

# Rába Nyrt. Flash Report for 2007

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

Company:	Rába Járműipari Holding Nyilvánosan Működő Részvénytársaság
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Period:	Year 2007
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## Short summary

### External environment

- The US utility vehicle market declined due to the environmental norms introduced at the beginning of the year. As a result of the economic slow-down manifest in the US, the expansion of the market did not begin and performance remained low during the year. The sales opportunities for special axles increased throughout the year. The European market of heavy vehicles continues to be strong. The Russian bus market is continues to grow.
- Raw material prices continued to be high.
- Energy prices increased by 17.3% compared to the whole of last year and declined by 2.8% compared to the last quarter.
- Considerably, 12.9% lower USD exchange rate and 5.1% lower EUR exchange rate during 2007. During Q4 these values were 12.7% and 2.2% lower respectively compared to the same period of last year.

### Key events and achievements

In line with Rába's strategy, the foundry, which earlier formed part of the axle business, operates as a joint venture as from 1 January, 2008. 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.

The figures for 2007 show the one-off impacts of the transaction.

Pursuant to the agreement between Rába Vehicle Ltd. And the Development and Logistics Agency of the Ministry of Defense, Rába Vehicle Ltd. Supplies military vehicles for a total of HUF 14.1 billion gross.

In 2007 the company registered an increase in sales of 14.6% at group level compared to 2006, thus the total revenue amounted to HUF 57.6 billion.

The changes in gross margin were substantially deteriorated by the decline in exchange rates and improved by the efficiency gains. As a result of these factors and due to the increase in sales, in 2007 the gross profit slightly exceeded the level of 2006. Indirect costs exclusive of the other expenditures declined in 2007, as a result of the stringent cost control and the positive effect of the territorial consolidation and of the relocations. The improvement in cost level is 2.9%.

The operating profit in 2007 was nearly double of that in 2006, amounting to HUF 1 billion. Apart from the one-off transactional impact as well, all three businesses were profitable in Q4.

In line with the earlier projections of the company, the EBITDA exceeded HUF 4 billion, and amounted to almost HUF 5 billion, including the activated hedge, as well.

The structure of the balance sheet has improved considerably: net borrowings declined to under HUF 10 billion, the closing value was HUF 9.4 billion. These are due to the positive net profit, the activated FX hedge and the decline in working capital. Thus the net borrowings of the company is largely equal to the working capital. The level of indebtedness returns to the pre-2002 levels, 32% {net borrowings/(net borrowings+shareholders' equity+participations)}.

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

On the **American market**, the sales revenue during 2007 was USD 81.0 million, against USD 65.9 million during 2006. This means an increase of 23%, 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 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 16.9%, amounting to HUF 34.7 billion, compared to HUF 29.7 billion of last year.

**European exports** amounted to EUR 46.6 million during 2007 compared to EUR 40.0 million during the same period of last year. This is an increase of 16.5%, to which the Axle business contributed EUR 25.8 million, the Component business contributed EUR 16.8 million and the Vehicle business EUR 4.0 million.

**Domestic sales** amounted to HUF 23.0 billion during 2007, which is an increase of 20.4% compared to HUF 19.1 billion of 2006. The sales generated by the Axle business was HUF 5.1 billion, by the Component business amounted to HUF 11.3 billion, and the contribution of the Vehicle business was HUF 6.2 billion.

On the **CIS and East-European markets** export sales revenues achieved by Rába increased substantially by 23.2% from EUR 22.0 million during the base period to EUR 27.1 million during 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 2007 amounted to USD 7.3 million, against USD 4.7 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 2007 amounted to HUF 57.6 billion, which is an increase of 14.6% over the figure for 2006.

The operating profit of the group during 2007 amounted to HUF 1,022 million, compared to the profit of HUF 544 million during 2006.

The financial profit contains an activated hedge profit of HUF 1,022 million, as well as net interest payment of HUF 645 million in addition to the HUF -21 million of revalued creditor-debtor loans and HUF 414 million in profit due to open hedge positions (the rewrite of open forward transactions from last year is HUF -793 million and the effect of open forward transactions is HUF 1096 million). As a result of these, the financial result is HUF +686 million.

As a result of the above, the Rába group generated a net profit of HUF 1,311 million in 2007, compared to the profit of HUF 3,530 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 4,072 million in 2007, against last year's figure of HUF 3,294 million.

#### **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. during 2007 amounted to HUF 35.5 billion after HUF 32.3 billion achieved during 2006. This amounts to an increase of 9.9%.

The operating result of the company this year declined to a loss of HUF -41 million, compared to the loss of -626 million of the same period of last year.

On the level of EBITDA, the result of the Axle Business during the period increased to HUF 2,199 million, compared to HUF 1,830 million of last year.

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

The sales revenue of the Component Ltd. grew significantly, by 33.6% during 2007 to HUF 16.7 billion, from HUF 12.5 billion in 2006.

Accordingly, the company generated HUF 626 million in profits at operating level during 2007 compared to HUF 193 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. increased to HUF 1,119 million during the period, from HUF 651 million of last year.

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

The sales revenue of Rába Jármű Kft. amounted to HUF 8.0 billion in 2007, compared to HUF 7.5 billion in 2006. This is an increase of 5.5%.

The operating profit was HUF 795 million during this year, compared to HUF 554 million during the same period of last year.

On the level of EBITDA, during 2007 the Company registered a profit of HUF 952 million compared to HUF 732 million of last year.

#### **Changes in the balance sheet structure**

The reason for the comments of the auditor upon the 2006 accounts have been reviewed. As a result, in order to avoid further qualifications by the auditor and on the basis of the discussions with the auditor, a significant part of the items earlier recorded under assets to be sold have now been accounted for. This is represented differently in the IFRS versus the MSZSZ accounts.

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

**Sales revenue by business divisions**

Sales revenue (million HUF)	Axle	Components	Vehicle	Rába group consolidated
2006 Q1	7,823	2,820	1,762	11,941
2006 Q2	8,500	3,063	1,944	13,135
2006 Q3	7,669	2,804	1,489	11,523
2006 Q4	8,308	3,819	2,346	13,712
2007 Q1	8,137	4,048	1,314	12,981
2007 Q2	9,044	4,087	2,017	14,452
2007 Q3	8,351	4,227	1,504	13,470
2007 Q4	9,928	4,343	3,120	16,741

**Breakdown of sales revenue during Q4 of 2007.**

Million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	4,208	3,519	1,628	1,891	2,026	176	<b>9,928</b>
Component	0	4,343	906	3,436	0	0	<b>4,343</b>
Vehicle	0	3,120	270	2,850	0	0	<b>3,120</b>
<b>Consolidated</b>	<b>4,208</b>	<b>10,331</b>	<b>2,804</b>	<b>7,527</b>	<b>2,026</b>	<b>176</b>	<b>16,741</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	Q4	Year
Axle	-412	1,15	-95	-34	1,74	-351	-165	-182	657	-41
Axle*		-85			-626					
Components	29	313	29	22	393	198	187	172	69	626
Components*		113			193					
Vehicle	120	141	119	174	554	101	203	138	353	795
Other	285	-1,86	74	-49	-1,77	62	-122	-83	-215	-358
Other*		114			423					
<b>Total</b>	<b>22</b>	<b>283</b>	<b>127</b>	<b>113</b>	<b>544</b>	<b>10</b>	<b>103</b>	<b>45</b>	<b>864</b>	<b>1,022</b>

\*Without write-off of shareholders' loans

**PK2. Companies involved in the consolidation**

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

<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 Vehicle Ltd.

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

Data in thousand HUF

Item	Year 2007	Year 2006	Index	Q4 2007	Q4 2006	Index
Domestic sales revenues	23,001,513	19,099,467	120.4%	7,526,963	5,910,303	127.4%
Export sales revenues	34,642,217	31,211,262	111.0%	9,213,764	7,801,490	118.1%
<b>Sales revenues</b>	<b>57,643,730</b>	<b>50,310,729</b>	<b>114.6%</b>	<b>16,740,727</b>	<b>13,711,793</b>	<b>122.1%</b>
Direct cost of sales	45,959,809	38,729,291	118.7%	12,835,442	10,835,577	118.5%
<b>Gross profit</b>	<b>11,683,921</b>	<b>11,581,438</b>	<b>100.9%</b>	<b>3,905,285</b>	<b>2,876,216</b>	<b>135.8%</b>
Cost of sales	707,962	824,012	85.9%	172,554	204,272	84.5%
General and administration expenses	11,396,694	11,493,310	99.2%	3,785,233	3,016,726	125.5%
Other net revenues	1,442,508	1,279,426	112.7%	916,585	456,352	200.9%
<b>Other items related to business activities</b>	<b>10,662,148</b>	<b>11,037,896</b>	<b>103.4%</b>	<b>-3,041,202</b>	<b>-2,764,646</b>	<b>90.0%</b>
<b>Operating profit before interest payment and taxation</b>	<b>1,021,773</b>	<b>543,542</b>	<b>188.0%</b>	<b>864,083</b>	<b>111,570</b>	<b>774.5%</b>
Net financial revenues/expenses	685,578	4,354,118	15.7%	64,736	3,399,628	1.9%
<b>PROFIT BEFORE TAXATION</b>	<b>1,707,351</b>	<b>4,897,660</b>	<b>34.9%</b>	<b>928,819</b>	<b>3,511,198</b>	<b>26.5%</b>
<b>Corporate profit tax</b>	<b>396,328</b>	<b>1,367,570</b>	<b>29.0%</b>	<b>240,331</b>	<b>1,104,401</b>	<b>21.8%</b>
<b>PROFIT AFTER TAXATION</b>	<b>1,311,023</b>	<b>3,530,090</b>	<b>37.1%</b>	<b>688,488</b>	<b>2,406,797</b>	<b>28.6%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>1,311,023</b>	<b>3,530,090</b>	<b>37.1%</b>	<b>688,488</b>	<b>2,406,797</b>	<b>28.6%</b>

**1. EARNED REVENUES**

During 2007, Rába achieved HUF 57,644 million in sales revenue, compared to HUF 50,311 million during the same period of last year. 60.1 per cent of the revenues came from export, the rest came from domestic sales.

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

During 2007 the direct cost level of Rába was at 79.7 per cent, versus the 77.0% cost level

characteristic for 2006.

## **2.2. Gross Profit**

The gross profit changed from HUF 11,581 million to HUF 11,684 million, which is due to the increase in the sales revenue (+ HUF 7,333 million) and to the less significant increase in direct costs (+ HUF 7,231 million). Compared to the favourable development of the exchange rates in 2006, 2007 saw a significant deterioration (USD: 209.79 in 2006, 182.72 in 2007, EUR: 264.64 in 2006, 251.04 in 2007). The sales of the Rába group in EUR increased in 2007 by 51 per cent, the sales in USD increased by 25% compared to the same period of the previous year. Nevertheless, as a consequence of the changes in exchange rates, export sales increased by 11%.

## **2.3. Cost of sales**

The cost of sales declined by 14.1 per cent and amounted to HUF 708 million in 2007, compared to HUF 824 million during 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 (2007: HUF 9,722 million, 2006: 9,730 million), and various expenditures outside the ordinary business operation (2007: HUF 1,711 million, 2006: HUF 1,602 million) and the accounting as cost of the capitalized value of technical development (HUF 15 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 1,443 million in 2007. This amount was HUF 163 million (12.7 per cent) higher than that of the base period. The change is due to the following factors: the impact of the change in fixed assets is HUF +56 million compared to 2006, the increase in the release of provisions (HUF +95 million) set aside for lay-offs and repairs under guarantee, and the increase in discounts sold, transferred or received retroactively (HUF 40 million).

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

The profit of Rába before interest payment and taxation in 2007 was HUF +1,022 million (2006: HUF 544 million). The increase in the gross profit is HUF +102 million, which was improved by the decline in the cost of sales and administrative costs (HUF 213 million) and by the increase in other revenues as outlined in section 2.5 (HUF 163 million). Profitability increased from 1.1% during the base period to +1.8%. The profitability of the operating profit + depreciation increased from +6.5 per cent to +7.1 per cent.

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

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

In 2007, the net gain on hedging transactions amounted to HUF 1,022 million, the gain during 2006 was HUF 2,696 million. The net profit of interest income and expenditures was HUF -645 million during 2007, compared to HUF -635 million during the base period.

Within net financial revenues, exchange rate gains/losses of FX items on 31 December 2007 was HUF +282 million, compared to HUF +2,375 million on 31 December 2006.

The components of this are as follows:

The unrealised gain on the revaluation of forward transactions as at 31 December 2007 was HUF +1,096 million, against HUF 793 million during the base period. The unrealized gain of forward transactions as at 31 December 2006 was released during the beginning of 2007, the financial impact of which was HUF -793 million (the same value during 2006 was +1,357 million). Net financial results also include the effect of the revaluation of debts, accounts

payable and accounts receivable, which in 2007 was HUF 21 million, and HUF +225 million in 2006. Based on the above, the net financial result was HUF +686 million during 2007 (2006: HUF 4,354 million). The net financial revenues consisted of the following principal items:

	Year 2007	Year 2006
Revenue from dividends	1,665	4,995
Interest income and expenditure, net	-645,255	-634,782
Realised gain on forward transactions	1,021,818	2,696,135
Release of unrealized gain of forward transactions during previous year	-793,227	1,356,695
Unrealised gain of forward transactions	1,095,812	793,227
Result of revaluation of FX and loans	-20,589	225,126
Result from the sale of participations	3,683	0
Others	21,671	-87,278
	685,578	4,354,118

#### **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 1,707 million in 2007, which as a result of the factors outlined in sections 2.1-4.2 is HUF 3,190 million worse than the figure for 2006. The profitability ratio represents a 3.0 per cent return on sales on the basis of profit before taxation, compared to 9.7 per cent during the base period.

At group level the tax liability amounts to HUF 396 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 the profitable group companies and the deferred tax accounted for the amortization of the assets written off to be sold.

#### **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,
- Adjustments made for the treatment of assets withdrawn from production (settlement of auditor's qualifying comments upon the 2006 accounts).

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

Data in HUF thousand

Item	31 December 2007	31 December 2006	Index
Properties, machines, equipment	15,906,867	16,463,056	96.6%
Intangible assets	43,218	84,204	51.3%
Other participations	5,525	3,807	145.1%
Other investments	1,323	20,834	6.4%
Long-term receivables	146,145	449,560	32.5%
Deferred tax	636,945	739,612	86.1%
<b>Total invested assets</b>	<b>16,740,023</b>	<b>17,761,073</b>	<b>94.3%</b>
Securities	80,000	80,000	100.0%
Stocks	9,201,043	8,561,364	107.5%
Assets kept for sale	631,817	1,750,621	36.1%
Receivables related to tax	968,831	992,196	97.6%
Receivables	12,425,621	13,025,143	95.4%
Liquid assets, bank account	1,711,118	577,348	296.4%
<b>Total current assets</b>	<b>25,018,430</b>	<b>24,986,672</b>	<b>100.1%</b>
<b>Total ASSETS</b>	<b>41,758,453</b>	<b>42,747,745</b>	<b>97.7%</b>
Share capital	12,891,977	12,839,601	100.4%
Capital reserve	6,852,528	6,854,765	100.0%
Retained earnings	-3,149,132	-3,543,439	111.1%
<b>Total equity and reserves</b>	<b>16,595,373</b>	<b>16,150,927</b>	<b>102.8%</b>
Long-term liabilities	7,453,422	7,347,487	101.4%
<b>Total long-term liabilities</b>	<b>7,453,422</b>	<b>7,347,487</b>	<b>101.4%</b>
Short-term credits and loans	3,661,360	7,581,043	48.3%
Short-term liabilities	14,048,298	11,668,288	120.4%
<b>Short-term liabilities total</b>	<b>17,709,658</b>	<b>19,249,331</b>	<b>92.0%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>41,758,453</b>	<b>42,747,745</b>	<b>97.7%</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 16,463 million of the previous year to HUF 15,906 million.

**Intangible assets**

The net value of intangible assets was HUF 43 million, which is HUF 41 million less than the value during the base period. Rába Nyrt. has only licences among intangible assets. The decline corresponds to the depreciation between the two periods.

**1.2. 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 31 December 2007 was HUF 5.5 million, which is HUF 1.7 million more than during the base period.

**1.3. Other investments**

The closing value of other investments was HUF 1 million, which was HUF 19 million below the previous year's figure.

#### **1.4. 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:

Description	Original value	Effect of discounting	Discounted value
<b>2006 opening</b>	<b>412,950</b>	<b>36,282</b>	<b>376,668</b>
Generated	158,500	24,968	133,532
Released	-75,887	-15,247	-60,640
<b>2006 closing</b>	<b>495,563</b>	<b>46,003</b>	<b>449,560</b>
Generated	0	0	0
Released	-326,105	-22,690	-303,415
<b>Q1-Q3 of 2007 closing</b>	<b>495,563</b>	<b>46,003</b>	<b>449,560</b>

#### **1.5. Deferred tax**

On 31 December 2007, the deferred tax amounted to HUF 637 million, HUF 103 million less than the value as at 31 December 2006. The change is due to the change in tax liabilities as detailed under section 5.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 31 December 2007, the closing value of stocks was HUF 9,201 million (31 December 2006: HUF 8,561 million). The change is +7.5% and is due to the increase in materials by HUF 269 million and to the increase in work in progress and in finished goods by HUF 366 million.

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

The value of assets for sale declined from HUF 1,751 million to HUF 632 million. The reason for the decline of HUF 1,119 million is the devaluation of the assets due to the qualification of the 2006 balance sheet by the auditors.

### **2.3. Tax receivables**

Tax receivables (HUF 969 million) originate largely from the reclaimed VAT in relation to export activities (31 December 2006: HUF 992 million).

### **2.4. Receivables**

The closing figure of receivables as at the end of 2007 was HUF 12,426 million, a decline of HUF 600 million compared to the base period (closing figure for 2006: HUF 13,025 million). The increase is due to the following factors:

- Increase in accounts receivable (HUF 238 million),
- Release of active accruals of proceeds from forward transactions of the end of 2006, closed but still uncollected (HUF -1,105 million)
- Accounting of unearned gains of the revaluation on 31 December 2007 of forward transactions (HUF 993 million)
- Decline in other short-term receivables (HUF -524 million).

### **2.5. Liquid assets**

The closing figure of liquid assets on 31 December 2007 was HUF 1,711 million (31 December

2006: HUF 577 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 2007, the share capital of the company was HUF 12,892 million, which is HUF 52 million higher than the figure prevailing on 31 December 2006. The change is due to the Rába incentive share programme launched 3<sup>rd</sup> February 2006, which resulted in the sale of 3,338 treasury shares of the company.

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 administer the programme. Share option agreements were signed on 28 July, 2006. 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 volunteered not to exercise their option until the second draw down opportunity would be opened. During the period three people – due to the termination of their employment - exercised their right to draw down 49,038 share options made available to them in accordance with the share option agreement.

#### **3.2. Capital reserve**

On 31 December 2007, the capital reserve was HUF 6,853 million, HUF 2 million less than that on 31 December 2006 which is due to a reclassification from capital reserve to retained earnings for subsidy received.

#### **3.3. Retained earnings**

The retained earnings (HUF –3,150 million) changed compared to the previous year (HUF - 3,543 million) as follows:

	Share capital	Capital reserve	Retained earnings	Total
Balance as at 1 January 2006	12,781	6,855	-7,058	12,578
Net profit			3,530	3,530
Sale of treasury shares	59		-16	43
Balance as at 31 December 2006	12,840	6,855	-3,544	16,151
Balance as at 1st January 2007	12,840	6,855	-3,544	16,151
Net profit			1,311	1,311
Draw down of share option	49		-15	34
Sale of treasury shares	3		0	3
Reclassification due to subsidy received		-2	2	0
Adjustment of accounting of previous year*			-904	-904
Balance as at 31 December 2007	12,892	6,817	-2,879	16,830

\*Devaluation by deferred tax of assets withdrawn from production (HUF -1,151 million) and value of adjustment of expected estimated revenue of real estate sale to be concluded in the future, excluding deferred tax (HUF 247 million)

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

The closing value of long-term liabilities as at 31 December 2007 amounted to HUF 7,453 million (on 31 December 2006, the closing figure was HUF 7,347 million). Of this, HUF 7,292 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 +1.4%.

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

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

The amount (HUF 3,661 million) of short-term credits and loans declined by 51.7% compared to the previous period (HUF 7,581 million). The reason for the substantial decline is that contingent liability outstanding at the end of 2006 ceased to exist once the claim had been settled and at the end of 2007 the company had no contingent liabilities.

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

The amount of short-term liabilities (closing figure on 31 December 2007: HUF 14,048 million) increased by 20.4.% compared to the base period (of HUF 11,668 million). The components of the change were:

- Increase in accounts payable (HUF 1, 603 million)
- Increase in passive accruals (HUF 415 million)
- Increase in other short-term liabilities (HUF 206 million)
- Increase in provisions (HUF 217 million)

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2007**

Figures in HUF thousand

Cash-flow of ordinary operation:

Profit before taxation net of profit shares from associate companies	1,432,501
Revenues and expenses not affecting the cash flow of ordinary operation	1,999,279
Changes in assets and liabilities related to ordinary activities	3,789,390
Of which: accounts receivable	-168,921
Accounts payable	1,508,259
Taxes paid during current year	-121,478
	<b>7,099,692</b>
<u>Changes in financial assets due to financial transactions</u>	
Sale of treasury shares	37,387
Purchase of treasury shares	0
Net reduction / increase of securities	0
Net increase / decrease of credits and loans	-3,650,714
Dividend paid	0
	<b>-3,613,327</b>
<u>Changes in cash-flow of investment activity</u>	-
<b>Revenues from the sale of invested assets</b>	0
Sale of tangible assets	667,785
Purchase of invested assets	-3,020,379
	<b>-2,352,594</b>
<b>Changes in liquid assets</b>	<b>1,133,771</b>
<u>Revenues and expenses not affecting the cash flow of ordinary activities</u>	
Depreciation	3,049,947
Revaluation	-451,638
- of which: unrealized exchange rate gains/loss of forward transactions	-310,865
- of which: revaluation of accounts receivable and accounts payable loans	-140,773
Loss (gain) on the sale of tangible assets	-599,030
Result of the sale of participation	0
Write-off of assets invested	0
	<b>1,999,279</b>
<u>Changes in assets and liabilities related to ordinary activities</u>	
Reduction / increase of stocks	-639,679
Changes in receivables / liabilities	4,429,069
	<b>3,789,390</b>

**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 33 million in exchange for HUF, sale of EUR 56 million for HUF.

The bank loans of the Rába Group amount to HUF 10,932 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 10,932 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 780 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	29.61	31.06	3,988,881	25.34	26.48	3,414,323				
Foreign institutional/corporate	21.56	22.62	2,905,506	33.28	34.77	4,484,167				
Foreign private individual	0.24	0.25	32,657	0.43	0.45	58,351				
Domestic private individual	25.40	26.64	3,421,906	36.29	37.91	4,889,216				
Employees, managing executives	0.364	0.381	48,985	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	0.01	0.01	1,710				
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 31 December 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	
Trigon Active Alpha Fund	F	B	1,294,771	9.61	10.04	
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	31 March	30 June	30 September	31 December
Company level	629,625	626,527	582,409	577,249	577,249
Subsidiaries					
Total	629,625	626,527	582,409	577,249	577,249

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	19	20
Group level	2.859	2.859	2.645

The consolidated closing headcount as at 31 December 2007 was 2,645 people, which represented a decline of 7.5% compared to the end of the base period.

## **TSZ2. 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 25 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 April 2007 elected Khalid Abdol Rahman to the Board of Directors. Simultaneously, the board membership of Abbas Mehad was terminated.

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

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

Figures in thousand HUF

No.	Description of item	31 Dec 2006	31 Dec 2007	Index
<b>A.</b>	<b>Invested assets</b>	<b>16,083,911</b>	<b>16,005,834</b>	<b>99.51%</b>
I.	Intangible assets	31,769	170,800	537.62%
II.	Tagibles	7,245,987	6,327,356	87.32%
III.	Financial assets invested	8,806,154	9,507,679	107.97%
<b>B.</b>	<b>Current assets</b>	<b>5,543,281</b>	<b>6,646,772</b>	<b>119.91%</b>
I.	Stocks	1,896,057	*350,189	18.47%
II.	Receivables	3,004,487	4,656,549	154.99%
III.	Securities	629,625	577,249	91.68%
IV.	Liquid assets	13,112	1,062,785	8105.30%
<b>C.</b>	<b>Active accruals</b>	<b>153,943</b>	<b>160,563</b>	<b>104.30%</b>
	<b>Total assets</b>	<b>21,781,135</b>	<b>22,813,169</b>	<b>104.74%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>15,791,007</b>	<b>14,495,632</b>	<b>91.80%</b>
I.	Registered capital	13,473,446	13,473,446	100.00%
	Of which: ownership stake repurchased at face value	629,625	577,249	91.68%
III.	Capital reserve	11,040,016	11,040,016	100.00%
IV.	Retained earnings	-12,514,748	-9,299,704	74.31%
V.	Fixed reserves	629,625	577,249	91.68%
VII.	Net profit	3,162,668	*-1,295,375	-40.96%
<b>E.</b>	<b>Provisions</b>	<b>45,507</b>	<b>1,000</b>	<b>2.20%</b>
<b>F.</b>	<b>Liabilities</b>	<b>5,830,079</b>	<b>8,177,653</b>	<b>140.27%</b>
I.	Subordinated liabilities	0	0	
II.	Long-term liabilities	22,331	0	0.00%
III.	Short-term liabilities	5,807,749	8,177,653	140.81%
<b>G.</b>	<b>Passive accruals</b>	<b>114,541</b>	<b>138,884</b>	<b>121.25%</b>
	<b>TOTAL LIABILITIES</b>	<b>21,781,135</b>	<b>22,813,169</b>	<b>104.74%</b>

\* see page 3.

**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	1,549,852	1,512,563	97.59%
II.	Direct costs of sales	463,247	572,911	123.67%
<b>III.</b>	<b>Gross sales revenue</b>	<b>1,086,605</b>	<b>939,652</b>	<b>86.48%</b>
IV.	Indirect sales costs	1,407,732	1,457,271	103.52%
V.	Other revenues	919,027	1,169,862	127.29%
VI.	Other expenditures	739,949	*1,994,013	269.48%
<b>A.</b>	<b>Operating profit</b>	<b>-142,048</b>	<b>1,341,771</b>	<b>-944.59%</b>
VIII.	Revenues from financial transactions	5,678,544	1,045,701	18.41%
IX.	Expenditures of financial transactions	308,185	408,809	132.65%
B.	Profit of financial transactions	5,370,359	636,892	11.86%
<b>C.</b>	<b>Ordinary business profit</b>	<b>5,228,311</b>	<b>-704,878</b>	<b>113.5%</b>
D.	Extraordinary profit	-2,022,527	-590,378	170.81%
<b>E.</b>	<b>Profit before taxation</b>	<b>3,205,784</b>	<b>-1,295,257</b>	<b>-40.4%</b>
XII.	Tax liability	43,116	118	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>3,162,668</b>	<b>-1,295,375</b>	<b>-41.0%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>3,162,668</b>	<b>-1,295,375</b>	<b>-41.0%</b>

\* see page 3.

**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. MATÖKE	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. 136. 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.
03-10-2007	Websites of BÉT and Rába	Extraordinary announcement of Rába Nyrt regarding changes in participation
10-10-2007	Websites of BÉT and Rába	Extraordinary announcement of Rába Nyrt regarding changes in participation
11-10-2007	Websites of BÉT and Rába	Extraordinary announcement of Rába Nyrt regarding changes in participation
12-10-2007	Websites of BÉT and Rába	Extraordinary announcement of Rába Nyrt regarding changes in participation
19-10-2007	Websites of BÉT and Rába	Extraordinary announcement of Rába Nyrt regarding changes in participation
15-11-2007	Websites of BÉT and Rába	Flash report of Rába Nyrt for Q1-Q3

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

	<b>Yes</b>	<b>No</b>
<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, 14 February 2008

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO