

# Rába Nyrt. 2005 Flash Report

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

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## Short summary

In 2005 the Rába Group achieved the highest ever consolidated sales revenue of the period following the portfolio streamlining of HUF 47.3 billion, which is an increase of 17.9 per cent over the sales revenue of 2004.

The operating profit has shown considerable improvement: the loss remained under HUF 2 billion in contrast to that of HUF 5.1 billion in 2004. The quarterly operating losses continued to improve: it amounted to HUF 983 million during Q1, HUF 535 million in Q2, HUF 369 million in Q3 and HUF 101 million in Q4.

The financial year of the Rába Group was marked by a financial result of HUF 3.1 billion, thus the net profit of the company amounted to a loss of HUF 4.7 billion.

The cash-flow positions of the group of companies improved considerably at the level of EBITDA the Rába Group generated HUF 562 million in Q4, which at an annual level means a profit of HUF 600 million. (Q1: HUF -343 million, Q2: HUF 107 million, Q3: HUF 274 million).

The loss of HUF 3,090 million of financial profit contains a profit of HUF 662 achieved through simple forward transactions and an unrealised loss of HUF 3,598 million resulting from the revaluation of the HUF. The mandatory revaluation upon closing has resulted in an instantaneous but considerable negative effect on the net result of the company. Of this the effect of the revaluation of loans, accounts payable and accounts receivable was HUF 839 million, the rewrite of the open forward deals of the previous year amounted to HUF -1,402 million and the effect of the open forward transaction was HUF -1,357 million. The latter will appear as a rewrite improving the profitability on January 1<sup>st</sup>, according to the IFRS.

The drastically increased sales revenue was achieved by RÁBA with a declining (by 228 people) headcount within the Rába Group, which at the end of the period was 3,037, thus contributing to substantial efficiency improvements in live labour.

## Rába Futómű Kft. (Axle Ltd)

The sales revenue of Rába Futómű Kft. in 2005 amounted to HUF 30 billion after HUF 25 billion achieved in 2004. This amounts to an increase of 19%. On a quarterly basis the sales revenue showed a smaller fluctuation: Q1 of 2005: USD HUF 7.2 billion, Q4: HUF 7.9 billion, which is basically the same as the sales revenue of Q2. The sales revenue expressed in USD terms is USD 151 million, which is 20% above the USD 126 million sales of 2004.

The principal driver of the sales revenue is the fruition of the European axle subsystem and component projects prepared earlier and currently on the uptake. The American commercial vehicle industry has continued to generate substantial demand over the last quarter.

The iron and steel prices stabilised at a high level on the world market mean no further

significant risk for the profitability of Rába, since such prices are to a large extent passed on to Rába's customers, based on the agreements with Rába's partners.

The negative trend in the exchange rate of the USD has come to a halt over the past three quarters, thus it is now only 0.5% behind last year's level.

As a result of the efficiency improvement measures implemented last year and this year, the profitability of the Axle Business improved substantially.

The result from operations amounted to a loss of HUF 2,508 million, against the loss of HUF 4,643 million in 2004. At a quarterly level the operating loss from operations declined to HUF 490 million, against the loss of HUF 1,187 million during Q4 of 2004. The improvement over the base period is 46%

The result from actual operations is a profit of HUF 320 million, which includes the settlement of shareholders' equity necessary due to the statutory adequacy requirements, involving the waiver of the shareholders' loan of HUF 2,828 million of the shareholder RÁBA Nyrt.

On the level of EBITDA, the Axle Business has reached a positive result, generating a profit of HUF 78 million at a quarterly level.

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

The sales revenue of the Components Business of Rába amounted to HUF 11.3 billion during 2005, against HUF 11 billion during 2004. The increase of 2% gains additional significance in consideration of the fact that the Components Business achieved it while in accordance with the medium-term strategy of the company, the Győr plant was integrated into the Vehicle Business during Q2 of 2005, thus the sales revenue of the Győr plant during the second half of the year was no longer manifest within the Components Business.

The result from operations during 2005 amounted to a loss of HUF 204 million, against the loss of HUF 760 million in 2004. The improvement over the base period exceeds 73%, the operating result during Q4 of 2005 was a profit of HUF 3 million, following a loss of HUF 60 million during the previous quarter.

On the level of EBITDA, the Company achieved a profit of HUF 106 million during Q4.

During Q2 the company gained yet another major order from Suzuki. The preparation for the deal was concluded during Q4 of 2005, serial production of is expected to begin during Q1 of 2006. The Mór plant of the Components Business of Rába will supply rear seat frames, as well as front and back seat covers for the vehicle.

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

In line with the agreement signed earlier, in 2005 Rába Jármű Kft. delivered 157 military vehicles including the related special fixtures to the Military Technology Supply Centre of the Ministry of Defence.

Besides the family of military vehicles the Company has delivered bus and commercial vehicle chassis of different categories to its domestic and foreign partners.

The sales revenue of Rába Jármű Kft. in 2005 amounted to HUF 8,1 billion. The operating profit was HUF 497 million. During Q4 the sales revenue increased to HUF 4 billion from HUF 1.3 billion during the previous quarter, while the operating profit increased from HUF 313 to

HUF 497 million. Such change is in line with the plans and the sales schedules of the Company.

In line with the planned schedule, the integration of the Győr plant of the Rába Components Ltd. into Rába Vehicle Ltd. was concluded by the beginning of July. Through the integration of the Győr plant involved primarily in the production of chassis, the company seeks to better exploit the operational synergies.

On the level of EBITDA, during Q4 the Company registered a profit of HUF 354 million, the highest during that year.

### **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
2004 Q1	4943	2608	307	7324
2004 Q2	6036	2885	396	8942
2004 Q3	7025	2547	1361	10442
2004 Q4	7260	2979	4026	13447
2005 Q1	7227	2797	964	10572
<b>2005 Q2</b>	<b>7799</b>	<b>3450</b>	<b>1902</b>	<b>12359</b>
<b>2005 Q3</b>	<b>7126</b>	<b>2427</b>	<b>1246</b>	<b>10353</b>
<b>2005 Q4</b>	<b>7940</b>	<b>2609</b>	<b>3977</b>	<b>14048</b>

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

	Operating profit									
	2004. Q1	2004. Q2	2004. Q3	2004. Q4	2004.	2005. Q1	2005. Q2	2005. Q3	2005. Q4	2005.
Axle	-1.513	-1.116	-826	-1.187	-4.643	-830	-589**	-599	-490	-2.508**
Component	-202	-56	-188	-314	-760	-172	25	-60	3	-204
Vehicle	-99	-106	27	445	266	9	114	61	313	497
Other	-5	30	118	-165	-22	10	-85	229	73	226
<b>Total</b>	<b>-1.817</b>	<b>-1.248</b>	<b>-870</b>	<b>-1.222</b>	<b>-5.158</b>	<b>-983</b>	<b>-535</b>	<b>-369</b>	<b>-101</b>	<b>-1.988</b>

\* Due to the clarification of the IFRS interpretation, the operating results of the business divisions have been modified as from the first three quarters of 2004.

\*\* Includes the waiver of the shareholders' loan as per the settlement of the shareholders' equity.

#### **PK2. Companies involved in the consolidation**

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

<b>RÁBA 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>

<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)

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

Due to its sale, BPW-Rába Axle Kft. was released from consolidation in 2004. This does not, however, have an impact on the comparability of data, since the consolidation of the Kft. occurred as a capital consolidation only.

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

data in HUF thousand

Item	Jan-Dec. 2005.	Jan-Dec. 2004.	Index
Domestic sales revenues	18.034.492	16.163.433	111,6%
Export sales revenues	29.297.203	23.991.383	122,1%
<b>Sales revenues</b>	<b>47.331.695</b>	<b>40.154.816</b>	<b>117,9%</b>
Direct cost of sales	38.257.272	33.924.309	112,8%
<b>Gross margin</b>	<b>9.074.423</b>	<b>6.230.507</b>	<b>145,6%</b>
Cost of sales	910.049	1.046.487	87,0%
General and administration expenses	12.037.917	12.290.433	97,9%
Other revenues	1.886.250	1.948.505	96,8%
<b>Other items related to business activities</b>	<b>-11.061.716</b>	<b>-11.388.415</b>	<b>102,9%</b>
<b>Result of operation before interest payment and taxation</b>	<b>-1.987.293</b>	<b>-5.157.908</b>	<b>161,5%</b>
Net financial revenues/expenses	-3.090.716	6.794.109	-45,5%
Profit share from external companies	0	142.514	0,0%
<b>PROFIT BEFORE TAXATION</b>	<b>-5.078.009</b>	<b>1.778.715</b>	<b>-285,5%</b>
<b>Corporate profit tax</b>	<b>-360.190</b>	<b>144.036</b>	<b>-250,1%</b>
<b>PROFIT AFTER TAXATION</b>	<b>-4.717.819</b>	<b>1.634.679</b>	<b>-288,6%</b>
Profit share of minority shareholders			
<b>NET PROFIT</b>	<b>-4.717.819</b>	<b>1.634.679</b>	<b>-288,6%</b>

### 1. SALES AND MARKET POSITIONS

#### 1.1 Earned revenues

In 2005, Rába achieved HUF 47,332 million in sales revenue. 61.9 per cent of the revenues came from export (2004: 59.8 per cent), the rest came from domestic sales.

#### EXPORT:

The sales revenue achieved on the **US market** in 2005 amounted to USD 71.5 million (2004: USD 56.2 million). The increase year on year equals 27.2%.

**On the European markets**, Rába's sales went up by 14.8 per cent compared to the previous year which represents sales of EUR 53.8 million.

The revenues of the Axle business amounted to EUR 41.2 million, and those of Components represented EUR 11.8 million of total sales.

On the *West and South European markets* revenues went up by 10.4 per cent; revenues increased from EUR 37.1 million during the previous period to EUR 40.9 million. 73 per cent of the sales involved products of the Axle business and 27 per cent were related to the products of the Component business.

On the *Eastern and Central European markets*, in 2005 Rába generated export sales in excess of EUR 12.9 million which compared to the base period represents an increase of 32 %. 88% of this sales figure is made up from axle deliveries.

In 2005, **Asian** exports amounted to USD 4.3 million.

**The domestic sales revenues of the group** amounted to HUF 18.0 billion.

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

### **2.1. Direct expenditure**

In 2005 the direct expenditure of Rába was at 80.8 per cent, versus the 84.5 % cost level characteristic for 2004.

Rába achieved the 4.3 per cent improvement in direct cost level compared to the level of the previous year in spite of the 0.5% decline in the exchange rate of the US dollar, which shows a substantial improvement in the company's efficiency.

### **2.2. Gross Profit**

The gross profit changed from HUF 6,231 million to HUF 9,074 million, which is due to the increase in the sales revenue (+ HUF 7,177 million) and to the lesser increase in direct costs (+ HUF 4,332 million)

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

The cost of sales declined by 13 per cent and amounted to HUF 910 million in 2005, compared to HUF 1,046 million during in 2004.

### **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 (2005: HUF 9,904 million, 2004: HUF 9,853 million), and various expenditures outside the ordinary business operation (2005: HUF 2,919 million, 2004: HUF 2,299 million) in the P&L line of general and administrative expenditure. General overhead and administrative costs remained basically at the level of the previous year. General overhead and administrative expenses include redundancy costs, costs not directly related to production, as well as the necessary provisioning.

### **2.5. Other revenues**

Other revenues amounted to HUF 1.886 million in 2005. This amount was HUF 62 million (3.2 per cent) lower than that of the previous period. The change is due to the decline in the sale of tangible assets (HUF -14 million), to the release of provisions (HUF +46 million) set aside for lay-offs and repairs under guarantee and to the increase in the rewrite of receivables (HUF +201 million), to the decline of fines received (HUF -394 million), to the decline of extraordinary incomes (HUF 69 million), as well as to the increase in other items (HUF 168 million).

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

The profit of Rába before interest payment and taxation was HUF -1,987 million in 2005 (2004: HUF -5,158 million). The positive effect of the growth due to the gross margin (HUF +2,843

million) was further improved by the decline in the cost of sales and in general expenses (HUF –389 million) and was deteriorated by the decline in other revenues (HUF –62 million) as described in section 2.5. Profitability changed from –12.8% during the base period to –4.2%. The profitability of operating profit + depreciation increased from –7.5 per cent to +1.3 per cent.

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

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

The net financial result was a loss of HUF –3,091 million in 2005. (2004: a profit of HUF 6,794 million). The net financial revenues consisted of the following principal items:

	Dec 31 <sup>st</sup> 2005	Dec 31 <sup>st</sup> 2004
	million HUF	million HUF
Dividend received	0	25
Net interest	-565	-653
Capital gains on shares sold	0	131
Net other items	-2,526	7,291
<b>Net financial revenues</b>	<b>-3,091</b>	<b>6,794</b>

Within net financial revenues, the majority of other items involved exchange rate gains/exchange rate losses on FX items, the related risks of which Rába reduced through hedging transactions. In 2005, the net gain on hedging transactions amounted to HUF 662 million, the gain during 2004 was HUF 2.524 million. The unrealised gain on the revaluation of forward transactions as at December 31<sup>st</sup> 2005 was a loss of HUF 1,357 million, against the profit of HUF 1,402 million during the base period. The unrealised gain of the forward transactions of December 31<sup>st</sup> 2004 was released during Q1 of 2005, which had a negative effect of HUF 1,402 million on the financial result. The same value resulted in gains of HUF 2,576 million during Q1 of 2004.

##### **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. Since BPW-Rába Axle Kft. was sold on 30<sup>th</sup> July, 2004, there was no profit from external companies in 2005 (2004: HUF 143 million).

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

The result before taxation was a loss of HUF 5,078 million in 2005, which as a result of the factors outlined in sections 2.1-4.2 is HUF 6,857 million lower than the level of 2004. The profitability index represents a –10.7 per cent return on sales on the basis of profit before taxation, compared to 4.4 per cent during the base period.

At group level the tax liability amounts to HUF -360 million, which is the tax liability due exclusively on the basis of the unrealized profit of the forward transactions (in this case redeeming position), thus the consolidated after-tax profit amounts to a loss of HUF –4,718 million.

#### **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 revaluations of the previous year,
- accounting under IFRS as costs of technical development, foundation and reorganisation expenses capitalised according to HAS.

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

Data in HUF thousand

Item	Dec 31 2005.	Dec 31 2004.	Index
Properties, machines, equipment	17.182.089	18.005.437	95,4%
Intangible assets	175.244	267.781	65,4%
Long-term participations	0	0	
Other participations	83.952	83.952	100,0%
Other investments	6.262	19.251	32,5%
Deferred tax	1.978.544	1.618.354	122,3%
<b>Total invested assets</b>	<b>19.426.091</b>	<b>19.994.775</b>	<b>97,2%</b>
Securities	0	350.000	0,0%
Stocks	8.611.514	8.362.126	103,0%
Receivables related to tax	948.776	1.070.501	88,6%
Receivables	7.775.664	8.115.742	95,8%
Liquid assets, bank account	777.280	915.582	84,9%
<b>Total current assets</b>	<b>18.113.234</b>	<b>18.813.951</b>	<b>96,3%</b>
<b>Total ASSETS</b>	<b>37.539.325</b>	<b>38.808.726</b>	<b>96,7%</b>
Share capital	12.780.552	12.687.766	100,7%
Capital reserve	6.832.404	6.854.765	99,7%
Retained earnings	-7.214.575	-2.496.756	-89,0%
<b>Total capital and reserves</b>	<b>12.398.381</b>	<b>17.045.775</b>	<b>72,7%</b>
Long-term liabilities	7.200.597	4.487.016	160,5%
<b>Total long-term liabilities</b>	<b>7.200.597</b>	<b>4.487.016</b>	<b>160,5%</b>
Short-term credits and loans	6.158.311	5.240.489	117,5%
Short-term liabilities	11.782.036	12.035.446	97,9%
<b>Short-term liabilities total</b>	<b>17.940.347</b>	<b>17.275.935</b>	<b>103,8%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>37.539.325</b>	<b>38.808.726</b>	<b>96,7%</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 dropped from the closing value of HUF 18,005 million of the previous year to HUF 17,182 million, which represents a minor change of -4.6%.

#### **1.2. Intangible assets**

The net value of intangible assets was HUF 175 million, HUF 93 million less than that of the base period. Rába Nyrt. has only licences 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> December 2005, it amounted to HUF 0, i.e. it was identical with the base period. As of July 30<sup>th</sup> 2004 the company sold its affiliated company recorded here and mentioned in section 4.2.

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

Some of the other participations include subsidiaries not involved 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 on 31<sup>st</sup> December 2005 was HUF 84 million, equal to the closing value of 2004.

### **1.5. Other participations**

The closing value of other investments was HUF 6 million, which was HUF 13 million below the previous year's figure.

### **1.6. Deferred tax**

On 31<sup>st</sup> December 2005, the deferred tax amounted to HUF 1,979 million, HUF 360 million more than the value as at 31<sup>st</sup> December 2004. The change is due to the change in tax liabilities as detailed under section 5.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 31<sup>st</sup> December 2005, the closing value of stocks was HUF 8,612 million (31<sup>st</sup> December 2004: HUF 8,362 million). The increase in stocks of HUF 249 million is due to the decline in materials (of HUF 146 million) and the increase in finished goods (of HUF +140 million) resulting from the customer orders. Work in progress increased by HUF 256 million compared to the base period. The increase in stocks by 9% was significantly influenced by the increase in orders and sales, within that by the launch of military deliveries, the increase in production volume and the fulfilment of the conditions for more efficient production (consolidation of series).

### **2.2. Tax receivables**

Tax receivables (HUF 949 million) originate mainly from the reclaimed VAT in relation to export activities (31<sup>st</sup> December 2004: HUF 1,071 million).

### **2.3. Receivables**

The closing figure of receivables as at the end of 2005 was HUF 7,776 million (closing figure 2004: HUF 8,116 million) which represents a decline of 4.2%. The decline is the result of the 18% increase in accounts receivable and of the 27.8% decline in other short-term liabilities

### **2.4. Liquid assets**

The closing figure of liquid assets on 31<sup>st</sup> December 2005 was HUF 777 million (31<sup>st</sup> December 2004: HUF 916 million). The company operates a cash pool system, which allows the optimization of the cash available for the company, as a result of which the difference between the deposit and credit interests related to the cash and loan portfolios of the companies involved in the system can be saved.

## **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<sup>st</sup> December 2005, the share capital of the company was HUF 12,781 million, which is HUF 93 million higher than the figure prevailing on 31<sup>st</sup> December 2004. The change is due to the incentive share programme provided by the Company to its executives, via 92,786 treasury shares.

### **3.2. Capital reserve**

On 31<sup>st</sup> December 2005, the capital reserve was HUF 6,832 million, HUF 22 million less than that on 31<sup>st</sup> December 2004. The difference between the actual value and the nominal value of the shares as described under section 3.1 is accounted for under this item.

### **3.3. Retained earnings**

The retained earnings (HUF -7,215 million) changed compared to the previous year (HUF -2,497 million) in line with the result realized between the two periods.

	Share capital	Capital reserve	Profit reserve	Total
Balance as at 1 <sup>st</sup> January 2004	12,688	6,855	-4,131	15,412
Net income	-	-	1.635	1.635
Balance as at 30 <sup>th</sup> September 2004	12.688	6.855	-2.496	17.047
Balance as at 1 <sup>st</sup> October 2004	12.688	6.855	-2.496	17.047
Net income	-	-	0	0
Balance as at 31 <sup>st</sup> December 2004	12.688	6.855	-2.496	17.047
Balance as at 1 <sup>st</sup> January 2005	12.688	6.855	-2.496	17.047
Net income	-	-	-4.718	-4.718
Sale of treasury shares	93	-22	-	71
Balance as at 31 <sup>st</sup> December 2005	12.781	6.833	-7.214	12.400

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

The closing value of long-term liabilities as at 31<sup>st</sup> December 2005 amounted to HUF 7,201 million (on 31<sup>st</sup> December 2004, the closing figure was HUF 4,487 million), which no longer included the repayment liabilities of medium-term loans due within one year. The increase is HUF 2,714 million, resulting from the increase in long-term and investment loans at the subsidiaries. On 1<sup>st</sup> March 2005 a HUF 6 billion investment and development loan agreement was signed with Magyar Fejlesztési Bank, aimed at the development of the forging and finishing facility for axle products. Of this loan HUF 2,634 million was disbursed until 31<sup>st</sup> December 2005.

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

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

The amount (HUF 6,158 million) of short-term credits and loans increased by 17.5% compared to the previous period (HUF 5,240 million).

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

- The amount of short-term liabilities (closing figure on 31<sup>st</sup> December 2005: HUF 11,782 million) declined by 2.1% compared to the base period (of HUF 12,035 million). The change is due to the decline in both other short-term liabilities and accounts payable.

#### PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2005

Figures in HUF thousand  
year 2005

##### Cash-flow of ordinary operation:

Profit before taxation net of profit shares from associate companies	-4.717.820
Revenues and expenses not affecting the cash flow of ordinary operation	5.470.795
Changes in assets and liabilities related to ordinary activities	-3.147.948
Of which: customers	-1.004.237

Suppliers	-270.497
Taxes paid during current year	0
	<b>-2.394.973</b>
<b>Changes in financial assets due to financial transactions</b>	
Sale of treasury shares	70.425
Purchase of treasury shares	0
Net reduction / increase of securities	350.000
Net increase / decrease of credits and loans	2.707.405
Dividend paid	0
	<b>3.127.830</b>
<b>Changes in cash-flow of investment activity</b>	
Revenues from the sale of invested assets	0
Sale of tangible assets	810.227
Purchase of invested assets	-1.681.386
	<b>-871.159</b>
<b>Changes in liquid assets</b>	
<b>-138.302</b>	
<b>Revenues and expenses not affecting the cash flow of ordinary activities</b>	
Depreciation	2.587.536
Revaluation	3.597.634
- of which: unrealized exchange rate gains/loss of forward transactions	2.758.877
- of which: revaluation of customer, supplier loans	838.757
Loss (gain) on the sale of tangible assets	-714.376
Result of the sale of participation	0
Write-off of invested assets	0
	<b>5.470.795</b>
<b>Changes in assets and liabilities related to ordinary activities</b>	
Reduction / increase of stocks	2.587.536
Changes in receivables / liabilities	3.597.634
	2.758.877

**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 34 million in exchange for HUF, sale of USD 109 million in exchange for HUF, as well as purchase of EUR 51 million for USD.

The bank loans of the Rába Group amount to HUF 13,342 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 12,227 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 1,872 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	At the end of the period	Beginni	End of

	(1 January)			(31 <sup>st</sup> December)			ng of term		term	
	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	%	Pcs	%	Pcs
Domestic institutional/corporate	15.22	16.15	2,050,221	17,53	18,47	2.361.952				
Foreign institutional/corporate	29.10	30.89	3,920,354	24,41	25,72	3.288.279				
Foreign private individual	0.02	0.02	2,120	0,03	0,03	4.163				
Domestic private individual	31.79	33.74	4,282,749	33,62	35,43	4.530.272				
Employees, managing executives										
Treasury shares	5.80		781,460	5,11		688.674				
Shareholder forming part of general government	7.19	7.63	968,850	8,44	8,90	1.137.660				
International Development Institutions	10.85	11.52	1,462,446	10,85	11,44	1.462.446				
Other	0.04	0.04	5,246	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 31st December 2005)**

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>
EBRD	F	IFI	1,462,446	10.85	11.44	
DRB Hicom Group	F	B	1,462,446	10.85	11.44	
Municipality of Győr County Town	D	G	968,850	7.19	7.58	
Treasury shares	D	B	688,674	5.11		

<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	781,460	688,674	688,674
Subsidiaries					
Total	781,460	781,460	781,460	688,674	688,674

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

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

	End of base period	Beginning of current year	End of current period

Company level	12	12	20
Group level	3,265	3,265	3,037

The consolidated closing headcount as at 31st December 2005 was 3,037 people, which represented a decline of 7% compared to the end of the base period.

### **TSZ3. Managing executives, strategic employees**

Type <sup>1</sup>	Name	Position	Beginning of mandate	End/termination of mandate	Shares held (pcs)
BD	Péter Jancsó	Chairman of the BD	1998.	2005	0
BD	István Pintér	Chairman of the BD	2005		
BD	Abbas Mehad	Board member	1998.		0
BD	Antal Apró	Board member	1998.		0
BD	Gordon Bajnai	Board member	2003.	2005	0
BD	Péter Küllői	Board member	2003.	2005	0
BD	Olivér Martin	Board member	2003.		0
BD	Róbert Hrabovszky	Board member	2005		
SB	Dr. János Benedek	Chairman of the SB	2004.		0
SB	András Geszti	Supervisory Board member	2000.	2004	
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	12,588
SP	Ferenc Romvári	Deputy CEO	1998.	Indefinite	949
SP	Péter Lengyel	Deputy CEO	2002.	2004	
SP	Béla Balog	Deputy CEO	2004	Indefinite	1,186
SP	Ferenc Vissi	HR Director	2001.	Indefinite	3,162
SP	Sándor Kocsis	Quality Management Director	2001.	Indefinite	3,162
SP	József Szabó	Purchasing and Asset Mgmt. Director	2001.	Indefinite	3,574
SP	Dr. Béla Fekecs	Managing Director	2002.	2004.	
SP	István Simon	Managing Director	2003.	2005	
SP	László Urbányi	Managing Director	2005	Indefinite	0
SP	Kovács Csaba	Managing Director	2002.	2005	
SP	János Torma	Managing Director	2005	Indefinite	31
TOTAL No. of shares held (pcs):					24,652

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

### **Changes in employment**

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

- 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 Nyrt.
- 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<sup>th</sup> April 2004 the General Meeting of Shareholders elected three new members, Dr János Benedek, Péter Budaházy and István Préda to the Supervisory Board. The Supervisory Board membership of András Geszti and Csaba Zoltán is simultaneously terminated.

Concluding over three years of activities within Rába, Péter Lengyel, CFO of Rába Nyrt. and finance director of Rába Futómű Kft. left the company upon mutual consent on 31<sup>st</sup> August, 2004. His successor in the above positions is Béla Balog, who took up his position on 16 August 2004.

As from 1<sup>st</sup> May 2005, the managing director of Rába Jármű (Vehicle) Kft. is János Torma. His predecessor, Csaba Kovács left the company upon mutual consent upon the expiry of his mandate (on 30<sup>th</sup> April 2005).

The position of managing director of the Component Business is filled by László Urbányi as from 18<sup>th</sup> July 2005. His predecessor, István Simon is now the controlling director of Futómű Kft.

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

On 3<sup>rd</sup> February, 2006 the Rába share incentive programme was launched. Within the framework of the programme, members of the management purchase Rába shares. The programme is aimed at strengthening the spirit of ownership and thus at increasing the market value of the company. All employees of the company can join the programme.

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

<b>Date</b>	<b>Place of publication</b>	<b>Subject, brief summary</b>
14-02-2005	No. 31. MATÖKE	Flash Report of Rába Nyrt. on the year 2004.
10-03-2005	No. 49. MATÖKE	Corporate announcements; Rába Futómű Kft., the subsidiary of Rába Rt. has taken out a development loan of HUF 6 billion.
25-03-2005	No. 58. MATÖKE	Invitation to the AGM of Rába Járműipari Holding Rt. Rt.
01-04-2005	No. 62. MATÖKE	Announcement of RÁBA Rt. about the payment of the cash value of printed shares
13-04-2005	No. 70. MATÖKE	Supplements to the invitation to the general meeting of RÁBA Járműipari Holding Rt.
28-04-2005	No. 82. MATÖKE	Resolutions of the general meeting of RÁBA Rt. held 28th April, 2005.
02-05-2005	No. 83. MATÖKE	Personal changes within RÁBA Járműipari Holding Rt. The annual report of RÁBA Rt. for 2004. is available for viewing
09-05-2005	No. 88. MATÖKE	Annual report of RÁBA Rt. for 2004.(excerpt)
10-05-2005	No. 89. MATÖKE	Announcement of RÁBA Rt. of a personal nature
11-05-2005	No. 90. MATÖKE	Information of RÁBA Rt. about the venue where its flash report can be viewed
27-06-2005	No. 122. MATÖKE	Extraordinary information of RÁBA Rt. about changes

		in controls exceeding 5%
12-08-2005	No. 156. MATÖKE	Flash report of Rába Rt. for the first 6 months
23-08-2005	No. 163. MATÖKE	Special report of Rába Rt. regarding changes in control exceeding 5 %
01-09-2005	No. 170. MATÖKE	Report of Rába Rt. regarding treasury share transactions
14-09-2005	No. 179. MATÖKE	Invitation to the AGM of Rába Rt. Changes in the Board of Directors of Rába Rt.
29-09-2005	No. 190. MATÖKE	Rába Futómű Kft. has signed a loan agreement for the prefinancing of European sales
21-10-2005	No. 206. MATÖKE	Resolutions passed at the extraordinary general meeting of RÁBA Rt. held 20th October 2005. Personal change in the Board of Directors of RÁBA Rt.
10-11-2005	No. 218. MATÖKE	Information of RÁBA Rt. about the venue for the viewing of its flash report
27-12-2005	No. 250. MATÖKE	Extraordinary communication of RÁBA Nyrt. about the conclusion of a transaction for treasury shares Announcement of insider managers of RÁBA Nyrt. and its subsidiaries regarding a deal for treasury shares

**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> .....			<b>Other</b>	<input type="checkbox"/>

**Declaration of liability**

RÁBA Nyrt hereby declares that the flash report contains data and statements that are true and valid and that it does not hide any fact that would have relevance for the assessment of the situation of the Company.

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 (balance sheet and profit and loss statement), in consideration of the International Financial Reporting Standards. This does not, however, mean the entire publication 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, 10<sup>th</sup> February 2006.

**István Pintér**  
Chairman-CEO

**Béla Balog**  
Deputy CEO