

# Rába Nyrt. Flash Report for Q1-3 of 2007

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:	Q 1-3 of 2007
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

- The US utility vehicle market is performing at a low level in line with the earlier quarters of this year, due to the environmental norms introduced, the expansion of the market is being delayed. The sales opportunities for special axles have continued to increase. The European market of heavy vehicles continues to be strong. The Russian bus market is demonstrating growth.
- Raw material prices continue to be high.
- Energy prices further increasing by 13% compared to the same period of last year and by 1% compared to the last quarter.
- Considerably lower USD exchange rate and lower (by 8.6%) EUR exchange rate during Q3 of 2007, compared to the same period of last year.

### Key events and achievements

During the quarter, in spite of the usual summer recess and the deteriorating foreign exchange rates, the gross margin showed a slight improvement. The decline in gross margin is less than what is suggested by the foreign exchange, which indicates further efficiency improvement.

Continued lower indirect costs are the result of stringent cost control and are due to the positive impact of the space consolidation and of the relocations.

No major real estate sales occurred during the period.

Headcount efficiency improved by 20% during the first 6 months compared to last year, the closing headcount of the group declined to 2823 people.

### Sales and position of strategic markets:

On the **American market**, the sales revenue during Q1-Q3 of 2007 was USD 56.9 million, against USD 48.4 million during Q1-Q3 of 2006. This means an increase of 17.5%, resulting from two opposite effects: the period was characterised on the one hand by the substantial, temporary decline of the heavy vehicle market, which was offset 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 12.8%, amounting to HUF 24.4 billion, compared to HUF 21.6 billion of last year.

**European exports** amounted to EUR 35.5 million during Q1-Q3 of 2007 compared to EUR 30.5 million during the same period of last year. This corresponds to an increase of 16.2%, to which the Axle business contributed EUR 19.3 million, the Component business contributed

EUR 13.2 million and the Vehicle business EUR 3.0 million.

**Domestic sales** amounted to HUF 15.5 billion during Q1-Q3 of 2007, which is an increase of 17.3% compared to HUF 13.2 billion of Q1-Q3 of 2006. The sales generated by the Axle business increased by 18%, that of the Component business by 47%, as a result of the increase in the sales revenue generated by the Suzuki and the Axle business sales. Domestic results were deteriorated by the 13% lower sales revenue of the Vehicle business, drastically fluctuating during the year.

On the **CIS and East-European markets** export sales revenues achieved by Rába increased substantially by 25.6% from EUR 15.5 million during the base period to EUR 19.5 million during Q1-Q3 of 2007. The increase continues to be attributable to the increase in the demand on the Russian market and the expansion of Rába's strategic relations.

On the **other markets** the sales revenue achieved during Q1-Q3 of 2007 amounted to USD 6.2 million, against USD 3.7 million of last year. The increase in sales revenue is due to the one-off sales revenue item of EUR 2.9 million treated on a project basis.

### **The Rába Group**

The consolidated sales revenue of the Rába group in Q3 of 2007 amounted to HUF 13.5 billion, which is an increase of 16.9% over the figure for Q3 of 2006.

The operating profit of the group during Q3 of 2007 amounted to HUF 45 million, compared to the profit of HUF 127 million during Q3 of 2006, which is the result of substantial improvements in operations purely during this quarter.

The financial profit contains an activated hedge profit of HUF 176 million, as well as net interest payment of HUF 157 million in addition to the HUF -115 million of revalued creditor-debtor loans and HUF 792 million in profit due to open hedge positions (the rewrite of open forward transactions from last year is HUF -82 million and the effect of open forward transactions is HUF 874 million). As a result of these, the financial result is HUF +694 million.

As a result of the above, the Rába group generated a profit of HUF 469 million in Q3 of 2007, compared to the profit of HUF 1,949 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 757 million during Q3, against last year's figure of HUF 825 million.

### **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. during Q3 of 2007 amounted to HUF 8.4 billion after HUF 7.7 billion achieved during Q3 of 2006. This amounts to an increase of 8.9%.

The operating result of the company during Q3 of this year changed to a loss of HUF -182 million, compared to the loss of -95 million of the same period of last year.

On the level of EBITDA, the result of the Axle Business during the period declined to HUF 333 million, compared to HUF 525 million of last year.

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

The sales revenue of the Component Ltd. grew significantly, by 50.7% during Q3 of 2007 to HUF 4.2 billion, from HUF 2.8 billion in Q3 of 2006.

Accordingly, the company generated HUF 172 million in profits at operating level during Q3 of 2007 compared to HUF 29 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. increased by 102% to HUF 297 million during the period, from HUF 147 million of last year.

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

The sales revenue of Rába Jármű Kft. showed significant volatility during the year. During Q3 of 2007, it amounted to HUF 1.5 billion, which is the same as the figure achieved in Q3 of 2006.

The operating profit was HUF 138 million during Q3 of this year, compared to HUF 119 million during the same period of last year.

On the level of EBITDA, during Q3 of 2007 the Company registered a profit of HUF 173 million compared to HUF 164 million of last year.

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

#### **Sales revenue by business divisions**

<b>Sales revenue (million HUF)</b>	<b>Axle</b>	<b>Components</b>	<b>Vehicle</b>	<b>Rába group consolidated</b>
Q1 2006	7,823	2,820	1,762	11,941
Q2 2006	8,500	3,063	1,944	13,135
<b>Q3 2006</b>	<b>7,669</b>	<b>2,804</b>	<b>1,489</b>	<b>11,523</b>
Q4 2006	8,308	3,819	2,346	13,712
Q1 2007	8,137	4,048	1,314	12,981
Q2 2007	9,044	4,087	2,017	14,452
<b>Q3 2007</b>	<b>8,351</b>	<b>4,227</b>	<b>1,504</b>	<b>13,470</b>

#### **Breakdown of sales revenue during Q3 of 2007.**

<b>Million HUF</b>	<b>America</b>	<b>EU</b>			<b>CIS</b>	<b>Other</b>	<b>Total</b>
		<b>Total</b>	<i>export</i>	<i>domestic</i>			
Axle	3,619	2,862	1,434	1,378	1,719	202	<b>8,351</b>
Component	0	4,226	1,120	3,106	0	0	<b>4,226</b>
Vehicle	0	1,505	380	1,125	0	0	<b>1,505</b>
<b>Consolidated</b>	<b>3,619</b>	<b>7,931</b>	<b>2,935</b>	<b>4,996</b>	<b>1,719</b>	<b>202</b>	<b>13,469</b>

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

	Operating profit							
	2006.					2007.		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Axle	-412	1.715	-95	-34	1.174	-351	-165	-182
Axle*		-85			-626			
Component	29	313	29	22	393	198	187	172
Component*		113			193			
Vehicle	120	141	119	174	554	101	203	138
Other	285	-1.886	74	-50	-1.577	62	-122	-83
Other*		114			423			
<b>Total</b>	<b>22</b>	<b>283</b>	<b>127</b>	<b>112</b>	<b>544</b>	<b>10</b>	<b>103</b>	<b>45</b>

\*Without write-off of shareholders' loans

**PK2. Companies involved in the consolidation**

Company	Capital in HUF thousand	Participation (%)	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 Ipartechnika Szolgáltató Kft.</b>	<b>266,860</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>

<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)

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

Data in thousand HUF

Item	Q1-Q3 2007	Q1-Q3 2006	Index	Q3 2007	Q3 2006	Index
Domestic sales revenues	15,474,550	13,189,164	117.3%	4,996,305	4,085,723	122.3%
Export sales revenues	25,428,453	23,409,772	108.6%	8,473,640	7,437,166	113.9%
<b>Sales revenues</b>	<b>40,903,003</b>	<b>36,598,936</b>	<b>111.8%</b>	<b>13,469,945</b>	<b>11,522,889</b>	<b>116.9%</b>
Direct cost of sales	33,124,367	27,893,714	118.8%	10,875,970	8,684,586	125.2%
<b>Gross profit</b>	<b>7,778,636</b>	<b>8,705,222</b>	<b>89.4%</b>	<b>2,593,975</b>	<b>2,838,303</b>	<b>91.4%</b>
Cost of sales	535,408	619,740	86.4%	196,869	217,296	90.6%
General and administration expenses	7,611,461	8,458,922	90.0%	2,468,232	2,735,458	90.2%
Other net revenues	525,923	805,412	65.3%	115,547	241,003	47.9%
<b>Other items related to business activities</b>	<b>-7,620,946</b>	<b>-8,273,250</b>	<b>107.9%</b>	<b>-2,549,554</b>	<b>-2,711,751</b>	<b>106.0%</b>
<b>Operating profit before interest payment and taxation</b>	<b>157,690</b>	<b>431,972</b>	<b>36.5%</b>	<b>44,421</b>	<b>126,552</b>	<b>35.1%</b>
Net financial revenues/expenses	620,842	954,490	65.0%	694,133	2,141,601	32.4%
<b>PROFIT BEFORE TAXATION</b>	<b>778,532</b>	<b>1,386,462</b>	<b>56.2%</b>	<b>738,554</b>	<b>2,268,153</b>	<b>32.6%</b>
<b>Corporate profit tax</b>	<b>155,997</b>	<b>263,169</b>	<b>59.3%</b>	<b>269,922</b>	<b>319,053</b>	<b>84.6%</b>
<b>PROFIT AFTER TAXATION</b>	<b>622,535</b>	<b>1,123,293</b>	<b>55.4%</b>	<b>468,632</b>	<b>1,949,100</b>	<b>24.0%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>622,535</b>	<b>1,123,293</b>	<b>55.4%</b>	<b>468,632</b>	<b>1,949,100</b>	<b>24.0%</b>

**1. EARNED REVENUES**

During Q1-Q3 of 2007, Rába achieved HUF 40,903 million in sales revenue, compared to HUF 36,599 million during the same period of last year. 62.2 per cent of the revenues came from export, the rest came from domestic sales.

**2. EXPENSES AND OTHER REVENUES****2.1. Direct costs**

During Q1-Q3 of 2007 the direct cost level of Rába was at 81.0 per cent, versus the 76.2% cost level characteristic for Q1-Q3 of 2006.

**2.2. Gross Profit**

The gross profit changed from HUF 8,705 million to HUF 7,779 million, which is due to the increase in the sales revenue (+ HUF 4,304 million) and to the significant increase in direct costs (+ HUF 5,231 million). Compared to the favourable development of the exchange rates in Q1-Q3 of 2006, Q1-Q3 of 2007 saw a significant deterioration (USD: 213.3 in Q1-Q3 of 2006, 186.3 in Q1-Q3 of 2007, EUR: 266.7 in Q1-Q3 of 2006, 250.4 in Q1-Q3 of 2007). The sales of the Rába group in EUR increased in Q1-Q3 of 2007 by 18 per cent, the sales in USD increased by 21% compared to the same period of the previous year. Nevertheless, as a consequence of the changes in exchange rates, export sales increased by 8.6%.

**2.3. Cost of sales**

The cost of sales declined by 13.6 per cent and amounted to HUF 535 million in Q1-Q3 of 2007, compared to HUF 620 million during Q1-Q3 of 2006.

**2.4. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the management of the company, as well as other general expenses (Q1-Q3 of 2007: HUF 6,717 million, Q1-Q3 of 2006: 7,550 million), and various expenditures outside the ordinary business operation (Q1-Q3 of 2007: HUF 874 million, Q1-Q3 of 2006: HUF 795 million) and the accounting of technical development as capitalised expenditure (HUF 21 million) under general overhead costs. General overhead and administrative expenses include redundancy costs, costs not directly related to production, as well as the necessary provisioning.

## **2.5. Net other revenues**

Other revenues amounted to HUF 526 million in Q1-Q3 of 2007. This amount was HUF 279 million (34.7 per cent) lower than that of the base period. The change is due to the following factors: decline in the profit from the sale of tangible assets (HUF -340 million), increase in the release of provisions (HUF +46 million) set aside for lay-offs and repairs under guarantee.

## **3. (“OPERATING”) PROFIT BEFORE INTEREST PAYMENT AND TAXATION**

The profit of Rába before interest payment and taxation in Q1-Q3 of 2007 was HUF +158 million (Q1-Q3 of 2006: HUF 432 million). The decline in the gross profit is HUF -927 million, which was improved by the decline in the cost of sales and administrative costs (HUF 932 million) and deteriorated by the decline in other revenues as outlined in section 2.5 (HUF -279 million). Profitability declined from 1.2% during the base period to +0.4%. The profitability of operating profit + depreciation increased from +6.6 per cent to +6.0 per cent.

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

### **4.1. Net financial result**

In Q1-Q3 of 2007, the net gain on hedging transactions amounted to HUF 831 million, the gain during Q1-Q3 of 2006 was HUF 947 million. The net profit of interest income and expenditures was HUF -464 million during Q1-Q3 of 2007, compared to HUF -430 million during the base period.

Within net financial revenues, exchange rate gains/losses of FX items on 30 September 2007: HUF +275 million, 30 September 2006: HUF +440 million.

The components of this are as follows:

The unrealised gain on the revaluation of forward transactions as at 30 September 2007 was HUF +874 million, against HUF -201 million during the base period. The unrealized gain of forward transactions as at December 31<sup>st</sup> 2006 was released during the beginning of Q1-Q3 of 2007, the financial impact of which was HUF -682 million (the same value during Q1-Q3 of 2006 was +1,357 million). Net financial results also include the effect of the revaluation of debts, accounts payable and accounts receivable, which in Q1-Q3 of 2007 was HUF 83 million, and HUF -716 million in Q1-Q3 of 2006. Based on the above, the net financial result was HUF +621 million during Q1-Q3 of 2007 (Q1-Q3 of 2006: HUF +954 million). The net financial revenues consisted of the following principal items:

	<u>Q1-Q3 of 2007</u>	<u>Q1-Q3 of 2006</u>
Revenue from dividends	1,665	3,330
Interest income and expenditure, net	-463,879	-429,564
Realised gain on forward transactions	831,409	946,979
Release of unrealized gain of forward transactions during previous year	-681,848	1,356,695
Unrealised gain of forward transactions	873,715	-200,947
Result of revaluation of FX and loans	83,306	-716,171

Result from the sale of participations	3,683	0
Others	-27,209	-5,832
	<u>620,842</u>	<u>954,490</u>

#### **4.2. Profit from external companies**

The IFRS-based consolidated profit and loss statement of Rába contains no profit from external companies.

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

The result before taxation was a profit of HUF 779 million in Q1-Q3 of 2007, which as a result of the factors outlined in sections 2.1-4.2 is HUF 608 million worse than the figure for Q1-Q3 of 2006. The profitability index represents a 1.9 per cent return on sales on the basis of profit before taxation, compared to 3.8 per cent during the base period.

At group level the tax liability amounts to HUF 156 million, which is in part the tax liability due on the basis of the unrealized profit of forward transactions and partly the corporate tax liability of one of the group companies.

#### **6. 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.

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

Data in HUF thousand

Item	30 September 2007	30 September 2006	Index
Properties, machines, equipment	16,869,470	17,836,046	94.6%
Intangible assets	51,229	106,942	47.9%
Other participations	2,975	3,952	75.3%
Other investments	2,834	5,862	48.3%
Long-term receivables	449,560	510,200	88.1%
Deferred tax	687,971	1,703,339	40.4%
<b>Total invested assets</b>	<b>18,064,039</b>	<b>20,166,341</b>	<b>89.6%</b>
Securities	80,000	80,000	100.0%
Stocks	9,511,401	9,547,004	99.6%
Assets kept for sale	1,798,721	0	
Receivables related to tax	1,075,731	962,513	111.8%
Receivables	13,006,967	9,348,348	139.1%
Liquid assets, bank account	1,211,494	749,735	161.6%
<b>Total current assets</b>	<b>26,684,314</b>	<b>20,687,600</b>	<b>129.0%</b>
<b>Total ASSETS</b>	<b>44,748,353</b>	<b>40,853,941</b>	<b>109.5%</b>
Share capital	12,891,977	12,831,024	100.5%
Capital reserve	6,817,027	6,796,818	100.3%
Retained earnings	-2,878,664	-5,911,999	151.3%
<b>Total equity and reserves</b>	<b>16,830,340</b>	<b>13,715,843</b>	<b>122.7%</b>
Long-term liabilities	10,033,233	9,139,128	109.8%
<b>Total long-term liabilities</b>	<b>10,033,233</b>	<b>9,139,128</b>	<b>109.8%</b>
Short-term credits and loans	5,714,396	6,384,562	89.5%
Short-term liabilities	12,170,384	11,614,408	104.8%
<b>Short-term liabilities total</b>	<b>17,884,780</b>	<b>17,998,970</b>	<b>99.4%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>44,748,353</b>	<b>40,853,941</b>	<b>109.5%</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 changed from the closing value of HUF 17,836 million of the previous year to HUF 16,870 million. The principal reason for the change is due to the fact that the book value of HUF 1,799 million of the Railway vehicle site to be sold to the Engel Group was reclassified by the Company in December of 2006 as assets for sale within current assets, since according to our current position, these assets do not serve the activity of the enterprise in the long run. The revenues expected from the deal are going to significantly exceed the book value of the property.

**1.2. Intangible assets**

The net value of intangible assets was HUF 51 million, HUF 56 million less than that of the base period. Rába Nyrt. has only licences among intangible assets. The decline corresponds to the depreciation between the two periods.

**1.3. Other participations**

Some of the other participations include subsidiaries not included in the consolidation, and the



rest are other participations, in the case of which Rába's stake is less than 25 per cent. Their closing figure as at 30 September 2007 was HUF 3 million, which is HUF 1 million less than during the base period, due to the sale of the stake in MI Technik Alkatrésztesztelő Kft.

#### **1.4. Other investments**

The closing value of other investments was HUF 3 million, which was HUF 3 million below the previous year's figure.

#### **1.5. Long-term receivables**

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

<b>Description</b>	<b>Original value</b>	<b>Effect of discounting</b>	<b>Discounted value</b>
<b>2006 opening</b>	<b>412,950</b>	<b>36,282</b>	<b>376,668</b>
Generated	158,500	24,968	133,532
<b>Q1-Q3 2006 closing</b>	<b>571,450</b>	<b>61,250</b>	<b>510,200</b>
Released	-75,887	-15,247	-60,640
<b>2006 closing</b>	<b>495,563</b>	<b>46,003</b>	<b>449,560</b>
<b>Q1-Q3 of 2007 closing</b>	<b>495,563</b>	<b>46,003</b>	<b>449,560</b>

#### **1.6. Deferred tax**

On 30 September 2007, the deferred tax amounted to HUF 688 million, HUF 1 billion less than the value as at 30 September 2006. The change is due to the change in tax liabilities as detailed under section 5 and to the release at the end of 2006 of HUF 832 million of the deferred tax claim set aside for the loss of the previous years, since the enforceability of this tax claim is uncertain because of the expected changes in taxation policy and the profits expected within the foreseeable future.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 30 September 2007, the closing value of stocks was HUF 9,511 million (30 September 2006: HUF 9,547 million). The change is -0.4%.

### **2.2. Assets for sale**

The increase of assets by HUF 1,799 million is due to the reclassification of the book value of the Railway Vehicle Site as detailed under section 1.1.

### **2.3. Tax receivables**

Tax receivables (HUF 1,076 million) originate largely from the reclaimed VAT in relation to export activities (30 September 2006: HUF 963 million).

### **2.4. Receivables**

The closing figure of receivables as at the end of Q1-Q3 of 2007 was HUF 13,007 million, an increase of 3.7 per cent over the base period (closing figure for Q1-Q3 of 2006: HUF 9,348 million). The increase is due to the following factors:

- Increase in accounts receivable (HUF 2,033 million) due to the fact that Rába has offered several major customers longer payment terms in order to secure sales growth,
- Accruals of proceeds from forward transactions of the end of 2006, closed but still uncollected (HUF 277 million)

- Accounting of unearned gains of the revaluation on 30 September 2007 of forward transactions (HUF 874 million)
- Increase in advance payments made for stocks and capital expenditure (HUF 448 million).

## **2.5. Liquid assets**

The closing figure of liquid assets on 30 September 2007 was HUF 1,211 million (30 September 2006: HUF 750 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 September 2007, the share capital of the company was HUF 12,892 million, which is HUF 61 million higher than the figure prevailing on 30 September 2006. The change is due to the Rába incentive share programme launched 3<sup>rd</sup> February 2006, within which the management purchases Rába shares. The aim of the programme is to strengthen ownership spirit within the company and to thus increase the market value of the company. The programme is open to any employee of the company and has resulted in the sale of 11,915 treasury shares between the two periods.

To foster common interests between the shareholders of Rába Nyrt and the management of the Rába Group, as well as to increase ownership spirit within the management, the general meeting of Rába Nyrt. decided to launch a five-year medium-term management share option programme, entitled the Management Share Option Incentive Programme and authorised the Board of Directors to execute the programme. Share option agreements were signed on 28 July, 2006, for Rába Nyrt. Shares. Based on the performance in 2006 of the Rába shares, the first opportunity for the draw down was opened on 27 February 2007. In order to further increase share value, the participants of the scheme have volunteered not to exercise their option until the second draw down opportunity is opened. During the period three people – due to the termination of their jobs - exercised their right to purchase 49,038 shares made available to them in accordance with the share option agreement.

### **3.2. Capital reserve**

On 30 September 2007, the capital reserve was HUF 6,817 million, HUF 20 million more than that on 30 September 2006. The difference between the actual value and the nominal value of the treasury shares as described under section 3.1 is accounted for under this item.

### **Retained earnings**

The retained earnings (HUF –2,879 million) changed compared to the previous year (HUF - 5,912 million) in line with the result realized between the two periods.

	<b>Share capital</b>	<b>Capital reserve</b>	<b>Profit reserve</b>	<b>Total</b>
Balance as at 1 January 2006	12,781	6,832	-7,035	12,578
Net profit			1.123	1.123
Sale of treasury shares	50	-36		14
Balance as at 30 September 2006	12.831	6.796	-5.912	13.715
Balance as at 1 October 2006	12.831	6.796	-5.912	13.715
Net profit			2.406	2.406
Sale of treasury shares	9	21		30
Balance as at 31 December 2006	12.840	6.817	-3.506	16.151
Balance as at 1st January 2007	12.840	6.817	-3.506	16.151
Net profit			623	623
Draw down of share option	49		4	53
Sale of treasury shares	3			3
Balance as at 30 September 2007	12.892	6.817	-2.879	16.830

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

The closing value of long-term liabilities as at 30 September 2007 amounted to HUF 10,033 million (on 30 September 2006, the closing figure was HUF 9,139 million). Of this, HUF 9,849 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 change is +9.7%.

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

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

The amount (HUF 5,714 million) of short-term credits and loans declined by 10.5% compared to the previous period (HUF 6,385 million).

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

The amount of short-term liabilities (closing figure on 30 September 2007: HUF 12,170 million) increased by 4.8% compared to the base period (of HUF 11,614 million).

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1-Q3 OF 2007**

**Figures in HUF thousand**

Q1-Q3 of 2007

Cash-flow of ordinary operation:

Profit before taxation net of profit shares from associate companies	726.859
Revenues and expenses not affecting the cash flow of ordinary operation	1.707.824
Changes in assets and liabilities related to ordinary activities	-1.211.835
Of which: accounts receivable	-2.254.564
Accounts payable	-448.605
Taxes paid during current year	-104.325
	<b>1.118.524</b>
<u>Changes in financial assets due to financial transactions</u>	-
Sale of treasury shares	57.002
Purchase of treasury shares	0
Net reduction / increase of securities	0
Net increase / decrease of credits and loans	1.065.106
Dividend paid	0
	<b>1.122.109</b>
<u>Changes in cash-flow of investment activity</u>	-
<b>Revenues from the sale of invested assets</b>	0
Sale of tangible assets	597.357
Purchase of invested assets	-2.203.842
	<b>-1.606.485</b>
<b>Changes in liquid assets</b>	<b>634.147</b>
<b><u>Revenues and expenses not affecting the cash flow of ordinary activities</u></b>	
Depreciation	2.276.846
Revaluation	-343.806
- of which: unrealized exchange rate gains/loss of forward transactions	-191.867
- of which: revaluation of accounts receivable and accounts payable loans	-151.939
Loss (gain) on the sale of tangible assets	-225.216
Result of the sale of participation	0
Write-off of assets invested	0
	<b>1.707.824</b>
<b><u>Changes in assets and liabilities related to ordinary activities</u></b>	
Reduction / increase of stocks	-998.137
Changes in receivables / liabilities	-213.698
	<b>-1.211.835</b>

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

Description	Value (HUF)
<b>According to a separate list*</b>	

Forward FX deals serving as collateral for the exchange rate risk of export sales revenues:

sale of USD 32 million in exchange for HUF, sale of EUR 40 million for HUF.  
The bank loans of the Rába Group amount to HUF 15,505 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 15,505 million.  
The amount of bank guarantees issued on behalf of the Rába Group is HUF 504 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 September)			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	29,61	31,06	3.988.881	36,05	37,67	4.857.633				
Foreign institutional/corporate	21,56	22,62	2.905.506	28,84	30,13	3.885.362				
Foreign private individual	0,24	0,25	32.657	0,46	0,48	61.745				
Domestic private individual	25,40	26,64	3.421.906	22,80	23,82	3.072.467				
Employees, managing executives	0,364	0,381	48985	0,36	0,38	48.430				
Treasury shares	4,67		629.625	4,28		577.249				
Shareholder forming part of general government	7,30	7,66	983.440	7,20	7,53	970.560				
International Development Institutions	10,85	11,39	1.462.446	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 2007)

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	11,34	
Wamsler SE	D	B	1.407.446	10.45	10.91	
Trigon Active Alpha Fund	F	B	1,294,771	9.61	10.04	
Municipality of Győr	D	G	968.850	7,19	7,51	

Tamás Korányi and Andor Almás	D	P	653,500	4.85	5.07	
Treasury Shares	D	B	577.249	4,28		

<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.

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

	1 January	30 June	30 June	30 September	31 December
Company level	629,625	626,527	582,409	577,249	
Subsidiaries					
Total	629,625	626,527	582,409	577,249	

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

## **TSZ2. Headcount of full-time employees (No. of people)**

	End of base period	Beginning of current year	End of current period
Company level	20	19	21
Group level	2.951	2.859	2.823

The consolidated closing headcount as at 30 September 2007 was 2,823 people, which represented a decline of 4.3% 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	Antal Apró	Board member	1998	2006	
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
SB	Dr. János Benedek	Chairman of the SB	2004		0
SB	Lajos Horváth	Supervisory Board member	2003		0
SB	Péter Budaházy	Supervisory Board member	2004	2006	
SB	István Préda	Supervisory Board member	2004	2006	
SB	Zoltán Varga	Supervisory Board member	2006		0

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 held (pcs):					48,430

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

### **Changes in employment**

The General Meeting of Shareholders held on 25<sup>th</sup> April 2006 elected Alan Spencer to the Board of Directors. Simultaneously the board membership of Antal Apró was terminated. Zoltán Varga was elected to the Supervisory Board, while the Supervisory Board membership of Péter Budaházy and István Préda was terminated.

The General Meeting of Shareholders held 26<sup>th</sup> April 2007 elected Khalid Abdol Rahnman to the Board of Directors. Simultaneously, the board membership of Abbas Mehad was terminated.

### **Events following the closing day**

Since 3 October 2007 the Municipality of Győr no longer holds its 7.19% stake in the Company.

On 11 October 2007, the holding of Wamsler SE Házartástechnikai Európai Rt. Fell below 5%, and had a 4.86% stake in Rába Nyrt. on this day.

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

Figures in thousand HUF

No.	Description of item	30 September 2006	30 September 2007	Index
<b>A.</b>	<b>Invested assets</b>	<b>12,070,157</b>	<b>16,068,375</b>	<b>133.12%</b>
I.	Intangible assets	34,585	186,748	539.96%
II.	Tagibles	8,829,632	7,076,305	80.14%
III.	Financial assets invested	3,205,940	8,805,322	274.66%
<b>B.</b>	<b>Current assets</b>	<b>3,998,514</b>	<b>5,899,609</b>	<b>147.55%</b>
I.	Stocks	162,792	1,802,936	1107.51%
II.	Receivables	3,177,591	2,958,799	93.11%
III.	Securities	638,202	577,249	90.45%
IV.	Liquid assets	19,929	560,625	2813.16%
<b>C.</b>	<b>Active accruals</b>	<b>146,754</b>	<b>72,177</b>	<b>49.18%</b>
	<b>Total assets</b>	<b>16,215,425</b>	<b>22,040,160</b>	<b>135.92%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>10,554,312</b>	<b>15,339,253</b>	<b>145.34%</b>
I.	Registered capital	13,473,446	13,473,446	100.00%
	Of which: ownership stake repurchased at face value	638,202	577,249	90.45%

III.	Capital reserve	11,040,016	11,040,016	100.00%
IV.	Retained earnings	-12,523,325	-9,299,704	74.26%
V.	Fixed reserves	638,202	577,249	90.45%
VII.	Net profit	-2,074,027	-451,754	21.78%
<b>E.</b>	<b>Provisions</b>	<b>66,420</b>	<b>66,500</b>	<b>100.12%</b>
<b>F.</b>	<b>Liabilities</b>	<b>5,530,910</b>	<b>6,608,034</b>	<b>119.47%</b>
I.	Subordinated liabilities	0	0	
II.	Long-term liabilities	48,820	0	0.00%
III.	Short-term liabilities	5,482,090	6,608,034	120.54%
<b>G.</b>	<b>Passive accruals</b>	<b>63,782</b>	<b>26,373</b>	<b>41.35%</b>
	<b>Total liabilities</b>	<b>16,215,425</b>	<b>22,040,160</b>	<b>135.92%</b>

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

Figures in thousand HUF

No.	Description	Jan-Sept 2006	Jan-Sept 2007	Index
I.	Net sales revenue	1,005,165	1,043,467	103.81%
II.	Direct costs of sales	226,506	320,710	141.59%
<b>III.</b>	<b>Gross sales revenue</b>	<b>778,659</b>	<b>722,757</b>	<b>92.82%</b>
IV.	Indirect sales costs	938,626	914,793	97.46%
V.	Other revenues	884,640	488,955	55.27%
VI.	Other expenditures	659,878	499,152	75.64%
<b>A.</b>	<b>Operating profit</b>	<b>64,796</b>	<b>-202,232</b>	<b>132.0%</b>
VIII.	Revenues from financial transactions	94,551	51,307	54.26%
IX.	Expenditures of financial transactions	210,847	300,711	142.62%
B.	Profit of financial transactions	-116,296	-249,404	-214.46%
<b>C.</b>	<b>Ordinary business profit</b>	<b>-51,500</b>	<b>-451,636</b>	<b>-777.0%</b>
D.	Extraordinary profit	-2,022,527	0	0.00%
<b>E.</b>	<b>Profit before taxation</b>	<b>-2,074,027</b>	<b>-451,636</b>	<b>178.2%</b>
XII.	Tax liability	0	118	
<b>F.</b>	<b>After-tax profit</b>	<b>-2,074,027</b>	<b>-451,754</b>	<b>178.2%</b>

**ST1. Extraordinary communications published during the current period**

Date	Place of publication	Subject, brief summary
05-01-2007	No. 4. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
06-02-2007	No. 26. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
13-02-2007	No. 31. MATÖKE	Flash report of Rába NyRt for 2006
06-03-2007	No. 46. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
26-03-2007	No. 58. MATÖKE	Invitation to the general meeting of shareholders of RÁBA Járműipari Holding Nyrt.
05-04-2007	No. 66. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
10-04-2007	No. 68. MATÖKE	Principal business figures of Rába Nyrt. főbb gazdálkodási adatai



20-04-2007	No. 76. MATÖKE	Extraordinary announcement of Rába Nyrt. Regarding the change in the acquisition of a stake exceeding 5%
27-04-2007	No. 81. MATÖKE	Resolutions of the General Meeting of Shareholders of Rába Nyrt. held 26 <sup>th</sup> April 2007., Stock exchange report of Rába Nyrt. for 2006.
07-05-2007	No. 85. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
09-05-2007	No. 87. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
15-05-2007	No. 91. MATÖKE	Announcement of Rába Nyrt. regarding the venue of the viewing of its flash report
18-05-2007	No. 94. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
21-05-2007	No. 95. MATÖKE	Summary report of Rába Nyrt.
24-05-2007	No. 98. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
29-05-2007	No. 100. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
01-06-2007	No. 103. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
04-06-2007	No. 104. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
11-06-2007	No. 109. MATÖKE	Announcement of Rába Járműipari Holding Nyrt regarding the treasury share transaction
02-07-2007	No. 124.	Extraordinary announcement of Rába Nyrt. regarding the change in the holding of a stake exceeding 10%
02-07-2007	Websites of BÉT and Rába	Other information from Rába Nyrt. Regarding the conclusion of the option programme for treasury shares
03-07-2007	No. 125. MATÖKE	Extraordinary announcement of Rába Nyrt. regarding the change in the holding of a stake exceeding 10%
18-07-2007	No. 138. MATÖKE	Principal business figures of Rába Nyrt.
24-07-2007	No. 140. MATÖKE	Extraordinary announcement of Rába Nyrt. Regarding the registration by the court and about changes in the venue of publishing
02-08-2007	Websites of BÉT and Rába	Announcement of Rába Járműipari Holding Nyrt. Regarding a transaction involving treasury shares
14-08-2007	Websites of BÉT and Rába	Announcement of Rába Nyrt regarding changes in the holding of stakes exceeding 5%
14-08-2007	Websites of BÉT and Rába	Flash report of Rába Nyrt for the 1st half of 2007.

**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"/>

**Accounting principles**      Hungarian       IFRS       Other

**Other:** .....

**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, 15 November 2007

**István Pintér**  
Chairman-CEO

**Béla Balog**  
Deputy CEO