

Rába Rt.

H1 2002 Flash Report

Unaudited, consolidated flash report in accordance with International Accounting Standards (IAS)

Data Sheet

Company name:	Rába Járműipari Holding Részvénytársaság (Rába Automotive Holding Co. Plc.)
Company seat:	H-9027 Győr, Budai u. 1-5.
Sector classification:	Machine industry
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Summary

In the second quarter, in order to keep pace with changes in market circumstances, the management of Rába Rt. intensified the group restructuring processes that had been commenced last year.

The following economic and market factors had a markedly negative impact on Rába Rt.'s sales revenue and operating profit in the first half of 2002:

- The significant – 7.2% year-on-year – weakening of the dollar against the forint caused an approximately HUF 950 million reduction in both revenue and operating profit.
- The portfolio cleaning (foundry, fire place and bus manufacturing) implemented last year resulted in a drop in revenue of HUF 2.4 billion, while vehicle and the resultant seat model changes implemented by the company's largest domestic customer led to a HUF 2 billion loss in revenues, and an approximately HUF 400 million drop in margins.

In order to keep abreast of developments on the market, Rába accelerated its restructuring program in the second quarter, as a result of which it had to post higher restructuring, business process re-engineering and headcount optimization costs than in the first quarter. These costs exceeded HUF 760 million over the first half of 2002.

Rába took pro-active steps to increase its market share, which is essential for growth. The value of customer incentives and the costs of capturing markets in Asia and the US exceeded HUF 290 million in the first half, but Rába expects to reap the benefits of such measures following the upturn expected in the commercial vehicles market next year.

Exchange-rate hedge transactions aimed at offsetting the adverse effects of a strengthening dollar, as well as revenues from the sale of shareholdings, had a positive impact on after-tax profits, which at group level were HUF 200 million lower than in the base period.

Businesses

In the first half of 2002 the Axle Business achieved sales revenues of HUF 14.7 billion, which represents an 11% year-on-year increase in forint terms, or a 4% decrease in dollar terms. The strengthening of the forint and the weakening of the dollar had an extremely negative impact on the profitability of this export-driven business. However, these negative factors were countered on the financial side by exchange-rate hedge transactions.

In the Components Business, Q1 saw the sell-off of the fireplace manufacturing business, and with it the removal of the final obstacle to the merging of its various units into a single legal entity. An application for consolidation has been submitted to the Company Court. The concentration of identical activities

into single sites has commenced, with Mór to be the center of seat and seat-systems manufacturing and pressing; while machining will be carried out in Sárvár, and welded-structure assembly in Győr.

As we anticipated, sales of complete car-seat units fell significantly due to car and seat-model changes made by one of our main customers. In order to adapt to the new situation, Rába plans to modify its product structure to include seats for commercial vehicles, and has undertaken further major rationalization measures (e.g. headcount and cost reduction) to ensure business stability in the second half of 2002, despite the temporary reduction in sales revenues.

The Engine Business, which is currently in the process of being sold, posted losses in the first half of 2002.

The Vehicle Business suffered heavier losses in the second quarter than in the first three months, as restructuring activities involving the integration of chassis manufacture into the axle business were implemented after the close of the first quarter. The related costs appear in the second quarter; the resultant savings are expected in the remaining part of the year.

Consolidated figures in HUF millions (IAS)	H1 2002	H1 2001
Net revenues	22,214	29,305
of which exports	14,300	17,644
of which domestic sales	7,914	11,661
Operating profit	-1,091	656
Profit before tax	-107	336
Profit after tax	-139	46

Indicators	H1 2002	H1 2001
EBIT (%)	-4.9	2.2
EBITDA (%)	0.5	6.4
After-tax profit (%)	-0.6	0.2
Liquidity ratio (%)	123.6	122.2
Quick ratio (%)	15.9	2.6
ROA* (%)	-0.3	0.1
ROE* (%)	-0.6	0.2

*Not calculated on a pro rata basis.

Consolidated revenues were HUF 2.2 billion in the first half of 2002, which is 24.2% lower than the figure for the same period last year. Operating profit for the first half was HUF -1,091 million, or -4.9% of total revenue. The operating profit for the reporting period includes revenues from the sell-off of assets.

Operating profit	H1 2002	H1 2001
Axle Business	-168	1,510
Components Business*	-570	-279
Engine Business	-177	-57
Vehicle Business**	-364	-491
Other	-83	36
Result of operations	-1,362	719
Result of asset and real estate sales	271	-63
Operating profit	-1,091	656

*The operating profit of the Components Business for the first half 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 half of 2002 includes that of Rába Mór Kft, Rába Sárvár Kft. and Győri

Alkatrészgyártó Kft.

**The Vehicle Business in the first half of 2001 included the unit that became Györi Alkatrészgyártó Kft. in December 2001.

In contrast to the losses of the base period, financial activities yielded profits of – HUF 225 million from the sale of the Fireplace Business and other minor shareholdings, HUF 581 million from exchange-rate hedge transactions and a net profit of HUF 694 million from the quarterly benchmarking of open hedge positions – as a result of which pre-tax profit decreased to a lesser extent than operating profit.

The consolidated corporate tax burden also decreased, as a result of which after-tax profits decreased by a lesser extent than pre-tax profits compared to the base period.

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
RÁBAKÉSZ Kft.	8,000	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

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

The Rába Group possesses a number of production and service-providing subsidiaries, and despite the cleaning of its portfolio of holdings, 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 half of 2001, the circle of consolidated companies grew by the end of the first half of 2002 to include RÁBA Járműipari Alkatrész Gyártó Kft., established on December 1, 2001 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 their sell-off in the second half of 2001:

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

PK. 4. CONSOLIDATED PROFIT AND LOSS STATEMENT (IAS)

Figures in HUF thousands

Item	H1 2002	H1 2001	Index
Domestic sales	7,913,585	11,660,833	67.9%
Export sales	14,300,305	17,643,853	81.0%
Sales revenue	22,213,890	29,304,686	75.8%
Direct cost of sales	-12,822,420	-15,215,989	84.3%
Gross margin	9,391,470	14,088,698	66.7%
Cost of sales	-444,144	-539,552	82.3%
General and administrative costs	-10,906,224	-13,803,038	79.0%
Other revenues	867,544	910,267	95.3%
Other expenses related to operations	-10,482,824	-13,432,323	78.0%
Operating earnings before interest and tax	-1,091,354	656,374	-166.3%
Net result of financial revenues/expenses	864,164	-420,164	-205.7%
Profit from external companies	120,150	100,000	120.2%
PRE-TAX PROFIT	-107,040	336,211	-31.8%
Corporate tax liability	-31,607	-290,642	10.9%
PROFIT AFTER TAX	-138,647	45,569	-304.3%
Payments due to minority shareholders			
RETAINED PROFIT	-138,647	45,569	-304.3%

I. Analysis of the consolidated profit and loss statement items

1. SALES AND MARKET POSITIONS

1.1. Realized sales revenue

Rába achieved sales revenue of HUF 22,214 million in the first half of 2002. Exports accounted for 64.4% of sales revenue (H1 2001: 60.2%), while the remainder was generated by domestic 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 an almost 18-month period of heavy recession caused by cyclical and economic factors. Although the number of new heavy trucks sold in the US declined 10% half-on-half – despite an upward trend in the first half of 2002 – Rába was able to increase deliveries to this market by over 6%. This upward trend is the result of a slowly recovering US economy and very low inventories of heavy trucks on the US market, as well as preemptive purchasing prompted by stricter emissions regulations due to come into effect on January 1, 2003.

Rába's market position and sales figures are improving in both the heavy truck and the specialist-vehicle axle markets due to the company's customer-oriented approach and the offering of incentives.

The **US market** produced sales revenue of USD 26.0 million in the first half of 2002 (H1 2001: USD 24.4 million).

Rába's largest customers in the US are ArvinMeritor, Dana and Deere Co.

Sales to ArvinMeritor and Dana consist of axles and axle-drives as well as components and part units. Rába supplies Deere Co. with rubber-tracked crawler axles and axle components.

For CNH, Rába supplies axles and spare parts for tractors, while to Marmon it sells driven front axles and components, and to Deere Co. rubber-tracked crawler axles.

In line with cyclical variations, sales to Deere Co. were slightly below those for the first quarter, resulting in sales revenue of just over USD 3.3 million in the first half of 2002.

Investments necessary for the mass production of axle-shafts for Caterpillar are complete. Sales revenue from this new business exceeded USD 0.7 million in the first half.

In South America, Rába saw a significant drop in sales. The value of exports in the first half of 2002 totaled USD 2.5 million (H1 2001: USD 4.7 million), representing a decrease of 47.0%.

Several countries in the region are currently facing economic and fiscal problems. The persistent depreciation of the Brazilian real has "increased the competitiveness of Brazilian industry." From 2002, one of our major customers began manufacturing its own axles. Rába expects significantly lower sales income from this market in 2002 than in the previous year.

Exports to **Asia** saw little change in the first half of 2002, at just over USD 10.8 million. The Iranian market yielded USD 8.4 million, the South Korean market USD 0.8 million and the Chinese market USD 0.7 million. As expected, deliveries of bus axles to Iran remained low due to the manner in which public procurement budgets were distributed in the second quarter of 2002. In the third quarter, Rába will start supplying a new customer, Zarrin Khodor, initially with low volumes of bus axles.

In European markets, Rába's sales were down more than 30% against last year, with turnover of USD 13.7 million.

The Axle Business accounted for USD 7.0 million of sales revenue, the Components Business generated USD 5.4 million, while the Engine Business yielded USD 0.9 million.

Sales revenues show a downward trend on the *Western and Southern European markets*, having fallen from USD 14.6 million in the preceding period, to USD 8.7 million. The Axle Business accounted for 32% of deliveries, while the Components Business yielded the remaining 68%. From this year, figures for the Components Business do not include the USD 1.8 million (pro rata) sales revenue of the Fireplace Business which has been sold.

Rába Futómű Kft. (Rába Axle Ltd.) is a supplier to several commercial-vehicle and assembly-unit manufacturers. The most significant of these are: Volvo (front axles), Claas, Doppstadt, Horsch and Pialleport (wet-braking machine axles), and DaimlerChrysler and MAN (components). Rába has finished supplying front axles to Volvo, resulting in annual lost revenues of USD 2 million.

Rába places special emphasis on the Western European commercial vehicles market, and plans to become a full-scale supplier to several major Western European OEMs on the bus axle market. For this reason Rába is continuously developing its low-floor axle product line. Rába axles are currently being tested by several major European bus manufacturers.

Rába's components factory in Mór is a supplier to passenger vehicle manufacturers, in the Western European market mainly to Lear Co., to which it sells seat frames and seat components. Seat model changes by one of the largest customers of Rába's Components Business resulted in a USD 2.7 million drop in revenues from seat sales to Lear Co.

On the Eastern and Central European markets Rába's export revenues for the first half of 2002 totaled USD 5 million, a 10% reduction compared to the base period (USD 5.4 million). This decrease was solely attributable to the results of the Engine Business. Axle deliveries accounted for USD 4.2 million of total export revenues (H1 2001: USD 4 million), while engine and engine spare part deliveries accounted for USD 0.8 million.

The Group's revenue from domestic sales decreased from HUF 11,660 million in the first half of 2001, to HUF 7,913 million.

The main contribution to sales revenue – 51% – comes from the Components Business, most importantly from the sale of seats to Magyar Suzuki Corporation. A further 24.2% comes from the Axle Business (axles and axle components for Ikarusbus and BPW Rába Kft.); 7.2% from the Vehicle Business (self-propelling bus chassis and buses), and 13.4% from Engine Business sales.

In 2002, the largest domestic customer of Rába Group's Components Business is implementing model and seat model changes. As a result, Rába's deliveries to this key customer fell by HUF 1,200 million in the first three months of 2002. Deliveries of crashboxes to ISE GmbH for use in Opel Vectras are progressing in accordance with the agreement, and volumes are expected to increase in the third quarter.

At the end of last year, Rába's management decided to dispose of the unprofitable bus assembly business, and as a result of the portfolio cleaning, sold off the Kispest Foundry. The divestment of these activities naturally resulted in a reduction in sales revenue compared to the previous 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 Engine, Vehicle and Other Businesses. The following table gives a breakdown of the change in, and proportion of, sales revenue for each division in the first halves of 2001 and 2002:

Sales revenue per Business	H1 2002 (million HUF)	Proportion (%)	H1 2001 (million HUF)	Proportion (%)
Axle Business	14,700	53.2	16,603	47.5
Components Business*	6,309	22.8	9,317	26.6
Vehicle Business**	811	2.9	2,298	6.6
Engine Business	1,375	5.0	2,064	5.9
Other Business	4,437	16.1	4,698	13.4
Total non-consolidated sales revenue	27,632	100.0	34,980	100.0

*In the first half of 2001, the sales revenue 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 half of 2002, the sales revenue of the Components Business included the sales revenues of Rába Mór Ltd., Rába Sárvár Ltd. and Györi Component Production Ltd.

** In the first half of 2001, the Vehicle Business included the unit which was subsequently transformed into Györi Component Production Ltd. 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 introduction of a consolidation method better suited to the changes in the holding structure. In the second 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 1.9% year on year on a 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 1,708 million (7.7%) increase. The combined effect of these factors is a 5.8% increase in the direct costs reported for accounting purposes. From the beginning of 2002, the cost of manufacturing wastage is included as a direct cost, as opposed to an indirect cost under the previous practice. In this respect it is also worth noting that, due to the changeover to an integrated enterprise management system, wastage costs incurred in the first quarter were only charged to the accounts after the close of the first quarter.

2.2. Trends in gross margin

The fall in gross margin from HUF 14,089 million to HUF 9,391 million included the decrease in revenue (HUF –3,410 million), the drop in cost levels (HUF +420 million), and the aforementioned change in consolidation technique (HUF –1,708 million).

2.3. Cost of sales

Cost of sales fell from HUF 540 million in the first half of 2001 to HUF 444 million in the first half 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. The HUF 251 million cost of sales in the second quarter, compared with HUF 193 million in the first quarter, reflects the increased cost of intensive market building.

2.4. General and administrative costs

General and administrative costs fell by 21%, from HUF 13,803 million to HUF 10,906 million. Some 12% of this reduction can be attributed to the introduction of the accounting technique described in point 2.1, while the remaining 9% is the result of actual cost saving.

At Rába, these costs include the costs incurred in connection with administration (HUF 4,280 million / HUF 4,887 million). These costs are affected by the difference in consolidation. General and administrative costs also include other general costs (HUF 5,496 / HUF 6,212 million). This latter category includes recorded depreciation, which, in the first half of 2002 was virtually identical to that of the first half of 2001 (HUF 1,203 million / HUF 1,213 million).

General and administrative costs also include various expenses incurred outside the course of business (HUF 1,156 million / HUF 1,150 million).

The volume of indirect costs was influenced in the first half of 2002 by payments of HUF 549 million made in connection with headcount-rationalization.

Indirect costs further include those items, primarily related to inventory and debtors, that were written off in the newly established Components Business as a part of the announced profile- and portfolio-cleaning initiative, 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 half of 2002, other revenues amounted to HUF 868 million, representing a year-on-year reduction of HUF 42 million (4.7%). This change is largely attributable to the fact that lower levels of depreciation were recorded in the six-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”) EARNINGS BEFORE INTEREST AND TAXES

Rába's earnings before interest and taxation in the first half of 2002 were HUF –1,091 million (H1 2001: HUF 656 million). Savings in general costs (HUF 2.9 billion) were not enough to compensate for the drop in gross profits (HUF 4.7 billion). Profitability dropped from the base period's 2.2% rate of return on sales, to a figure of –4.9%. The reduction in the profitability rate is much smaller in terms of EBITDA (0.5%/6.4%).

4. RESULT OF FINANCIAL TRANSACTIONS

4.1. Net financial revenues

In the first half of 2002, net financial revenue was HUF 829 million (H1 2001: HUF –420 million). Rába discloses as net financial revenue the net result of interest received, dividends from companies outside the consolidation circle, other financial revenues, interest paid and other financial expenses. Net financial revenues resulted from the following major items:

	H1 2002 HUF million	H1 2001 HUF million
Dividends received	36	53
Net interest	-440	-637
Net other items	574	164
Non-realized net exchange rate gain of hedge transactions	694	0
Net financial revenues	864	-420

Within net financial revenues, a part of other financial revenues originates from the HUF 225 million gain realized from the sale of business stakes, 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 581 million in the first half of 2002. Due to a change in IAS provisions (IAS 39), the non-realized exchange rate gain of these deals 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 991 million).

(The final, audited IAS figures included the open hedge deals 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 half of 2002, profit from external companies amounted to HUF 120 million (first half of 2001: HUF 100 million).

5. TRENDS IN PRE-TAX AND NET PROFIT

Pre-tax profit for the first half of 2002 was HUF –107 million, which, due to the factors described under points 2.1-4.2, was HUF 443 million less than for the first half of 2001. The pre-tax profitability rate corresponds to a –0.5% return on sales, compared to the 1.1.% of the corresponding period last year.

The tax liability at group level is HUF 32 million. Both the consolidated after-tax result and the net result amounted to HUF –139 million.

6. DIFFERENCES BETWEEN IAS AND HAS

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. IAS CONSOLIDATED BALANCE SHEET

All figures in HUF thousands

Item	H1 2002	H1 2001	Index
Real estate, machines and equipment	19,999,217	20,529,787	97.4%
Intangible goods	469,775	201,158	233.5%
Long-term participation	1,809,305	1,562,554	115.8%
Other participation	590,896	642,700	91.9%
Other investments	29,093	10,117	287.6%
Deferred taxes	388,415	341,431	113.8%
Total invested assets	23,286,701	23,287,747	100.0%
Securities	9,277	32,169	28.8%
Inventory	6,864,886	8,998,854	76.3%
Receivables due to taxation	1,806,920	1,082,733	166.9%
Receivables	8,304,543	12,864,938	64.6%

Cash, cash at bank	2,509,543	493,664	508.4%
Total current assets	19,495,169	23,472,358	83.1%
TOTAL ASSETS	42,781,870	46,760,104	91.5%
Share capital	12,687,766	13,197,766	96.1%
Capital reserve	5,698,382	7,203,466	79.1%
Retained earnings	6,701,717	5,545,798	120.8%
Total capital and reserves	25,087,865	25,947,030	96.7%
Long-term liabilities	1,916,711	1,604,400	119.5%
Total long-term liabilities	1,916,711	1,604,400	119.5%
Short-term loans and credits	9,802,776	11,964,907	81.9%
Short-term liabilities	5,974,518	7,243,767	82.5%
Total short-term liabilities	15,777,294	19,208,674	82.1%
TOTAL LIABILITIES (equity plus liabilities)	42,781,870	46,760,104	91.5%

II. Analysis of the change in major balance sheet items

1. INVESTED ASSETS

1.1. Real estate, machines and equipment

A declining, but still preponderant share of the Group's invested assets consisted of real estate, machines and equipment. (As of June 30, 2002 these accounted for 85.9% of invested assets, while on June 30, 2001, the corresponding figure was 88.2%.) Their consolidated net value dropped from a closing balance of HUF 20,530 million to HUF 19,999 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 estate.

Real estate accounts for more than half (54.5% in both periods) of this group of assets. Although the share of real estate remained unchanged, its consolidated value dropped by HUF 286 million, corresponding to a decrease of 2.6%.

The net value of machines and equipment and unfinished capital projects dropped by HUF 531 million. This reduction, however, is still exceeded by the HUF 660 million decrease attributable to the change in the consolidation circle. The value of completed capital projects was HUF 1.8 billion (which compares with a depreciation of HUF 1.2 billion).

1.2. Intangible goods

At Rába, intangible goods include manufacturing procedures (licensing), the capitalized value of research, the capitalized value of foundation and restructuring, and negative goodwill. At the end of the first half of 2002, the value of intangible goods was HUF 470 million, a HUF 269 million increase on the corresponding period of the previous year. The capitalization carried out in the second half of 2001 made a significant contribution to this increase.

1.3. Long-term participations

This balance sheet row discloses the parent company's stake held in associated companies. As of June 30, 2002, the total value of these stakes was HUF 1,809 million.

1.4. Other participations

Other participations are partly made up of unconsolidated subsidiaries, or other ownership shares held by Rába in companies where the stake does not reach 25%. Their closing value as of June 30, 2002 was HUF 591 million (June 30, 2001: HUF 643 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 stakes expressed in foreign currency, the effect of the sale of certain stakes between the two reporting dates and the consolidation of an ownership stake

(Vagyonkezelő Kft.: HUF 11 million).

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 June 30, 2002, the value of deferred tax stood at HUF 388 million, with the year-on-year increase attributable to the increase in value of the non-cash capital contribution relating to this period and the tax pertaining to the reevaluation of inventories within the Group.

2. CURRENT ASSETS

2.1 Securities

At the end of the first half of 2002, the closing value of securities was HUF 9 million, which represents a decrease of HUF 23 million over the same period of last year. The drop in the balance is due the redemption of food vouchers and vacation checks disclosed on this balance sheet row.

2.2. Inventory

As of June 30, 2002, the closing value of inventory was HUF 6,865 million (June 30, 2001: HUF 8,999 million, September 30, 2001: HUF 9,201 million, December 31, 2001: HUF 7,597 million, March 31, 2002: HUF 7,668 million). Falling inventory figures were 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 inventory, 47.3% is own-produced, while the remaining part (52.7%) is purchased inventory.

2.3. Receivables from taxation

Tax receivables are partly attributable to receivables arising from advance corporate tax payments, and to a larger extent to VAT refund claims in relation to exports. Their closing balance at the end of the first half of 2002 was HUF 1,807 million, more than half of which originated from VAT refund claims.

2.4. Receivables

At the end of the first half of 2002, the closing balance of receivables stood at HUF 8,305 million; down 35% from last year's corresponding figure of HUF 12,865 million. The decrease in receivables is solely attributable to the drop in trade (debtor) receivables. The reasons for this are the fall in sales volume, the weakening of the dollar exchange rate, and the faster collection of trade receivables.

2.5. Cash and cash-at-bank

As of June 30, 2002, the closing value of cash and cash-at-bank was HUF 2,510 million (June 30, 2001: HUF 494 million).

3. CAPITAL AND RESERVES

3.1. Share capital

The nominal value of Rába's ordinary shares is HUF 1,000 per share. The owners of ordinary shares are entitled to receive dividends paid at periodic intervals, and each share ensures its owner one vote at Shareholders' Meetings. On June 30, 2002, the Company's share capital was HUF 12,688 million; down HUF 510 million from the balance of June 30, 2001. The change resulted from the sale and subsequent repurchase of the Company's own shares in the second quarter of 2001. The value of share capital has not changed in comparison with the value as of year-end 2001.

3.2. Capital reserve

As at June 30, 2002, the Company's capital reserve stood at HUF 5,698 million. Compared with the closing value of HUF 7,203 million for the corresponding period of the previous year, capital reserve was modified through deals transacted with own shares.

3.3. Retained earnings

Retained earnings (HUF 6,702 million) underwent the following changes relative to the closing balance

of HUF 5,676 million at the end of the first half of 2001:

- increased by the transfer of the net profit of the second half of 2001 and that of the first half of 2002;
- decreased by the dividend payments for external owners;
- increased by the transfer of treasury-stock transactions from the capital reserve.

4. LONG-TERM LIABILITIES

As of June 30, 2002, the closing value of long-term liabilities was HUF 1,917 million (closing balance of H1 2001: HUF 1,604 million) which includes loans, and credits for funding technical developments (in HUF million):

	Parent company	Subsidiaries
Investment and development loans	202	839
Other long-term loans		816
Long-term credits	24	36

5. SHORT-TERM LIABILITIES

5.1. Short-term loans and credits

The combined value of short-term loans and credits (HUF 9,803 million) decreased by 18.1% against the HUF 11,965 million balance of the previous period. The composition of short-term loans and credits was as follows (in HUF million):

	Parent company	Subsidiaries
Short-term credits	20	8
Short-term loans	6,831	2,944

5.2. Short-term liabilities

The balance of short-term liabilities (closing value of H1 2002: HUF 5,975 million) fell in comparison with the closing value of the previous year (HUF 7,244 million), with most of this decrease attributable to trade creditors (HUF 533 million) and other short-term liabilities (HUF 446 million).

PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR THE FIRST HALF OF 2002

Törölt:

... [1]

<u>Cash-flow from ordinary activities</u>	H 1 2001	H 1 2002
Pre-tax profit excluding profit sharing from associated companies	236,211	-258,797
Revenues and expenses not influencing the change in the cash-flow from ordinary activities	978,166	670,010
Change in the assets and liabilities related to ordinary activities	-2,355,529	5,930,400
Tax paid in the reporting year	-290,642	-31,607
	-1,431,795	6,310,006
<u>Cash-flow from financial transactions</u>		
Sale of own shares	1,274,999	
Purchase of own shares	-	
Net decrease/ (increase) of securities	-182,659	-7,767

Net increase/ (decrease) of loans and credits	898,013	-2,520,626
Dividends paid	-1,980,298	-1,107,672
	10,054	-3,636,065

Cash-flow from investment activities

Revenue from the sale of invested assets	483,473	796,651
Purchase of invested assets	-853,254	-1,862,944
	-269,781	-1,066,293

Cash-flow	-1,791,521	1,607,648
------------------	-------------------	------------------

Revenues and expenses not influencing the change in the cash-flow from ordinary activities

Depreciation	1,212,556	1,274,703
Loss (gain) from the sale of financial investments	-242,157	-604,693
Write-off of invested assets	7,767	
	978,166	670,010

Change in the assets and liabilities related to ordinary activities

Decrease / (increase) in inventories	693,483	731,660
Changes in receivables/liabilities	-3,049,012	5,198,740
	-2,355,529	5,930,400

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 24.0 million against HUF, purchase of EUR 25.0 million against USD.

III. OTHER IMPORTANT FACTORS, MAJOR CHANGES**RS1. Ownership structure, with extent of participation**

Shareholder category	Total share capital				Series for public offering ¹			
	Start of period (April 1)		End of period (June 30)		Start of period		End of period	
	%	No. of shares	%	No. of shares	%	No.	%	No.
Domestic institutional investors/companies	26.30	3,646,455	31.83	4,414,243				
Foreign institutional investors/companies	24.21	3,357,720	24.19	3,353,777				
Domestic private investors	16.69	2,313,940	15.73	2,180,682				
Foreign private investors	0.11	14,638	0.11	14,638				
Employees, executive managers*								
Own shares	8.47	1,175,184	4.80	665,184				

State owner	13.68	1,896,737	12.80	1,776,200				
International development institutions	10.55	1,462,446	10.55	1,462,446				
Other								
TOTAL	100.00	13,867,170	100.00	13,867,170				

* Listed among domestic private investors.

RS3. Shareholders with a stake of more than 5% in the company (as 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	10.88	
EBRD	F	Development	1,462,446	10.55	
DRB Hicom Group	F	Company	1,462,446	10.55	
Graboplast Rt.	D	Company	1,162,446	8.38	
Treasury shares	D	Company	665,184	4.80	

* Győr County Council

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		

All of the re-purchased shares are treasury shares directly held by the parent company.

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

Company Group		At start of review period	At end of review period
End of base period			
6,446		5,702	5,051

The closing consolidated headcount as at June 30, 2002 was 5,051 persons. The rate of reduction of staff numbers since the end of the base period is 22%. 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. in the first half of 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
BD	Péter Jancsó	BD chairman	1998		0
BD	Abbas Mehad	BD member	1998		0
BD	Merrick W. Taylor	BD member	1998		0
BD	Antal Apró	BD member	1998		0
BD	József Szabó	BD member	2000		414
SB	József Patonai	SB chairman	1996		0

SB	András Geszti	SB member	2000		0
SB	Mrs Miklós	SB member	2000	2001	214
SB	Dr. Imre Czinege	SB member	2001		0
SE	Imre Gyula	CEO	2000	2001	414
SE	László Steiner	CEO	2001		2000
SE	Gyula Kugler	Deputy CEO	2000		414
SE	István Pintér	Deputy CEO	2000		414
SE	Mihály Horváth	CFO	1999	2001	0
SE	Péter Lengyel	CFO	2001		0
SE	Ferenc Vissi	HR Manager	2001		0
SE	Dr. János Megyeri	Technical and commercial	2001		0
SE	László Peski	Controlling Manager	1999	2001	0
SE	József Csákány	TQM Manager	2001		0
SE	Gyula Imre	Managing Director	1999	2001	414
SE	Imre Gyula	Managing Director	2001	2001	414
SE	László Csuport	Managing Director	2001	2002	0
SE	Ernő Udvardi	Managing Director	2002		0
SE	Dr. Béla Fekecs	Managing Director	2002		0
SE	Dr. János Megyeri	Managing Director	2002		0
SE	Péter Lengyel	Deputy CEO	2002		0

¹BD – Board of Directors, SB – Supervisory Board, SE - Senior Executive

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., and was replaced in this capacity by Dr. János Megyeri from 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 control 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 Szolgáltatóház Kft. Since that date, Gyula Kugler has been working exclusively in the capacity of deputy CEO, responsibility for managing manufacturing subsidiaries.

In place 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
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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 Szócs)
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 Issue 92	Sale of ordinary shares by Rába Menedzsment Befektetési 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.

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

With regard to the foundation of Alkatrész Kft., Rába Rt.'s Board of Directors decided that the companies involved in the merger (Rába Sárvár Kft., Rába Mór Kft., Rába Alkatrész Gyártó Kft.) should

prepare their draft asset and liability statements and inventories by April 30. In its second resolution related to the merger, the BD agreed on the capital structure of Alkatrész Kft.

PK1. General information related to the financial data

	Yes	No				
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Accounting principles	Hungarian	<input type="checkbox"/>	IAS	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
Other:						

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

- The data related to H1 2002 have not been audited, but to the best of its knowledge, they have been compiled on the basis of all available information.
- The financial statements (i.e. the balance sheet and profit and loss account) have been prepared in accordance with international accounting standards (IAS).
- No significant changes have occurred in the accounting policies of the companies in the Group, and the accounting policies of the companies newly included in the consolidated reports are in line with those of the Group's other companies.

Győr, August 12, 2002

László Steiner
Chief Executive Officer

Péter Lengyel
Chief Financial Officer

Adatok: ezer
forintbanSzokásos tevékenységből származó pénzeszközváltozás:

Adózás előtti eredmény a társult vállalkozások nyereségéből való részesedés nélkül	769.597
A szokásos tevékenység pénzeszközváltozását nem befolyásoló bevételek és kiadások	1.081.299
A szokásos tevékenységhez kapcsolódó eszközök és források változása	-685.289
Tárgyévben fizetett adó	-371.936
	793.671

Pénzügyi műveletek miatti pénzeszközváltozás

Saját részvény értékesítés	2.658.582
Saját részvény vásárlás	-2.633.150
Értékpapírok nettó csökkenése / (növekedése)	-181.177
Hitel- és kölcsönállomány nettó növekedése / (csökkenése)	1.926.435
Fizetett osztalék	-1.980.298
	-209.608

Befektetési tevékenységből származó pénzeszközváltozás

Tárgyi eszközök értékesítéséből származó bevétel	775.082
Befektetett eszközök vásárlása	-1.000.297
	-225.215

Pénzeszközök csökkenése**358.848**A szokásos tevékenység pénzeszközváltozását nem befolyásoló bevételek és kiadások

Értékcsökkenés	1.838.170
Pénzügyi befektetések értékesítésének vesztesége (nyeresége)	-759.971
Befektetett eszközök leírása	3.100
	1.081.299

A szokásos tevékenységhez kapcsolódó eszközök és források változása

Készletállomány csökkenése / (növekedése)	491.547
Követelésállomány növekedése	445.211
Kötelezettségek állományának csökkenése	-1.622.047
	-685.289