

Rába Rt. 2004 Flash Report

Unaudited, consolidated flash report in consideration of the assessment principles of the International Accounting Standards (IFRS)

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|---------------------|--|
| Company: | Rába Járműipari Holding Részvénytársaság |
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| Sector: | Machine industry |
| Period: | 2004 |
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Short summary

The consolidated sales revenue of Rába Járműipari Holding Rt in 2004 amounted to HUF 40.2 billion, an increase of 27.1% over 2003. The increase in Q4 over the same period of 2003 exceeded 35% and was nearly 29% over Q3, in spite of the substantial exchange rate deterioration in the case of both the USD and the EUR and of the continued increase in steel prices.

The operating result was a loss of HUF 5.0 billion, following the loss of HUF 6.2 billion registered in 2003. The amount of the operating loss excluding non-recurring cost items remained under HUF 1 billion during the fourth quarter as well.

The result of the Rába group during 2004 was improved by a financial profit of HUF 6.85 billion thus the pre-tax profit of the company was nearly HUF 2 billion with net profits exceeding HUF 1.8 billion.

It is noteworthy that all members of the group have registered a positive net profit according to IFRS.

The drastically increased sales revenue was achieved with unchanged headcount within Rába, which at the end of the year was 3,265, thus contributing to efficiency improvement.

In spite of the increase in sales by over 8 billion, the borrowing portfolio of the Rába group declined substantially, to HUF 9.5 billion by the end of 2004 from HUF 12.6 billion at the end of 2003.

Rába Futómű Kft. (Axle Ltd)

The sales revenue of Rába Futómű Kft. in 2004 amounted to HUF 25.3 billion after HUF 20.1 billion during the previous year. This amounts to an increase of 25.9%. The sales revenue in USD terms amounted to HUF 126.1 million, which is 39.3% over the sales of USD 90.5 million of 2003. Such result is all the more remarkable since the sales revenue of 2003 contained the sales revenue of the chassis production integrated into the Vehicle company as from 1 January 2004. On a quarterly comparative basis the sales revenue showed a continuously increasing trend, the first quarter with sales of USD 23.9 million was followed by a Q2 with sales in the amount of USD 28.8 million, a Q3 with USD 34.5 million and a Q4 with USD 38.9 million. The annual sales revenue budget will be, according to the latest Rába projections, as well, substantially exceeded.

The principal driver of the sales revenue is the fruition of the European projects prepared earlier and currently on the uptake and the boom of the American utility vehicle industry. The proliferation on the markets of the CIS countries of the low floor bus axles launched in 2003, as well as the trolleybus axle deal announced in the second half of the year also contribute to the increase in sales revenue.

The substantial increase in iron and steel prices on the world market – which for certain items

exceeded 60% by the end of 2004 (based on the same period of 2003) – is partly passed on to Rába's customers, based on the agreements with Rába's partners, thus this significant negative effect did not have a major impact on the profitability of Rába from the second half of the year.

The significant further weakening of the USD against the HUF, exceeding 10% on an annual average, continued to have a negative impact on the company. A weakening of 8.8% occurred compared to the previous Q3 of 2004, even. The sales revenue and margin lost due to the changes in cross exchange rates was in the range of HUF 1.2 billion for the entire year.

The first phase of the product portfolio review process was completed by the end of Q2 of 2004. It resulted in the elimination of loss-making deals or in the generation of tangible margins through price increases as from Q3.

The above improvement shows the results of not just the portfolio review process but also those of the series of measures aimed at cutting direct and indirect costs introduced as from 1 July, 2004.

As a result of the measures taken, the negative effect of the increase in iron and steel prices and the weakening of the USD did not lead to any further deterioration in the gross margin of the Futómű Kft. and thus of the Rába group.

Rába Járműipari Alkatrészgyártó Kft (Component Ltd.)

The sales revenue of Rába Alkatrész Kft. in 2004 amounted to HUF 11.0 billion, compared to HUF 10.1 billion in 2003. This corresponds to an increase of 8.9%. The rate of increase during Q4 compared to the growth during the same period of 2003 exceeded 21% and was more than 17% compared to Q3.

In Q3 of 2004 as a result of the relocation of the production line related to the introduction of the new Suzuki model, there was a three-week down-time, which led to considerable deterioration in both the sales and profit figures of the business. Due to the slower uptake, the performance of the business was behind the expectation of the management. It was during this period that the company prepared for the newly awarded long-term business, the production of seat components for the Suzuki Swift.

During Q4 the operating profit excluding one-off employee bonuses improved slightly over the profit of the previous quarter, still remaining in the red, however.

Rába Jármű Kft. (Vehicle Ltd.)

During the first half of 2004, Jármű Kft. was particularly focusing on the assembly of the military test vehicles within the context of the military tender won. The serial production of the vehicles began in August and 90 units of H14 military vehicles developed and produced by Rába and 49 vehicles manufactured by the strategic partner and adapted by Rába in accordance with customer requirements were delivered by the end of the year. On an annual level, operating profit represented 5.8% of sales, which corresponded to the preliminary expectations of the management. This year Rába Jármű Kft became stable company with independent products and markets on a strategic time horizon as well, from being a project organisation.

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

Sales revenue by business divisions

| Sales revenue (HUF million) | Axle | Component | Vehicle | Rába group consolidated |
|--------------------------------|-------|-----------|---------|----------------------------|
| 2003 Q1 | 4,141 | 3,043 | 48 | 7,243 |
| 2003 Q2 | 4,863 | 2,408 | 31 | 7,325 |
| 2003 Q3 | 4,944 | 2,154 | 24 | 7,199 |
| 2003 Q4 | 6,177 | 2,453 | 1,532 | 9,909 |
| 2004 Q1 | 4,943 | 2,608 | 307 | 7,324 |
| 2004 Q2 | 6,036 | 2,885 | 396 | 8,942 |
| 2004 Q3 | 7,025 | 2,547 | 1,361 | 10,442 |
| 2004 Q4 | 7,279 | 2,984 | 4,019 | 13,448 |

| | Operating profit | | | | | | | |
|------------|------------------|----------|----------|----------|------------|------------|------------|----------|
| | Q1 2003. | Q2 2003. | Q3 2003. | Q4 2003. | Q1 2004.** | Q2 2004.** | Q3 2004.** | Q4 2004. |
| Axles | -1,657 | -1,427 | -1,443 | -1879 | -1,513 | -1,116 | -826 | -1,107 |
| Components | -119 | -245 | -397 | -227 | -202 | -56 | -188 | -188 |
| Vehicles | -14 | -30 | -44 | 148 | -99 | -106 | 27 | 443 |
| Egyéb | 98 | 650* | 309 | 479 | -4 | 30 | 118 | -217 |
| Total | -1,692 | -1,052 | -1,575 | -1,479 | -1,817 | -1,248 | -870 | -1,069 |

*Includes the profit generated through the changes in accounting policy related to the valuation of stocks of own production accounted in Q2 of 2003 in the amount of HUF 749 million.

** Due to the clarification of the IFRS interpretation, quarterly operating profits per business division were adjusted as from Q1 of 2004.

Comments pertaining to the Q1-3 2004 flash report of Rába Rt.:

It must be noted that the 2004 flash report includes the profit generated through the revaluation of the hedge transactions open on the closing day (HUF 1,473 million), as well as the profit resulting from the reversal of revaluations accounted earlier (HUF 2,576 million), which appear in the financial result line.

Rába Rt. draws the attention of the investors to the fact that as a result of the liquidation of BNA (earlier DAM), its principal Hungarian raw material supplier and of the import contents of the increased military orders, the FX exposure position of the Rába group has changed substantially. Consequently excess covering emerged in the company's hedge positions, which Rába put an end to during Q2 of 2004. The closing of the positions continued as planned during Q3 and Q4, which resulted in an exchange rate gain exceeding HUF 2.47 billion for the company.

PK2. Companies involved in consolidation

| Company | Registered capital in HUF thousand | Participation (%) | Voting ratio ¹ | Classification ² |
|---|------------------------------------|-------------------|---------------------------|-----------------------------|
| 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 Ipartecnika Szolgáltató Kft. | 266,860 | 100.00 | 100.00 | S |
| RÁBA Vagyonkezelő Kft. | 11,000 | 100.00 | 100.00 | S |
| BPW-RÁBA Futóműgyártó Kft.* | 1,780,000 | 25.00 | 25.00 | A |

¹ Voting right related to representation in decision-making at the general meeting of the company subject to consolidation.

Subsidiary (S); Jointly controlled (J); Association (A)

* Sold as of 30 July, 2004.

The following factors need to be taken into account for the comparison of the consolidated figures of the two periods:

Because of their sale, Rába Szolgáltatóház Kft. and Rába Detroit Diesel Kft. were taken out of the consolidation. This does not, however, impact the comparability of data, since Rába Szolgáltatóház Kft. rendered services almost exclusively within the group, while the result of the activity of Rába Detroit Diesel Kft. over the past two years did not have an impact on the actual situation. BPW-Rába Futóműgyártó Kft. was sold during Q3 of 2004, its involvement in the consolidation, however, did not exceed capital consolidation.

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

data in HUF thousand

| Item | Jan-Dec 2004. | Jan-Dec 2003. | Index |
|--|---------------|---------------|--------|
| Domestic sales revenues | 16,165,114 | 12,465,269 | 129.7% |
| Export sales revenues | 23,991,383 | 19,140,025 | 125.3% |
| Sales revenues | 40,156,497 | 31,605,294 | 127.1% |
| Direct cost of sales | 34,108,629 | 27,189,247 | 125.4% |
| Gross margin | 6,047,868 | 4,416,047 | 137.0% |
| Cost of sales | 1,041,869 | 898,696 | 115.9% |
| General and administration expenses | 11,632,449 | 12,788,127 | 91.0% |
| Other revenues | 1,621,553 | 3,119,911 | 52.0% |
| Other items related to business activities | | | |
| | -11,052,765 | -10,566,912 | 104.6% |
| Result of operation before interest payment and taxation | | | |
| | -5,004,897 | -6,150,865 | 81.4% |
| Net financial revenues/expenses | 6,851,573 | -2,881,476 | 437.8% |
| Profit share from external companies | 142,514 | 68,970 | 206.6% |
| PROFIT BEFORE TAXATION | 1,989,190 | -8,963,371 | 222.2% |
| Corporate profit tax | 173,019 | -1,441,303 | 212.0% |
| PROFIT AFTER TAXATION | 1,816,171 | -7,522,068 | 224.1% |
| Profit share of minority shareholders | | | |
| NET PROFIT | 1,816,171 | -7,522,068 | 224.1% |

1. SALES AND MARKET POSITIONS

1.1. Revenues earned

In 2004, Rába achieved HUF 40,156 million in revenues. 59.7 per cent of the sales revenues came from export (2003: 60.6 per cent), the rest came from domestic sales.

EXPORT:

The sales revenue achieved on the market of the United States of America amounted to USD

56.2 million (2003: USD 46.4 million). The increase year on year is 21.1% and 5.7% during tQ4 compared to Q3.

In 2004, Asian exports amounted to nearly USD 2.3 million.

On the European markets, Rába's sales went up by 45.6 per cent compared to the previous year, involving sales in the amount of EUR 46.9 million.

The revenues of the Axle business amounted to EUR 32.1 million, and those of Components represented EUR 14.7 million.

On the Western and South European markets, revenues went up by 67.1 per cent, increasing from EUR 22.2 million during the previous period to EUR 37.1 million. 66 per cent of the sales involved products of the Axle business and 34 per cent were related to the products of the Component business.

On the Eastern and Central European markets, Rába generated EUR 9.8 million of export revenues 2004, which, compared to the base period, represents stagnation. This sales revenue figure is made up largely of axle sales.

The domestic sales revenues of the group increased by 25% annually in 2004, amounting to HUF 16 billion.

2. EXPENSES AND OTHER REVENUES

2.1. Direct expenditure

In 2004 the direct expenditure of Rába represented 84.9 per cent, against the cost level of 86.0 per cent in 2003.

It is upon a 9.7% decline in the exchange rate of the USD, that Rába managed to achieve a 1.1% decline in its direct cost level. Contrary to the previous period, direct costs include the difference in raw material prices in the amount of HUF 584 million, which during the previous period was accounted under indirect costs.

2.2. Gross Profit

The gross profit has changed from HUF 4.416 million to HUF 6.048 million, which is due to the increase in the sales revenue (+ HUF 8,551 million) and to the lesser increase in direct costs (+ HUF 6.919 million).

2.3. Cost of sales

The cost of sales increased by 15.9 per cent and amounted to HUF 1,042 million in 2004, compared to HUF 899 million in 2003.

2.4. General and administrative expenses

General and administrative costs declined by 9%. Rába accounts its administration expenses, as well as other general expenses (2004: HUF 9,698 million, 2003: HUF 9,457 million), and various expenditures outside business operation (2004: HUF 1,788 million, 2003: HUF 3,065 million) under general and administrative expenditure. Most of the decline in other expenditures reflects the decline in value loss (HHUF 227 million), the decline in depreciation exceeding the budget and the decline in missing stocks (HUF 788 million). General and administrative expenses include, furthermore, capitalised technical expenditures (2004: HUF 146 million, 2003: HUF 225 million).

2.5. Other revenues

Other revenues amounted to HUF 1,622 million in 2004. This amount was HUF 1,498 million (48 per cent) lower than that of the previous period. The reason for the change was the decline

in the sale of tangible assets of HUF 823 million and the release of provisions made for layoffs and repairs under guarantee.

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

The result of Rába before interest payment and taxation was HUF -5,005 million in 2004 (2003: HUF -6,151 million). The profit increasing effect of growth due to the gross profit (HUF +1,631 million) was further increased by the decline in sales and general expenses (HUF -1,013 million) and by the decrease in other revenues as discussed in section 2.5 (HUF -1,498 million). Profitability changed from -19.5% during the base period to -12.5%.

4. FINANCIAL REVENUES AND EXPENSES

4.1. Net financial result

The net financial result amounted to HUF +6,852 million in 2004. (2003: HUF -2,881 million of losses). The net financial revenues consisted of the following major items:

| | 31 Dec 2004 million HUF | 31 Dec 2003 Million HUF |
|-------------------------------|----------------------------|----------------------------|
| Dividend received | 25 | 18 |
| Net interest | -664 | -570 |
| Capital gain on share sold | 131 | 0 |
| Net other items | 7.359 | -2.329 |
| Net financial revenues | 6.852 | -2.881 |

Within net financial revenues, the majority of other items involved exchange rate gains/exchange rate losses on FX items, the associated risks of which Rába reduced through hedge transactions. In 2004, the net gain on hedging transactions amounted to HUF 2,524 million, the net gain realized in 2003 amounted to HUF 1,291 million. The unrealised result on the revaluation of hedging transactions at 31st December 2004 was a gain of HUF 1,473 million, against the loss of unrealised hedge transactions of 2,576 million during the previous year. The unrealised loss of the year-end hedge transactions of 2003 was released in 2004, which has a positive effect of HUF 2,576 million on the financial result. The same value in 2003 was a loss of HUF 1,240 million.

4.2. Profit from external companies

The profit from external companies contains the profit share of the parent company of the net profit of associated companies, included in Rába's profit and loss account, consolidated according to IFRS. In 2004, the profit from external companies amounted to HUF 143 million (in 2003 it was HUF 69 million). Rába Detroit Diesel Magyarország Kft. was sold on 11th June 2003, and BPW-RÁBA Futóműgyártó Kft. was sold on 30th July 2004, thus among the profit from external companies only the pro-rata portion of the profit due for the parent company from the net profit of BPW-RÁBA Futóműgyártó Kft is accounted.

5. PROFIT BEFORE TAXATION AND NET PROFIT

The profit before taxation was a profit of HUF 1,989 million in 2004, which due to the factors listed under sections 2.1-4.2 was HUF 10,953 million higher than the figure for 2003. The profitability index represents a 5.0 per cent return on sales on the basis of profit before taxation, compared to - 28.4 per cent during the base period.

At group level the tax liability amounts to HUF 173 million, which is the tax liability as per IFRS of the profitable companies, for which, based on the international accounting standards, the losses were accrued during the previous years. Thus the consolidated after tax profit is HUF 1,816 million, against a loss of HUF 7,522 million during the previous year.

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 open hedging positions and reversal of revaluation of the previous year,
- accounting under IFRS as costs of technical development expenses, which are capitalised according to HAS
- taxation differences as described under section 5.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Data in HUF thousand

| Item | 31 Dec 2004. | 31 Dec 2003. | Index |
|--|--------------|--------------|--------|
| Properties, machines, equipment | 17,986,351 | 19,890,730 | 90.4% |
| Intangible assets | 267,781 | 94,532 | 283.3% |
| Long-term participations | 0 | 1,701,133 | 0.0% |
| Other participations | 434,620 | 434,620 | 100.0% |
| Other investments | 19,251 | 24,393 | 78.9% |
| Deferred tax | 1,589,372 | 1,762,390 | 90.2% |
| Total invested assets | 20,297,375 | 23,907,798 | 84.9% |
| Securities | 4,644 | 2,450 | 189.6% |
| Stocks | 8,420,010 | 6,017,933 | 139.9% |
| Receivables related to tax | 1,379,324 | 1,584,583 | 87.0% |
| Receivables | 8,451,439 | 7,451,705 | 113.4% |
| Liquid assets, bank account | 950,349 | 315,752 | 301.0% |
| Total current assets | 19,205,766 | 15,372,423 | 124.9% |
| Total ASSETS | 39,503,141 | 39,280,221 | 100.6% |
| Share capital | 12,687,766 | 12,687,766 | 100.0% |
| Capital reserve | 6,854,765 | 6,854,765 | 100.0% |
| Retained earnings | -2,315,263 | -4,131,435 | 144.0% |
| Total capital and reserves | 17,227,268 | 15,411,096 | 111.8% |
| Long-term liabilities | 4,394,530 | 2,816,052 | 156.1% |
| Total long-term liabilities | 4,394,530 | 2,816,052 | 156.1% |
| Short-term credits and loans | 5,240,489 | 9,820,749 | 53.4% |
| Short-term liabilities | 12,640,854 | 11,232,324 | 112.5% |
| Short-term liabilities total | 17,881,343 | 21,053,073 | 84.9% |
| Total LIABILITIES (equity and liabilities) | 39,503,141 | 39,280,221 | 100.6% |

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 dropped from the closing value of HUF 19,891 million at the end of 31st December 2003 to HUF 17,986 million, which represents a change of (-10 %).

1.2. Intangible assets

The net value of intangible assets was HUF 268 million during as at 31st December 2004, compared to HUF 95 million during the base period. Intangible assets of Rába's own

production increased during the reporting period (licences related to product development).

1.3. Long-term participations

This balance sheet line shows the proportion of an associate enterprise relating to the parent company. On 31st December 2004, it amounted to HUF 0 (31 December 2003 this was HUF 1,701 million). On July 30 2004 the company sold the associate enterprise accounted under this item.

1.4. Other participations

Some of the other participations include subsidiaries not involved in consolidation, and the rest are other participations, where Rába's stake is less than 25 per cent. The closing figure on 31 December 2004 was HUF 435 million, which is equal to the figure for the base period.

1.5. Other investments

The closing value of other investments was HUF 19 million, which was HUF 5 million below the previous year's figure.

1.6. Deferred tax

On 31st December 2004, the deferred tax amounted to HUF 1,589 million, HUF 173 million less than the HUF 1,762 million on 31st December 2003. The change is due to the decline in accrued subsidiary losses by the tax payment liability described under section 5.

2. CURRENT ASSETS

2.1. Stocks

On 31 December 2004, the closing value of stocks was HUF 8,420 million (31 December 2003: HUF 6,018 million). The increase in stocks by HUF 2,402 million is due to the increase in materials (by HUF 912 million) and in finished goods (by HUF 345 million), as well as to the increase in work in progress (by HUF 1,145 million). The change in stocks by 39.9% was significantly influenced by the increase in customer orders and sales revenue, specifically, the commencement of military orders and the liquidation of BNÁ, Rába's principal raw material supplier and the elimination of the consignment raw material warehouse, as a result of which Rába had to perform substantial stock keeping tasks.

2.2. Tax receivables

Tax receivables (HUF 1,379 million) originate mainly from the reclaimed VAT in relation to export activities.

2.3. Receivables

The closing figure of receivables at 31st December 2004 was HUF 8,451 million (31st December 2003 closing figure: HUF 7,452 million) which represents a growth of 13.4%. The increase is due to the 2.2 % growth in customers and to the 41.8% decline in short-term receivables. The principal items within the decline in other short-term receivables are the declines in the receivables related to VAT and in the receivables linked to non-assigned controls, participations and securities.

2.4. Liquid assets

The closing figure of liquid assets on 31st December 2004 was HUF 950 million (31st December 2003: HUF 316 million). The increase in the company's liquid assets is the result of the unused portion of the proceeds from the sale of an associated company.

3. EQUITY AND RESERVES

3.1. Share capital

Rába Rt.'s share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholder to a dividend earned in a particular period, and providing one vote at

the General Meeting of the Company. On 31st December 2004, the share capital of the company was HUF 12,688 million, which is equal to the figure prevailing on 31st December 2003.

3.2. Capital reserve

On 31st December 2004, the capital reserve was HUF 6,855 million, equal to the amount prevailing on 31st December 2003.

3.3. Retained earnings

The retained earnings (HUF -2,315 million) changed compared to the previous year (HUF -4,131 million) because of the profit generated between the two periods (HUF +1,816 million).

4. LONG-TERM LIABILITIES

The closing value of long-term liabilities as at 31st December 2004 amounted to HUF 4,395 million (on 31st December 2003, the closing figure was HUF 2,816 million), which no longer included the repayment liabilities of loans due within one year. The increase is HUF 1,578 million, which is due to the restructuring of the long-term and short-term loan portfolio outstanding within the member companies of the Rába group.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 5,240 million) decreased significantly (by -46.6%) compared to the previous period (HUF 9,821 million). The amounts collected through the streamlining of the portfolio were used for loan repayment and the repayment instalments due within a year of long-term loans were paid as per the agreement.

5.2. Short-term liabilities

The amount of short-term liabilities (closing figure on 31st December 2004: HUF 12,641 million) increased compared to the base period of HUF 11,232 million. The change is due to the decline in other short-term liabilities and to the increase in liabilities to suppliers. The reason for the decline in other short-term liabilities is that the figure for the base period shows the losses stemming from the revaluation at closing day of the open forward FX transactions.

The principal reasons for the increase in creditors are:

- Due to the liquidation of a strategic supplier, raw materials can only be secured using multiple import suppliers instead of deliveries from the stand-by warehouse;
- Increase in purchases due to increased production;
- Increase in purchases due to the commencement of military production;
- Significant increase in the price of steel;
- Increase in the payment deadline of supplier invoices.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2004

Data in HUF thousand
2004.

Cash-flow of ordinary operation:

| | |
|---|------------|
| Profit before taxation net of profit shares from associate companies | 1.673.620 |
| Revenues and expenses not affecting the ordinary cash flow | -3.020.370 |
| Changes in assets and liabilities related to ordinary activities | 2.823.236 |
| Of which: buyers | -131.780 |
| Supplies | 2.388.687 |
| Tax paid in the current year | 0 |
| | 1.476.486 |
| <u>Changes in financial assets due to financial transactions</u> | |
| Sale of own shares | 0 |
| Purchase of own shares | 0 |
| Net reduction / increase of securities | -2.194 |
| Net increase / decrease of credits and loans | -2.560.304 |
| Dividend paid | 0 |
| | -2.562.498 |
| <u>Changes in cash-flow of investment activity</u> | |
| Revenues from the sale of invested assets | 2.797.797 |
| Purchase of invested assets | -1.077.189 |
| | 1.720.608 |
| Changes in liquid assets | 634.597 |
| <u>Revenues and expenses not affecting the cash flow of ordinary activities</u> | |
| Depreciation | 2.157.296 |
| Revaluation | -4.512.904 |
| Loss / gain on the sale of invested assets | -664.762 |
| Depreciation of invested assets | 0 |
| | -3.020.370 |
| <u>Changes in assets and liabilities related to ordinary activities</u> | |
| Reduction / increase of stocks | -2.402.077 |
| Changes in receivables / liabilities | 5.225.313 |
| | 2.823.236 |
| Control | 634.597 |

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 EUR 33 million in exchange for HUF, in addition to the purchase of EUR 47 million for USD.

The bank loans of the Rába Group amounted to HUF 9,635 million, of which the loans secured by mortgage on real estate and movable assets amounted to HUF 8,143 million. The amount of bank guarantees issued upon instruction from the Rába group was HUF 1,271.5 million HUF.

III. DESCRIPTION OF MAJOR FACTORS AND CHANGES

RS1. Ownership structure, ratio of participation

| Description of ownership | Total equity | | | | | | Series listed ¹ | | | |
|--|--|----------------|-------------|---|----------------|-------------|----------------------------|-----|---------------|-----|
| | Beginning of current year (1 January) | | | At the end of the period (30 September 2004) | | | Start of period | | End of period | |
| | % ² | % ³ | No. of pcs. | % ² | % ³ | No. of pcs. | % | Pcs | % | Pcs |
| Domestic institutional/corporate | 18.36 | 19.49 | 2,473,274 | 15.22 | 16.15 | 2,050,221 | | | | |
| Foreign institutional/corporate | 30.38 | 32.25 | 4,093,640 | 29.10 | 30.89 | 3,920,354 | | | | |
| Foreign private individual | 0.09 | 0.09 | 11,669 | 0.02 | 0.02 | 2,120 | | | | |
| Domestic private individual | 22.22 | 23.59 | 2,993,874 | 31.79 | 33.74 | 4,282,749 | | | | |
| Employees, managing executives | | | | | | | | | | |
| Treasury shares | 5.80 | | 781,460 | 5.80 | | 781,460 | | | | |
| Shareholder forming part of general government | 12.28 | 13.04 | 1,655,087 | 7.19 | 7.63 | 968,850 | | | | |
| International Development Institutions | 10.85 | 11.52 | 1,462,446 | 10.85 | 11.52 | 1,462,446 | | | | |
| Other | 0.01 | 0.02 | 1,996 | 0.04 | 0.04 | 5,246 | | | | |
| TOTAL | 100.00 | 100.00 | 13,473,446 | 100.00 | 100.00 | 13,473,446 | | | | |

¹ 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..

² Ownership ratio

³ 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 equal, only the column regarding the ownership ratio needs to be filled in/published while stating such fact!

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

⁵ E.g.: EBRD, EIB, etc.

RS3. Listing, introduction of shareholders with a stake exceeding 5% (as at 31 December 2004)

| Name | Nationality ¹ | Activity ² | Quantity (pcs) | Ownership stake (%) ³ | Voting right (%) ^{3,4} | Comment ⁵ |
|--------------------------------------|--------------------------|-----------------------|----------------|----------------------------------|---------------------------------|----------------------|
| Local Government of Győr County town | D | G | 968,850 | 7.19 | 7.63 | |
| EBRD | F | IFI | 1,462,446 | 10.85 | 11.52 | |
| DRB Hicom Group | F | B | 1,462,446 | 10.85 | 11.52 | |
| Rába Investments Limited | F | B | 736,843 | 5.47 | 5.81 | |
| Treasury shares | D | B | 781,460 | 5.80 | | |

¹ Domestic (D), Foreign (F)

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

³ Should be rounded to two decimal figures

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

⁵ 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 | 781,460 | 781,460 | 781,460 | 781,460 | 781,460 |
| Subsidiaries | | | | | |
| Total | 781,460 | 781,460 | 781,460 | 781,460 | 781,460 |

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 year |
|---------------|--------------------|---------------------------|---------------------|
| Company level | 29 | 29 | 12 |
| Group level | 3,342 | 3,342 | 3,265 |

The consolidated closing headcount as at 31st December 2004 was 3,265 people. The reduction in headcount compared to the end of the base period is 2.3%.

TSZ3. Managing executives, strategic employees

| Type ¹ | Name | Position | Beginning of mandate | End/ termination of mandate | Shares held (pcs) |
|-------------------|------------------|-------------------------------------|----------------------|-----------------------------|-------------------|
| BD | Péter Jancsó | Chairman of the BD | 1998 | | 0 |
| BD | Abbas Mehad | Board member | 1998 | | 0 |
| BD | Antal Apró | Board member | 1998 | | 0 |
| BD | Gordon Bajnai | Board member | 2003 | | 0 |
| BD | Péter Küllői | Board member | 2003 | | 0 |
| BD | Olivér Martin | Board member | 2003 | | 0 |
| SB | József Patonai | Chairman of the SB | 1996 | 2003. | |
| SB | Dr János Benedek | Chairman of the SB | 2004 | | |
| SB | András Geszti | Supervisory Board member | 2000 | 2004 | 0 |
| SB | Lajos Horváth | Supervisory Board member | 2003 | | 0 |
| SB | Csaba Zoltán | Supervisory Board member | 2003 | 2004 | |
| SB | Péter Budaházy | Supervisory Board member | 2004 | | 0 |
| SB | István Préda | Supervisory Board member | 2004 | | 0 |
| SP | István Pintér | CEO | 2003 | Definite | 414 |
| SP | Ferenc Romvári | Deputy CEO | 1998 | Indefinite | 0 |
| SP | Péter Lengyel | Deputy CEO | 2002 | 2004 | 0 |
| SP | Béla Balog | Deputy CEO | 2004 | Indefinite | 0 |
| SP | Ferenc Vissi | HR Director | 2001 | Indefinite | 0 |
| SP | Sándor Kocsis | Quality Management Director | 2001 | Indefinite | 0 |
| SP | József Szabó | Purchasing and Asset Mgmt. Director | 2001 | Indefinite | 412 |
| SP | Dr. Béla Fekecs | Managing Director | 2002 | 2004 | |

| | | | | | |
|---------------------------------|------------------|-------------------|------|------------|-----|
| SP | István Simon | Managing Director | 2003 | Indefinite | 0 |
| SP | Csaba Kovács | Managing Director | 2002 | Indefinite | 0 |
| SP | Dr. Jenő Surányi | Managing Director | 2002 | 2003. | |
| TOTAL No. of shares held (pcs): | | | | | 826 |

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

Changes in employment

As a result of the organisational changes implemented as from 1 January 2004, the following personnel changes have taken place:

- The employment of Dr Béla Fekecs came to an end, the tasks of managing director of Rába Futómű (Axle) Kft. are now performed by István Pintér in addition to performing his tasks as CEO of Rába Holding.
- The tasks of finance director of Rába Futómű (Axle) Kft are performed by Péter Lengyel in addition to his functions within Rába Holding.
- The tasks of director of operations and quality management of Rába Futómű (Axle) Kft. are now performed by Sándor Kocsis as a new function.

On 29 April of 2004 the General Meeting of Shareholders elected three new members, Dr János Benedek, Péter Budaházy and István Préda to the Supervisory Board. At the same time the mandate of András Geszti and Csaba Zoltán as Supervisory Board members came to an end.

Concluding three years of activities within the company, Péter Lengyel, CFO of Rába Rt. and finance director of Rába Futómű Kft. left the company upon mutual agreement. His successor in the above positions is Béla Balog, who assumed his new position on 16 August, 2004.

ST1. Extraordinary communications published during the current period

| Date | Place of publication | Subject, brief summary |
|------------|----------------------|--|
| 06-01-2004 | No. 2. MATÖKE | Rába Rt extraordinary announcement about the direct control of a subsidiary and about personnel changes |
| 12-02-2004 | No. 29. MATÖKE | Rába Rt.'s 2003 flash report |
| 29-03-2003 | No. 60. MATÖKE | Invitation to the AGM of Rába Rt. |
| 28-04-2004 | No. 81. MATÖKE | Information about the venue for viewing the flash report for Q1 of 2004 of Rába Rt. 2004. |
| 30-04-2004 | No. 83. MATÖKE | Resolutions of the general meeting of shareholders of Rába Rt. held 29. 04. 2004. |
| 25-05-2004 | No. 100. MATÖKE | Announcement of Rába Rt. about the conversion into dematerialised securities of the printed shares issued by the company. |
| 29-07-2004 | No. 146. MATÖKE | New CFO at Rába Rt. |
| 03-08-2004 | No. 149. MATÖKE | Information of Rába Rt. about the sale of its share in BPW-Rába Axle Co. Ltd. |
| 03-08-2004 | No. 149. MATÖKE | Announcement of Rába Rt. about the conclusion of the conversion into dematerialised securities of the printed shares issued by the company |
| 12-08-2004 | No. 156. MATÖKE | About the venue of viewing the flash report of Rába Rt. |
| 09-11-2004 | No. 217. MATÖKE | Information of Rába Rt. about the new place of publication and about the completion of the flash report |

| | | |
|------------|-----------------|--|
| 27-12-2004 | No. 250. MATÖKE | Information of Rába Rt. about changes in personnel (Attila Deák) |
|------------|-----------------|--|

PK1. General information regarding 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 | <input type="checkbox"/> |

Other:

In the context of the flash report Rába Rt 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 (balance sheet and profit and loss statement) in accordance with the regulations of the Stock Exchange Rules, in consideration of the International Financial Reporting Standards, which does not mean the publication in full of the report as per IFRS.
- There have been no changes in the accounting policy of group companies, the accounting policies of the companies included in the consolidation are consistent with each other.

Győr, 11 February 2005.

István Pintér
CEO

Béla Balog
Deputy CEO