Rába Rt. Flash Report for 2003

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

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Sector:	Machine industry
Period:	2003
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Short summary

Two negative factors determined the activities of the Rába group in 2003:

- Recession in the vehicle industry,
- Deteriorating macro-economic environment.

▪ Significant deterioration of the USD exchange rate against the HUF, compared to both the same period of the previous year (-14.2%), and the third quarter of 2003 (-6.2%), reduced significantly both the revenue and result of operation of Rába Futómű (Axle) Kft., and, indirectly, the Rába group too. Compared to the previous year, the weaker USD reduced Rába's margin by HUF 2.06 billion, while doing the same comparison on a quarterly basis, the reduction from the third quarter was HUF 250 million.

▪ Based on the projections of our customers and market actors, the American heavy-duty truck market (class 7-8), which stagnated until November 2003, began to grow again after a very long, nearly three-year period of recession.

In reaction to these difficult external effects, the corporate management completed a programme that was presented to the public on 3 July 2003 by István Pintér, the new CEO, appointed on 23 April. The objective of this programme was to lay the foundation of the group in the new environment, and turn the Rába group into company which is profitable in the long-term.

Within the programme, the staff efficiency improvement component was fully implemented, which involved a staff reduction of 24.9 % in the group (containing also the 2.8% staff reduction related to the sale of Rába Szolgáltatóház), as well as major structural changes. Of the total headcount figure of the Rába group, the proportion of unproductive and white collar workers dropped from 43% to 35.3% from the beginning to the end of the year.

The layoff expenses related to 2003 and other one-off items involved HUF 1.9 billion in expenditure.

In accordance with the site concentration plans, the Kapuvár plant was shut down, and the transfer of machinery required for the production of core products was successfully completed.
The shutdown of the plant involved an approximate cost of HUF 380 million in 2003, of which HUF 100.6 million was related to the last quarter.
Savings of HUF 180 million can be achieved annually through the outsourcing of certain non-core products and services, i.e., purchasing them from external sources.
The second step of rationalisation involved the relocation of Rába Rt.'s head office to the site of the Futómű Kft. from the end of December 2003 to January 2004.

In accordance with the divestiture and property sale objectives, Rába Szolgáltatóház Kft.was sold to Matáv Rt. in the fourth quarter of 2003. Optimisation of the activities of Rába Ipartechnika Kft. and the integration of its maintenance activities into Rába Futómű (Axle) Kft.

are also in progress. As a result of the sale of a 67,000 square metre area, the first phase of the utilisation of Rába's downtown site is completed.

Significant improvement in working capital
In addition to internal restructuring, Rába expects its suppliers to adjust to its requirements: its objective is to achieve the industrial benchmark figures by reducing supplier prices and extending payment deadlines. There has been significant progress in inventory management too. The results of the process are significant in the reduction of working capital. Compared to the first quarter of 2003, working capital has declined by more than HUF 3 billion.

The result of operation was significantly below the budget in Rába Futómű (Axle) Kft.
The company was unable to achieve the targets set during the year for the fourth quarter due to the following reasons:

- In the fourth quarter of the year, primarily in November and December, the significantly, nearly 40% higher production volume could only be performed using considerable overtime work because of unexpected breakdown of key machinery and due to a sudden increase in orders.
- The test production and starting serial production of new products, introduced within the context of market development, has resulted in an increase of production costs and, for certain items, a high proportion of reject (military bus and truck chassis, new items of European and American component supply).
- The negative exchange rate effect of the USD was HUF 240 million, compared to the budgeted figure.

The Component business performed slightly below its budgeted result from operation in relation to test production and start of serial production of new items of Terex Benford. The Vehicle business performed according to expectations.

Sales Revenues
In the last quarter of the year, revenues were more than 35% higher than the average revenues of the previous quarters.

Revenues (HUF million)	Axle	Component	Vehicle	Rába group consolidated
2003 Q1	4,141	3,043	48	7,243
2003 Q2	4,863	2,408	31	7,325
2003 Q3	4,944	2,154	24	7,199
2003 Q4	6,177	2,453	1,532	9,909
Total	**20,125**	**10,058**	**1,635**	**31,676**

Business development
In addition to laying the foundation for a sustainable and competitive operation, Rába carried out intensive market and product development in the second half of 2003. Priority markets were: USA, Western Europe, CIS and China.

- Favourable trends started in the vehicle industry, especially the North American heavy goods vehicle market at the end of 2003.
- In 2004, in addition to the growing US market, Rába supplies an increasing amount of axle components to the West European sites of its American partners, and thus it gradually becomes part of the European supply chain. As a result of the framework agreement with Terex Benford, the Component business will also support West European growth, a key element in Rába's strategy, starting in the fourth quarter of this year.
- 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.

- In accordance with the yearly cycle, the CIS markets generated more than USD 2 million in revenues in the fourth quarter too.
- On the basis of a government decree, the government authorised the Minister of Defence and his representative to sign a supplementary agreement with Rába Járműgyártó (Vehicle) Kft. for vehicle supplies in 2004 and 2005 within the framework of the long-term development programme of the Hungarian army, and to undertake a payment obligation of HUF 9,600 million for 2005 and HUF 12,800 million for 2006.

The consolidated revenues amounted to HUF 31.7 billion in 2003, which represented a 19.5 per cent decline compared to 2002. In 2003, the result of operation was HUF 5,798 million loss, which represented a 18.3 per cent decline compared to revenues.

In its flash report, Rába shows a statement for the breakdown of the operating result of its member companies for the first time, which displays the one-off expenses related to the core operation and transformation of the company transparently. 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.
The table adequately shows that laying the foundation of the company involved significant expenditure.

	Result of operation*				**Result of operation net of one-off items**/***			
	2003 Q1	**2003 Q2**	**2003 Q3**	**2003 Q4**	**2003 Q1**	**2003 Q2**	**2003 Q3**	**2003 Q4**
Axle	-1,657	-1,427	-1,443	-1879	-1,410	-1,271	-965	-1,266
Component	-119	-245	-397	-227	-105	-205	-200	-187
Vehicle	-14	-30	-44	148	-14	-30	-36	148
Other	98	650*	309	479	106	32	357	-258
Total consolidated	**-1,692**	**-1,052**	**-1,575**	**-1,479**	**-1,422**	**-1,474**	**-844**	**-1,563**

* 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, they contain the layoff expenses, machine installation and running up costs of projects, and provisions for contingent liabilities.

*** The table was adjusted later, as technical development expenses, reported in the other line previously, were allocated to the business line in which they actually incurred, therefore the P&L lines of previous quarters were modified slightly.

Comment:

On 1 January 2003, the Rába group changed its accounting policy for the evaluation of manufactured stocks. The primary objective of this modification was to allocate a wider group of production costs to individual products in accordance with the international practice. Consequently, the category of indirect costs, not allocated to products has been reduced, and the category of direct and allocated indirect costs has increased. Because of the modification of the accounting policy, this flash report contains the base figures in accordance with the new cost structure and new stock valuation rules for the purpose of comparability.
On the basis of the principles laid down in IAS 34 (Interim Reports), we need to note that due to the hectically changing HUF position in the market the former quarterly flash reports did not contain the revaluation of open hedge positions on the reporting date according to IAS 39 (Financial Instruments), as it was described in detail in the flash reports. However, they

contained the reversal of revaluation items, which were accounted earlier. Naturally, during the preparation of the annual report we could not ignore this valuation principle either, irrespective of the market conditions.

PK2. Companies involved in the consolidation

Company	Capital In HUF thousand	Ownership ratio (%)	Voting ratio[1]	Classification[2]
RÁBA Futómű Kft. (axle)	9,762,800	100.00	100.00	S
RÁBA Járműipari Alkatrészgyártó Kft.	300,000	100.00	100.00	S
Rába Jármű Kft.	835,100	100.00	100.00	S
RÁBA Ipartechnika Szolgáltató Kft.	266,860	100.00	100.00	S
RÁBA-Szolgáltatóház Kft. **	615,000	100.00	100.00	S
RÁBA Vagyonkezelő Kft.	11,000	100.00	100.00	S
RÁBA Detroit Diesel Magyarország Kft. *	51,000	50.00	50.00	J
BPW-RÁBA Futóműgyártó Kft.	1,780,000	25.00	25.00	A

[1] Voting right related to representation in decision-making at the general meeting of the company subject to consolidation.
[2] Subsidiary (S); Jointly controlled (J); Association (A)

* RÁBA Detroit Diesel Magyarország Kft. was sold on 11 June 2003
** RÁBA-Szolgáltatóház Kft. was sold on 1 October 2003, it is consolidated only to the date of sale

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

1/ Rába Mór Kft. and Rába Sárvár Kft. were terminated as they merged with Rába Járműipari Alkatrészgyártó (Components) Kft. on 30 September 2002.

2/ Because of their sale, RÁBA-KÉSZ Kft. and Motor Kft. were taken out of consolidation. In order to ensure comparability of data, the 2002 figures were adjusted according to the changes described above, and they do not contain the two companies.

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

data in HUF thousand

Item	2003 1-12 months	2002 1-12 months adjusted	Index
Domestic sales revenues	12,464,989	13,470,313	92.5%
Export sales revenues	19,211,049	24,339,972	78.9%
Sales revenues	**31,676,038**	**37,810,285**	**83.8%**
Direct cost of sales	27,888,931	28,856,177	96.6%
Gross margin	**3,787,107**	**8,954,108**	**42.3%**
Cost of sales	908,827	881,918	103.1%
General and administration expenses	12,709,406	15,063,863	84.4%
Other revenues	4,033,576	2,894,464	139.4%
Other items related to business activities	**-9,584,657**	**-13,051,317**	**73.4%**
Result of operation before interest payment and taxation	**-5,797,550**	**-4,097,209**	**141.5%**
Net financial revenues/expenses	-3,059,462	2,022,146	-151.3%
Profit share from external companies	50,000	146,505	34.1%
PROFIT BEFORE TAXATION	**-8,807,012**	**-1,928,558**	**456.7%**
Corporate profit tax	**-1,551,987**	**-69,587**	**2230.3%**
PROFIT AFTER TAXATION	**-7,255,025**	**-1,858,971**	**390.3%**
Profit share of minority shareholders			
NET PROFIT	**-7,255,025**	**-1,858,971**	**390.3%**

I. Analysis of the items of the consolidated profit and loss account

1. SALES AND MARKET POSITIONS

1.1. Earned revenues

In 2003, Rába achieved HUF 31,676 million in sales revenue. 62.5 per cent of the sales revenue came from export (in 2002, 65.2 per cent), and the rest came from domestic sales.

EXPORT:

United States of America is the largest export market of the Rába group. Following a strong cyclical recession, the market stabilised and it showed signs of growth in the fourth quarter.
The Rába group achieved USD 46.4 million in sales revenue in the **USA market** in 2003 (2002: USD 50.6 million), within which the strongest quarter was the fourth quarter with revenues amounting to USD 14.1 million.

In 2003, **Asian** exports exceeded USD 1.8 million, following USD 12.6 million achieved in the previous year. The significant difference is due to the fact that the projected bus axle supplies to Iran did not take place, a low-volume axle component supply started to China, and complete axle supplies to Japan continued too.

In the European markets, Rába's sales went up by 12.2 per cent compared to the previous year, involving EUR 32.2 million in sales. (The flash report contains sales figures net of the sale of the Engine business, in order to ensure that the data are comparable.)
The revenues of the Axle business amounted to EUR 18.9 million, and those of Components represented EUR 13.3 million.
On the Western and Southern European markets, revenues went up by 26.7 per cent; revenues increased from EUR 20.2 million in the previous year to EUR 25.6 million. 49 per cent of the sales involved products of the axle business and 51 per cent were related to the products of the Component business. The significant increase was a great deal due to the fact

that Rába joined the outsourcing projects of multinational goods vehicle suppliers in Europe, .and thus it is gradually becoming part of the European supply chain.

On the Eastern and Central European markets, Rába generated EUR 6.7 million export revenues in 2003, although, compared to the base period, it involved a decline (EUR 8.2 million).

This revenue figure contains axle sales for EUR 6.2 million and seats supplied to the Romanian bus market for EUR 0.5 million. Rába sells in USD in these markets, thus the decline was due only to the falling USD exchange rates against EUR.

On a comparative basis, **the domestic sales revenues of the group** dropped from HUF 13.5 billion in 2002 to HUF 12.5 billion.

2. EXPENSES AND OTHER REVENUES

2.1. Direct expenditure

In 2003, the direct expenditure of Rába represented 88.0 per cent (in 2002: 76.3 per cent), which contains the impacts of the accounting policy changes, described above in the "Comments", and its effect on the structure of expenditure. The level of expenditure increased due to the following reasons:

- weaker USD exchange rate,
- layoff expenses related to production rationalisation (HUF 210 million)
- extra wage cost in order to complete production assignments, and satisfy customer requirements (extra work, wage allowances, etc.),
- with the acquisition of new deals, we have gradually developed conditions for serial production, but it temporarily involved a considerable increment in scrapping and instrumental costs.

Rába tries to account its production expenses as accurately as possible, in relation to which certain cost elements were transferred from indirect costs into direct costs in 2003.

2.2. Gross Profit

The gross profit dropped from HUF 8,954 million to HUF 3,787 million, resulting from a decline in revenues (-HUF 6,134 million), and direct costs (-HUF 967 million). Naturally, the changes in the stock evaluation method had a similar effect on the gross margin. With a nearly identical level of expenditure, and an increase in turnover, the gross margin figure changed from HUF 2,883 million in the 1st-3rd quarters to HUF 3,787 million by the end of 2003.

2.3. Cost of sales

The cost of sales increased by 3.1 per cent, and amounted to HUF 909 million in 2003 compared to HUF 882 million in 2002.

2.4. General and administrative expenses

Rába accounts its administration expenses, other general expenses (in 2003: HUF 9,447 million, in 2002: HUF 9,572 million), and various expenditure outside business operation (2003: HUF 2,952 million, 2002: HUF 6,090 million) in the P&L line of general and administrative expenditure. Indirect expenses were reduced by 14.6 per cent.

The other general expenditure contains the one-off expenses of layoffs executed in 2003, involving HUF 1,030 million, part of which was covered with provisions set aside in 2002. In addition, one-off expenses also included costs and guarantee fees related to new products described above, involving HUF 1,042 million. In accordance with Rába's plans, the land rationalisation and other cost reduction and saving measures continued, as a result of which further significant savings can be achieved.

2.5. Other revenues

Other revenues amounted to HUF 4,034 million in 2003. This amount was HUF 1.139 million (39.4 per cent) higher than in the previous year. A significant amount of the increment came from the partial sale of one of the sites, as part of the land rationalisation process. The remainder was the result of the release of provisions for layoffs (which does not improve the result, in view of the actually paid out layoff expenses), the sale of superfluous tangible assets and the revaluation of stocks (changes in manufactured stocks, which is shown in the profit and loss account as other revenues) resulting in a one-off item of HUF 749 million, due to the modification of the accounting policy.

3. ("OPERATING") RESULT BEFORE INTEREST PAYMENT AND TAXATON

The result of operation of the Rába group before interest payment and taxation was HUF 5,798 million loss in 2003 (in 2002: HUF -4,097 million). The lost gross profit (HUF 3,605 million), could not be offset through the reduction of the cost of sales and overhead costs (HUF 766 million), and the extra other revenues (HUF 1,139 million). Profitability changed from –11 per cent in the base period to –18.3 per cent. The profitability index declined less than the EBITDA figure (result of operation + depreciation): -9.5/-5.7 per cent.

4. FINANCIAL REVENUES AND EXPENSES

4.1. Net financial result

The net financial result was HUF –3,059 million loss in 2003. (In 2002: HUF +2,022 million). The net financial revenues consisted of the following major items:

	2003 HUF million	2002 HUF million
Dividend received	18	30
Net interest	-548	-753
Net other items	-2,529	2,746
Net financial revenues	-3,059	2,022

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 with hedging transactions. In 2003, the net gain on hedging transactions amounted to HUF 1,236 million (in 2002: HUF 1,590 million). The unrealised result on the revaluation of hedging transactions at the year-end was a loss in 2003: involving HUF 2,576 million, but it was a profit in 2002, involving HUF 1,240 million.

4.2. Profit from external companies

The profit from external companies contains the profit share of the parent company of the net profit of associated companies, included in Rába's profit and loss account, consolidated according to IAS. In 2003, the profit from external companies involved HUF 50 million (in 2002: HUF 147 million forint).

5. PROFIT BEFORE TAXATION AND NET PROFIT

In 2003, the result before taxation was HUF 8,807 million loss but, as a result of the factors described in Sections 2.1-4.2, it was HUF 6,878 million lower than in 2002. The profitability index represents–27.8 per cent return on sales on the basis of profit before taxation, compared to–5.2 per cent in the base period.

The group does not have a tax liability, and the tax liability set aside on profits not realised in the previous years was released (HUF 1,552 million). Consequently, the consolidated result is HUF 7,255 million loss.

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 mainly caused by the following factors:

- revaluation of open hedging positions and reversal of revaluation of the previous year,
- accounting of technical development expenses capitalised according to HAS among costs, according to IFRS.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Data in HUF thousand

Item	31.12.2003	31.12.2002	Index
Properties, machines, equipment	19,879,204	20,364,461	97.6%
Intangible assets	9,332	171,675	5.4%
Long-term participations	1,700,015	1,700,984	99.9%
Other participations	434,620	512,066	84.9%
Other investments	32,605	35,394	92.1%
Deferred tax	1,982,748	430,671	460.4%
Total invested assets	**24,038,524**	**23,215,251**	**103.5%**
Securities	2,450	2,465	99.4%
Stocks	6,013,696	6,402,590	93.9%
Receivables related to tax	1,584,583	1,417,245	111.8%
Receivables	7,483,737	11,213,130	66.7%
Liquid assets, bank account	330,423	1,059,442	31.2%
Total current assets	**15,414,889**	**20,094,872**	**76.7%**
Total ASSETS	**39,453,413**	**43,310,123**	**91.1%**
Share capital	12,687,766	12,687,766	100.0%
Capital reserve	6,854,878	6,856,499	100.0%
Retained earnings	-3,864,390	4,140,061	-93.3%
Capital and reserves total	**15,678,254**	**23,684,326**	**66.2%**
Long-term liabilities	3,864,972	4,924,321	78.5%
Total long-term liabilities	**3,864,972**	**4,924,321**	**78.5%**
Short-term credits and loans	8,773,310	7,424,710	118.2%
Short-term liabilities	11,136,877	7,276,766	153.0%
Short-term liabilities total	**19,910,187**	**14,701,476**	**135.4%**
Total LIABILITIES (equity and liabilities)	**39,453,413**	**43,310,123**	**91.1%**

II. 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 HUF 20,364 million to HUF 19,879 million at year-end, with a very minor change only (-2.4 %).

1.2. Intangible assets

The net value of intangible assets was HUF 9 million, which is HUF 162 million below the base figure. The reduction occurred because in the recent period technical development expenditure could not be capitalised among intangible assets.

1.3. Long-term participations

This balance sheet line shows the proportion of an affiliated enterprise relating to the parent company. On 31 December 2003, it amounted to HUF 1,700 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 control is less than 25 per cent. The closing figure on 31 December 2003 was HUF 435 million (31 December 2002: HUF 512 million). The reduction occurred because the company had sold several of its investments, not included in consolidation.

1.5. Other investments
The end-of-year figure of other investments was HUF 33 million, which was HUF 2 million below the previous year's figure.

1.6. Deferred tax
On 31 December 2003, the deferred tax amount was HUF 1,983 million, HUF 1,552 million more than on 31 December 2002. The change involves accrued subsidiary losses, and the tax liability of unrealised losses on futures FX transactions.

2. CURRENT ASSETS

2.1. Stocks
On 31 December 2003, stocks closed with HUF 6,014 million (31 December 2002: HUF 6,403 million). In both periods, produced stocks are recorded at a higher value, due to reasons outlined above. Compared to 31 December 2002, there was a stock reduction in the amount of HUF 389 million.

2.2. Tax receivables
Tax receivables (HUF 1,585 million) originate mainly from the reclaimed VAT in relation to export activities, and the payment of corporate profit tax advances.

2.3. Receivables
The closing figure of receivables in 2003 was HUF 7,484 million (in 2002 closing figure: HUF 11,213 million) with a major reduction of HUF 3,729 million. Reasons for the 33 per cent reduction:

- reduction in the advance on capital investments launched at the end of 2002 (HUF -1,114 million),
- reduction of receivables from customers due to decline in turnover (HUF - 466 million),
- reduction in other receivables (HUF –1,950 million). A considerable amount of this reduction was due to the received contractual purchase price for sold companies.

2.4. Liquid assets
The closing figure of liquid assets on 31 December 2003 was HUF 330 million (on 31 December 2002: HUF 1,059 million). The company operates a cash-pool system. This system optimises the available cash, with the help of which the deposit and credit interest rate differences 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 of HUF 1,000 par value, entitling the shareholder to a dividend earned in a particular period, and provide one vote at the General Meeting of the company. On 31 December 2003, the share capital of the company was HUF 12,688 million, which is a the same figure as the one prevailing on 31 December 2002.

3.2. Capital reserve
On 31 December 2003, the capital reserve was HUF 6,855 million. The slight decrease involved the sale of a subsidiary and an associate enterprise.

3.3. Retained earnings
The retained earnings (HUF -3,864 million) dropped from HUF 4,140 million during the previous year almost exclusively due to the loss realised between the two periods in question.

4. LONG-TERM LIABILITIES

On 31 December 2003, long-term liabilities amounted to HUF 3,865 million (on 31 December

2002, the closing figure was HUF 4,924 million). With the changes in the proportion of short- and long-term debt, the currency composition of our debt portfolio (USD, euro and HUF) proportionately reflected the composition of revenues, as a result of which we managed to reduce our exchange rate exposure.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

In total, short-term credits and loans (HUF 8,773 million) increased since the previous period (HUF 7,425 million), the main reason of which was the reclassification of the payments of long-term loans, due within one year.

5.2. Short-term liabilities

Short-term liabilities (closing figure on 31 December 2003: HUF 11,137 million) has increased compared to previous year (HUF 7,277 million) (+53 per cent). The majority of the increase results from the accounting of non-realised exchange rate losses of hedging transactions (HUF 2,576 million) and a considerable increase in liabilities to suppliers. The liabilities to suppliers have increased because the payment deadline has been extended.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT 2003

Data in HUF thousand

	2003	2002
Cash-flow of ordinary operation:	**-1,295,059**	**4,696,108**
Profit before taxation net of profit shares from associate companies	-7,305,025	-2,730,402
Revenues and expenses not affecting the ordinary cash flow	508,180	2,494,245
Changes in assets and liabilities related to ordinary activities	5,501,786	4,983,249
Of which: buyers	352,512	
Supplies	2,588,011	
Tax paid in the current year	0	-50,984
	548,260	**-2,819,636**
Sale of own shares	0	2295517
Purchase of own shares	0	-1,902,917
Net reduction / increase of securities	15	-955
Net increase / decrease of credits and loans	548,245	-1,891,082
Dividend paid	0	-1,320,199
Cash-flow of investment activities	**17,779**	**-1,718,925**
Revenues from the sale of invested assets	2,341,095	2,609,332
Increase in financial investments		-13,661
Revenues from the sale of investments		1,224,083
Purchase of invested assets	-2,323,316	-5,538,679
Changes in liquid assets	**-729,020**	**157,547**
Revenues and expenses not affecting the cash flow of ordinary activities	**508,180**	**2,494,245**

Depreciation	2,790,611	2,619,462
Revaluation	-892,351	
Loss / gain on the sale of invested assets	-1,390,080	-539,067
Loss / gain on the sale of financial investments		363,776
Depreciation of invested assets	0	50,074
Changes in assets and liabilities related to ordinary activities	**5,501,786**	**4,983,249**
Reduction / increase of stocks	388,894	1,361,460
Changes in receivables / liabilities	5,112,892	3,621,789

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list	

Forward FX transactions serving as collateral for exchange rate risk associated with export sales revenues: sale of EUR 214 million for HUF, purchase of EUR 29 million for USD.

III. DESCRIPTION OF MAJOR FACTORS AND CHANGES
RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed[1]			
	Beginning of current year (1 January)			End of term (31 December)			Beginning of term		End of term	
	% [2]	% [3]	No. of pcs.	% [2]	% [3]	No. of pcs.	%	Pcs	%	Pcs
Domestic institutional/corporate	28.97	30.75	3,903,027	26.39	28.01	3,555,043				
Foreign institutional/corporate	24.55	26.06	3,307,282	22.35	23.73	3,011,871				
Foreign private individual	0.11	0.12	15,138	0.09	0.09	11,669				
Domestic private individual	16.54	17.55	2,227,893	22.22	23.59	2,993,874				
Employees, managing executives										
Treasury shares	5.80		781,460	5.80		781,460				
Shareholder forming part of general government	13.18	13.99	1,776,200	12.28	13.04	1,655,087				
International Development Institutions	10.85	11.52	1,462,446	10.85	11.52	1,462,446				
Other	0.00	0.00		0.01	0.02	1,996				
TOTAL	**100.00**	**100.00**	**13,473,446**	**100.00**	**100.00**	**13,473,446**				

[1] If the series listed equals the total equity, it need not be filled in if so indicated. If more than one series are listed on the Stock Exchange, the ownership structure should be specified for each series..
[2] Ownership ratio
[3] Voting right ensuring participation in the decision making process at the issuing general meeting of shareholders. If the ownership ratio and the voting right are the same, only the column regarding the ownership ratio needs to be filled in/published while stating such fact.!
[4] E.g.: ÁPV Rt., Social Security, Local Government, 100% state-owned companies, etc.
[5] E.g.: EBRD, EIB, etc.

RS3. Listing, introduction of shareholders with a stake exceeding 5% (at the end of the term)

Name	Nationality [1]	Activity [2]	Quantity (pcs)	Ownership stake (%) [3]	Voting right (%)	Comment [5]

					3,4	
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	D	B	1,081,769	8.03	8.52	
Treasury shares	D	B	781,460	5.80		

[1] Domestic (D), Foreign (F)
[2] Asset manager(A). General government (G). International Development Institution (IFI). Institutional(I). Business entity (B) Private (P). Employee. Managing executive (E)
[3] Should be rounded to two decimal figures
[4] Voting right ensuring participation in the decision making process at the issuing general meeting of shareholders.
[5] E.g.: strategic investor, financial investor, etc.

RS2. <u>Changes in the number of treasury shares during the current year (No. of pcs.)</u>

	1 January	31 March	30 June	30 September	31 December
Company level	781,460	781,460	781,460	781,460	781,460
Subsidiaries					
Total	781,460	781,460	781,460	781,460	781,460

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

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

	End of base period	Beginning of current year	End of current year
Company level	43	43	29
Group level	4,445	4,445	3,342

The 30 September 2003 consolidated headcount was 3342 people. The reduction in headcount compared to the end of the base is 24.8%. The headcount of Rába Szolgáltató Kft. sold as at 1 October 2003 is not included in the closing headcount of the group.

TSZ3. Managing executives, strategic employees

Type[1]	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
BD	Péter Jancsó	Chairman of the BD	1998.		0
BD	Abbas Mehad	Board member	1998.		0
BD	Merrick W. Taylor	Board member	1998.	2003.	
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
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	412
SP	Gyula Kugler	Deputy CEO	2000.	2003.	
SP	István Pintér	Deputy CEO	2000.	2003.	
SP	Péter Lengyel	Deputy CEO	2002.	Indefinite	0
SP	Péter Lengyel	CFO	2001.	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	414
SP	Dr János Megyeri	Technical and Sales Director	2001.	2002.	
SP	Dr. Béla Fekecs	Managing Director	2002.	2004.	0
SP	Dr. János Megyeri	Managing Director	2002.	2003.	
SP	István Simon	Managing Director	2003.	Indefinite	
SP	Kovács Csaba	Managing Director	2002.	Indefinite	0
SP	Dr. Surányi Jenő	Managing Director	2002.	2003.	
SP	Kocsis Sándor	Operations Director	2004.	Indefinite	
SP	Pintér István	Managing Director	2004.	Indefinite	
TOTAL No. of shares held (pcs):					1.240

[1] 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 Component Manufacturing Kft. 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 pubished during the current year.

Date	Place of publication	Subject, brief summary
15-01-2003	No. 10. MATÖKE	Rába became the strategic supplier to the Hungarian Army Rába has sold its energy business Personal changes within Rába – Gyula Kugler has retired
05-02-2003	No. 25. MATÖKE	Rába Rt.'s official communication in relation to the article published in the 4 February 2003 issue of Magyar Hírlap (military vehicle programme)
14-02-2003	No. 32. MATÖKE	Communication of Rába Rt. about the completion of the Flash Report for 2002.
17-02-2003	No. 33. MATÖKE	Flash Report of Rába Rt. for 2002.
21—3-2003	No. 57. MATÖKE	Invitation to the AGM of Rába Járműipari Holding Rt.
25-03-2003	No. 57. MATÖKE	Personal changes within Rába Rt (resignation of László Steiner)
07-04-2003	No. 68. MATÖKE	Supplement to the invitation to the AGM of Rába Járműipari Holding Rt.
25-04-2003	No. 81. MATÖKE	Resolutions adopted by the general meeting of Rába Rt.
30-04-2003	No. 84. MATÖKE	About the viewing of the 2002 report of Rába Rt.
15-05-2003	No. 93. MATÖKE	Rába Rt. about the viewing of its flash report for Q1 of 2003.
30-05-2003	No. 104. MATÖKE	Personal changes within Rába Rt.(termination of the employment of Dr. János Megyeri)
14-08-2003	No. 157. MATÖKE	Rába Rt. about the viewing of its flash report for the first half of 2003.
15-08-2003	No. 158. MATÖKE	Flash report of Rába Rt. for the first half of 2003.
03-11-2003	No. 211. MATÖKE	Rába Rt. has sold Rába Szolgáltatóház Kft.
14-11-2003	No. 220. MATÖKE	Place of viewing of the Flash Report of Rába Rt. for Q1-Q3 of 2003.
24-11-2003	No. 226. MATÖKE	Communication of Rába Rt. about the change in the ownership structure.
25-11-2003	No. 227. MATÖKE	Communication of Rába Rt. abut the sale of its real estate.

Other events:

Rába Járműgyártó (vehicle) 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 motor vehicles within a 15-year period.
In its decree No. 2341/2003 (XII.23.) the government has authorised the Minister of Defence to sign with Rába Jármű (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 in 2005 and HUF 12.8 billion in 2006.

Events following the closing day.

A Rába Járműipari Holding Rt. has relocated its activities performed at 1-5 Budai u., Győr, to the Győr plant of Rába Futómű (Axle) Kft., located at 1. Martin u. Győr.

PK1. General information regarding the financial data:

	Yes	No
Audited		X
Consolidated	X	

Accounting principles	**Hungarian**		**IFRS**	X	**Other**	

Other: …………………..

In the context of the flash report Rába Rt wishes to emphasize the following:

- The figures shown in the flash report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába has prepared its flash report (balance sheet and profit and loss statement) in consideration of the International Financial Reporting Standards.
- Other than those mentioned under “Comments”, there have been no changes in the accounting policy of group companies, the accounting policy of the companies included in the consolidation are in unison.

Győr. 11 February 2004.

István Pintér	**Péter Lengyel**
CEO	**Deputy CEO**