

# Report on the Results of Rába Nyrt. in 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:	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 in the US, the American freight vehicle market continues to be in poor shape, suffering a decline of approximately 15% per annum. The sales opportunities for special axles viewed as a project reached the level expected during 2008, the second 6 months being weaker than the first 6 months. The European market of heavy vehicles during the year was of the same size as last year, although the slow-down was already palpable during the last quarter. The Russian bus market shrank compared to the same period of the previous year, furthermore, the last quarter saw a dramatic decline in the activities. On the domestic market the sale of complete vehicles reached the level of the previous years, while the sale of car components shrank considerably during Q4. The exception to the general trend was the market of agricultural vehicles both in the US and in the EU
- The increase of raw material prices gained new impetus this year. The annual increase exceeded 20% on average. Compared to the last quarter, though, the increase was reversed, prices declined by 19.7%, which, however, is still 6.6% above the average price in 2007..
- Energy prices increased by 30.5% compared to the same period of last year and by 15.7% compared to the last quarter. The average annual increase was 14.8 per cent.
- Considerably, 16.14% higher USD exchange rate and 5.8% higher EUR exchange rate compared to the same period of last year, which represents an increase of 27.1% and 12.8% increase respectively compared to the last quarter. The annual average exchange rate of the USD declined by 6.3% and reached the level of last year in the case of the EUR.

### Key events and achievements

During the month of December, in line with the earlier practice, all three business divisions shut down parts of their production during periods agreed upon with the customers.

In Q1-Q4 of 2008 the company registered an increase in sales of 0.8% at group level compared to Q1-Q4 of 2007, thus the total revenue amounted to HUF 58.7 billion.

The gross margin was 1.0% lower compared to Q1-Q4 of 2007 due to the decline in the USD and to the increase in raw material and energy prices. The margin level improved by 3.6 per cent compared to the same period of 2007 and by 10.0 per cent compared to the last quarter. Such increase is due partly to the more favourable exchange rates, partly to the positive

effects of the pass-on mechanisms, in place with our customers now but delayed in the previous quarters, in order to offset the negative impacts.

In 2008 the gross profit was HUF 496 million lower than the level of last year's. This was offset by the savings of HUF 977 million annually achieved by the company in terms of indirect costs as a result of continued stringent cost management within the fields of administration and sales. The loss generated by other activities was HUF 629 million excluding the revaluation of the downtown real property of 41 hectares vacated and put up for sale through the implementation of the operative strategy, as opposed to the profit of HUF 131 million of last year.

There were no real property sales in this quarter. The impact of showing the real estate of the company offered for sale at real value, as suggested by the auditor is the increase in other revenues by HUF 5,662 million based on the figures from an independent international valuator. Thus the property is featured in the books of the company at HUF 6 billion currently.

The operating profit in Q1-Q4 of 2008 was HUF 280 million lower compared to Q1-Q4 of last year, amounting to HUF 1,121 million, excluding the revaluation of the real property. The activated hedge positions aimed at protecting the temporary fluctuation of foreign exchanges resulted in HUF 859 million compared to HUF 1,014 million of last year.

The EBITDA excluding the revaluation of the real assets declined by 7.9%, amounting to HUF 4,066 million, or HUF 4,925 million, including the activated hedge, as well, which represents a decline of 9.3%. The total EBITDA amounted to HUF 9,728 million.

The pre-tax profit of the company, excluding the impacts of the revaluations and of the revaluation of real assets amounted to HUF 1,450 million, compared to HUF 1,624 million of last year.

In terms of the structure of the balance sheet, net borrowings amounted to HUF 10.6 billion, which is HUF 955 million higher than during the same period of last year but is over 1.5 billion less than during the last quarter. The change during the year is due to the positive operating profit, the activated FX hedge positions and was deteriorated by the increase in working capital. The level of indebtedness changed to 39.8% {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 in 2008 was USD 108.5 million, against USD 82.7 million during the same period of 2007. This means an increase of 31.2%, resulting from two opposite effects: the period was characterised on the one hand by the decline in the heavy vehicle market, which was compensated by the expansion of the cooperation with our strategic partners in the field of special and agricultural axles.

On the **EU market** Rába's sales figures in HUF terms declined by 0.9%, amounting to HUF 34.6 billion, compared to HUF 34.9 billion of last year. The decline is largely due to the shrinking in domestic sales.

**European exports** amounted to EUR 52.1 million during 2008 compared to EUR 47.5 million during the same period of last year. This is an increase of 9.7%, to which the Axle business contributed EUR 32.7 million, the Component business contributed EUR 16.1 million and the Vehicle business contributed EUR 3.3 million.

**Domestic sales** amounted to HUF 21.6 billion during 2008, a decline of 6.1% compared to HUF 23.0 billion in 2007. After consolidation, the sales generated by the Axle business was HUF 3.8 billion, by the Component business amounted to HUF 11.0 billion, and the contribution of the Vehicle business was HUF 6.6 billion.

On the **CIS and East-European markets** export sales revenues achieved by Rába declined by 36.7% from EUR 27.5 million during the base period to EUR 17.4 million during 2008.

On the **other markets** the sales revenue in 2008 amounted to USD 6.6 million, against USD 7.3 million of last year.

### **The Rába Group**

The consolidated sales revenue of the Rába group in 2008 amounted to HUF 58.7 billion, which is an increase of 0.8% over the figure for the same period of 2007.

The operating profit of the group during 2008 amounted to HUF 6,783.3 million, compared to the profit of HUF 1,400.7 million during the same period of 2007. Without the revaluation of the real estate the operating profit was HUF 1,121.3 million.

In 2008 the financial profit contains an activated profit of HUF 859 million from derivative transactions, as well as net interest payment of HUF 644 million in addition to the HUF 407 million of exchange rate gains and HUF 5,812 million in losses 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 4,978 million), HUF 951 million in losses from the revaluations and HUF 50 million losses from other items. As a result, the net financial profit is HUF -6,191 million.

Based on the above, the Rába group generated a net loss of HUF 393.2 million in 2008, compared to the profit of HUF 1,413.8 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 9,728 million (HUF 4,066 million, without the revaluation of the real estate) in 2008, against last year's figure of HUF 4,414 million (the EBITDA in 2008, including the activated hedge was HUF 4,925 million).

### **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. in 2008 amounted to HUF 36.7 billion after HUF 36.0 billion achieved during 2007. This corresponds to an increase of 1.9%.

The operating result of the company during the year 2008 was a profit of HUF 514 million, compared to the profit of HUF 306 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 2,599 million, compared to HUF 2,546 million of last year.

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

The sales revenue of the Component Ltd. declined by 3.0% during 2008 to HUF 16.3 billion, from HUF 16.8 billion in the same period of 2007.

The company generated HUF 434 million in profits at operating level during 2008 compared to HUF 805 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. changed to HUF 969 million during the period, from HUF 1,299 million of last year.

### **Rába Jármű Kft. (Vehicle Ltd.)**

The sales revenue of Rába Jármű Kft. amounted to HUF 8.1 billion in 2008, which is a slight increase over last year's figure of HUF 8.0 billion.

The operating profit was HUF 849 million in 2008, compared to HUF 886 million during the same period of last year.

On the level of EBITDA, during Q1-Q4 of 2008 the Company registered a profit of HUF 1,044 million compared to HUF 1,042 million of 2007.

**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
Q2 2007	9 205	4 101	2 034	14 643
Q3 2007	8 512	4 240	1 521	13 660
<b>Q4 2007</b>	<b>9 932</b>	<b>4 367</b>	<b>3 135</b>	<b>16 731</b>
Q1 2008	10 816	4 407	2 347	16 848
Q2 2008	10 394	4 618	1 878	16 071
Q3 2008	8 261	3 890	710	12 329
<b>Q4 2008</b>	<b>7 205</b>	<b>3 384</b>	<b>3 175</b>	<b>13 436</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 Q4 of 2008**

Million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	4 480	2 309	1 546	762	114	304	<b>7 205</b>
Component	0	3 384	694	2 690	0	0	<b>3 384</b>
Vehicle	0	3 175	72	3 103	0	0	<b>3 175</b>
<b>Consolidated</b>	<b>4 480</b>	<b>8 539</b>	<b>2 313</b>	<b>6 227</b>	<b>114</b>	<b>304</b>	<b>13 436</b>

**Breakdown of operating profit of group subsidiaries within the Rába quarterly report**

	Operating profit									
	2007.					2008.				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Axles	-276	-83	-94	759	306	272	47	-181	377	514
Components	229	222	205	149	805	231	151	105	-54	434
Vehicles	115	219	164	388	886	280	98	-123	594	849
Other*	48	-90	-108	-446	-596	-181	-152	-139	-204*	-676*
Other									5 458	4 986
<b>Total*</b>	<b>116</b>	<b>267</b>	<b>167</b>	<b>851</b>	<b>1 401</b>	<b>602</b>	<b>144</b>	<b>-339</b>	<b>713*</b>	<b>1 121*</b>
<b>Total</b>									<b>6 375</b>	<b>6 783</b>

\*Without the revaluation of real property

**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 Iparteknika Szolgáltató Kft. was merged into Rába Jármű Kft.

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.

As from 30 November 2008, Rába Vagyonkezelő Kft. (Asset Management Kft.) is no longer active.

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

Currency*	HUF	<b>X</b>	EUR	
Unit*	1 000	<b>X</b>	1 000 000	

\*Indicate with an X.

Data in thousand HUF

Item	2007	2008	Index	Q4 of 2007	Q4 of 2008	Index
Domestic sales revenues	22 952 962	21 560 552	93.9%	7 478 412	6 226 728	83.3%
Export sales revenues	35 264 607	37 122 414	105.3%	9 252 912	7 209 205	77.9%
<b>Net sales revenues</b>	<b>58 217 569</b>	<b>58 682 966</b>	<b>100.8%</b>	<b>16 731 324</b>	<b>13 435 933</b>	<b>80.3%</b>
Direct cost of sales	46 027 961	46 989 043	102.1%	12 836 180	9 822 453	76.5%
<b>Gross profit</b>	<b>12 189 608</b>	<b>11 693 923</b>	<b>95.9%</b>	<b>3 895 144</b>	<b>3 613 480</b>	<b>92.8%</b>
Cost of sales	1 316 869	1 164 398	88.4%	202 115	280 255	138.7%
General and administration expenses	9 603 276	8 779 063	91.4%	3 038 807	1 904 587	62.7%
Other revenues	1 101 059	6 578 701	597.5%	575 136	6 119 170	1064.0%
Other expenditures	969 834	1 545 883	159.4%	378 756	1 172 526	309.6%
<b>Other items related to business activities</b>	<b>-10 788 920</b>	<b>-4 910 643</b>	<b>154.5%</b>	<b>-3 044 542</b>	<b>2 761 802</b>	<b>290.7%</b>
<b>Operating profit before interest payment and taxation (EBIT)</b>	<b>1 400 688</b>	<b>6 783 280</b>	<b>484.3%</b>	<b>850 602</b>	<b>6 375 282</b>	<b>-549.5%</b>
Financial revenues	2 669 706	5 094 065	190.8%	496 235	-1 399 248	-282.0%
Financial expenditures	2 151 142	11 284 746	524.6%	598 400	6 705 142	1120.5%
<b>Net financial result</b>	<b>518 564</b>	<b>-6 190 681</b>	<b>-1193.8%</b>	<b>-102 165</b>	<b>-8 104 390</b>	<b>7828.6%</b>
Dividend from affiliated companies	0	-243 857		0	-97 980	
<b>PROFIT BEFORE TAXATION</b>	<b>1 919 252</b>	<b>348 742</b>	<b>18.2%</b>	<b>748 437</b>	<b>-1 827 088</b>	<b>-444.1%</b>
<b>Corporate profit tax</b>	<b>505 463</b>	<b>741 904</b>	<b>146.8%</b>	<b>59 962</b>	<b>179 016</b>	<b>98.5%</b>
<b>PROFIT AFTER TAXATION</b>	<b>1 413 789</b>	<b>-393 162</b>	<b>-27.8%</b>	<b>688 475</b>	<b>-2 006 104</b>	<b>-491.4%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>1 413 789</b>	<b>-393 162</b>	<b>-27.8%</b>	<b>688 475</b>	<b>-2 006 104</b>	<b>-491.4%</b>

Due to the changes in IFRS accounting, forwarding in FX is no longer 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**

In 2008, Rába achieved HUF 58.683 million in sales revenue, compared to HUF 58,218 million during the same period of last year. 63.3 per cent of the revenues came from export, the rest came from domestic sales. The sales revenue is 0.8% 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 2008 amounted to HUF 533 million, in contrast to HUF 615 million in 2007.

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

## **2.1 Direct costs**

In 2008 the direct cost level of Rába was at 80.1 per cent, compared to 79.1% of the base period.

## **Gross Profit**

The gross profit changed from HUF 12,190 million to HUF 11,694 million, which is due to the increase in the sales revenue (+ HUF 465 million) and to a substantial increase in direct costs (HUF +961 million). The exchange rate of the US dollar deteriorated somewhat in 2008 compared to the exchange rate in 2007 (182.7 in 2007, 171.2 in 2008), the exchange rate of the EUR also changed negatively: 251.0 in 2007, 250.6 in 2008).

## **2.2 Cost of sales**

The cost of sales declined by 11.6 per cent and amounted to HUF 1,164 million in 2008, compared to HUF 1,317 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, other general expenses (2008: HUF 8,927 million, 2007: HUF 9,648 million), as well as the projected pro-rata costs of the Share Option Programme (HUF -23 million in 2008) and the portion of the technical development accounted as costs (HUF -55 million), the use of provisions (HUF 28 million) and the reclassification of certain banking costs to financial expenditures (HUF -41 million) under general overhead costs.

## **2.4. Other revenues**

Other revenues amounted to HUF 6,579 million in 2008. This amount was HUF 5,478 million higher than that of the base period. The change is due to the following factors: increase due to the revaluation of real estate of investment purpose from book value to real value (HUF 5,662 million), net revenue from the sale of fixed assets (HUF -148 million)

## **2.5 Other expenditures**

The amount of other expenditures in 2008 amounted to HUF 1,546 million. During the current period, HUF 486 million more provisions had to be set aside. Impairment increased by HUF 208 million, while taxes paid declined by HUF 152 million. 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 407 million in 2007 and to HUF 400 million in 2008.

## **3. OPERATING PROFIT**

The operating profit of Rába in 2008 was HUF 6,783 million (2007: HUF 1,401 million). The decline in gross profit (HUF -496 million) was improved by the decline in sales and other costs (HUF 977 million) and by the increase in other revenues (HUF 5,478 million) and was deteriorated by the increase in other expenditures (HUF 576 million). Profitability increased from 2.4% during the base period to 11.6%. The profitability of the operating profit + depreciation is 16.6 per cent, against 7.6% during the base period.

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

In 2008, the net financial profit was HUF -6,435 million, compared to the same period of 2007, when it was HUF 519 million. The activated profit of derivative transactions during 2008 was HUF 26 million, compared to HUF 229 million in 2007. The unrealized gain of the revaluation as at 30 September 2008 of the derivative transactions is HUF -4,978 million, compared to HUF +937 million during the base period.

The net profit of interest incomes and expenses was HUF -664 million during 2008, compared to HUF -606 million during the base period. The exchange rate gains/losses of FX items on 31



December 2008 was HUF -544 million, compared to HUF -21 million on 31 December 2007.

Financial revenues and expenditures consisted of the following principal items:

	<b>2007</b>	<b>2008</b>
Revenue from dividends	4 995	4 163
Interest income	272 068	554 613
Realised gain on forward transactions	294 247	1 224 796
Unrealised gain of forward transactions	936 776	
Exchange rate gains	1 148 737	3 302 747
Other financial revenues	12 883	7 746
<b>Financial revenues</b>	<b>2 669 706</b>	<b>5 094 065</b>
Interest payable	881 074	1 198 616
Realised loss of forward transactions	65 656	1 199 117
Unrealised loss of forward transactions	0	4 978 274
Exchange rate losses	1 169 994	3 847 234
Other financial expenditures	34 418	61 505
<b>Financial expenditures</b>	<b>2 151 142</b>	<b>11 284 746</b>

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

The profit from external companies during 2008 amounted to HUF -244 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 earnings before taxation amounted to HUF 349 million in 2008, which because of the factors outlined in sections 1-5. is HUF 1,571 million less than the figure for 2007. The profitability ratio represents a 0.6 per cent return on sales on the basis of profit before taxation, compared to 3.3 per cent during the base period.

At group level the tax liability amounts to HUF 742 million, of which the deferred tax for the current period is HUF 284 million and the trade tax is HUF 400 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 release 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,

- according to the IFRS rules, the real estate kept for investment purposes is accounted for at real value, whereas according to the HAS, the book value is used and the property is recorded under inventories.

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

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

\*Indicate with X.

Item	31 December 2007	31 December 2008	Index
Properties, machines, equipment	15 976 027	16 173 131	101.2%
Intangible assets	487 736	589 351	120.8%
Long-term receivables	147 099	73 064	49.7%
Property for investment purposes	338 217	6 000 000	1774.0%
Other participations	1 294 019	1 048 483	81.0%
Marketable financial assets	263 811	255 055	96.7%
Deferred tax receivables	852 941	1 516 021	177.7%
<b>Total invested assets</b>	<b>19 359 850</b>	<b>25 655 105</b>	<b>132.5%</b>
Securities	80 000	80 000	100.0%
Stocks	9 321 700	10 137 571	108.8%
Receivables	10 965 163	9 168 573	83.6%
Derivative means	936 776	0	0.0%
Corporate tax receivables	130 952	213 389	163.0%
Liquid assets, bank account	1 711 118	1 470 517	85.9%
<b>Total current assets</b>	<b>23 145 709</b>	<b>21 070 050</b>	<b>91.0%</b>
<b>Total ASSETS</b>	<b>42 505 559</b>	<b>46 725 155</b>	<b>109.9%</b>
Share capital	12 891 977	12 623 816	97.9%
Capital reserve	6 852 528	0	-100.0%
Share option reserve	49 779	63 502	127.6%
Retained earnings	-2 898 056	3 517 706	321.4%
<b>Total equity and reserves</b>	<b>16 896 228</b>	<b>16 205 024</b>	<b>95.9%</b>
Long-term liabilities	7 493 240	6 106 635	81.5%
Provisions	861 906	1 366 997	158.6%
<b>Total long-term liabilities</b>	<b>8 355 146</b>	<b>7 473 632</b>	<b>89.4%</b>
Derivative financial liabilities		4 977 273	
Short-term credits and loans	3 936 087	6 037 737	153.4%
Short-term liabilities	13 066 307	10 833 313	82.9%
Deferred tax liability	251 791	1 198 176	475.9%
<b>Short-term liabilities total</b>	<b>17 254 185</b>	<b>23 046 499</b>	<b>133.6%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>42 505 559</b>	<b>46 725 155</b>	<b>109.9%</b>

**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 changed from the closing value of HUF 15,973 million of the previous year to HUF 16,173 million.

**1.2. Intangible assets**

The net value of intangible assets was HUF 589 million, which increased since the base period

primarily due to the expenditure related to the Oracle software development. Rába Nyrt. capitalised experimental developments amounting to HUF 114 million during Q4 of 2008.

### **1.3 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>31 December 2007</b>	<b>31 December 2008</b>
Opening 1 January	470 394	147 099
Increase	7 980	3 339
Repayment	(54 416)	(36 811)
Reclassification to customer and other receivables	(300 276)	
Impairment		(52 740)
Effect of discounting	23 417	12 177
<b>Closing 31 December</b>	<b>147 099</b>	<b>73 064</b>

### **1.4 Real estate for investment purposes**

The value of real estate for investment purposes amounted to HUF 338 million on 31 December 2007. AS from 2008, Rába Nyrt. accounts for such property at real value. The real value was established by an independent property appraiser.

### **1.5 Investments accounted using the capital method**

The closing stock of investments as at 30 September, 2008 was HUF 1,048 million. The Company participated in the establishment of a joint venture, Busch-Rába Öntöde Kft., charged with the management of the foundry division. Rába's stake in the venture is 25.5%. The Busch-Rába Foundry Kft. was established on 8 November 2007.

### **1.5 Deferred tax receivable**

On 31 December 2008, the deferred tax amounted to HUF 1, 516 million, HUF 663 million over the level of 31 December 2007. The majority of this sum is the deferred tax receivable for the derivative financial means.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 31 December 2008, the closing value of stocks was HUF 10,138 million (31 December 2007: HUF 9,322 million). The change is +8.8%, resulting from the increase by HUF 499 million in materials and goods and by HUF 317 million in work in progress and finished goods.

### **2.2. Receivables**

The closing figure of receivables as at the end of 2008 was HUF 9,169 million, a decline of HUF 1,797 million compared to the base period (closing figure for 2007: HUF 10,965 million). The change is due to the following factors:

- Decline in accounts receivable (HUF -1,641 million),
- Increase in active accrual of revenues (HUF -20 million)
- Increase in other short-term receivables (HUF -113 million).

### **2.3. Derivative financial assets**

The Group uses forward FX contracts to reduce the FX risk resulting from sales in US dollars and Euros. All forward FX contracts are recorded at real value. The financial profit resulting from the changes in real value amounted to HUF 937 million in 2007 and to a financial loss of HUF 4,977 million in 2008, thus it is shown under Derivative financial liabilities in the balance

sheet.

## **2.4. Liquid assets**

The closing figure of liquid assets on 31 December 2008 was HUF 1, 471 million (31 December 2007: HUF 1,711 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 31 December 2008, the share capital of the company was HUF 12,624 million, which is HUF 268 million less than the figure prevailing on 31 December, 2007.

The change is due to the following factors:

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 35,709 treasury shares using the options of the first tranche. 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.

Also, based on the authorization granted by the Board of Directors, the Company purchased 303,870 treasury shares .

### **3.2. Capital reserve**

On 31 December 2008, the capital reserve was HUF 0 million, HUF 6,853 million less than that on 31 December 2007. The decline is due to the difference between the cost and the nominal value of the treasury shares repurchased (HUF -32 million). Based on the decision of the shareholders, HUF 6,821 million were regrouped from capital reserve to retained earnings to cover losses of the previous years.

### **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 for the senior and middle management of the Company. 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 defined, 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 63,502 which changed during the year, subject to the draw-downs.

### **3.4 Retained earnings**

The retained earnings (HUF 3,518 million) changed compared to the previous year (HUF - 2,898 million) by HUF 6,416 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				1 413 789	1 413 789
Share-based payments	49 038		32 642	(17 668)	64 012
Deferred tax of share-based payments			(6 608)		(6 608)
Sale of treasury shares	3 338			498	3 836
Government 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				(393 162)	(393 162)
Result of share-based payment	35 709		17 154	(11 880)	40 983
Deferred tax of share-based payment			(3 431)		(3 431)
Purchase of treasury shares	(303 870)	(31 724)			(335 594)
Regrouping from capital reserve to retained earnings		(6 820 804)		6 820 804	-
<b>Balance as at 31 December, 2008</b>	<b>12 623 816</b>	<b>-</b>	<b>63 502</b>	<b>3 517 706</b>	<b>16 205 024</b>

#### 4. LONG-TERM LIABILITIES

The closing value of long-term liabilities as at 31 December 2008 amounted to HUF 6,107 million (on 31 December 2007, the closing figure was HUF 7,493 million). Of this, HUF 6,029 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 1,387 million.

The changes in provisions during 2008 are shown in the following table:

	Product warranties	Litigations	Lay-offs	Others	Total
<b>Opening, 1 January, 2008</b>	<b>741 070</b>	<b>46 725</b>	<b>61 854</b>	<b>12 257</b>	<b>861 906</b>
Provisions set aside during the year	71 192	16 496	543 798	144 632	776 119
Use of provisions during the year	(179 041)	(30 121)	(61 856)	(11)	(271 029)
<b>Closing, 31 December 2008</b>	<b>633 222</b>	<b>33 100</b>	<b>543 796</b>	<b>156 878</b>	<b>1 366 997</b>

#### 5. SHORT-TERM LIABILITIES

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

The amount (HUF 6,038 million) of short-term credits and loans increased by 53.4% compared to the previous period (HUF 3,936 million).

##### 5.2. Short-term liabilities

The amount of short-term liabilities (closing figure on 31 December 2008: HUF 10,833 million) decreased by 17.1% compared to the base period (of HUF 13,066 million).

#### Deferred tax liability

The amount of deferred tax liability was HUF 1,198 million at 31 December 2008, which is an increase of HUF 946 million over the figure prevailing on 31 December 2007. The majority of the deferred tax liability is the deferred tax advance for the revaluation of the real estate kept for investment purposes.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2008**

	Figures in HUF thousand	
	31 December 2007	31 December 2008
<b>Cash flow of operating activity</b>		
Profit before taxation	1 512 429	348 741
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	609 005	644 003
Depreciation and amortisation	3 012 838	2 944 310
Impairment of real estate, machinery, and fixtures	-	7 785
Impairment of bad and doubtful receivables	-71 144	-130 289
Impairment of stocks recorded at net realisable value	127 021	108 558
Provisions	218 066	505 091
Share-based payments made in capital instruments	32 642	16 127
Changes in real value of derivative financial assets	952 891	5 914 049
Result of sale and in-kind contribution of real assets, machinery and fixtures	-600 404	-110 027
Result of sale of financial investments	-3 682	0
Valuation of invested assets		-5 661 783
<i>Changes in working capital:</i>		
Trade and other receivables, changes in corporate tax	1 371 760	2 090 465
Changes in stocks	-887 357	-924 429
Changes in trade liabilities and others	2 551 843	-2 250 556
Profit tax paid	-297 484	-543 440
Interests paid	-901 705	-1 198 616
<b>Net cash-flows from operating activities</b>	<b>7 626 719</b>	<b>1 759 990</b>
<b>Cash flows from investment activities</b>		
Purchase of investments accounted through the capital method	-2 550	2 085
Purchase of real estate, machinery and intangibles	-7 590 706	-3 316 544
Revenue from the sale of investments accounted through the capital method	4 515	243 451
Revenues from the sale of real estate, machinery and fixtures, as well as of intangibles	4 563 512	193 319
Interests received	316 577	473 818
<b>Net cash flows used for investment activities</b>	<b>-2 708 652</b>	<b>-2 403 871</b>
<b>Cash flow from financing activities</b>		
Revenues/expenditures from the sale/purchase of treasury shares	35 206	-280 040
Reserves	-2 237	-31 724
Receipt of loans and credits and repayment	6 072 926	12 594 874
Repayment of loans and credits	-9 890 192	-11 879 828
<b>Net cash flows from financing activities</b>	<b>-3 784 297</b>	<b>403 282</b>
<b>Net increase/decline of financial instruments and equivalents</b>	<b>1 133 770</b>	<b>-240 600</b>

**PK6. Major off-balance sheet items**

Description	Value (HUF)
According to a separate list*	

Forward FX deals to cover the exchange rate risk of export sales revenues: sale of USD 66 million in exchange for HUF (of which USD 10 million represents option deals), sale of USD 30 million for EUR (option deals) and sale of EUR 147 million for HUF (of which EUR 5 million represents option transactions).

The bank loans of the Rába Group amount to HUF 11,913 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 11,386 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 3,536 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 (31 December)			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	39.80	42.46	5 362 319				
Foreign institutional/corporate	33.28	34.77	4 484 167	21.32	22.75	2 872 678				
Foreign private individual	0.43	0.45	58 351	0.29	0.31	38 700				
Domestic private individual	36.29	37.91	4 889 216	31.91	34.04	4 298 761				
Employees, managing executives	0.359	0.376	48 430	0.40	0.43	53 868				
Treasury shares	4.28		577 249	6.27		845 410				
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. List and introduction of shareholders with a stake exceeding 5% (as at 31 December 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	11.58	



Treasury Shares	D	B	845,410	6.27		
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<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.

\* Based on an announcement made on 29 January 2009, the number of treasury shares held by Rába Járműipari Holding Nyrt. increased to 927,587.

## **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	646,254	655,500	845,410
Subsidiaries					
Total	577,249	573,731	646,254	655,500	845,410

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	20	20	29
Group level	2,645	2,645	2,415

The consolidated closing headcount as at 31 December 2008 was 2,415, which represented a decline of 7.8% 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		88
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	István Pintér	Managing Director	2004	indefinite	19,429
SP	László Urbányi	Managing Director	2005	Indefinite	4,412
SP	János Torma	Managing Director	2005	Indefinite	1,650
TOTAL No. of treasury shares owned (pcs):					53,868

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

### **Rába Nyrt. (individual) balance sheet (HAS)**

Figures in thousand HUF

No.	Description of item	31 Dec 2007	31 Dec 2008	Index
<b>A.</b>	<b>Invested assets</b>	<b>16 000 130</b>	<b>15 888 965</b>	<b>99.31%</b>
I.	Intangible assets	170 800	145 988	85.47%
II.	Fixed assets	6 327 356	6 363 759	100.58%
III.	Financial assets invested	9 501 974	9 379 218	98.71%
<b>B.</b>	<b>Current assets</b>	<b>7 254 990</b>	<b>6 591 359</b>	<b>90.85%</b>
I.	Stocks	350 189	352 676	100.71%
II.	Receivables	5 264 766	4 107 493	78.02%
III.	Securities	577 249	877 134	151.95%
IV.	Liquid assets	1 062 785	1 254 056	118.00%
<b>C.</b>	<b>Active accruals</b>	<b>161 145</b>	<b>92 286</b>	<b>57.27%</b>
	<b>TOTAL ASSETS</b>	<b>23 416 265</b>	<b>22 572 611</b>	<b>96.40%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>14 752 493</b>	<b>13 041 713</b>	<b>88.40%</b>
I.	Registered capital	13 473 446	13 473 446	100.00%
	Of which: ownership stake repurchased at face value	577 249	845 410	146.45%
III.	Capital reserve	11 040 016	127 654	1.16%
IV.	Retained earnings	-9 299 704	1 109 359	111.93%
V.	Fixed reserves	577 249	877 134	151.95%
VII.	Net profit	-1 038 515	-2 545 879	-145.15%
<b>E.</b>	<b>Provisions</b>	<b>349 920</b>	<b>392 959</b>	<b>112.30%</b>
<b>F.</b>	<b>Liabilities</b>	<b>8 188 550</b>	<b>8 962 050</b>	<b>109.45%</b>
I.	Subordinated liabilities	0	0	
II.	Long-term liabilities	0	0	
III.	Short-term liabilities	8 188 550	8 962 050	109.45%
<b>G.</b>	<b>Passive accruals</b>	<b>125 302</b>	<b>175 888</b>	<b>140.37%</b>
	<b>TOTAL LIABILITIES</b>	<b>23 416 265</b>	<b>22 572 611</b>	<b>96.40%</b>

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

Figures in thousand HUF

No.	Description	2007	2008	Index
I.	Net sales revenue	1 512 659	1 167 226	77.16%
II.	Direct costs of sales	572 911	303 715	53.01%
<b>III.</b>	<b>Gross sales revenue</b>	<b>939 748</b>	<b>863 510</b>	<b>91.89%</b>
IV.	Indirect sales costs	1 403 787	1 437 711	102.42%
V.	Other revenues	1 122 762	202 734	18.06%
VI.	Other expenditures	2 300 946	406 678	17.67%
<b>A.</b>	<b>OPERATING PROFIT</b>	<b>-1 642 223</b>	<b>-778 145</b>	<b>152.6%</b>
VIII.	Revenues from financial transactions	1 574 856	264 075	16.77%
IX.	Expenditures of financial transactions	380 651	2 028 639	532.94%
B.	Profit of financial transactions	1 194 205	-1 764 565	247.76%
<b>C.</b>	<b>ORDINARY BUSINESS PROFIT</b>	<b>-448 018</b>	<b>-2 542 709</b>	<b>-467.5%</b>
D.	EXTRAORDINARY PROFIT	-590 378	-22 198	96.24%
<b>E.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>-1 038 397</b>	<b>-2 564 907</b>	<b>-147.0%</b>
XII.	TAX LIABILITY	118	-19 028	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>-1 038 515</b>	<b>-2 545 879</b>	<b>-145.1%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>-1 038 515</b>	<b>-2 545 879</b>	<b>-145.1%</b>

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

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

**Declaration of liability**

RÁBA Nyrt hereby declares that the quarterly 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 quarterly 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 quarterly report in a form in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard (interim financial statement).

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, 3 March 2009

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO