

## Flash Report of Rába Rt. for Q1-Q3 of 2005

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

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

The consolidated sales revenue of the Rába group during Q1-Q3 of 2005 amounted to HUF 33.3 billion, an increase of 24.6% over Q1-Q3 of 2004.

The operating result was a loss of HUF 1.9 billion, following the loss of HUF 3.9 billion registered during Q1-Q3 of 2004. Operating losses evolved favourably during the quarters, amounting to HUF 983 million during Q1 of 2005, to HUF 535 million during Q2 and to HUF 369 million in Q3..

The result of the Rába group during Q1-Q3 of 2005 was deteriorated by a financial loss of HUF 1.6 billion, thus the net income of the company during Q1-Q3 of 2005 was a loss of HUF 3.3 billion.

On the level of EBITDA, during Q1-Q3 of 2005 the RÁBA group registered a profit of HUF 274 million.

The loss of HUF 1,569 million of the financial profit was substantially due to the profit of HUF 854 million achieved on the straightforward derivative transactions and to the loss of HUF 1,611 million resulting from the revaluation of the same open transactions.

The RÁBA group achieved substantially increased sales with a declining headcount, amounting to 3,149 people at the end of the period, thus contributing to the improvement of the company's efficiency.

### Rába Futómű Kft. (Axle Ltd.)

The sales revenue of Rába Futómű Kft. during the first nine months of 2005 amounted to HUF 22 billion, against the sales revenue of HUF 18 billion registered during Q1-Q3 of 2004, which corresponds to an increase of 23%. The sales revenue generated during the period shows minor fluctuations, amounting to HUF 7.2 billion during Q1 of 2005, HUF 7.8 billion during Q2 and HUF 7.2 billion during Q3 of 2005, which is practically the same as the revenue generated during Q1. The sales revenue during Q1-Q3 of 2005 in USD terms amounted to USD 113 million, which is 30% over the USD 87 million value of the same period of 2004.

The principal driver behind the sales revenue can be linked, as before, to the fruition of the European projects launched earlier, resulting in significant growth. During the last quarter, the American utility vehicle industry continued to generate substantial demand.

Iron and steel prices on the world market have stabilized at a high level. Based on its agreements with its partners, Rába passes on the substantially increased price of iron and steel to a large extent to its customers, consequently the negative effect of this is unlikely to carry any significant negative risk for the profitability of Rába.

The weakening tendency of the USD was turned around during the last two quarters it was, however, still 5% below the level of Q1-Q3 of last year.

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

The result from operations amounted to a loss of HUF 2,017 million, against the loss of HUF 3,455 million during the same period of 2004. At a quarterly level the operating loss from operations declined to HUF 599 million, against the loss of HUF 826 million during Q3 of 2004. The improvement over the base period is 27.5%.

The result from actual operations is a profit of HUF 811 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 Rt.

On the level of EBITDA, the Axle Business has nearly reached breakeven, whereas at a quarterly level it showed losses of HUF 50 million.

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

The sales revenue of the Component Business of Rába amounted to HUF 8.7 billion during Q1-Q3 of 2005, against HUF 8.0 billion during Q1-Q3 of 2004. This represents an increase of 7.9%.

The result from operations during Q1-Q3 of 2005 amounted to a loss of HUF 206 million, against the loss of HUF 446 million during the same period of 2004. The improvement over the base period exceeds 54%, the operating result during Q3 of 2005 was a loss of HUF 60 million, following a loss of HUF 146 million during the first 6 months.

On the level of EBITDA, the Company achieved HUF 41 million during Q3.

During Q2 the company gained yet another major order from Suzuki. The serial production of a new model will begin at the end of this year in the Esztergom plant of the Japanese car manufacturer. The Mór plant of the Component 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, during Q1-Q3 of 2005 Rába Jármű Kft. delivered 12 units of H14 and 41 pieces of H 18, as well as 3 pieces of H 25 military vehicles of Rába's own development and 21 vehicles manufactured by strategic partners to the Military Technology Supply Centre of the Ministry of Defence.

The sales revenue of Rába Jármű Kft. during Q1-Q3 of 2005 amounted to HUF 4,112 million. The operating profit was HUF 184 million. During Q3 the sales revenue increased to HUF 1,246 million from HUF 1,902 million during the previous quarter, while the operating profit increased from HUF 114 to HUF 61 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 Component 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 synergies resulting from the operation.

On the level of EBITDA, during Q3 the Company registered a profit of HUF 100 million.

## 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>

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

	Operating profit						
	2004. Q1	2004. Q2	2004. Q3	2004. Q4	2005. Q1	2005. Q2	2005. Q3
Axles from operation	-1,513	-1,116	-826	-1,187	-830	-589	-599
<i>Axles actual**</i>	-1,513	-1,116	-826	-1,187	-830	+2,239	-599
Components	-202	-56	-188	-314	-172	25	-60
Vehicles	-99	-106	27	445	9	114	61
Others	-3	30	117	-166	10	-84	228
<b>Total consolidated</b>	<b>-1,817</b>	<b>-1,248</b>	<b>-870</b>	<b>-1,222</b>	<b>-983</b>	<b>-534</b>	<b>-369</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	2005. Q1-Q3	2004. Q1-Q3	Index
Domestic sales revenues	11,496,705	9,333,151	123.2%
Export sales revenues	21,787,249	17,375,160	125.4%
<b>Sales revenues</b>	<b>33,283,954</b>	<b>26,708,311</b>	<b>124.6%</b>
Direct cost of sales	27,047,361	22,435,694	120.6%
<b>Gross margin</b>	<b>6,236,593</b>	<b>4,272,617</b>	<b>146.0%</b>
Cost of sales	683,845	704,831	97.0%
General and administration expenses	8,543,601	8,798,594	97.1%
Other revenues	1,103,872	1,294,977	85.2%
<b>Other items related to business activities</b>	<b>-8,123,574</b>	<b>-8,208,448</b>	<b>101.0%</b>
<b>Result of operation before interest payment and taxation</b>	<b>-1,886,981</b>	<b>-3,935,831</b>	<b>152.1%</b>
Net financial revenues/expenses	-1,569,493	5,622,879	-27.9%
Profit share from external companies	0	142,514	0.0%
<b>PROFIT BEFORE TAXATION</b>	<b>-3,456,474</b>	<b>1,829,562</b>	<b>-188.9%</b>
<b>Corporate profit tax</b>	<b>-196,880</b>	<b>54,338</b>	<b>-362.3%</b>
<b>PROFIT AFTER TAXATION</b>	<b>-3,259,594</b>	<b>1,775,224</b>	<b>-183.6%</b>
Profit share of minority shareholders			
<b>NET PROFIT</b>	<b>-3,259,594</b>	<b>1,775,224</b>	<b>-183.6%</b>

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

#### **1.1 Earned revenues**

During Q1-Q3 of 2005, Rába achieved HUF 33,284 million in sales revenue. 65.5 per cent of the revenues came from export (Q1-Q3 of 2004: 65 per cent), the rest came from domestic sales.

#### **EXPORT:**

The sales revenue achieved on the **US market** during Q1-Q3 of 2005 amounted to USD 55.1 million (Q1-Q3 of 2004: USD 39.5 million). The increase compared to the base period is 39.5%.

**On the European markets**, Rába's sales went up by 17 per cent compared to the previous year which represents sales of EUR 39.7 million.

The revenues of the Axle business amounted to EUR 29.5 million, and those of Components represented EUR 9.8 million of total sales.

On the *West and South European markets* revenues went up by 14.4 per cent; revenues increased from EUR 27.6 million during the previous period to EUR 31.5 million. 72 per cent of the sales involved products of the Axle business and 28 per cent were related to the products of the Component business.

On the *Eastern and Central European* markets, in 2004 Rába generated export sales in excess of EUR 8.2 million which compared to the base period represents an increase of 28 %. 85% of this sales figure is made up from axle deliveries.

During Q1-Q3 of 2005, **Asian** exports amounted to USD 3.3 million.

During Q1-Q3 of 2005, **the domestic sales revenues of the group** amounted to HUF 11.5 billion.

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

### **2.1. Direct expenditure**

During Q1-Q3 of 2005 the direct expenditure of Rába was at 81.3 per cent, versus the 84.0 % cost level characteristic for Q1-Q3 of 2004.

Rába achieved the 3.3 per cent improvement in direct cost level compared to the level of the previous year in spite of the 5% decline in the exchange rate of the US dollar. A change compared to the previous period is that direct costs include HUF 227 million of material price difference, which was shown previously among indirect costs.

### **2.2. Gross Profit**

The gross profit changed from HUF 4,273 million to HUF 6,237 million, which is due to the increase in the sales revenue (+ HUF 6,576 million) and to the lesser increase in direct costs (+ HUF 4,612 million)

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

The cost of sales declined by 3 per cent and amounted to HUF 684 million during Q1-Q3 of 2005, compared to HUF 705 million during Q1-Q3 of 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 (Q1-Q3 of 2005: HUF 7,495 million, Q1-Q3 of 2004: HUF 7,635 million), and various expenditures outside the ordinary business operation (Q1-Q3 of 2005: HUF 1.049 million, Q1-Q3 of 2004: HUF 1.040 million) in the P&L line of general and administrative expenditure. General overhead and administrative costs declined by 2.9%. 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 1.104 million during Q1-Q3 of 2005. This amount was HUF 191 million (14.8 per cent) lower than that of the previous period. The change is due to the decline in the sale of tangible assets (HUF -451 million), to the release of provisions (HUF 94 million) set aside for lay-offs and repairs under guarantee and to the increase in the rewrite of receivables (HUF 131 million), as well as to the increase in other items (HUF 35 million).

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

The profit of Rába before interest payment and taxation was HUF -1,887 million during Q1-Q3 of 2005 (Q1-Q3 of 2004: HUF -3,936 million). The positive effect of the growth due to the gross margin (HUF +,964 million) was further improved by the decline in the cost of sales and in general expenses (HUF -21 million) and was deteriorated by the decline in other revenues (HUF -191 million) as described in section 2.5. Profitability changed from -14.7% during the base period to -5.7%. The profitability of operating profit + depreciation increased from -6.7 per cent to +0.1 per cent.

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

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

The net financial result was HUF –1.569 million during Q1-Q3 of 2005. (Q1-Q3 of 2004: a profit of HUF 5.623 million). The net financial revenues consisted of the following principal items:

	Sept 30 <sup>th</sup> 2005	Sept 30 <sup>th</sup> 2004
	Million HUF	million HUF
Dividend received	0	24
Net interest	-368	-419
Capital gains on shares sold	0	131
Net other items	-1,201	5.887
Net financial revenues	-1,569	5.623

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. During Q1-Q3 of 2005, the net gain on hedging transactions amounted to HUF 854 million, the gain during Q1-Q3 of 2004 was HUF 2.479 million. The unrealised gain on the revaluation of forward transactions as at September 30<sup>th</sup> 2005 was a loss of HUF 209 million, against the profit of HUF 340 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. The financial result does not include the interim revaluation of complex option deals.

##### **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 during Q1-Q3 of 2005 (Q1-Q3 of 2004: HUF 143 million).

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

The result before taxation was HUF –3,456 million during Q1-Q3 of 2005, which as a result of the factors outlined in sections 2.1-4.2 is HUF 5,286 lower than the level of Q1-Q3 of 2004. The profitability index represents a –10.4 per cent return on sales on the basis of profit before taxation, compared to 6.9 per cent during the base period.

At group level the tax liability amounts to HUF -197 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 –3,260 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 expenses capitalised according to HAS.

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

Data in HUF thousand

Item	Sept 30 <sup>th</sup> 2005	Sept 30 <sup>th</sup> 2004	Index
Properties, machines, equipment	17,250,935	18,332,421	94.1%
Intangible assets	198,018	289,486	68.4%
Long-term participations	0	0	
Other participations	83,952	434,620	19.3%
Other investments	15,057	28,121	53.5%
Deferred tax	1,815,234	1,708,052	106.3%
<b>Total invested assets</b>	<b>19,363,196</b>	<b>20,792,700</b>	<b>93.1%</b>
Securities	0	4,151	0.0%
Stocks	10,462,252	8,867,834	118.0%
Receivables related to tax	916,604	1,313,621	69.8%
Receivables	7,644,183	9,703,521	78.8%
Liquid assets, bank account	729,804	1,322,813	55.2%
<b>Total current assets</b>	<b>19,752,843</b>	<b>21,211,940</b>	<b>93.1%</b>
<b>Total ASSETS</b>	<b>39,116,039</b>	<b>42,004,640</b>	<b>93.1%</b>
Share capital	12,780,552	12,687,766	100.7%
Capital reserve	6,832,404	6,854,765	99.7%
Retained earnings	-5,756,350	-2,356,211	-44.3%
<b>Total capital and reserves</b>	<b>13,856,606</b>	<b>17,186,320</b>	<b>80.6%</b>
Long-term liabilities	6,439,767	5,537,767	116.3%
<b>Total long-term liabilities</b>	<b>6,439,767</b>	<b>5,537,767</b>	<b>116.3%</b>
Short-term credits and loans	6,554,175	8,300,076	79.0%
Short-term liabilities	12,265,491	10,980,477	111.7%
<b>Short-term liabilities total</b>	<b>18,819,666</b>	<b>19,280,553</b>	<b>97.6%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>39,116,039</b>	<b>42,004,640</b>	<b>93.1%</b>

**I. Analysis of principal balance sheet items and their changes****1. INVESTED ASSETS****1.1. Properties, machines and equipment**

The consolidated net value of properties, machines and equipment dropped from the closing value of HUF 18,332 million of the previous year to HUF 17,251 million, which represents a change of -5.9%.

**1.2. Intangible assets**

The net value of intangible assets was HUF 198 million, HUF 91 million less than that of the base period. Rába Rt. 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 30<sup>th</sup> September 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. The

closing figure on 30<sup>th</sup> September 2005 was HUF 84 million, HUF 350 million less than during the base period, which is due to the fact that Questor's shares were regrouped to securities from among investments at the end of 2004. Questor Rt. repurchased its shares during the period in question.

### **1.5. Other participations**

The closing value of other investments was HUF 15 million, which was HUF 13 million below the previous year's figure.

### **1.6. Deferred tax**

On 30<sup>th</sup> September 2005, the deferred tax amounted to HUF 1,815 million, HUF 107 million more than the value as at 30<sup>th</sup> September 2004. The change is due to the increase in accrued subsidiary losses and to the change in tax liabilities as detailed under section 5.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 30<sup>th</sup> September 2005, the closing value of stocks was HUF 10,462 million (30<sup>th</sup> September 2004: HUF 8,868 million). The increase in stocks of HUF 1,594 million is due to the increase in materials (of HUF 247 million) and in finished goods (of HUF +1,063 million) resulting from the substantial customer orders. Work in progress increased by HUF 285 million compared to the base period. The increase in stocks by 18% 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 916 million) originate mainly from the reclaimed VAT in relation to export activities (30<sup>th</sup> September 2004: HUF 1,314 million).

### **2.3. Receivables**

The closing figure of receivables as at the end of Q1-Q3 of 2005 was HUF 7,644 million (closing figure for Q1-Q3 of 2004: HUF 9,704 million) which represents a decline of 21.2%. The decline is the result of the 18% decline in receivables from customers and of the 27.3% decline in other short-term liabilities

### **2.4. Liquid assets**

The closing figure of liquid assets on 30<sup>th</sup> September 2005 was HUF 730 million (30<sup>th</sup> September 2004: HUF 1.323 million). The significant decline is due to the fact that the high amount of liquid assets during the base period was generated by the proceeds from the sale of an affiliated company. 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 Rt.'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 30<sup>th</sup> September 2005, the share capital of the company was HUF 12,781 million, which is HUF 93 million higher than the figure prevailing on 30<sup>th</sup> September 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 30<sup>th</sup> September 2005, the capital reserve was HUF 6,832 million, HUF 22 million less than



that on 30<sup>th</sup> September 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 –5,756 million) changed compared to the previous year (HUF - 2,356 million) in line with the result realized between the two periods.

	Share capital	Capital reserve	Profit reserve	Total
Balance as at 1st January 2004	12,688	6,855	-4,131	15,412
Net income	-	-	1,775	1,775
Balance as at 30th September 2004	12,688	6,855	-2,356	17,187
Balance as at 1st October 2004	12,688	6,855	-2,356	17,187
Net income	-	-	-141	-141
Balance as at 31st December 2004	12,688	6,855	-2,497	17,046
Balance as at 1st January 2005	12,688	6,855	-2,497	17,046
Net income	-	-	-3,260	-3,260
Sale of treasury shares	93	-22	-	71
Balance as at 30th September 2005	12,781	6,833	-5,757	13,857

## 4. LONG-TERM LIABILITIES

The closing value of long-term liabilities as at 30<sup>th</sup> September 2005 amounted to HUF 6,440 million (on 30<sup>th</sup> September 2004, the closing figure was HUF 5,538 million), which no longer included the repayment liabilities of medium-term loans due within one year. The increase is HUF 902 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 2,368 million was disbursed until 30<sup>th</sup> September 2005.

## 5. SHORT-TERM LIABILITIES

### 5.1. Short-term credits and loans

The amount (HUF 6,554 million) of short-term credits and loans declined by 21% compared to the previous period (HUF 8,300 million). The reason for the decline is that the company used the proceeds earned in 2004 and 2005 from portfolio streamlining for loan repayment and the repayment instalment of long-term loans due within one year was paid in accordance with the contract.

### 5.2. Short-term liabilities

The amount of short-term liabilities (closing figure on 30<sup>th</sup> September 2005: HUF 12,265 million) increased by 11.7% compared to the base period (of HUF 10,980 million). The change is due to the increase in other short-term liabilities and to the increase in liabilities to suppliers. The principal reasons for the increase in liabilities to suppliers are:

- Increase in purchases necessary for increased production;
- Procurements have increased due to the launch of serial production of military vehicles of our own production and to the increase in the range of types offered;

- The price of steel needed for production has increased considerably and pre-payments have become frequent due to the general shortage of steel on the world market;
- The payment terms for the payment of supplier invoices have been slightly extended;

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1-Q3 OF 2005**

**Figures in HUF thousand**

Q1-Q3s of 2005

Cash-flow of ordinary operation:

Profit before taxation net of profit shares from associate companies	-3,259,595
Revenues and expenses not affecting the cash flow of ordinary operation	3,815,655
Changes in assets and liabilities related to ordinary activities	-2,984,450
Of which: customers	-898,767
Suppliers	820,367
Taxes paid during current year	0
	<b>-2,428,391</b>

Changes in financial assets due to financial transactions

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	2,542,873
Dividend paid	0
	<b>2,963,298</b>

Changes in cash-flow of investment activity

Revenues from the sale of invested assets	0
Sale of tangible assets	374,768
Purchase of invested assets	-1,095,453
	<b>-720,686</b>

**Changes in liquid assets** **-185,778**

**Revenues and expenses not affecting the cash flow of ordinary activities**

Depreciation	1,924,245
Revaluation	2,214,974
- of which: unrealized exchange rate gains/loss of forward transactions	1,611,266
- of which: revaluation of customer, supplier loans	603,707
Loss (gain) on the sale of tangible assets	-323,564
Result of the sale of participation	0
Write-off of invested assets	0
	<b>3,815,655</b>

**Changes in assets and liabilities related to ordinary activities**

Reduction / increase of stocks	-2,100,126
Changes in receivables / liabilities	-884,324
	<b>-2,984,450</b>

### PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

Forward FX deals serving as collateral for the exchange rate risk of export sales revenues: sale of EUR 6 million in exchange for HUF, sale of USD 56 million in exchange for HUF, as well as purchase of EUR 73 million for USD.

The bank loans of the Rába Group amount to HUF 12,871 million, of which real estate and loans secured with liens and mortgages on movable assets and real property amount to HUF 11,509 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 1,702 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 (1 January)			At the end of the period (30 <sup>th</sup> September)			Beginni ng of term		End of term	
	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	%	Pcs	%	Pcs
Domestic institutional/corporate	15.22	16.15	2,050,221	20.30	21.39	2,734,689				
Foreign institutional/corporate	29.10	30.89	3,920,354	23.68	24.96	3,190,983				
Foreign private individual	0.02	0.02	2,120	0.02	0.02	2,120				
Domestic private individual	31.79	33.74	4,282,749	31.59	33.30	4,256,774				
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	1,137,760				
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 30<sup>th</sup> September 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	
Subsidiaries					
Total	781,460	781,460	781,460	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	13	12	20
Group level	3,247	3,265	3,149

The consolidated closing headcount as at 30<sup>th</sup> September 2005 was 3,149 people, which represented a decline of 3% 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.		0
BD	Abbas Mehad	Board member	1998.		0
BD	Antal Apró	Board member	1998.		0
BD	Gordon Bajnai	Board member	2003.		0
BD	Péter Küllői	Board member	2003.		0
BD	Olivér Martin	Board member	2003.		0
SB	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	2001.	Indefinite	3,162

		Director			
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>†</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 Rt.
- 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 Rt. 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**

Composition of the new board of directors elected by the Extraordinary General Meeting of Shareholders held 20<sup>th</sup> October, 2005: István Pintér, chairman-CEO, Antal Apró, Róbert Hrabovszki, Olivér Martin and Abbas Mehad.

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

Date	Place of publication	Subject, brief summary
14-02-2005	No. 31. MATÖKE	Flash Report of Rába Rt. 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 informaiton 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 changis 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

**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"/>

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 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, 09<sup>th</sup> November 2005.

**István Pintér**  
Chairman-CEO

**Béla Balog**  
Deputy CEO