures in HUF terms increased by 15.8%, amounting to HUF 19.2 billion, compared to HUF 16.5 billion of last year.

**European exports** amounted to EUR 30.9 million during the first 6 months of 2008 compared to EUR 24.3 million during the same period of last year. This is an increase of 27.2%, to which the Axle business contributed EUR 18.7 million, the Component business contributed EUR 9.7 million and the Vehicle business contributed EUR 2.5 million.

**Domestic sales** amounted to HUF 11.3 billion during the first 6 months of 2008, an increase of 7.6% compared to HUF 10.5 billion of the first 6 months of 2007. After consolidation, the sales generated by the Axle business was HUF 2.3 billion, by the Component business amounted to HUF 5.8 billion, and the contribution of the Vehicle business was HUF 3.1 billion.

On the **CIS and East-European markets** export sales revenues achieved by Rába increased by 2.4% from EUR 12.4 million during the base period to EUR 12.7 million during the first 6 months of 2008.

On the **other markets** the sales revenue achieved during the first 6 months of 2008 amounted to USD 3.2 million, against USD 5.1 million of last year.

## **The Rába Group**

The consolidated sales revenue of the Rába group in the first 6 months of 2008 amounted to HUF 32.9 billion, which is an increase of 18.3% over the figure for the same period of 2007.

The operating profit of the group during the first 6 months of 2008 amounted to HUF 746.6 million, compared to the profit of HUF 382.9 million during the same period of 2007.

In the first 6 months of 2008 the financial profit contains an activated profit of HUF 636 million from derivative transactions, as well as net interest payment of HUF 309 million in addition to the HUF 282 million of exchange rate gains and HUF 3,067 million in gains from the revaluation of derivative transactions (the release of the profit from unrealized forward transactions from last year is HUF -834 million and the effect of open forward transactions is HUF 3,901 million), as well as HUF 64 million in losses from affiliated companies. As a result of these, the net financial result is HUF +3,612 million.

Based on the above, the Rába group generated a net profit of HUF 3,343.2 million in the first 6 months of 2008, compared to the profit of HUF 262.7 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 2,198 million (HUF 2,834 million, including the activated hedge) in the first 6 months of 2008, against last year's figure of HUF 1,930 million.

## **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. during the first 6 months of 2008 amounted to HUF 21.2 billion after HUF 17.5 billion achieved during the same period of 2007. This corresponds to an increase of 21.1%.

The operating result of the company during the first half of this year was a profit of HUF 319 million, compared to the loss of HUF -359 million of the same period of last year.

On the level of EBITDA, the operating result of the Axle Business during the period increased to HUF 1,347 million, compared to HUF 831 million of last year.

## **Rába Járműipari Alkatrészgyártó Kft (Component Ltd.)**

The sales revenue of the Component Ltd. grew by 9.8% during the first 6 months of 2008 to HUF 9.0 billion, from HUF 8.2 billion in the first 6 months of 2007.

The company generated HUF 382 million in profits at operating level during the first 6 months of 2008 compared to HUF 451 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. changed to HUF 657 million during the period, from HUF 683 million of last year.

## **Rába Jármű Kft. (Vehicle Ltd.)**

The sales revenue of Rába Jármű Kft. amounted to HUF 4.2 billion in the first 6 months of 2008, compared to HUF 3.4 billion in the first 6 months of 2007. This is an increase of 23.5%, which, unlike during the previous year, is the result of sales more evenly distributed over the year.

The operating profit was HUF 378 million during this year, compared to HUF 334 million during the same period of last year.

On the level of EBITDA, during the first 6 months of 2008 the Company registered a profit of HUF 471 million compared to HUF 403 million of last year.

## The Rába Group – other data and events pertaining to the business activity

### Sales revenue by business divisions

Sales revenue (million HUF)	Axles	Components	Vehicles	Rába group consolidated
Q1 2007	8,312	4,061	1,327	13,183
<b>Q2 2007</b>	<b>9,205</b>	<b>4,101</b>	<b>2,034</b>	<b>14,643</b>
Q1 2008	10,816	4,407	2,347	16,848
<b>Q2 2008</b>	<b>10,394</b>	<b>4,618</b>	<b>1,878</b>	<b>16,071</b>

Due to the changes in IFRS accounting, shipping in FX is not shown as an item reducing the sales revenue but under cost of sales.

### Breakdown of sales revenue during Q2 of 2008

Million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	4,809	3,786	2,435	1,352	1,482	317	<b>10,394</b>
Component	0	4,618	1,210	3,408	0	0	<b>4,618</b>
Vehicle	0	1,878	367	1,511	0	0	<b>1,878</b>
<b>Consolidated</b>	<b>4,809</b>	<b>9,463</b>	<b>4,010</b>	<b>5,453</b>	<b>1,482</b>	<b>317</b>	<b>16,071</b>

### Breakdown of operating profit of group subsidiaries within the Rába flash report

	2007.		2008.	
	Q1	Q2	Q1	Q2
Axles	-276	-83	272	47
Components	229	222	231	151
Vehicles	115	219	280	98
Others	48	-90	-181	-152
<b>Total</b>	<b>116</b>	<b>267</b>	<b>602</b>	<b>144</b>

### PK2. Companies involved in the consolidation

Company	Capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
<b>RÁBA Futómű Kft.</b>	<b>9,762,800</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>RÁBA Járműipari Alkatrészgyártó Kft.</b>	<b>300,000</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>Rába Jármű Kft.</b>	<b>835,100</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>RÁBA Vagyonkezelő Kft.</b>	<b>11,000</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>Busch-Rába Kft.</b>	<b>4,510,000</b>	<b>25,50</b>	<b>25,50</b>	<b>A</b>

<sup>1</sup> Voting right related to participation in the decision-making at the general meeting of the company subject to consolidation.

<sup>2</sup> Subsidiary (S); Jointly controlled (J); Affiliated (A)

As of 29 December 2007, Rába Ipartecnika Szolgáltató Kft. was merged into Rába Vehicle Ltd.

In line with Rába's strategy, the foundry, which earlier formed part of the axle business, has since 1 January, 2008 been operating as a joint venture. The purpose of the restructuring was to allow a significant capacity expansion and technological upgrade of the Foundry. The partner is M. BUSCH GmbH & Co. KG., a member of the BPW group. Rába holds a 25.5% stake in the new company.

#### PK. 4. CONSOLIDATED PROFIT AND LOSS ACCOUNT ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1 000	X	1 000 000	

\*Indicate with an X.

Data in thousand HUF

Item	First 6 months of 2007	First 6 months of 2008	Index	Q2 of 2007	Q2 of 2008	Index
Domestic sales revenues	10,478,245	11,307,156	107.9%	5,633,510	5,453,038	96.8%
Export sales revenues	17,347,594	21,611,136	124.6%	9,009,123	10,617,527	117.9%
<b>Net sales revenues</b>	<b>27,825,839</b>	<b>32,918,292</b>	<b>118.3%</b>	<b>14,642,633</b>	<b>16,070,565</b>	<b>109.8%</b>
Direct cost of sales	22,293,339	26,918,542	120.7%	11,748,507	13,410,394	114.1%
<b>Gross profit</b>	<b>5,532,500</b>	<b>5,999,750</b>	<b>108.4%</b>	<b>2,894,126</b>	<b>2,660,171</b>	<b>91.9%</b>
Cost of sales	729,972	629,747	86.3%	359,880	304,068	84.5%
General and administration expenses	4,425,260	4,696,713	106.1%	2,172,344	2,272,407	104.6%
Other revenues	410,376	337,610	82.3%	155,432	161,417	103.9%
<b>Other expenditures</b>	<b>404,729</b>	<b>264,304</b>	<b>65.3%</b>	<b>250,455</b>	<b>100,786</b>	<b>40.2%</b>
<b>Other items related to business activities</b>	<b>-5,149,585</b>	<b>-5,253,154</b>	<b>98.0%</b>	<b>-2,627,247</b>	<b>-2,515,844</b>	<b>104.2%</b>
<b>Operating profit before interest payment and taxation (EBIT)</b>	<b>382,915</b>	<b>746,596</b>	<b>195.0%</b>	<b>266,879</b>	<b>144,327</b>	<b>54.1%</b>
Financial revenues	987,377	6,370,183	645.2%	-368,400	4,945,960	1542.6%
Financial expenditures	1,034,197	2,694,811	260.6%	-319,571	1,545,329	683.6%
<b>Dividend from affiliated companies</b>	<b>0</b>	<b>-63,560</b>		<b>0</b>	<b>-41,008</b>	
<b>Net financial result</b>	<b>-46,820</b>	<b>3,611,812</b>	<b>7914.3%</b>	<b>-48,829</b>	<b>3,359,623</b>	<b>7080.4%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>336,095</b>	<b>4,358,408</b>	<b>1296.8%</b>	<b>218,050</b>	<b>3,503,950</b>	<b>1606.9%</b>
<b>Corporate profit tax</b>	<b>73,395</b>	<b>1,015,187</b>	<b>1383.2%</b>	<b>30,113</b>	<b>817,532</b>	<b>2714.9%</b>
<b>PROFIT AFTER TAXATION</b>	<b>262,700</b>	<b>3,343,221</b>	<b>1272.6%</b>	<b>187,937</b>	<b>2,686,418</b>	<b>1429.4%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>262,700</b>	<b>3,343,221</b>	<b>1272.6%</b>	<b>187,937</b>	<b>2,686,418</b>	<b>1429.4%</b>

Due to the changes in IFRS accounting, forwarding in FX is not shown as an item reducing the sales revenue but under indirect costs. As a result of the changes in accounting policy, the

trade tax earlier accounted for under other expenditures is now shown under taxes. Due to these changes, in consideration of the principle of comparability, the Company adjusted the figures for the base period in line with the new principles.

## **1. EARNED REVENUES**

During the first 6 months of 2008, Rába achieved HUF 32,918 million in sales revenue, compared to HUF 27,826 million during the same period of last year. 65.7 per cent of the revenues came from export, the rest came from domestic sales. The sales revenue is 18.3% over that of the base period. Due to the changes in IFRS accounting, the shipping costs incurred in FX are no longer accounted for as items reducing the sales revenue but under cost of sales. The amount of shipping costs in FX during the first 6 months of 2008 amounted to HUF 311 million, in contrast to HUF 393 million in the first 6 months of 2007.

## **2. EXPENSES AND OTHER REVENUES**

### **2.1 Direct costs**

During the first 6 months of 2008 the direct cost level of Rába was at 81.8 per cent, compared to 80.1% of the base period.

### **Gross Profit**

The gross profit changed from HUF 5,533 million to HUF 6,000 million, which is due to the increase in the sales revenue (+ HUF 5,092 million) and to largely the same increase in direct costs (+ HUF +4,625 million). The exchange rate of the US dollar deteriorated significantly in the first half of 2008 compared to the same period of last year (188.06 in the first 6 months of 2007, 164.79 in the first 6 months of 2008), the exchange rate of the EUR improved slightly: 249.76 in the first 6 months of 2007, 252.405 in the first 6 months of 2008).

### **2.2 Cost of sales**

The cost of sales declined by 13.7 per cent and amounted to HUF 630 million in the first 6 months of 2008, compared to HUF 730 million during the same period of 2007.

### **2.3. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the administration of the company, as well as other general expenses (first 6 months of 2008: HUF 4,609 million, first 6 months of 2007: HUF 4,538 million), as well as the projected pro-rata costs of the Share Option Programme (HUF 139 million in the first 6 months of 2008) under general overhead costs.

### **2.4. Other revenues**

Other revenues amounted to HUF 338 million in the first 6 months of 2008. This amount was HUF 73 million (18 per cent) less than that of the base period. The change is due to the following factors: decline in the net revenue from the sale of fixed assets is HUF -89 million, the decline in the release of provisions (HUF -53 million), the decline in subsidy received (HUF -8 million), decline in the rewrite of receivables (HUF -6 million) and increase in claims withdrawn and in discounts received (HUF 19 million) and increase in other revenues (HUF 67 million).

### **2.5 Other expenditures**

The amount of other expenditures in the first 6 months of 2008 amounted to HUF 264 million. During the current period, HUF 157 million less provisions had to be set aside. Due to the changes in Rába's IFRS accounting policy in 2008, the trade tax is no longer accounted under other expenditures, its amount is included in the profit tax. This amounted to HUF 179 million in the first 6 months of 2007 and to HUF 229 million in the first 6 months of 2008.

### **3. OPERATING PROFIT**

The profit of Rába before interest payment and taxation in the first 6 months of 2008 was HUF +747 million (first 6 months of 2007: HUF 383 million). The increase in gross profit was HUF +467 million, which was deteriorated by the increase in the cost of sales and general overhead costs (HUF 171 million) and by the decline in other revenues (HUF 73 million) and improved by the decline in other expenditures (HUF 140 million). Profitability increased from 1.4% during the base period to +2.3%. The profitability of the operating profit + depreciation is +6.7 per cent, approximately the same as that of the base period.

### **4. FINANCIAL REVENUES AND EXPENSES**

In the first 6 months of 2008, the net financial profit was HUF +3,675 million, compared to the same period of 2007, when it was HUF -47 million. The realized profit of derivative transactions during the first 6 months of 2008 was HUF 636 million, compared to HUF 656 million in the first 6 months of 2007. The unrealized gain of the revaluation as at 30 June, 2008 of the derivative transactions is HUF +3,901 million, compared to HUF 81 million during the base period. The financial profit also includes the release of the unrealized profit on 31 December of the derivative transactions, which was HUF 834 million in losses during the first 6 months of 2008 (and HUF -682 in the first 6 months of 2007).

The net profit of interest income and expenses was HUF -309 million during the first 6 months of 2008, compared to HUF -299 million during the base period. The exchange rate gains/losses of FX items on 30 June, 2008 was HUF 282 million, compared to HUF 202 million on 30 June, 2007.

Financial revenues and expenditures consisted of the following principal items:

	<i><b>First 6 months of 2007</b></i>	<i><b>First 6 months of 2008</b></i>
Revenue from dividends	1,665	0
Interest income	127,692	196,136
Realised gain on forward transactions	707,765	811,618
Release of unrealised gain of forward transactions in 31 December	-681,848	-833,677
Unrealised gain of forward transactions	80,765	3,901,352
Exchange rate gains	743,938	2,291,779
Other financial revenues	7,400	2,975
<b>Financial revenues</b>	<b>987,377</b>	<b>6,370,183</b>
Interest payable	426,819	505,351
Realised loss of forward transactions	52,156	175,900
Unrealised loss of forward transactions	0	0
Exchange rate losses	541,584	2,009,608
Other financial expenditures	13,638	3,952
<b>Financial expenditures</b>	<b>1,034,197</b>	<b>2,694,811</b>

### **5. Profit from external companies**

The profit from external companies during the first 6 months of 2008 amounted to HUF -64 million, which amount represents the portion the parent company is entitled to from the net profit of Busch-Rába Kft.

### **6. PROFIT BEFORE TAXATION AND NET PROFIT**

The result before taxation was HUF 4,358 million in the first 6 months of 2008, which because of the factors outlined in sections 1-5. is HUF 4,022 million more than the figure for the first 6

months of 2007. The profitability ratio represents a 13.2 per cent return on sales on the basis of profit before taxation, compared to 1.2 per cent during the base period.

At group level the tax liability amounts to HUF 1,015 million, of which the deferred tax for the current period is HUF 651 million and the trade tax is HUF 229 million.

## **7. IFRS-HAS DIFFERENCES**

In the case of Rába, the differences between the profit and loss accounts prepared according to the Hungarian Accounting Standards (HAS) and the International Accounting Standards (IFRS) are predominantly due to the following factors:

- revaluation of forward transactions and reversal of the revaluation of the previous year,
- accounting under IFRS as costs of technical development, foundation and reorganisation expenses capitalised according to HAS,
- treatment as financial leasing of production equipment purchased as operating leasing within the group,
- accounting of the treasury shares purchased by the employees of the company on a monthly basis,
- accounting of the share options made available to the managers within the Share Option Programme,
- the reclassification into profit tax of the trade tax accounted under HAS as other expenditures,
- Accounting under IFRS among indirect costs of the FX shipping costs reducing the sales revenues under the Hungarian accounting rules,
- The difference between the book value and the actual value of the Railway Vehicle site to be sold to Engel is under IFRS accounted as profit during the current year.

### PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1 000	X	1 000 000	

\*Indicate with X.

Data in HUF thousand

Item	30 June 2007	30 June 2008	Index
Properties, machines, equipment	16,699,303	16,221,816	97.1%
Intangible assets	357,167	461,462	129.2%
Long-term receivables	455,164	147,099	32.3%
Property for investment purposes	338,217	338,217	100.0%
Other participations	205	1,197,917	584349.8%
Marketable financial assets	263,811	263,811	100.0%
Deferred tax receivables	773,781	800,056	103.4%
<b>Total invested assets</b>	<b>18,887,648</b>	<b>19,430,378</b>	<b>102.9%</b>
Securities	80,000	80,000	100.0%
Stocks	10,153,312	9,953,798	98.0%
Assets kept for sale	0	0	
Receivables	12,996,858	10,998,561	84.6%
Derivative means	80,765	3,901,352	4830.5%
Corporate tax receivables	3,372	147,997	4389.0%
Liquid assets, bank account	857,292	1,644,072	191.8%
<b>Total current assets</b>	<b>24,171,599</b>	<b>26,725,780</b>	<b>110.6%</b>
<b>Total ASSETS</b>	<b>43,059,247</b>	<b>46,156,158</b>	<b>107.2%</b>
Share capital	12,886,817	12,822,972	99.5%
Capital reserve	6,854,765	6,763,826	98.7%
Share option reserve	23,745	58,974	248.4%
Retained earnings	-4,051,092	431,142	110.6%
<b>Total equity and reserves</b>	<b>15,714,235</b>	<b>20,076,914</b>	<b>127.8%</b>
Long-term liabilities	7,819,801	5,148,258	65.8%
Provisions	709,802	877,501	123.6%
<b>Total long-term liabilities</b>	<b>8,529,603</b>	<b>6,025,759</b>	<b>70.6%</b>
Short-term credits and loans	6,198,005	6,001,712	96.8%
Short-term liabilities	12,526,472	13,198,842	105.4%
Deferred tax liability	90,932	852,931	938.0%
<b>Short-term liabilities total</b>	<b>18,815,409</b>	<b>20,053,485</b>	<b>106.6%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>43,059,247</b>	<b>46,156,158</b>	<b>107.2%</b>

#### I. Analysis of principal balance sheet items and their changes

##### 1. INVESTED ASSETS

##### 1.1. Properties, machines and equipment

The consolidated net value of properties, machines and equipment declined from closing value of HUF 16,699 million of the previous year to HUF 16,222 million, representing an insignificant change of 2.9%..

### **Intangible assets**

The net value of intangible assets was HUF 461 million, which increased since the base period primarily due to the expenditure related to the Oracle software development. Rába Nyrt. has rights of material value and intellectual products among intangible assets.

#### **1.2. Long-term receivables**

This balance sheet line shows long-term receivables at a discounted value among invested assets in the balance sheet. Long-term receivables include the following items:

<b>Opening 30 June, 2007</b>	<b>455,164</b>
Increase	7,980
Repayment	-339,462
Effect of discounting	23,417
<b>Closing 30 June 2008</b>	<b>147,099</b>

#### **1.3. Investments accounted using the capital method**

The closing stock of investments as at 30 June, 2008 was HUF 1,198 million. The Company participated in the establishment of a joint venture, Busch-Rába Öntőde Kft., charged with the management of the foundry division. Rába's stake in the business is 25.5%. The Busch-Rába Foundry Kft. was established on 8 November 2007.

### **Deferred tax receivable**

On 30 June 2008, the deferred tax amounted to HUF 800 million, HUF 26 million over the level of 30 June 2007.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 30 June 2008, the closing value of stocks was HUF 9,954 million (30 June 2007: HUF 10,153 million). The change is a mere -2%.

### **2.2. Receivables**

The closing figure of receivables as at the end of the first 6 months of 2008 was HUF 10,998 million, a decline of HUF 1,998 million compared to the base period (closing figure for the same period of 2007: HUF 12,997 million). The change is due to the following factors:

- Decline in accounts receivable (HUF -2,646 million),
- Increase in active accrual of revenues (HUF +200 million)
- Increase in other short-term receivables (HUF 594 million).

### **2.3. Liquid assets**

The closing figure of liquid assets on 30 June 2008 was HUF 1,644 million (30 June 2007: HUF 857 million).

## **3. EQUITY AND RESERVES**

### **3.1. Share capital**

Rába Nyrt.'s share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholders to the dividend announced in a particular period, and providing one vote at the General Meeting of the Company. On 30 June 2008, the share capital of the company was HUF 12,823 million, which is HUF 64 million less than the figure prevailing on 30 June, 2007.

The change is due to the following factors:

The Rába incentive share programme was launched 3<sup>rd</sup> February 2006, which resulted in the sale of 240 treasury shares of the company between the two periods.

On the other hand, on 1 July, 2006 the Management Share Option Incentive Programme was launched and the first draw-down phase was opened on 27 February 2007. The participants of the scheme agreed not to exercise their option until the second draw-down opportunity would be opened. Based on the performance of the Rába shares in 2007, the second draw-down phase was opened on 4 March 2008. 6 people exercised their option drawing down a total of 36,185 treasury shares using the options of the first phase. In order to further increase share value, the participants of the programme agreed not to exercise their draw-down option in the second phase until the opening of the third option draw-down phase but no later than until the general meeting concluding the year 2008.

Thirdly, based on the authorization of the Board of Directors, the Company purchased 100,270 treasury shares .

### **3.2. Capital reserve**

On 31 March, 2008, the capital reserve was HUF 6,809 million, HUF 46 million less than that on 31 March 2007, which is due partly to the involvement of affiliated companies into the consolidation, partly to the changes resulting from the subsidies received.

### **3.3. Share option reserve**

To foster common interests between the shareholders of Rába and the management of the Rába Group, as well as to further increase the value of the company, the Board of Directors of Rába decided to launch a five-year management share option programme, entitled Management Share Option Incentive Programme. The program is for the Rába shares. The options are offered on 1 July, 2006 and the closing date of the programme is 30 June 2011, which is the last date for option draw-down. All options are offered upon the same terms.

Within the five-year term of the programme three separate draw-down tranches are identified, each of which is implemented separately, subject to unrelated conditions.

The options were priced using the Black-Scholes option pricing model for American options, the value of which for 2008 is HUF 58,974 which may change during the year, subject to the draw downs.

### **Retained earnings**

The retained earnings (HUF 431 million) changed compared to the previous year (HUF -4,051 million) by HUF 4,482 million, as follows:

	Registered capital	Capital reserve	Share option capital reserve	Retained earnings	Total
<b>Balance as at 1 January, 2007</b>	<b>12,839,601</b>	<b>6,854,765</b>	<b>23,745</b>	<b>-4,294,675</b>	<b>15,423,436</b>
After-tax profit				262,700	262,700
Share-based payment	44,118			-19,615	24,503
Sale of treasury shares	3,098			498	3,596
<b>Balance as at 30 June, 2007</b>	<b>12,842,699</b>	<b>6,854,765</b>	<b>23,745</b>	<b>-4,051,092</b>	<b>15,714,235</b>
After-tax profit				1,151,089	1,151,089
Sale of treasury shares	240			0	240
Result of share-based payment drawn	4,920		32,642	1,947	39,509
Deferred tax of share-based payment			-6,608		-6,608
State subsidy		-2,237			-2,237
<b>Balance as at 31 December, 2007</b>	<b>12,891,977</b>	<b>6,852,528</b>	<b>49,779</b>	<b>-2,898,056</b>	<b>16,896,228</b>
After-tax profit				3,393,621	3,393,621
Result of share-based payment	31,265		12,151	-8,468	34,948
Deferred tax of share-based payment			-2,956		-2,956

Purchase of treasury shares	-100,270	65,909			-166,179
Involvement of affiliated companies		-22,793		-5,555	-28,348
<b>Balance as at 30 June, 2008</b>	<b>12,822,972</b>	<b>6,763,836</b>	<b>58,974</b>	<b>481,542</b>	<b>20,127,314</b>

#### **4. LONG-TERM LIABILITIES**

The closing value of long-term liabilities as at 30 June 2008 amounted to HUF 5,148 million (on 30 June 2007, the closing figure was HUF 7,820 million). Of this, HUF 5,082 million was the amount of investment and long-term loans at the end of the period, which no longer included the repayment liabilities of medium-term loans due within one year. The decline is HUF 2,672 million.

The provisions at the end of the period amounted to HUF 878 million, compared to HUF 710 million during the base period. The group sets aside provisions for product guarantees, litigations and redundancies. One product guarantee claim was filed with the Group for a serial defect within the Vehicle division. Provisions in the amount of HUF 207 million were set aside for projected repair costs.

#### **5. SHORT-TERM LIABILITIES**

##### **5.1. Short-term credits and loans**

The amount (HUF 6,002 million) of short-term credits and loans declined by 3% compared to the previous period (HUF 6,198 million).

##### **5.2. Short-term liabilities**

The amount of short-term liabilities (closing figure on 30 June, 2008: HUF 13,199 million) increased by 5.4% compared to the base period (of HUF 12,526 million).

The principal components of the change were:

- Increase in accounts payable (HUF 113 million)
- Increase in passive accruals (HUF 200 million)
- Increase in other short-term liabilities (HUF 268 million)

#### **Deferred tax liability**

The amount of deferred tax liability was HUF 853 million at 30 June, 2008, which is an increase of HUF 762 million over the figure prevailing on 30 June, 2007. The changes are due to the tax liabilities as described under section 6.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR THE FIRST 6 MONTHS OF 2008**

Figures in HUF thousand

**1-6 of 2008**

**Cash flow of operating activity**

Profit before taxation 4,358,409

*Adjustment items related to items with no cash movement:*

Interest income/expenditure 309,215

Depreciation and amortisation 1,451,295

Value loss of real estate, machinery, and fixtures 0

Amortisation for bad and doubtful receivables 7,850

Amortisation of stocks recorded at net realisable value 635

Provisions 15,595

Share-based payments made in capital instruments 3,683

Changes in real value of derivative financial assets -2,964,576

Result of sale and in-kind contribution of real assets, machinery and fixtures -87,356

Result of sale of financial investments 0

**Changes in working capital:**

Receivables from debtors and others, changes in corporate tax -41,248

Changes in stocks -632,733

Changes in liabilities towards suppliers and others -177,891

Profit tax paid -17,045

Interests paid -505,351

**Net cash-flows from operating activities 1,720,482**

**Cash flows from investment activities**

Purchase of investments accounted through the capital method 0

Purchase of real estate, machinery and fixtures -1,799,413

Revenue from the sale of investments accounted through the capital method 90,547

Revenues from the sale of real estate, machinery and fixtures, as well as of intangibles 162,266

Interests received 196,136

**Net cash flows used for investment activities -1,350,464**

**Cash flow from financing activities**

Revenues/expenditures from the sale/purchase of treasury shares -69,005

Reserves -88,702

Use and repayment of loans, credits -279,357

**Net cash flows from financing activities -437,064**

**Net increase/decline of financial instruments and equivalents -67,046**

### PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

Forward FX deals serving as collateral for the exchange rate risk of export sales revenues: sale of USD 55.1 million in exchange for HUF (of which USD 15.5 million represents option deals) sale of EUR 99 million for HUF (of which EUR 4.5 million represents option deals. The bank loans of the Rába Group amount to HUF 10,648 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 9,714 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 547 million.

### III. DESCRIPTION OF MAJOR FACTORS AND CHANGES

#### RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed <sup>1</sup>			
	Beginning of current year (1 January)			At the end of the period (30 June)			Beginni ng of term		End of term	
	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	%	Pcs	%	Pcs
Domestic institutional/corporate	25.34	26.48	3,414,323	31.54	33.08	4,249,753				
Foreign institutional/corporate	33.28	34.77	4,484,167	27.12	28.45	3,654,443				
Foreign private individual	0.43	0.45	58,351	0.06	0.06	7,887				
Domestic private individual	36.29	37.91	4,889,216	36.04	37.81	4,856,491				
Employees, managing executives	0.359	0.376	48,430	0.56	0.59	75,868				
Treasury shares	4.28		577,249	4.66		627,294				
Shareholder forming part of general government	0.01	0.01	1,710	0.01	0.01	1,710				
International Development Institutions	0.00	0.00	0	0.00	0.00	0				
Other	0.00	0.00	0	0.00	0.00	0				
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>13,473,446</b>	<b>100.00</b>	<b>100.00</b>	<b>13,473,446</b>				

<sup>1</sup> If the series listed equals the total equity, it need not be filled in if so indicated. If more than one series are listed on the Stock Exchange, the ownership structure should be specified for each series.

<sup>2</sup> Ownership ratio

<sup>3</sup> Voting right ensuring participation in the decision making process at the issuing general meeting of shareholders. If the ownership ratio and the voting right are the same, only the column regarding the ownership ratio needs to be filled in/published while stating such fact!

<sup>4</sup> E.g.: ÁPV Rt., Social Security, Local Government, 100% state-owned companies, etc.

<sup>5</sup> E.g.: EBRD, EIB, etc.

#### RS3. Listing, introduction of shareholders with a stake exceeding 5% (as at 30 June 2008)

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Ownership stake (%) <sup>3</sup>	Voting right (%) <sup>3,4</sup>	Comment <sup>5</sup>
DRB Hicom Group	F	B	1,462,446	10.85	11.38	
AS Trigon Funds	F	B	872,463	6.48	6.79	

Tamás Korányi and Andor Almás*	D	P	705,400	5.24	5.49	
Treasury Shares**	D	B	627,294	4.66		

<sup>1</sup> Domestic (D), Foreign (F)

<sup>2</sup> Asset manager(A). General government (G). International Development Institution (IFI). Institutional(I). Business entity (B) Private (P). Employee. Managing executive (E)

<sup>3</sup> Should be rounded to two decimal figures

<sup>4</sup> Voting right ensuring participation in the decision making process at the issuing general meeting of shareholders.

<sup>5</sup> E.g.: strategic investor, financial investor, etc.

\* Tamás Korányi and Andor András together hold 427,400 prompt and 233,000 forward shares of Rába.

\*\* Based on an announcement made on 1 July, the number of treasury shares held by Rába increased to 646,254.

## **RS2. Changes in the number of treasury shares during the current year (No. of pcs.)**

	1 January	31 March	30 June	30 September	31 December
Company level	577.249	573.731	627,294		
Subsidiaries					
Total	577.249	573.731	627,294		

All of the shares repurchased are treasury shares directly owned by the parent company.

## **TSZ1. Headcount of full-time employees (No. of people)**

	End of base period	Beginning of current year	End of current period
Company level	19	20	21
Group level	2,848	2,645	2.683

The consolidated closing headcount as at 30 June 2008 was 2,683 people, which represented a decline of 5.8% compared to the end of the base period.

## **TSZ3. Managing executives, strategic employees**

Type <sup>1</sup>	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
BD	István Pintér	Chairman of the BD	2005		19,429
BD	Abbas Mehad	Board member	1998	2007	
BD	Olivér Martin	Board member	2003		555
BD	Róbert Hrabovszky	Board member	2005		555
BD	Alan Spencer	Board member	2006		0
BD	Khalid Abdol Rahman	Board member	2007		0
BD	Dr. Ádám Fintha-Nagy	Board member	2008		5,350
BD	Gábor Földvári	Board member	2008		0
SB	Dr. János Benedek	Chairman of the SB	2004		0
SB	Lajos Horváth	Supervisory Board member	2003	2008	
SB	Zoltán Varga	Supervisory Board member	2006		0

SB	András Lovas-Romváry*	Supervisory Board member	2008		22,088
SP	István Pintér	Chairman-CEO	2003	Definite	19,429
SP	Béla Balog	Deputy CEO	2004	Indefinite	5,821
SP	Ferenc Vissi	HR Director	2001	Indefinite	7,797
SP	József Szabó	Purchasing and Asset Mgmt. Director	2001	Indefinite	8,211
SP	László Urbányi	Managing Director	2005	Indefinite	4,412
SP	János Torma	Managing Director	2005	Indefinite	1,650
TOTAL No. of shares owned (pcs):					75,868

<sup>1</sup> Employee in strategic position (SP). Member of the Board of Directors (BD). Member of the Supervisory Board (SB)

\*Based on his announcement made 1 July, the number of shares held by András Lovas-Romváry is 2,088, the number of shares held by his wife, Dr. Fruzsina Lovas-Romváry is 20,000. Additionally, they own future purchase options for 19,000 Rába shares.

### Changes in employment

The General Meeting of Shareholders held 24 April 2008 elected Gábor Földvári and Dr. Ádám Sándor Fintha-Nagy to the Board of Directors, thus the number of board members increased to 7. Lajos Horváth resigned from the supervisory board and was replaced, through the vote of the General Meeting of Shareholders by András Lovas-Romváry.

### Rába Nyrt. (individual) balance sheet (MSZSZ)

Figures in thousand HUF

No.	Description of item	30 June 2007	30 June 2008	Index
<b>A.</b>	<b>Invested assets</b>	<b>16,005,215</b>	<b>17,310,201</b>	<b>108.15%</b>
I.	Intangible assets	34,419	152,998	444.52%
II.	Tagibles	7,165,475	6,359,064	88.75%
III.	Financial assets invested	8,805,322	10,798,139	122.63%
<b>B.</b>	<b>Current assets</b>	<b>4,328,039</b>	<b>5,229,666</b>	<b>120.83%</b>
I.	Stocks	538,707	352,017	65.34%
II.	Receivables	2,945,392	2,908,084	98.73%
III.	Securities	582,409	712,163	122.28%
IV.	Liquid assets	261,531	1,257,402	480.78%
<b>C.</b>	<b>Active accruals</b>	<b>173,722</b>	<b>76,143</b>	<b>43.83%</b>
	<b>Total assets</b>	<b>20,506,977</b>	<b>22,616,010</b>	<b>110.28%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>14,099,779</b>	<b>15,054,162</b>	<b>106.77%</b>
I.	Registered capital	13,473,446	13,473,446	100.00%
	Of which: ownership stake repurchased at face value	582,409	646,254	110.96%
III.	Capital reserve	11,040,016	11,040,016	100.00%
IV.	Retained earnings	-10,728,073	-9,638,033	110.16%
V.	Fixed reserves	582,409	712,163	122.28%
VII.	Net profit	-268,020	-533,430	-99.03%
<b>E.</b>	<b>Provisions</b>	<b>119,964</b>	<b>477,679</b>	<b>398.19%</b>
<b>F.</b>	<b>Liabilities</b>	<b>6,250,453</b>	<b>7,036,671</b>	<b>112.58%</b>
I.	Subordinated liabilities	0	0	

II.	Long-term liabilities	0	0	
III.	Short-term liabilities	6,250,453	7,036,671	112.58%
<b>G.</b>	<b>Passive accruals</b>	<b>36,781</b>	<b>47,498</b>	<b>129.14%</b>
	<b>TOTAL LIABILITIES</b>	<b>20,506,977</b>	<b>22,616,010</b>	<b>110.28%</b>

**Rába Nyrt. (individual) profit and loss statement (MSZSZ)**

Figures in thousand HUF

No.	Description	First 6 months of 2007	First 6 months of 2008	Index
I.	Net sales revenue	677,230	553,826	81.78%
II.	Direct costs of sales	163,970	117,212	71.48%
<b>III.</b>	<b>Gross sales revenue</b>	<b>513,260</b>	<b>436,615</b>	<b>85.07%</b>
IV.	Indirect sales costs	600,150	685,361	114.20%
V.	Other revenues	416,058	157,654	37.89%
VI.	Other expenditures	420,316	321,360	76.46%
<b>A.</b>	<b>Operating profit</b>	<b>-91,147</b>	<b>-412,452</b>	<b>-352.5%</b>
VIII.	Revenues from financial transactions	27,124	58,285	214.88%
IX.	Expenditures of financial transactions	203,879	171,347	84.04%
<b>B.</b>	<b>Profit of financial transactions</b>	<b>-176,755</b>	<b>-113,062</b>	<b>136.03%</b>
<b>C.</b>	<b>Ordinary business profit</b>	<b>-267,902</b>	<b>-525,514</b>	<b>-96.2%</b>
D.	Extraordinary profit	0	-6,147	
<b>E.</b>	<b>Profit before taxation</b>	<b>-267,902</b>	<b>-531,661</b>	<b>-98.5%</b>
XII.	Tax liability	118	1,769	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>-268,020</b>	<b>-533,430</b>	<b>-99.0%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>-268,020</b>	<b>-533,430</b>	<b>-99.0%</b>

**PK1. General information pertaining to the financial data:**

	Yes	No		
<b>Audited</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
<b>Consolidated</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
<b>Accounting principles</b>	<b>Hungarian</b>	<input type="checkbox"/>	<b>IFRS</b>	<input checked="" type="checkbox"/>
			<b>Other</b>	<input type="checkbox"/>
<b>Other: .....</b>				

**Declaration of liability**

RÁBA Nyrt hereby declares that the flash report contains data and statements that are true and valid and that no fact relevant to the assessment of the situation of the Company was hidden.

In the context of the flash report. Rába Nyrt wishes to emphasize the following:

- The figures shown in the flash report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába has prepared its flash report in a form in compliance with the requirements of the Stock Exchange Regulations. in consideration of the International Financial Reporting Standards (balance sheet and profit and loss statement). This does not, however,. mean the publication in full of the accounts as per the IFRS.

There have been no changes in the accounting policy of the group companies; the accounting policies of the companies involved in the consolidation are consistent with each other.

Győr. 6 August, 2008

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO