# Flash report of Rába Rt for the 1st to 3rd Quarter 2002

Non-audited consolidated flash report pursuant to the international accounting standards (IAS)

## Data sheet

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|---|---|
| Company name: | RÁBA Járműipari Holding Részvénytársaság |
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| Industrial branch: | Machine industry |
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## Summary

Just like in the second quarter the prolonged recession in the automotive industry and the unfavourable macro-economic environment hit hard on the operations of Rába Rt in the third quarter of the year.

As part of the reorganization process of the group that was launched last year Rába management adjusted to the revenues of the group in the third quarter, and went on with the ongoing process of reorganization that commenced last year, at lower costs than those in the previous quarters.

The following economic and market factors produced a marked **negative** effect on the sales revenues and operating profit of Rába Rt. in the first three quarters of 2002:

- The significant weakening of the US dollar against the average exchange rate of the same period of the last year, amounting to a drop of 8.2% compared to the Hungarian forint reduced both the sales revenues and the operating profit of Rába group considerably, approximately by HUF 1.4 billion.
- The portfolio cleansing that was completed last year (foundry, fireplace and bus manufacturing) resulted in a loss of revenue amounting to HUF 3.6 billion.
- A change of models and seat models effected by the biggest Hungarian customer produced a Components business led to a loss of revenue amounting to HUF 2.4 to 2.5 billion forint, as well as a more than HUF 500 million drop in margins.
- Despite customer forecasts on the Iranian market the shrinking demand was met by the deliveries at the end of the last year, and those of the 1st quarter of 2002. Compared to the same period of the last year the loss in revenues amounts to HUF 1.5 billion, with a drop in margins exceeding HUF 550 to 600 million
- In the 1st to 3rd quarter of 2002 an increased activity characterized the company restructuring project of Rába Rt. which was started last year. Expenses related to the reorganizing of business specific processes, staff streamlining and productivity improvement exceeded HUF 900 million in the first three quarters of 2002.
- The costs resulting from full-scale customer services and market development amounted to HUF 370 million during the same period.

Exchange rate hedge transactions intended to offset the adverse effects of the dollar's gathering momentum and revenues from the sale of shareholdings had a **positive** impact on the profit after taxation. As a result the group's loss after taxation did not exceed HUF 1 billion. It should be noted that the increased amount of net loss in the third quarter is due to the fact that pursuant to the evaluation principles of the international accounting standards the results of the exchange rate hedge transactions completed in the third quarter of 2002, amounting to more than HUF 400 million, were accounted and posted in the profit from financial transactions row already in the second quarter of 2002.

## Businesses

**The Axle Business** produced a sales revenue of HUF 19.6 billion in the first three quarters of 2002, representing a 14% drop in forint value, and about 7.5% in dollar value. The strengthening of the forint and the low-flying dollar caused considerable damage to the profitability of this export oriented business, however, this has been offset completely by the concluded exchange rate hedge transactions on the financial profit side.

The present and probable future negative impact of the cross rates a business process restructuring project (BPR) was launched in October in the axle business in order to ensure the operating profitability of the business. This will be achieved through the reorganization and profitability improvement of quality assurance, logistical and administrative processes, which is aimed to reduce indirect expenses even further (indirect labour and IT costs, overheads and administrative expenses) so the profitability of the company may be secured despite the effect of unfavourable cross rate.

In the Component Business the fireplace manufacturing business was sold off in the first quarter, and the unified business was also established pursuant to the law in the 3rd quarter of 2002. The process of concentrating the identical activities in a single site and the technological specialization has been completed mostly. The seat and seat system production and pressing is now centred in Mór, while Győr hosts the manufacturing and assembling of welded structures.
In this year the previously announced long-term contract with Denso Manufacturing Hungary Kft. has been concluded. Rába will carry out machining of casings for an air-pollution reducer and performance booster fitting for advanced diesel engines to be built into low-medium performance vehicles. Revenues generated by this business are expected to exceed 2.5 million Euro; first pilot productions will start in January 2003, and mass production is scheduled for the second quarter of 2003. The project will continue for 4 to 6 years.
This business and the crashbox project which is already in progress have proved successfully that Rába will be able to adjust to the new circumstances, changing its product portfolio in the long-run, and will be able to compensate part of its losses resulting from the car and seat model change performed by its key customer.

The **Engine Business** which is put up for sale now continues to produce losses.

As a result of the completed restructuring the **Vehicle business** closed the third quarter with decreasing losses; it should be noted that it was in May and in June that the restructuring through which Rába integrated chassis manufacturing into the axle business was carried out.

## Prospects

Based on customer forecasts, and developments in the industry Rába management does not expect profound changes in the last quarter of 2002 on its markets and in the operations of the group. The process of restructuring the group and its cost cutting programs will continue.

| Consolidated figures in HUF millions (IAS) | 1st to 3rd Quarter, 2002. | 1st to 3rd Quarter 2001 |
|---|---|---|
| **Net revenues** | **30.562** | **40.803** |
| of which exports | 19.262 | 24.287 |
| of which domestic sales | 11.300 | 16.516 |
| **Operating profit** | **-1.895** | **1.263** |
| **Profit before tax** | **-844** | **945** |
| **Profit after tax** | **-964** | **573** |

| Indicators | 1st to 3rd Quarter, 2002. | 1st to 3rd Quarter 2001 |
|---|---|---|
| EBIT (%) | **-6,2** | **3,1** |
| EBITDA (%) | **-0,2** | **7,9** |
| **After-tax profit (%)** | **-3,3** | **1,4** |
| **Liquidity ratio (%)** | **116,5** | **118,1** |
| **Quick ratio (%)** | **18,8** | **12,0** |
| **ROA* (%)** | **-2,3** | **1,2** |
| **ROE* (%)** | **-4,2** | **2,3** |

*Not calculated on a pro rata basis.

Consolidated sales revenues in the first three quarters of 2002 amounted to HUF 30.6 billion, a 25% drop compared to the first three quarters of 2001. The operating profit will be HUF -1,895 million in the first three quarters of 2002, representing -6.2% of the total revenue. The operating profit of the reporting period includes profit from the sale of assets.

| Operating profit | 1st Quarter 2002 | 2nd Quarter 2002 | 3rd Quarter 2002 | 1st – 3rd Quarter 2002 |
|---|---|---|---|---|
| Axle Business | 452 | -620 | -475 | -643 |
| Components Business* | -271 | -299 | -106 | -676 |
| Engine Business | -68 | -109 | -145 | -322 |
| Vehicle Business** | -165 | -199 | -60 | -424 |
| Other | 18 | -101 | -113 | -196 |
| **Result of operations** | **-34** | **-1328** | **-899** | **-2262** |
| Result of asset and real estate sales | 113 | 158 | 94 | 365 |
| **Operating profit** | **79** | **-1170** | **-805** | **-1896** |

*The operating profit of the Components Business for the first three quarters of 2001 included that of Rába Mór Kft., Rába Sárvár Kft. and the Kispest Foundry as well as the revenue from fireplace sales.
The operating profit of the Components Business for the first three quarters of 2002 includes that of Rába Mór Kft, Rába Sárvár Kft. and Győri Alkatrészgyártó Kft.
**The Vehicle Business in the first three quarters of 2001 included the unit that became Győri Alkatrészgyártó Kft. in December 2001.

Compared to the losses of the base period financial transactions yielded profit. The profit of financial transactions was resulted from the joint effect of a number of factors. Of them the most important was the profit on exchange rate hedge transactions (HUF 1.429 million) but the profit yielded by the sale of the fireplace business and other minor shareholdings (HUF 210 million), and the dividend received (HUF 36 million) are also worth mentioning. Financial revenues were reduced by the net loss resulting from the valuation of the outstanding hedge positions (HUF -64 million), the net exchange rate loss realized on foreign exchange holdings and on paying off foreign exchange loans (HUF -23 million), and the payment of interest (a net amount of HUF 709 million). In addition to the net financial profit (HUF 879 million, as a balance of the items above) dividend from the associated ventures (HUF 173 million) also

increased the profit before taxation, and in this way the profit before taxation was reduced to a lesser degree than the operating profit.
The consolidated corporate tax burden was reduced so the drop of the profit after taxation is less compared to the base period than that of the profit before taxation.

**PK2. Companies in the consolidated group**

| Name | Share capital/registered capital in thousand HUF | Ownership share (%) | Voting rate | Category[1] |
|---|---|---|---|---|
| RÁBA Futómű Kft. | 9.762.800 | 100,00 | 100,00 | L |
| RÁBA Mór Kft. | 785.200 | 100,00 | 100,00 | L |
| RÁBA Sárvár Alkatrészgyártó Kft. | 436.600 | 100,00 | 100,00 | L |
| RÁBA Járműipari Alkatrészgyártó Kft. | 415.400 | 100,00 | 100,00 | L |
| Rába Jármű Kft. | 835.100 | 100,00 | 100,00 | L |
| Rába Motor Kft. | 803.000 | 100,00 | 100,00 | L |
| RÁBA Ipartechnika Szolgáltató Kft. | 266.860 | 100,00 | 100,00 | L |
| RÁBA-Szolgáltatóház Kft. | 615.000 | 100,00 | 100,00 | L |
| RÁBA Vagyonkezelő Kft. | 11.000 | 100,00 | 100,00 | L |
| RÁBA Detroit Diesel Magyarország Kft. | 51.000 | 50,00 | 50,00 | K |
| BPW-RÁBA Futóműgyártó Kft. | 1.780.000 | 25,00 | 25,00 | T |

[1]**Fully owned (L); Jointly managed (K); Associated (T)**

The Rába Group owns a number of manufacturing and service-providing subsidiaries, and despite the cleaning of its portfolio of shareholdings, it still has several strategic investments. In this regard, the following remarks should be taken into account when comparing the consolidated figures of the two periods:

1/ Compared to the situation at the end of the first three quarters of 2001, as of 1st December 2002, the group of consolidated companies was extended to include RÁBA Járműipari Alkatrész Gyártó Kft., established through the spinning off of RÁBA-JÁRMŰ Jármű and Buszgyártó Kft.

2/ As of January 1, 2002 the circle of consolidated companies was further expanded to include RÁBA Vagyonkezelő Kft., established in 2001.

3/ The following subsidiaries were excluded from consolidation due to fact that they were sold off in the second half of 2001:

- RÁBA Bástya Kft.,
- RÁBA Kispesti Öntöde and Gépgyár Kft.

4./ Due to its sale Rába-KÉSZ Kft. was consolidated until August 2002, pro rata to the time passed till that date.

## PK. 4. CONSOLIDATED PROFIT AND LOSS STATEMENT PURSUANT TO IAS

Figures in HUF thousands

| Item | Quarter 1-3, 2002 | Quarter 1-3, 2001 | Index |
|---|---|---|---|
| Domestic sales | 11.299.741 | 16.516.109 | 68,4% |
| Export sales | 19.262.130 | 24.287.215 | 79,3% |
| **Sales revenue** | **30.561.871** | **40.803.323** | **74,9%** |
| Direct cost of sales | -17.824.950 | -20.664.571 | 86,3% |
| **Gross margin** | **12.736.921** | **20.138.752** | **63,2%** |
| Cost of sales | -706.583 | -821.145 | 86,0% |
| General and administrative costs | -15.373.338 | -19.766.259 | 77,8% |
| Other revenues | 1.447.160 | 1.711.723 | 84,5% |
| **Other expenses related to operations** | **-14.632.761** | **-18.875.681** | **77,5%** |
| **Operating profit before interest and tax** | **-1.895.840** | **1.263.072** | **-150,1%** |
| Net result of financial revenues/expenses | 879.033 | -493.475 | -178,1% |
| Profit from external companies | 173.250 | 175.800 | 98,5% |
| **PRE-TAX PROFIT** | **-843.557** | **945.397** | **-89,2%** |
| **Corporate tax liability** | **-119.993** | **-371.936** | **32,3%** |
| **PROFIT AFTER TAX** | **-963.550** | **573.461** | **-168,0%** |
| Payments due to minority shareholders | | | |
| **RETAINED PROFIT** | **-963.550** | **573.461** | **-168,0%** |

## I. Analysis of the consolidated profit and loss statement items

### 1. SALES FIGURES AND MARKET POSITIONS

### 1.1. Realized sales revenue

In the first three quarters of 2002 Rába realized HUF 30,562 million in sales: HUF 11,886 million in the first quarter, HUF 10,328 million in the 2nd quarter, and HUG 8,348 million in the third quarter. Exports accounted for 63.0 percent of the sales revenues (1st to 3rd quarter, 2001: 59.5 percent), while the rest was generated by inland sales.

### 1.2. Market positions

**EXPORT:**

**The United States of America** is the Rába Group's largest export market. The market has now stabilized after a period of heavy recession caused by cyclical and economic factors, but despite previous expectations noticeable economic upturn may be predicted only for the second half of 2003 due to the prolonged recession of the US economy.
Sales figures of new heavy trucks sold on the North-American market show a near 2% increase, and – along with an upward trend – Rába deliveries to this market increased by more than 8 percent.
It should be emphasized that sales revenues from our strategic customers on the US market surpassed even the above figure.

Market positions and sales figures of Rába are improving, due to the company's customer oriented attitude, both on the heavy truck and the special vehicle axle markets.

On the **US market** sales generated a revenue of USD 37.1 million in the first three quarters of 2002 (first three quarters of 2001: USD 34.5 million).

**In South-America** Rába sales declined considerably. Exports in the first three quarter of 2002 struggled to generate a revenue of USD 29 million (first three quarters of 2001: USD 7.0 million), representing a drop of 59.0 percent.
The prolonged devaluation of the Brazil national currency, the real „improved the competitive strength of the Brazil industry", and as a result one of our major customers opted for in-house axle production as of 2002. In 2002 Rába realized significantly less revenues on this market compared to the last year.

In the first three quarters of 2002 exports to Asia exceeded USD 11.3 million, which represents a 25 percent decline on year-to-year basis. The Iranian market generated a revenue of USD 8.9 million, the South-Korean USD 1.4 million, and the Chinese market USD 0,7 million. Deliveries of bus axles to Iran remained very low in the third quarter of 2002.
No improvement is expected in the fourth quarter on this market; despite previous forecasts high volume deliveries to Iran in the fourth quarter of 2001 and the first quarter of 2002 fulfilled the reduced demand on this market for the whole year of 2002.

**On the European markets** Rába sales figures lagged more than 26% behind the level of the previous year, representing a sales revenue of USD 20.6 million.
The axle business contributed USD 10.0 million, and the component business USD 8.5 million to the total revenue, while the remaining USD 2.1 million represents the output of the engine business.

*On the Western and Southern European market* sales revenues show a declining trend, dropping from USD 20.4 million generated in the previous period, to USD 12.7 million. 33.0 percent of the deliveries are made up of axle products, while components accounted for 67.0% of the deliveries.
Declining sales revenues in Western Europe are mainly attributable to the fact that:

- this year sales figures of the component business exclude the revenues generated by the sold fireplace business, which would be USD 2.9 million for the reporting period.
- The change of seat-model effected by the biggest Hungarian customer of the Rába component business resulted in a USD 3.8 million drop in the deliveries to Lear Co.
- Front axle deliveries to Volvo came to an end, generating a loss of revenue amounting to USD 2 million for the whole year.

*On the Eastern and Central European markets* Rába exports in the first three quarters of 2002 amounted to USD 7.9 million, a nearly 5% increase compared to the base period (USD 7.5 million).
Axle deliveries accounted for USD 5.8 million (first three quarters of 2001: USD 4.9 million), while engine spare part deliveries produced a revenue of USD 2.1 million.

**Domestic sales revenues of the Group** dropped to HUF 11.300 million from HUF 16.516 million generated in the first three quarters of 2001.
The sales revenues are attributable in 54.0% to the component business, in 24.7% to the axle business – due to axles and axle parts shipped to Ikarusbus and BPW-Rába Kft -, and 5.0% of the revenue was generated by the sale of self-propelled bus chasses in the first quarter of 2002, and 11.8% by the sale of the engine business.
The two key reasons for the declining revenue are:

- In 2002 and 2003 the most important inland customer of Rába Group's component business performed and performs a car and seat model change. Deliveries from Rába to this key customer declined by approximately HUF 1.4 billion in the first nine months of 2002.
- At the end of the last year Rába management decided on discontinuing the unprofitable bus construction business, and as a result of a portfolio cleaning, they sold off the Kispest Foundry; disinvestment of these activities resulted in a revenue loss of HUF 3.6 billion compared to the last year.

## 1.3. Sales by business

Rába's system for measuring the performance of its various businesses places the main emphasis on the Axle and Components Businesses, other "calculation points" being the Vehicle, Engine, and Other Businesses. The following table gives a breakdown of the change in, and proportion of, sales revenues for each division in the first three quarters of 2001 and 2002:

| Sales revenue per Business | First three quarters of 2002 (million HUF) | Proportion (%) | First three quarters of 2001 (million HUF) | Proportion (%) |
|---|---|---|---|---|
| Axle Business | 19.636 | 51,5 | 22.826 | 46,7 |
| Components Business* | 9.327 | 24,4 | 13.148 | 26,9 |
| Vehicle Business** | 844 | 2,2 | 3.218 | 6,6 |
| Engine Business | 1.993 | 5,2 | 2.947 | 6,0 |
| Other Business | 6.383 | 16,7 | 6.757 | 13,8 |
| **Total non-consolidated sales revenue** | **38.183** | **100,0** | **48.896** | **100,0** |

*In the first three quarters of 2001, the sales revenues of the Components Business included the sales revenues of Rába Mór Ltd., Rába Sárvár Ltd., revenues from the sale of fireplaces and the sales revenues of the Kispest Foundry.
In the first three quarters of 2002, the sales revenues of the Components Business included the sales revenues of Rába Mór Ltd., Rába Sárvár Ltd. and Győri Component Production Ltd.
** In the first three quarters of 2001, the Vehicle Business included the unit which was subsequently transformed into Győri Alkatrészgyártó Kft. in December 2001.

# 2. COSTS AND OTHER REVENUES

## 2.1. Direct costs

Rába's direct costs fell by a lesser extent than the company's sales revenue. One factor in this – as indicated in the fourth quarter of last year – was the extension of a consolidation method better suited to the changes in the holding structure. In the second and third quarter a drop in sales revenue, caused by a substantial weakening of the dollar and the granting of customer discounts, led to an increase in direct costs.

Direct costs fell by 1.4% on a year on year comparative basis. However, the introduction of a new accounting methodology – a factor that has no relation to actual economic trends – resulted in the posting of a HUF 2.773 million (9.1%) cost increase. The combined effect of these factors is a 7.7% increase in the direct costs reported for accounting purposes. Introduction of a precise accounting method for direct production costs is in progress at Rába, the first step of which is that starting from 2002 Rába posts the costs of manufacturing waste and lead-up times among the direct costs, instead of posting them in the indirect cost row as they have done so far.

## 2.2. Gross profit

The fall in gross profit from HUF 20,139 million to HUF 12,737 million included the decrease in revenue (HUF –5,056 million), the drop in cost levels (HUF +426 million), and the aforementioned change in consolidation technique (HUF –2,773 million).

## 2.3. Cost of sales

Cost of sales fell from HUF 821 million in the first three quarters of 2001 to HUF 707 million in the first three quarters of 2002. At Rába, cost of sales includes packaging and logistics costs, the operational costs related to customer services and foreign trade representations, as well as the various costs incurred in connection with promoting customer contacts. The decrease partly reflects the drop in sales revenue and partly the effects of the cost-cutting measures in the area of customer services and trade representations. After posting costs amounting to HUF 193 million in the first quarter, increased costs of intensive market building begin to show in the

2nd quarter (HUF 251 million), and in the 3rd quarter, raising the amount in the cost of sales row by HUF 263 million.

### 2.4. General and administrative costs

General and administrative costs fell by 22%, from HUF 19,766 million to HUF 15,373 million. 14% of this reduction can be attributed to the introduction of the accounting technique described in point 2.1, while the remaining 8% is the result of actual cost saving.

At Rába, these costs include the costs incurred in connection with administration (HUF 8,339 million / HUF 5,279 million). These costs are affected by the difference in consolidation. General and administrative costs also include other general costs (HUF 9,311 / HUF 8,170 million). This latter category includes recorded depreciation, which, in the first three quarters of 2002 was HUF 1.955 million compared to HUF 1.838 million in the previous period.

General and administrative costs also include various expenses incurred outside the ordinary business operations (HUF 2,115 million / HUF 1,924 million).
The volume of indirect costs was influenced in the three quarters of 2002 by payments of HUF 680 million made in connection with staff rationalization.
Indirect costs further include those items, primarily related to inventory and debtors, that were written off in the newly established Components Business as part of the announced profile- and portfolio-cleaning initiative in the second quarter, as well as the costs, in excess of HUF 150 million, of integrating the vehicle chassis business into the axle business.

### 2.5. Other revenues

In the first three quarters of 2002, other revenues amounted to HUF 1.447 million. This represents a year-on-year reduction of HUF 265 million (15.5%). This change is largely attributable to the fact that lower levels of depreciation were recorded in the nine-month period preceding the reporting period, which meant that the other revenue realized from the write-back of this depreciation was also smaller.

## 3. (OPERATING) PROFIT BEFORE TAX AND INTEREST PAYMENT

Rába's profit before interest and taxation in the first three quarters of 2002 was HUF –1,896 million (first three quarters of 2001: HUF 1.263 million). Savings in general costs (HUF 4.4 billion) were not enough to compensate for the drop in gross profits (HUF 7.4 billion). Profitability dropped from the base period's 3.1% rate of return on sales, to a figure of –6.2%. The reduction in the profitability rate is much smaller in terms of EBITDA (-0.2%/7.9%).

## 4. FINANCIAL REVENUES

### 4.1. Net financial revenues

In the first three quarters of 2002, net financial revenues amounted to HUF 879 million (first three quarters of 2001: HUF –494 million). Rába discloses as net financial revenue the net result of interest received, dividends from companies outside the consolidated group, other financial revenues and interests paid, and the net result of other financial expenditures. Net financial revenues resulted from the following major items:

| | First three quarters of 2002 in million HUF | First three quarters of 2001 in million HUF |
|---|---|---|
| Dividends received | 36 | 53 |
| Net interest | -709 | -637 |
| Net other items | 1.616 | 164 |
| Non-realized net exchange rate gain of hedge transactions | -64 | 0 |
| Net financial revenues | 879 | -420 |

Within net financial revenues, a part of other financial revenues originates from the HUF 210 million gain realized from the sale of shareholdings, and the rest from the exchange rate gain/exchange rate loss of foreign currency items, whose risk Rába reduced by means of hedge transactions. The realized exchange rate gain on hedge deals was HUF 1.429 million in the first three quarters of 2002. Due to a change in IAS provisions (IAS 39), the non-realized exchange rate gain of these deals (a net amount of HUF -64 million) is also accounted for as a net financial revenue that results from the balance of the write-back of the exchange rate gain accounted for in the previous period (HUF –297 million) and the exchange rate gain of the six-month reporting period (HUF 233 million).

(The final, audited IAS figures included the open hedge transactions adjusted to the exchange rate of December 31, 2001, as a result of which the Company posted financial revenue of HUF 297 million for last year.)

### 4.2. Profit from external companies

In Rába's IAS consolidated profit and loss account, profit from external companies includes the value accruing to the parent company from the net result of associated companies. In the first three quarters of 2002, profit from external companies amounted to HUF 173 million (first three quarters of 2001: HUF 176 million).

## 5. PRE-TAX AND NET PROFIT FIGURES

Pre-tax profit for the first three quarters of 2002 was HUF –844 million, which, due to the factors described under points 2.1-4.2, was HUF 1.789 million less than for the first three quarters of 2001. The pre-tax profitability rate corresponds to a –2.8% return on sales, compared to 2.3% in the base period.

The tax liability at group level is HUF 120 million. Both the consolidated profit after taxation and the net result amounted to a loss of HUF –964 million.

## 6. IAS/HAS DIFFERENCES

In Rába's case, most of the differences between the profit and loss statement based on Hungarian Accounting Standards (HAS) and International Accounting Standards (IAS) are the result of the following factors:

- the write-back of last year's upward valuation of foreign currency denominated cash, receivables and liabilities;
- revaluation, as of the balance sheet date, of foreign currency denominated cash, receivables and liabilities;
- off-setting of the results of the sale and repurchase of own shares against Rába's equity;
- the longer-term discounting of receivables,
- the posting of non-realized exchange rate gain, caused by the closing-date revaluation of open-hedge positions, as a net financial revenue.

**PK. 3. CONSOLIDATED BALANCE SHEET PURSUANT TO IAS** Figures: in HUF thousands

| Item | Quarter 1 to 3, 2002 | Quarter 1 to 3, 2001 | Index |
|---|---|---|---|
| Real estate, machines and equipment | 19.773.639 | 20.234.804 | 97,7% |
| Intangible goods | 340.084 | 248.443 | 136,9% |
| Long-term participation | 1.852.954 | 1.638.354 | 113,1% |
| Other participation | 523.842 | 639.230 | 81,9% |
| Other investments | 51.427 | 9.984 | 515,1% |
| Deferred taxes | 363.495 | 341.431 | 106,5% |
| **Total invested assets** | **22.905.441** | **23.112.245** | **99,1%** |
| Securities | 0 | 34.157 | 0,0% |
| Inventory | 7.742.445 | 9.200.790 | 84,1% |
| Receivables due to taxation | 1.547.261 | 1.608.287 | 96,2% |
| Receivables | 8.695.731 | 10.567.878 | 82,3% |
| Cash, cash deposits | 3.467.113 | 2.422.953 | 143,1% |
| **Total current assets** | **21.452.550** | **23.834.065** | **90,0%** |
| **TOTAL ASSETS** | **44.357.991** | **46.946.309** | **94,5%** |
| Share capital | 12.687.766 | 12.687.766 | 100,0% |
| Capital reserve | 5.745.162 | 6.463.899 | 88,9% |
| Retained earnings | 5.685.255 | 5.860.428 | 97,0% |
| **Total capital and reserves** | **24.118.183** | **25.012.093** | **96,4%** |
| Long-term liabilities | 1.822.603 | 1.759.776 | 103,6% |
| **Total long-term liabilities** | **1.822.603** | **1.759.776** | **103,6%** |
| Short-term loans and credits | 10.690.332 | 13.155.885 | 81,3% |
| Short-term liabilities | 7.726.873 | 7.018.554 | 110,1% |
| **Total short-term liabilities** | **18.417.205** | **20.174.440** | **91,3%** |
| **TOTAL LIABILITIES (equity plus liabilities)** | **44.357.991** | **46.946.309** | **94,5%** |

## II. Analysis of key balance items and changes thereof

### 1. INVESTED ASSETS

### 1.1. Real estate, machines and equipment

A declining, but still dominant share of the Group's invested assets consisted of real estate, machines and equipment. (As of September 30, 2002 these accounted for 86.3% of invested assets, while on September 30, 2001, the corresponding figure was 87.5%.) Their consolidated net value dropped from a closing balance of HUF 21,234 million in the previous period to HUF 19,774 million. The drop is partially attributable to the removal of items from the accounts in connection with portfolio cleaning, and partially to the sale of real estates.

Real estate accounts for more than half (55% on September 30, 2002; 54.7% on September 30, 2001) of this group of assets. While their share increased slightly, their consolidated net value decreased by HUF 195 million, representing 1.8%.

The net value of machines and equipment and unfinished capital projects dropped by HUF 266 million compared to the last year, but this reduction is still exceeded by the HUF 664 million decrease attributable to the change in the consolidated group of companies. The value of completed capital projects was HUF 2.5 billion (against a depreciation of HUF 1.9 billion).

### 1.2. Intangible goods

The company posts manufacturing procedures (licensing), the capitalized value of research, the capitalized value of foundation and restructuring, and negative goodwill in the intangible goods category. The net value of intangible goods was HUF 340 million, a HUF 91-million increase compared to that of the base period.

### 1.3. Long-term participations

This balance sheet row discloses the parent company's shareholding in associated companies. As of September 30, 2002, the total value of these participations was HUF 1,852 million.

### 1.4. Other participations

Other participations are partly made up of unconsolidated subsidiaries, partly by other ownership shares held by Rába in companies where its shareholding is less than 25%. Their closing value as of September 30, 2002 was HUF 523 million (September 30, 2001: HUF 639 million). The change partly reflects the cost value of the newly founded subsidiary (Mérnök Kft.: HUF 3 million), and partly the effect, as of the balance sheet date, of the exchange rate translation into forint of other participations expressed in foreign currency, the effect of the sale of certain shareholdings between the two reporting dates and the consolidation of a shareholding (Vagyonkezelő Kft.: HUF 11 million). Out of the shareholdings which are reported herein RÁBA Románia Kft. was sold after the effective date of the flash report.

### 1.5. Deferred taxation

Deferred taxation is a tax receivable, related to consolidation adjustments, mainly originating from the upward valuation arising from the non-cash capital contribution of real estate, machines and equipment, and to a lesser extent from the exclusion of interim results which will be offset in the years following the non-cash capital contribution by a higher recorded depreciation, and by the sale in the following period of inventories existing within the group as of the balance sheet date. On September 30, 2002, the value of deferred tax was HUF 363 million, exceeding the value of September 30, 2001 by the increase in the value of non-cash capital contribution relating to this period and the tax pertaining to the re-valuation of inventories within the Group.

## 2. CURRENT ASSETS

### 2.1. Securities

Closing value of the securities for the first three quarters of 2002 is HUF 34 million, higher than the value for the corresponding period of the previous year.

### 2.2. Inventories

As of September 30, 2002, the closing value of inventories was HUF 7,742 million (September 30, 2001: HUF 9,201 million). The shrinking between September 30, 2002 and 2001 is attributable to the sell-off of inventories that were not necessary for Rába Group's operation, and the use of modern inventory management methods. Of the total inventories, 47.2% are own-produced, while the remaining part (52,8%) is made up of purchased inventories.

### 2.3. Receivables from taxation

Receivables from taxation are, to a lesser degree, due to advance corporate tax payments, and to a greater degree they are attributable to exports related VAT refund claims. Their closing value for the first three quarters of 2002 is HUG 1.547 million.

### 2.4. Receivables

The closing value of receivables for the first three quarters of 2002 was HUF 8.696 million, representing a 17.7 percent drop compared to the value of the base period (HUF 10.568 million). The shrinking of receivables was attributable entirely to the change in trade debtors that occurred on account of the declining dollar exchange rate and the accelerated collection of trade receivables.

### 2.5. Cash and cash deposits

The closing value of cash and cash deposits on September 30, 2002 was HUF 3.467 million (value on September 30, 2001: HUF 2.423 million)

## 3. CAPITAL AND RESERVES

### 3.1. Share capital

The share capital of Rába Rt. is made up of ordinary shares, representing a face value of HUF 1,000 each, which grant the holders the right to receive dividends paid at periodic intervals, and each share ensures its owner one vote at Shareholders' Meetings. On September 30, 2002, the Company's share capital was HUF 12,688 million; this value corresponds to that of September 30, 2001.

### 3.2. Capital reserve

As of September 30, 2002 the capital reserve amounted to HUF 5,745 million. Compared to the value of the previous corresponding period (HUF 6.484 million) capital reserve was changed by transactions related to own shares which were carried out between the two periods.

### 3.3. Retained earnings

Compared to the closing value of the first three quarters of 2001 (HUF 5.860 million) the amount of retained earnings (HUF 5.685 million) changed as follows:

- increased as the net profit of the fourth quarter of 2001 and that of the first three quarters of 2002 has been carried forward;
- decreased by the dividend for external owners;.
- increased by posting transactions related to own shares in the capital reserves.

## 4. LONG-TERM LIABILITIES

The closing value of the long term liabilities on September 30, 2002 was HUF 1,823 million (closing value of the first three quarters of 2001: HUF 1,760 million) which includes credits and loans supporting technical development (expressed in million HUF)

| | Mother company | Subsidiaries |
|---|---|---|
| Investment and development loans | 202 | 811 |
| Other long-term loans | | 750 |
| Long-term credits | 24 | 36 |

## 5. SHORT-TERM LIABILITIES

### 5.1. Short-term loans and credits

There was a 18.7 percent decline in the total amount of short term loans and credits (HUF 10.690 million) compared to the figure of the previous period (HUF 13.156 million).

### 5.2. Short-term liabilities

The amount of short-term liabilities (closing value of the first three quarters of 2002: HUF 7,727 million) increased in comparison with the value of the last year (HUF 7,019 million): this was attributable mainly to the other short-term liabilities.

## PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR THE FIRST THREE QUARTERS OF 2002

Figures: in thousand HUF

| | Quarter 1-3, 2001 | Quarter 1-3, 2002 |
|---|---|---|
| Cash-flow from ordinary activities | | |
| Pre-tax profit excluding profit sharing from associated companies | 769,597 | -843,557 |
| Revenues and expenses not influencing the change in the cash-flow from ordinary activities | 1,081,299 | 1,575,325 |
| Change in the assets and liabilities related to ordinary activities | -685,289 | 6,609,350 |
| Tax paid in the reporting year | -371,936 | -119,993 |
| | **793,671** | **7,221,125** |
| Cash-flow from financial transactions | | |
| Sale of own shares | 2,658,582 | 1,514,057 |
| Purchase of own shares | -2,633,150 | -1,456,427 |
| Net decrease/ (increase) of securities | -181,177 | 1,510 |
| Net increase/ (decrease) of loans and credits | 1,926,435 | -1,727,178 |
| Dividends paid | -1,980,298 | -1,372,601 |
| | **-209,608** | **-3,040,639** |
| Cash-flow from investment activities | | |
| Revenue from the sale of invested assets | 775,082 | 879,334 |
| Purchase of invested assets | -1,000,297 | -2,494,602 |
| | **-225,215** | **-1,615,268** |
| **Cash-flow** | **358,848** | **2,565,218** |
| Revenues and expenses not influencing the change in the cash-flow from ordinary activities | | |
| Depreciation | 1,838,170 | 1,954,542 |
| Loss (gain) from the sale of financial investments | -759,971 | -379,217 |
| Write-off of invested assets | 3,100 | 0 |
| | **1,081,299** | **1,575,325** |
| Change in the assets and liabilities related to ordinary activities | | |
| Decrease / (increase) in inventories | 491,547 | -145,899 |
| Changes in receivables/liabilities | -1,176,836 | 6,755,249 |
| | **-685,289** | **6,609,350** |

## PK6. Major off-balance sheet items

Törölt: ¶

| Name | Value (HUF) |
|---|---|
| **According to separate enumeration*** | |

* Forward transactions in foreign currencies for the purpose of hedging the exchange-rate risk of export sales revenue: sale of EUR 28.0 million against HUF, purchase of EUR 50.0 million against USD.

## III. OTHER IMPORTANT FACTORS, MAJOR CHANGES

### RS1. Ownership structure, with the extent of participation

| Shareholder category | Total share capital | | | | Series for public offering[1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Start of period (July 30) | | End of period (September 30) | | Start of period | | End of period | |
| | % | No. of shares | % | No. of shares | % | No. | % | No. |
| Domestic institutional investors/companies | 31,83 | 4.414.243 | 28,91 | 3.895.777 | | | | |
| Foreign institutional investors/companies | 24,19 | 3.353.777 | 24,92 | 3.357.282 | | | | |
| Domestic private investors | 0,11 | 14.638 | 0,11 | 15.138 | | | | |
| Foreign private investors | 15,73 | 2.180.682 | 16,22 | 2.185.143 | | | | |
| Employees, executive managers* | | | | | | | | |
| Own shares | 4,80 | 665.184 | 5,80 | 781.460 | | | | |
| State owner | 12,81 | 1.776.200 | 13,18 | 1.776.200 | | | | |
| International development institutions | 10,55 | 1.462.446 | 10,85 | 1.462.446 | | | | |
| Other | | | | | | | | |
| T O T A L | 100,00 | 13.867.170 | 100,00 | 13.473.446 | | | | |

* Listed among domestic private investors.

### RS3. Shareholders with a shareholding of more than 5% in the company (at the end of the period)

| Name | Domestic/ Foreign | Activity type/sphere | No. of shares held | Participation (%) | Remarks |
|---|---|---|---|---|---|
| Győr Megyei Jogú Város Önkormányzata | D | State | 1.508.850 | 11,20 | |
| EBRD | F | Development | 1.462.446 | 10,85 | |
| DRB Hicom Group | F | Company | 1.462.446 | 10,85 | |
| Graboplast Rt. | D | Company | 1.162.446 | 8,63 | |
| Saját részvény | D | Company | 781.460 | 5,80 | |

### RS2. Changes in the amount of treasury stock (expressed in number of shares) in the year under review

| January 1 | March 31 | June 30 | September 30 | December 31 |
|---|---|---|---|---|
| 1.175.184 | 1.175.184 | 665.184 | 781.460 | |

All of the shares which have been bought back are own shares held directly by the mother company.

**TSZ2. Change in staff numbers employed full-time by the company group (number of persons)**

**Company Group**

| End of base period | At start of review period | At end of review period |
|---|---|---|
| 6.279 | 5.668 | 4.779 |

The closing consolidated headcount as at June 30, 2002 was 4,779 persons. The rate of reduction of staff numbers since the end of the base period is 24%. This decrease includes the reductions in staff due to the sale of two companies in the 4th quarter of 2001 and the sale of Kandalló Kft. and Rábakész Kft. in 2002.

**TSZ3. Management executives and strategically important employees**

| Category[1] | Name | Position | Start of employment /mandate | End of mandate | No. of shares held in the company |
|---|---|---|---|---|---|
| IT | Péter Jancsó | BD chairman | 1998. | | 0 |
| IT | Abbas Mehad | BD member | 1998. | | 0 |
| IT | Merrick W. Taylor | BD member | 1998. | | 0 |
| IT | Antal Apró | BD member | 1998. | | 0 |
| IT | József Szabó | BD member | 2000. | | 414 |
| FB | József Patonai | SB chairman | 1996. | | 0 |
| FB | András Geszti | SB member | 2000. | | 0 |
| FB | Mrs Csákány Miklós | SB member | 2000. | 2001. | 214 |
| FB | Dr. Imre Czinege | SB member | 2001. | | 0 |
| SP | Imre Gyula | CEO | 2000. | 2001. | 414 |
| SP | László Steiner | CEO | 2001 | | 2000 |
| SP | Gyula Kugler | Deputy CEO | 2000. | | 414 |
| SP | István Pintér | Deputy CEO | 2000. | | 414 |
| SP | Mihály Horváth | CFO | 1999. | 2001. | 0 |
| SP | Péter Lengyel | CFO | 2001. | | 0 |
| SP | Ferenc Vissi | HR Manager | 2001. | | 0 |
| SP | Dr. János Megyeri | Technical and commercial Manager | 2001. | | 0 |
| SP | László Peski | Controlling Manager | 1999. | 2001. | 0 |
| SP | Sándor Kocsis | TQM manager | 2001. | | 0 |
| SP | József Csákány | Managing Director | 1999. | 2001. | 414 |
| SP | Imre Gyula | Managing Director | 2001. | 2001. | 414 |
| SP | László Csuport | Managing Director | 2001. | 2002. | 0 |
| SP | Ernő Udvardi | Managing Director | 2002. | 2002. | 0 |
| SP | Dr. Béla Fekecs | Managing Director | 2002. | | 0 |
| SP | Dr. János Megyeri | Managing Director | 2002. | | 0 |
| SP | Péter Lengyel | Deputy CEO | 2002. | | 0 |

**Employee-related changes**

The Board of Directors of Rába Rt. appointed László Steiner to perform the duties of CEO of the company, effective from May 1, 2001.
Following the retirement of Mihály Horváth, Péter Lengyel was appointed Chief Financial Officer of Rába Rt., with effect from May 15, 2001.
With effect from May 1, Gyula Imre replaced József Csákány as managing director of Motor Kft., who, in turn, was replaced by József Szakács with effect from December 1, 2001.
As a step in the development of the automotive components business, József Szabó, managing director of Rába Sárvár Kft. was appointed acting managing director of Rába Mór Kft for the period from Farbuary 2001 to April 15, 2002, and was replaced in this capacity by Dr. János Megyeri as of April 15, 2002.
As a part of the organizational restructuring process launched at Rába Jármű Kft., László Csupor was appointed managing director of that subsidiary, for the period from February 2001 to February 28, 2002. With effect from March 1, 2002, Ernő Udvardi was appointed managing director of Rába Jármű Kft.
Effective from September 1, 2001, Ferenc Vissi was appointed HR Manager of Rába Rt., and Dr János Megyeri was appointed technical, commercial and quality assurance manager.
Effective from February 1, 2002, Dr. Jenő Surányi replaced László Veress as managing director of Rába Szolgáltatóház Kft.
Effective from April 1, 2002, Dr. Béla Fekecs replaced Gyula Kugler as managing director of Rába Futómű Kft. Since that date, Gyula Kugler has been working exclusively in the capacity of deputy CEO, responsible for managing manufacturing subsidiaries.
In lieu of the traditional internal inspection system, Rába Rt. has created an internal body of auditors, headed by Csaba Hatvani, with effect from April 2002.

**ST1. Special announcements published during the reporting period**

| Date | Published in | Subject, summary |
|---|---|---|
| 1/8/2002 | MATÖKE Issue 5 | Announcement by Rába Rt. concerning property development project |
| 1/25/2002 | MATÖKE Issue 18 | Staff changes at Rába Futómű Kft.(Dr. Károly Szőcs) |
| 2/8/2002 | MATÖKE Issue 28 | Rába Rt. flash report 2001 |
| 3/7/2002 | MATÖKE Issue 47 | Rába Rt.'s sale of Rába Kandallógyártó Kft. |
| 3/22/2002 | MATÖKE Issue 57 | Invitation to the Annual General Meeting of Rába Járműipari Holding Rt. |
| 4/4/2002 | MATÖKE Issue 65 | Staff changes at the Rába Group |
| 4/8/2002 | MATÖKE Issue 67 | Rába Rt.'s disclosure on information disseminated by the media |
| 4/9/2002 | MATÖKE Issue 68 | Amendment of Rába Járműipari Holding Rt.'s AGM report |
| 4/26/2002 | MATÖKE Issue 81 | Resolutions passed by the Shareholders' Meeting of Rába Rt. (April 24) |
| 4/30/2002 | MATÖKE Issue 83 | 2001 annual report of Rába Rt. |
| 5/2/2002 | MATÖKE Issue 84 | Treasury stock transaction of Rába Rt. |
| 5/6/2002 | MATÖKE Issue 86 | Rába Rt.'s disclosure on business procedures influencing the Company's profits in the current year |
| 5/14/2002 | MATÖKE | Sale of ordinary shares by Rába Menedzsment Befektetési |

| | | |
|---|---|---|
| | Issue 92 | Kft. |
| 5/15/2002 | MATÖKE Issue 93 | Rába Járműipari Holding Rt.'s flash report for Q1 2002 |
| 5/21/2002 | MATÖKE Issue 96 | Dividend payment of Rába Járműipari Holding Rt. |
| 5/29/2002 | MATÖKE Issue 102 | Treasury stock transaction by Rába Rt. |
| 7/5/2002 | MATÖKE Issue 129 | Rába Rt. signs cooperation agreement with the Engel group |
| 7/16/2002 | MATÖKE Issue 136 | Rába Rt. reports on the events of July 12: trading of Rába shares was placed on hold due to the announcement of the results of the MoD vehicle upgrade program (Special communication) |
| 7/31/2002 | MATÖKE Issue 147 | Rába Rt. performs capital reduction (pursuant to AGM resolution) (Special communication) |
| 8/13/2002 | MATÖKE Issue 156 | Flash report of Rába Rt for the 1st Quarter of 2002 |

**Other events**

The Annual General Meeting held on April 24, 2002 resolved to pay a dividend of HUF 100 before tax on each share for the year 2001. The payment of dividends commenced on June 4, 2002.

In addition, pursuant to the resolution of the AGM, the Company's auditor is Deloitte & Touche Auditing and Advisory Ltd., 1051 Budapest, Nádor u. 21. In accordance with the Articles of Association, the auditor is elected for a period of one year, i.e. its mandate expires on the day of the AGM following the business year 2002.

The AGM of April 24, 2002 resolved to withdraw 393,724 own shares (as a means of decreasing capital stock).

On May 13, 2002, Rába Menedzsment Kft. sold all but 3,000 of its 619,690 Rába ordinary shares on the stock exchange.

**Changes occurring after the balance sheet date**

Pursuant to the decision of Rába Rt.'s Board of Directors the subsidiaries involved in the foundation of Alkatrész Kft. (Rába Sárvár Kft., Rába Mór Kft., Rába Alkatrész Gyártó Kft.) prepared a draft asset and liability statement and drew up inventories by April 30. The unified Alkatrész Kft. was registered by the court on the date of 1st October 2002, and final asset and liability statement and inventories shall be prepared within 90 days in accordance with the merger.

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

| | Yes | No |
|---|---|---|
| **Audited** | | X |
| **Consolidated** | X | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Accounting standards** | **Hungarian** | | **IAS** | X | **Other** | |

**Miscellaneous: …………………..**

With respect to the flash report, Rába Rt. wishes to emphasize the following:

- The data related to the first three quarters of 2002 have not been audited, but to the best of the management's knowledge, they have been compiled on the basis of all available information.
- The financial statements for the first three quarters (i.e. the balance sheet and profit and loss account) have been prepared by Rába in accordance with international accounting standards (IAS).
- No significant changes have occurred in the accounting policies of the companies in the Group, and changes adopted by the Board of Directors do not affect authenticity and comparability. The accounting policies of the companies newly included in the consolidated reports are in line with those of the Group's other companies.

Győr – November 13, 2002

| | |
|---|---|
| **Steiner László**<br>**CEO** | **Lengyel Péter**<br>**CFO** |