

## Rába Rt. Flash Report for Q1 of 2004

Unaudited, consolidated flash report in accordance with the International Accounting Standards (International Financial Reporting Standards - IFRS)

Company:	Rába Járműipari Holding Részvénytársaság
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Sector:	Machine industry
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### Short summary

The consolidated sales revenue of the Rába group in Q1 of 2004 amounted to HUF 7.3 billion, an increase of 1.1% over Q1 of 2003. The operating result was a loss of HUF 1.8 billion, following the loss of HUF 1.7 billion registered in the first quarter of 2003.

The result of the Rába group during the first quarter of 2004 was improved by a financial profit of HUF 4.8 billion thus the net profit of the company during the first three months exceeds HUF 2.7 billion.

### Rába Futómű Kft (Axle Ltd.)

The sales revenue of Rába Futómű Kft. during the first three months of 2004 amounted to USD 23.9 million, an increase of 31% over the sales revenue of USD 18.25 million, registered during Q1 of 2003. The management anticipates sales in excess of USD 26 million during the second quarter, thus meeting the pro-rata portion of the annual sales revenue plan of USD 101.2 million by 30<sup>th</sup> June, 2004.

The significant further weakening of the USD against the HUF compared to the average of the previous year (-6.8%), as well as compared to the closing quarter of 2003 (-2.9%) during the first three months of 2004 continued to have a negative impact on the company. The continued deterioration of the cross exchange rates, however, did not lead to further decline in the gross margin of either the Futómű Kft (Axle Ltd.) or of the Rába group. Rába has performed and will by the end of Q2 of 2004 complete the product portfolio streamlining process whereby deals with a margin deficit will either be eliminated or turned out through price increase.

During Q2 the increasing turnover and the streamlining of the product portfolio will allow the increase of the size of series, as well as the reduction of down-times, setting times and of overtime and thus the improvement of the margin upon unchanged exchange rate.

Rába will pass on the tangible increase in the price of iron and steel on the world market to its customers, consequently the negative effect of this is unlikely to have an impact on Rába's activity according to the management.

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

An increase of 6% in the sales revenue is manifest over Q4 of 2003, as a result of the growth in European deals.

It must be noted that whilst there were over-the-budget costs related to the development of the new Benford deal during the first three months, the other parts of the component business show a steady increase in the sales revenue and in the operating profit following a beginning of the year typical for the industry. Thus the management believes that further quarters will result in positive business, as well.

### Rába Jármű Kft. (Vehicle Ltd.)

During Q1 of 2004 Jármű Kft. was particularly focusing on the assembly of the military test vehicles within the context of the military tender won. The supplementary agreement for 2004 was signed in April of 2004, thus the Jármű Kft. disposes over some HUF 5.8 billion net worth of military orders. The above deliveries shall take place during Q3 and Q4 of 2004, as well as during the first months of 2005, thus the result generated will be manifest in the accounts of Rába as from the second half of 2004.

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

#### **Stable operating capital**

Over the past year Rába has successfully reduced the working capital needs of the group. The level of inventories has slightly increased since the end of the year in line with the preliminary plans, it is still HUF 1 billion under the level of 31<sup>st</sup> March, 2003. The results of the process are clearly manifest in the decline in working capital use, which is over HUF 3.7 billion less than that of the first quarter of 2003. The working capital requirement has declined to less than HUF 6.5 billion by the end of Q1 of 2004.

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

<b>Sales revenue (HUF million)</b>	<b>Axle</b>	<b>Component</b>	<b>Vehicle</b>	<b>Rába group consolidated</b>
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
<b>2004 Q1</b>	<b>4,943</b>	<b>2,608</b>	<b>307</b>	<b>7,324</b>

#### **Business development**

In addition to laying down the foundations for sustainable competitive business, Rába continued the intensive market and product development started in 2003. Priority markets are: USA, Western Europe, CIS and China.

- Favourable trends started in the vehicle industry, especially the North American freight vehicle market at the end of 2003, the effect of which will be manifest in the sales figures of Rába from the second quarter of 2004.
- In 2004, in addition to the growing US market, Rába supplies a growing volume of axle components to the West European sites of its American partners (Dana, ArvinMeritor), and thus it has gradually become part of the European supply chain.
- On 16 December 2003, Rába Járműipari Holding Rt. signed a memorandum of understanding in China with Liaoning Shuguang Automotive Group Co. Ltd. and Dandong Huanghai Automotive Co. Ltd. for the establishment of a joint venture manufacturing axles for buses. Negotiations continued in the first quarter of 2004 and according to the joint plans the joint venture may be established before the end of this year.
- Besides the weaker sales figures on the CIS markets characteristic for the yearly cycle, significant progress has been made towards achieving Rába's strategic objectives. Rába and RuspromAvto, representing the leading Russian bus manufacturers have signed a letter of intent, with the aim of establishing a strategic co-operation to improve

the international competitiveness of the Russian vehicle industry through the increase of Rába's market share.

- On the basis of a government resolution, the government authorised the Minister of Defence and his representative to sign a supplementary agreement with Rába Jármű Kft. for vehicle supplies in 2004 and 2005 within the framework of the long-term development programme of the Hungarian army, and undertake a payment obligation of HUF 7,680 million net for 2005 and HUF 10,240 million net for 2006. Rába Jármű Kft. in its updated plans is projecting net sales of HUF 5.9 billion for 2004 and HUF 17.6 billion for 2005.

In Rába's flash report, the breakdown of the operating result of the member companies clearly displays the one-off expenses related to the core operation and transformation of the company. The result of operation column on the left-hand side contains the figures on the basis of which a consolidated P&L can be prepared according to IFRS.

The result of operation column on the right-hand side, net of one-off items contains the result of operation from the core activities of the company without any one-off expenses.

	Result of operation					Result of operation net of one-off items**				
	2003. Q1	2003. Q2	2003. Q3	2003. Q4	2004. Q1	2003. Q1	2003. Q2	2003. Q3	2003. Q4	2004. Q1
Axle	-1,657	-1,427	-1,443	-1879	-1,484	-1,410	-1,271	-965	-1,266	-1,346
Components	-119	-245	-397	-227	-194	-105	-205	-200	-187	-192
Vehicle	-14	-30	-44	148	-35	-14	-30	-36	148	-15
Other	98	650*	309	479	-105	106	32	357	-258	-71
<b>Total consolidated</b>	<b>-1,692</b>	<b>-1,052</b>	<b>-1,575</b>	<b>-1,479</b>	<b>-1,818</b>	<b>-1,422</b>	<b>-1,474</b>	<b>-844</b>	<b>-1,563</b>	<b>-1,624</b>

\* This figure contains the result of valuation of manufactured stocks in accordance with the changed accounting policy, based on which HUF 749 million was accounted in the second quarter of 2003.

\*\*One-off items: in addition to the above, these contain the layoff expenses, machine installation and running up costs of projects, and provisions for contingent liabilities.

### Comment pertaining to the Q1 2004 flash report of Rába Rt.:

It must be noted that the Q1 2004 flash report contains the profit generated through the revaluation of the hedge transactions open on the closing day (HUF 2,172 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 if exchange rates and interest rates remain unchanged, no further financial profit of such extent is expected during the coming quarters, such profits are unlikely to be generated, and that the above result may change subject to the exchange rates that prevail upon closing of the open forward positions.

**PK2. Companies involved in consolidation**

Company	Capital In HUF thousand	Participatio n (%)	Voting ratio <sup>1</sup>	Classific ation <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 Ipartecnika 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>
<b>BPW-RÁBA Futóműgyártó Kft.</b>	<b>1,780,000</b>	<b>25.00</b>	<b>25.00</b>	<b>A</b>

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

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

The following factors need to be taken into account for the comparison of 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 influence on the actual situation

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

data in HUF thousand

Item	2004.months1-3.	2003. months 1-3.	Index
Domestic sales revenues	2,582,493	3,011,757	85.7%
Export sales revenues	4,741,743	4,232,150	112.0%
<b>Sales revenues</b>	<b>7,324,236</b>	<b>7,243,907</b>	<b>101.1%</b>
Direct cost of sales	6,370,475	6,303,041	101.1%
<b>Gross margin</b>	<b>953,761</b>	<b>940,866</b>	<b>101.4%</b>
Cost of sales	171,838	180,255	95.3%
General and administration expenses	3,152,147	3,308,093	95.3%
Other revenues	552,649	854,875	64.6%
<b>Other items related to business activities</b>	<b>-2,771,336</b>	<b>-2,633,473</b>	<b>105.2%</b>
<b>Result of operation before interest payment and taxation</b>	<b>-1,817,575</b>	<b>-1,692,607</b>	<b>107.4%</b>
Net financial revenues/expenses	4,877,487	-418,356	-1165.9%
Profit share from external companies	17,243	45,624	37.8%
<b>PROFIT BEFORE TAXATION</b>	<b>3,077,155</b>	<b>-2,065,339</b>	<b>-149.0%</b>
<b>Corporate profit tax</b>	<b>345,120</b>	<b>104,709</b>	<b>329.6%</b>
<b>PROFIT AFTER TAXATION</b>	<b>2,732,035</b>	<b>-2,170,048</b>	<b>-125.9%</b>
Profit share of minority shareholders			
<b>NET PROFIT</b>	<b>2,732,035</b>	<b>-2,170,048</b>	<b>-125.9%</b>

## **1. SALES AND MARKET POSITIONS**

### **1.1. Earned revenues**

In Q1 of 2004, Rába achieved HUF7,324 million in revenues. 64.7 per cent of the revenues came from export (Q1 of 2003: 58.4 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 10.5 million (Q1 of 2003: USD 10.7 million).

In Q1 of 2004, **Asian** exports exceeded USD 0.2 million, which represents stagnation compared to the previous year.

**On the European markets**, Rába's sales went up by 38.9 per cent compared to the previous year, involving sales in the amount of EUR 9.5 million.

The revenues of the Axle business amounted to EUR 5.6 million, and those of Components represented EUR 3.9 million.

On the *West and South European markets*, revenues went up by 46.6 per cent; revenues increased from EUR 5.8 million in the previous period to EUR 8.5 million. 55 per cent of the sales involved products of the axle business and 45 per cent were related to the products of the Component business.

On the *Eastern and Central European markets*, Rába generated EUR 1 million of export revenues in Q1 of 2004, although, compared to the base period, this represents stagnation. This sales revenue figure is made up of the proceeds of axle sales exclusively.

On a comparative basis, **the domestic sales revenues of the group** dropped from HUF 3 billion during the first quarter of 2003 to HUF 2.6 billion.

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

### **2.1. Direct expenditure**

In Q1 of 2004 the direct expenditure of Rába represented 87.0 per cent, which is equal to the cost level of the first quarter of 2003.

In spite of the 9% decline in the exchange rate of the USD, Rába has managed to maintain the direct cost level of the previous year.

### **2.2. Gross Profit**

The gross profit has changed from HUF 941 million to HUF 954 million, which is due to the increase in the sales revenue (+ HUF 80 million) and to the lesser increase of direct costs (+ HUF 67 million)

### **2.3. Cost of sales**

The cost of sales declined by 4.7 per cent and amounted to HUF 171 million in Q1 of 2004, compared to HUF 180 million during Q1 of 2003.

### **2.4. General and administrative expenses**

Rába accounts its administration expenses, as well as other general expenses (Q1 of 2004: HUF 2,507 million, Q1 of 2003: HUF 2,534 million), and various expenditures outside business operation (Q1 of 2004: HUF 645 million, Q1 of 2003: HUF 774 million) in the P&L line of general and administrative expenditure. Indirect expenses were reduced by 1.1 per cent.

Other general expenses contain the one-off expenses of layoffs executed in Q1 of 2004, amounting to HUF 157 million, almost all of which was covered with provisions set aside in

2003. In addition, one-off expenses also included costs and guarantee fees related to new projects described above, involving HUF 169 million. In accordance with Rába's plans, the land rationalisation and other cost reduction and saving measures are being continued, which result in further significant savings.

## **2.5. Other revenues**

Other revenues amounted to HUF 553 million in Q1 of 2004. This amount was HUF 302 million (35.4 per cent) lower than that of the previous period. A significant portion of the difference came from the release of the smaller provisions set aside for lay-offs.

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

The result of Rába before interest payment and taxation was HUF -1,818 million in Q1 of 2004 (iQ1 of 2003: HUF -1,693). The effect of the growth due to the gross profit (HUF +13 million) and of the decline in cost of sales and in general expenses (HUF 164 million) was deteriorated by the decline in other revenues (HUF -302 million). Profitability increased from 23.4 per cent during the base period to 24.8 per cent. The decline in the profitability index was less than the EBITDA figure (result of operation + depreciation): -15.1/-14.4 percent.

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

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

The net financial result was HUF +4,877 million in Q1 of 2004. (In Q1 of 2003: HUF -418 million). The net financial revenues consisted of the following major items:

	31 <sup>st</sup> March 2004	31 <sup>st</sup> March 2003
	million HUF	million HUF
Dividend received	0	0
Net interest	-99	-88
Net other items	4977	-331
Net financial revenues	4877	-418

Within the net financial revenues, the majority of other items involved exchange rate gains/exchange rate losses on FX items, in relation to which Rába reduced the risks through hedging transactions. In Q1 of 2004, the net loss on hedging transactions amounted to HUF 130 million (the exchange rate gain realized in Q1 of 2003 amounted to HUF 1,590 million). The unrealised result on the revaluation of hedging transactions at year-end was in Q1 of 2004 a gain of HUF 2,517 million. The unrealized loss of the year-end hedge of 2003 was released in Q1 of 2004, which has a positive effect of HUF 2,576 million on the financial result.

### **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 IAS. In Q1 of 2004, the profit from external companies amounted to HUF 17 million (in Q1 of 2003 it was HUF 46 million). Rába Detroit Diesel Magyarország Kft. was sold on 11th June 2003, thus among profit from external companies only 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 result before taxation was HUF 3,077 million in Q1 of 2004, which due to the factors listed under sections 2.1-4.2 was HUF 5,142 million higher than the figure for Q1 of 2003. The profitability index represents a 42.0 per cent return on sales on the basis of profit before taxation, compared to - 28.5 per cent in the base period.

At group level the tax liability amounts to HUF 345 million, which is the tax liability due on the basis of the unrealized profit of the hedge transactions. Thus the consolidated result after taxation is a profit of HUF 2,732.

## 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.

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

Data in HUF thousand

Item	31 <sup>st</sup> March 2004.	31 <sup>st</sup> March 2003.	Index
Properties, machines, equipment	19,469,293	21,046,462	92.5%
Intangible assets	63,752	138,849	45.9%
Long-term participations	1,718,375	1,746,607	98.4%
Other participations	434,620	500,006	86.9%
Other investments	24,393	34,894	69.9%
Deferred tax	1,417,270	248,094	571.3%
<b>Total invested assets</b>	<b>23,127,703</b>	<b>23,714,912</b>	<b>97.5%</b>
Securities	6,688	1,767	378.5%
Stocks	6,889,896	7,438,236	92.6%
Receivables related to tax	1,982,425	1,417,245	139.9%
Receivables	7,802,049	7,530,091	103.6%
Liquid assets, bank account	418,708	888,272	47.1%
<b>Total current assets</b>	<b>17,099,766</b>	<b>17,275,611</b>	<b>99.0%</b>
<b>Total ASSETS</b>	<b>40,227,469</b>	<b>40,990,523</b>	<b>98.1%</b>
Share capital	12,687,766	12,687,766	100.0%
Capital reserve	6,854,765	6,856,499	100.0%
Retained earnings	-1,399,362	1,220,758	-114.6%
<b>Total capital and reserves</b>	<b>18,143,169</b>	<b>20,765,023</b>	<b>87.4%</b>
Long-term liabilities	2,612,406	4,998,020	52.3%
<b>Total long-term liabilities</b>	<b>2,612,406</b>	<b>4,998,020</b>	<b>52.3%</b>
Short-term credits and loans	11,253,500	9,332,985	120.6%
Short-term liabilities	8,218,394	5,894,495	139.4%
<b>Short-term liabilities total</b>	<b>19,471,894</b>	<b>15,227,480</b>	<b>127.9%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>40,227,469</b>	<b>40,990,523</b>	<b>98.1%</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 dropped from the closing value of HUF 21,046 million of the previous year to HUF 19,469 million, which represents a change of (-7.5%). The reason for the decline is that as part of the territorial rationalization process part of one of the sites was sold together with the equipment of Rába Szolgáltatóház Kft. at the end of 2003.

## **1.2. Intangible assets**

The net value of intangible assets was HUF 64 million, which is HUF 139 million below the base figure. The reduction occurred because recently technical development expenditure could not be capitalised among intangible assets.

## **1.3. Long-term participations**

This balance sheet line shows the proportion of an associate enterprise relating to the parent company. On 31<sup>st</sup> March 2004, it amounted to HUF 1,718 million.

## **1.4. Other participations**

Some of the other participations include subsidiaries not involved in consolidation, and the rest are other participations, in the case of which Rába's stake is less than 25 per cent. The closing figure on 31<sup>st</sup> March 2004 was HUF 435 million (31<sup>st</sup> March 2003: HUF 500 million). The reduction occurred because the company had sold several of its investments, not included in the consolidation.

## **1.5. Other investments**

The closing value of other investments was HUF 24 million, which was HUF 10 million below the previous year's figure.

## **1.6. Deferred tax**

On 31<sup>st</sup> March 2004, the deferred tax amounted to HUF 1,417 million, HUF 1,169 million more than on 31<sup>st</sup> March 2003. The change is due to accrued subsidiary losses.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 31<sup>st</sup> March 2004, the closing value of stocks was HUF 6,890 million (31<sup>st</sup> March 2003: HUF 7,438 million). The decline in stocks of 548 million is due to the decline in materials (of HUF 583 million) and in finished goods (of HUF 325 million), as well as to the increase in work in progress (HUF 360 million) due to the growth in customer orders.

### **2.2. Tax receivables**

Tax receivables (HUF 1,982 million) originate mainly from the reclaimed VAT in relation to export activities, and from the payment of corporate profit tax advances.

### **2.3. Receivables**

The closing figure of receivables for Q1 of 2004 was HUF 7,802 million (Q1, 2003 closing figure: HUF 7,530 million) which represents an insignificant growth of 3.6%.

### **2.4. Liquid assets**

The closing figure of liquid assets on 31<sup>st</sup> March 2004 was HUF 419 million (31<sup>st</sup> March 2003: HUF 888 million). The company operates a cash-pool system. This system optimises the available cash, with the help of which the difference between the deposit and credit interests related to the cash and debt portfolio of the individual companies of the system can be saved.

## **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 provide one vote at the General Meeting of the Company. On 31<sup>st</sup> March 2004, the share capital of the company was HUF 12,688 million, which is the same figure as the one prevailing on 31<sup>st</sup> March 2003.

### **3.2. Capital reserve**

On 31<sup>st</sup> March 2004, the capital reserve was HUF 6,855 million. The slight decrease is explained by the sale of a subsidiary and an associate enterprise during the second half of

2003.

### **3.3. Retained earnings**

The retained earnings (HUF –1,399 million) decreased compared to the previous year (HUF 1,221 million) almost exclusively by the loss realized between the two periods.

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

The closing value of long-term liabilities as at 31<sup>st</sup> March 2004 amounted to HUF 2,612 million (on 31<sup>st</sup> March 2003, the closing figure was HUF 4,998 million). Which no longer included the repayment liabilities of medium-term loans due within one year. The currency composition of our debt portfolio (USD, EUR and HUF) proportionately reflected the composition of our revenues, thus mitigating our exchange rate exposure.

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

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

The increase in the total amount of short-term credits and loans (HUF 11,253 million) compared to the previous period (HUF 9,333 million) is mainly due to the reclassification of the repayment installment of long-term loans, due within one year.

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

The amount of short-term liabilities (closing figure on 31<sup>st</sup> March 2004: HUF 8,218 million) increased compared to the base period of HUF 5,894 million (by +39 per cent). The increase is due to the increase in liabilities to suppliers, which is the result of the extension of the payment terms.

## **PK 5. CONSOLIDATED CASH-FLOW STATEMENT Q1 2004**

**Data in HUF thousand**

### Cash-flow of ordinary operation:

Profit before taxation net of profit shares from associate companies	2.714.792
Revenues and expenses not affecting the ordinary cash flow	-4.425.854
Changes in assets and liabilities related to ordinary activities	473.963
Of which: buyers	731.945
Supplies	529.186
Tax paid in the current year	0
	<b>-1.237.100</b>
<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	-4.238
Net increase / decrease of credits and loans	1.496.015
Dividend paid	0
	<b>1.491.777</b>
<u>Changes in cash-flow of investment activity</u>	
Revenues from the sale of invested assets	124.938
Purchase of invested assets	-276.659
	<b>-151.721</b>

<b>Changes in liquid assets</b>	<b>102.956</b>
<b>Revenues and expenses not affecting the cash flow of ordinary activities</b>	
Depreciation	712.866
Revaluation	-5.105.690
Loss / gain on the sale of invested assets	-33.030
Depreciation of invested assets	0
	<b>-4.425.854</b>
<b>Changes in assets and liabilities related to ordinary activities</b>	
Reduction / increase of stocks	-871.963
Changes in receivables / liabilities	1.345.926
	<b>473.963</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 EUR 186 million in exchange for HUF, in addition to the purchase of EUR 67 million for USD.

**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)			On the date of the AGM reconciliation (22 April)			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	18.36	19.49	2,473,274	18.27	19.40	2,461,995				
Foreign institutional/corporate	30.38	32.25	4,093,640	29.48	31.30	3,972,352				
Foreign private individual	0.09	0.09	11,669	0.01	0.01	1,900				
Domestic private individual	22.22	23.59	2,993,874	23.11	24.53	3,113,537				
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	12.45	13.22	1,677,760				
International Development Institutions	10.85	11.52	1,462,446	10.85	11.52	1,462,446				
Other	0.01	0.02	1,996	0.01	0.02	1,996				
<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 22<sup>nd</sup> April, 2004)**

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>
Local Government of Győr County town	D	G	1,508,850	11.20	11.89	
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		

<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	781,460	781,460			
Subsidiaries					
Total	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	42	29	28
Group level	4,099	3,342	3,263

The consolidated closing headcount as at 31<sup>st</sup> March 2004 was 3,263 people. The reduction in headcount compared to the end of the base period is 20.4%. The headcount of Rába Szolgáltató Kft. (148 people) sold as at 31<sup>st</sup> October 2003 is still included in the closing headcount of the group for 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	Péter Jancsó	Chairman of the BD	1998.		0
BD	Abbas Mehad	Board member	1998.		0
BD	Merrick W. Taylor	Board member	1998.	2003.	0
BD	Antal Apró	Board member	1998.		0
BD	József Szabó	Board member	2000.	2003.	
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	András Geszti	Supervisory Board member	2000.		0

		member			
SB	Dr. Imre Czinege	Supervisory Board member	2001.	2003.	
SB	Lajos Horváth	Supervisory Board member	2003.		0
SB	Csaba Zoltán	Supervisory Board member	2003.		0
SP	László Steiner	CEO	2001	2003.	
SP	István Pintér	CEO	2003.	Definite	414
SP	Ferenc Romvári	Deputy CEO	1998.	Indefinite	0
SP	István Pintér	Deputy CEO	2000.	2003.	
SP	Péter Lengyel	Deputy CEO	2002.	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	Dr János Megyeri	Technical and Sales Director	2001.	2002.	
SP	Dr. János Megyeri	Managing Director	2002.	2003.	
SP	István Simon	Managing Director	2003.	Indefinite	0
SP	Kovács Csaba	Managing Director	2002.	Indefinite	0
SP	Dr. Surányi Jenő	Managing Director	2002.	2003.	
TOTAL No. of shares held (pcs):					826

<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 23 April 2003 elected a new Board of Directors and Supervisory Board. The board membership of Merrick W. Taylor and József Szabó came to an end, their board seats were taken by Gordon Bajnai, Péter Küllői and Olivér Martin, thus increasing the number of board members to six. The number of Supervisory Board members was raised to four, Dr. Imre Czinege was replaced by Lajos Horváth and Csaba Zoltán was also appointed to the Supervisory Board.

The contract of László Steiner, CEO expired at the date of the general meeting. The Board elected István Pintér, former deputy CEO to be the CEO of Rába Rt.

As from 31 May 2003 the employment of Dr János Megyeri, managing director of Rába Alkatrészgyártó Kft (Component Manufacturing) came to an end, the tasks of managing director are now performed by István Simon.

In consequence of the organisational changes implemented as from 1 January 2004 the following changes occurred among the employees:

- 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 function 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.

**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.

**Other events:**

Rába Járműgyártó (Vehicle Manufacturing Ltd.) Kft was selected as the supplier of the Hungarian Army in the category of off-road vehicles, based on the proposal Rába submitted for the military vehicle procurement tender issued by the Hungarian Army. It is expected that this will allow Rába to deliver some 8000 motorvehicles within a 15-year period.

In its decree No. 2341/2003 (XII.23.) the government has authorised the Minister of Defense to sign with Rába Vehicle Kft. the supplementary agreement for the motor vehicle deliveries in 2004 and 2005 and to assume payment obligations amounting to HUF 9.6 billion (HUF 7.68 billion, net) in 2005 and to HUF 12.8 billion (HUF 10.24 billion net) in 2006.

**PK1. General information regarding 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> .....			<b>Other</b>	<input type="checkbox"/>

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 consideration of the International Financial Reporting Standards.
- 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. 28<sup>th</sup> April 2004.

**István Pintér**  
CEO

**Péter Lengyel**  
Deputy CEO