

Report on the Results of Rába Plc. in Q1-Q3 2018

Unaudited, consolidated quarterly report
according to the International Financial Reporting Standards (IFRS)

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Sector:	Machine industry
Period:	Q1-Q3 of 2018
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SUMMARY

- In Q1-Q3 2018 all relevant markets of Rába were still characterised by active demand, which had a beneficial effect on the sales activity. However, the economic activity and the excess demand in the entire supply chain led to a significant increase in manufacturing costs. The two largest cost elements, the increase in the purchase prices of raw materials and energy, put considerable pressure on the manufacturing activity and through that also on the financial performance. The economic environment, therefore, is characterised by high levels of volatility on both the sales and supply side, with significant challenges for economic operators. In Q3 2018 all the business units of the Group managed to achieve a remarkable export performance, resulting in a 11.0 per cent increase in Rába Group's turnover. The Axle business unit contributed to the turnover of the quarter with a 14.8 per cent increase the Components business unit with a 7.7 per cent increase and the Vehicle business unit with a 12.6 per cent increase in revenues. During the aggregated period, all of the businesses units realised a significant growth in turnover, the Axle business unit increased its turnover by 14.6 per cent, the Components business unit by 13.1 per cent, and the Vehicle business unit by 9.0 per cent. Owing to the outstanding Q3 sales figures, the Q1-Q3 turnover performance also shows a significant increase compared to the same period of the previous year, while Group-level growth was 12.5 per cent, reaching HUF 34.7 billion in sales. In regard to the exchange rate environment a 4.0 per cent drop in exchange rates was observed in Q1-Q3 2018 for the USD, which represents a lower proportion of the company's foreign exchange turnover. In the case of the EUR, which has a more significant share in foreign exchange turnover, the exchange rate exceeded the base period values by 3.0 per cent.
- Despite drastically rising purchase prices, in Q3 2018 an increase of the gross profit level by 1.2 percentage points was achieved compared to the previous year. In addition, despite the significant cost side pressure, the drop in the gross margin was only 0.2 percentage points over the Q1-Q3 2018 aggregated period. Therefore. the Group-level gross margin reached 21.2 per cent.
- As a consequence of the increase in sales volumes and profitability, the total gross margin increased by a significant amount, 11.5 per cent, which signifies a HUF 762 million increase in the margin. Furthermore, the total gross margin generated in Q1-Q3 2018 was HUF 7.369 billion. In addition to the increase in purchase price pressure, the favourable sales portfolio and the efficiency and flexibility of the operation contributed to achieving a gross profit of more than HUF 7 billion.
- The balance of other revenues and expenditures amounted to HUF 251 million in losses during the review period, against the loss of HUF 18 million during the same period of the previous year.
- Despite the purchasing pressure in Q3, characterised by seasonal lower sales volumes, all business units produced profits at operating level. Of the business units, however, only the Vehicle business unit was able to increase its operating profit by HUF 78 million, while the profits of the Axle and Components business units decreased by HUF 73 million and HUF 30

million. In total, the Group level operating profit amounted to HUF 51 million. Furthermore, with the HUF 5 million increase, the Group level operating profit of the aggregated period reached HUF 1,095 million in Q1-Q3 2018. Both the Axle and the Components business units contributed HUF 437 million to the Group-level operating profit, while the Vehicle business unit generated HUF 367 million owing to its significant growth.

- The volatility of the economic environment and the increasing cost of manufacturing conditions have already had an impact on EBITDA-level performance: the EBITDA return on sales fell by 0.7 percentage points to 7.6 per cent during the Q1-Q3 2018 period. Nevertheless, EBITDA-level profits increased by 2.7 per cent, surpassing the base period profit of the previous year by HUF 70 million. Furthermore the realised EBITDA-level profit exceeded HUF 2.6 billion, amounting to HUF 2,624 million. The Axle business unit contributed to the Group-level EBITDA growth with decreased profits, while the Vehicle and Components business units contributed with a significant growth in EBITDA profits. EBITDA growth of the Vehicle business unit was 86.8 per cent, representing a surplus of HUF 250 million, while the EBITDA surplus of the Components business unit increased by 17.0 per cent to HUF 116 million.
- The financial loss in Q1-Q3 of 2018 amounted to HUF 140 million, compared to the loss of HUF 94 million generated during the same period of the previous year. The financial performance was fundamentally influenced by the realised exchange rate loss and the interest expenses.
- The total aggregate income and profit for the current year fell behind the base period value by 11.7 per cent in Q1-Q3 2018 achieving a profit of HUF 632 million.
- The financial position of the RÁBA Group in Q1-Q3 2018 continued to be a stable liquidity position. Although the net loan portfolio shows an increase, this corresponds to the path forecast by the Company, with the Company continuously controlling the factors influencing growth. As a result of the profitable operation, the increasing working capital reflecting the expanding sales and the financing of investments of strategic significance, the net loan portfolio grew by HUF 2.6 billion compared to the same period last year, reaching HUF 7.4 billion. The revaluation, due to exchange rate fluctuation, of loans, worth HUF 226 million not involving cash movements, also contributed to the increase of net borrowing.
- As a result of the profitable and efficient operation, the shareholder's equity increased by 6.1 per cent compared to the same period of the previous year. The shareholder's equity per share reached HUF 1,507/share.

thousand HUF	2017 Q1-Q3	2018 Q1-Q3	Change	2017 Q3	2018 Q3	Change
Sales revenue	30 829 998	34 689 026	12.5%	9 200 820	10 212 355	11.0%
Gross profit	6 607 221	7 368 557	11.5%	1 716 723	2 029 406	18.2%
<i>Gross margin</i>	<i>21.4%</i>	<i>21.2%</i>	<i>-0.2%p</i>	<i>18.7%</i>	<i>19.9%</i>	<i>1.2%p</i>
EBITDA	2 553 763	2 623 521	2.7%	564 186	563 775	-0.1%
<i>EBITDA</i>	<i>8.3%</i>	<i>7.6%</i>	<i>-0.7%p</i>	<i>6.1%</i>	<i>5.5%</i>	<i>-0.6%p</i>
Operating profit	1 089 901	1 095 207	0.5%	93 456	51 432	-45.0%
Net financial profit/loss	-93 650	-139 701	-49.2%	-49 190	14 097	128.7%
Profit after tax for the current year	715 880	632 252	-11.7%	2 853	-6 975	-344.5%
Total comprehensive income	715 880	632 252	-11.7%	2 853	-6 975	-344.5%

"While welcoming the increased activity on the key markets, the price hike of the raw materials has required a constant, up-to-date adaptability on the part of our company. Our financial situation is solid, and our manufacturing capacity and flexibility will increase as a result of the technology development investment program being concluded partly this year, partly next year. This will create the conditions for further growth and improved competitiveness. We will be able to meet the increasing demands of our international customers in higher quality and in greater volumes, in longer, strategic cooperations as well as in specific business deals." – said István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- In Q1-Q3 2018 the truck market within Europe continued to show a steady increase, with the number of new truck registrations exceeding the figure of the previous year by 4.5 per cent. The European economic activity generates an increase in the freight market, which is beneficial for the demand in the heavy truck market. As a result, the market adjusted its demand expectations upwards for the whole of 2018. In North America due to the continued strong economic environment, the demand for trucks was 30 per cent higher than in the previous year. Regarding the agricultural market a significant expansion in the demand for Rába products can be observed in the US market in Q1-Q3 2018. However, European sales are stagnating at the level of the 2017 reporting period. In the Russian bus and truck market, the outstanding growth of over 20 per cent observed in the H1 seems to be slowing down, as the growth in the bus market fell to 11.8 per cent, while the figure within the truck segment decreased to 7.5 per cent in Q1-Q3. The market of European passenger cars saw a 2.5 per cent increase in demand.
- The meagre supplier capacities continued to generate significant price increases in the steel raw materials market. The price pressure of suppliers was not only demonstrated through the international mark-up, but also through the significant increase in the base prices of steel. As a result, the price level of steel rose significantly, by 24.4 per cent in Q1-Q3 2018. Such a drastic increase in the largest cost element has had a negative impact on efficiency.
- There was also a significant price increase in terms of energy costs, which characterised both the aggregated reporting period and the current quarter. With the 9.5 per cent increase in energy prices observed in Q3 2018, the average energy prices of Q1-Q3 exceeded the previous year's level by 8.9 per cent.
- In regard to the exchange rate environment a 4.0 per cent drop in exchange rates was observed in Q1-Q3 2018 for the USD, which represents a lower proportion of the company's foreign exchange turnover. In the case of the EUR the exchange rate fluctuation was reversed: in the first nine months of 2018, the EUR average exchange rate exceeded the base period by 3.0 per cent.¹

	2017 Q1-Q3	2018 Q1-Q3	Change	2017 Q3	2018 Q3	Change
HUF/EUR - average	308.4	317.5	3.0%	306.4	324.2	5.8%
HUF/EUR - end of period	311.2	323.8	4.0%	311.2	323.8	4.0%
HUF/USD - average	277.4	266.2	-4.0%	260.9	278.7	6.8%
HUF/USD - end of period	263.8	278.8	5.7%	263.8	278.8	5.7%
Changes in raw material prices*	102%	127%	24.4%	105%	128%	22.0%
Changes in energy prices**	157%	171%	8.9%	164%	179%	9.5%

*Rába indices – own calculation - base: Q1 2007; average values for the period

** Rába indices – own calculation - base: December 2004; average values for the period

Rába Axle Ltd.

The sales revenue of Rába Axle Ltd. in Q1-Q3 2018 amounted to HUF 18.5 billion compared to HUF 16.2 billion achieved during the base period of 2017. This corresponds to an increase of 14.6 per cent.

On the **American market**, the sales revenue in the reporting period was USD 8.0 million, compared to the USD 7.3 million of Q1-Q3 2017. This corresponds to an increase of 9.6 per cent.

On the **EU market** Rába Axle Ltd's sales figures in HUF terms increased by 13.8 per cent, amounting to HUF 13.6 billion, compared to HUF 12.0 billion during the base period.

European exports exceeded the level of the same period a year earlier by 10.8 per cent in Q1-Q3 2018, amounting to EUR 33.9 million, compared to HUF 30.6 million in Q1-Q3 2017.

Domestic sales before consolidation amounted to HUF 2.878 million, which represents an in-

¹ The average exchange rates were calculated based on the official FX exchange rates of the MNB.
Source: <http://www.mnb.hu/arfolyam-lekerdezes>

crease of 13.4 per cent compared to the HUF 2,537 billion of the base period.

On the **CIS and East-European** markets the export sales revenues achieved by Rába Axle Ltd. in the first nine months of 2018 were 31.3 per cent higher than the base period in 2017, increasing from EUR 3.2 million to EUR 4.2 million.

In the **other** markets the sales revenue during the reporting period amounted to EUR 4.5 million, which exceeded the EUR 3.8 million turnover of the 2017 base period by 18.4 per cent.

The operating result of the Company in Q1-Q3 2018 was a profit of HUF 437 million, compared to HUF 686 million during the same period of the previous year.

At EBITDA level the operating profit of the Axle business unit was HUF 1,275 million compared to HUF 1,537 million registered a year earlier.

HUF million	2017 Q1-Q3	2018 Q1-Q3	Change	2017 Q3	2018 Q3	Change
America	2 032	2 135	5.1%	605	773	27.8%
EU - export	9 452	10 771	14.0%	2 451	2 647	8.0%
EU - domestic	2 537	2 878	13.4%	755	921	22.0%
CIS	987	1 330	34.8%	336	388	15.5%
Other	1 174	1 425	21.4%	468	570	21.8%
Total sales revenue	16 182	18 538	14.6%	4 615	5 299	14.8%
EBITDA	1 537	1 275	-17.0%	304	246	-19.1%
Operating profit	686	437	-36.3%	41	-32	-178.0%

Rába Automotive Components Ltd.

The sales revenue of Rába Automotive Components Ltd. amounted to HUF 10.8 billion in Q1-Q3 2018, which is an increase of 13.1 per cent compared to the base period.

Rába Automotive Components Ltd. generates a considerable portion of its sales on the European market.

European exports during Q1-Q3 2018 amounted to EUR 15.2 million, which represents an increase of 8.6 per cent compared to the EUR 14.0 million of the base period of 2017.

Domestic sales before consolidation amounted to HUF 6,003 million during the reporting period, which is equivalent to a 14.2 per cent increase compared to the sales revenue of HUF 5,258 million during Q1-Q3 2017.

The Company generated a profit of HUF 437 million at operating level during the reporting period compared to a profit of HUF 384 million in Q1-Q3 2017.

On the level of EBITDA, the profit of the Components business unit increased to HUF 795 million during the period, from the HUF 679 million of the previous year.

HUF million	2017 Q1-Q3	2018 Q1-Q3	Change	2017 Q3	2018 Q3	Change
EU - export	4 304	4 833	12.3%	1 185	1 429	20.6%
EU - domestic	5 258	6 003	14.2%	1 630	1 604	-1.6%
Other	22	0	-100.0%	0	0	0.0%
Total sales revenue	9 584	10 836	13.1%	2 815	3 032	7.7%
EBITDA	679	795	17.1%	142	136	-4.2%
Operating profit	384	437	13.8%	40	10	-75.0%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in Q1-Q3 2018 was above the figure of the base period by 9.0 per cent and increased from HUF 6.1 billion to HUF 6.7 billion.

A significant portion of the sales revenue of Rába Vehicle Ltd. is generated on the European market.

European exports were 14.3 per cent higher than the level of the base period, thus increasing from EUR 10.5 million to EUR 12.0 million.

Domestic sales before consolidation amounted to HUF 2,832 million in Q1-Q3 2018, compared to HUF 2,879 million during the base period, representing a decline of 1.6 per cent.

The operating profit amounted to HUF 367 million of profit during the reporting period. compared to the profit of HUF 122 million during the base period last year.

On the level of EBITDA in the reporting period the Company registered HUF 538 million profit compared to the profit of HUF 288 million in Q1-Q3 2017.

HUF million	2017 Q1-Q3	2018 Q1-Q3	Change	2017 Q3	2018 Q3	Change
EU - export	3 220	3 819	18.6%	900	1 091	21.2%
EU - domestic	2 879	2 832	-1.6%	1 173	1 243	6.0%
Other	3	0	-100.0%	0	0	
Total sales revenue	6 102	6 651	9.0%	2 073	2 334	12.6%
EBITDA	288	538	86.8%	113	190	68.1%
Operating profit	122	367	200.8%	57	135	136.8%

Rába Group

The consolidated sales revenue of the Rába Group in Q1-Q3 2018 amounted to HUF 34.7 billion, which is an increase of 12.5% compared to the figure of HUF 30.8 billion reported for the base period Q1-Q3 2017.

The operating profit of the group during the current period amounted to HUF 1,095 million, compared to HUF 1,090 million during the same period a year earlier.

During the reporting period the financial result was a loss of HUF 140 million, which includes, among others, a net interest payment of HUF 43 million, as well as an exchange rate loss of HUF 92 million.

Based on the above the Rába Group generated a net profit of HUF 632 million in Q1-Q3 2018, compared to a profit of HUF 716 million during the same period of the previous year.

On the level of EBITDA the group registered profits of HUF 2,624 million in Q1-Q3 2018, against last year's figure of HUF 2,554 million.

The Rába Group – other data and events pertaining to the business activity

Sales revenue by business division

Sales revenue (HUF million)	Axle	Components	Vehicle	Rába Group consolidated
2017 Q1	5 583	3 268	1 979	10 525
2017 Q2	5 984	3 501	2 051	11 104
2017 Q3	4 615	2 815	2 073	9 201
2017 Q4	5 857	3 357	4 207	13 012
2018 Q1	6 439	3 854	2 493	12 370
2018 Q2	6 800	3 950	1 824	12 107
2018 Q3	5 299	3 032	2 334	10 212

Breakdown of the sales revenues for Q1-Q3 of 2018

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	2 135	13 649	10 771	2 878	1 330	1 425	18 538
Components	0	10 836	4 833	6 003	0	0	10 836
Vehicle	0	6 651	3 819	2 832	0	0	6 651
Consolidated	2 135	29 800	19 424	10 376	1 330	1 425	34 689

Operating profit of group companies

	Operating profit						
	2017.				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Axle	163	482	41	297	154	315	-32
Components	127	217	40	222	197	230	10
Vehicle	10	55	57	585	223	9	135
Other	-36	-22	-47	-42	-24	-60	-62
Total	264	732	91	1 062	550	494	51

PK2. Companies involved in the consolidation

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio ¹	Classification ²
Rába Axle Ltd.	9 762 800	100.00	100.00	L
Rába Automotive Components Ltd.	300 000	100.00	100.00	L
Rába Vehicle Ltd.	835 100	100.00	100.00	L

¹Voting right securing participation in the decision-making at the general meeting of the company subject to consolidation.

²Subsidiary (S); Jointly controlled (J); Affiliated (A).

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

Currency*	HUF	X	EUR	
Unit*	1.000	X	1.000.000	

* Indicate with an X.

Description of item	Q1-Q3 2017	Q1-Q3 2018	Index	Q3 2017	Q3 2018	Index
Domestic sales revenues	9 617 867	10 376 227	107.9%	3 250 281	3 314 450	102.0%
Export sales revenues	21 212 131	24 312 799	114.6%	5 950 539	6 897 905	115.9%
Revenues	30 829 998	34 689 026	112.5%	9 200 820	10 212 355	111.0%
Direct cost of sales	24 222 777	27 320 469	112.8%	7 484 097	8 182 949	109.3%
Gross profit	6 607 221	7 368 557	111.5%	1 716 723	2 029 406	118.2%
Cost of sales and marketing	398 797	566 398	142.0%	116 664	228 482	195.8%
General and administration expenses	5 136 915	5 456 040	106.2%	1 568 693	1 658 231	105.7%
Other revenues	440 810	226 648	51.4%	118 769	72 041	60.7%
Other expenditures	422 418	477 560	113.1%	56 679	163 302	288.1%
Total other operating expenses	-5 517 320	-6 273 350	113.7%	-1 623 267	-1 977 974	121.9%
Revenue from operations	1 089 901	1 095 207	100.5%	93 456	51 432	55.0%
Financial revenues	109 083	383 066	351.2%	-390 202	-6 664	1.7%
Financial expenditures	202 733	522 767	257.9%	-341 012	-20 761	6.1%
Net financial profit/loss	-93 650	-139 701	-149.2%	-49 190	14 097	28.7%
PROFIT BEFORE TAXATION	996 251	955 506	95.9%	44 266	65 529	148.0%
PROFIT AFTER TAXATION IN THE CURRENT YEAR	715 880	632 252	88.3%	2 853	-6 975	-244.5%
Total overall profit in the current year	715 880	632 252	88.3%	2 853	-6 975	-244.5%
Basic value of profit per share (HUF)	53	47		0	0	
Diluted value of profit per share (HUF)	53	47		0	0	

1. EARNED REVENUES

During Q1-Q3 of 2018 Rába achieved HUF 34,689 million in sales revenue, compared to HUF 30,830 million during the same period of 2017, which is a change of 12.5 per cent. 70.1 per cent of the revenues in the reporting period came from exports, while the rest came from domestic sales.

2. COSTS AND OTHER REVENUES. EXPENDITURES

2.1. Direct costs

During Q1-Q3 of 2018 the direct cost level of Rába was 78.8 per cent compared to 78.6% of the base period. The amount of direct costs was HUF 27,320 million. 12.8 per cent more than during the base period (Q1-Q3 of 2017: HUF 24,223 million).

Gross profit

The gross profit changed from HUF 6,607 million in the base period to HUF 7,369 million (HUF 761 million), which is due to the increase in sales revenue by HUF 3,859 million and by 3,098 million in direct expenses.

2.2. Cost of sales

The cost of sales increased by 42.0 per cent and amounted to HUF 566 million during Q1-Q3 of 2018, compared to HUF 399 million in Q1-Q3 of 2017.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (Q1-Q3 of 2018: HUF 2,599 million) and other general costs (Q1-Q3 of 2018: HUF 2,878 million) under general overhead and administrative expenses (Q1-Q3 of 2018: HUF 5,456 million. Q1-Q3 of 2017: 5,137 million). These are adjusted with the release of provisions related to costs incurred as per international regulations and by restating certain bank charges to financial expenditures.

2.4. Other revenues and expenditures

Other revenues amounted to a loss of HUF 250.9 million in Q1-Q3 of 2018. compared to HUF 18.4 million in profits during the same period of last year.

3. OPERATING PROFIT

The operating profit of the Company during Q1-Q3 of 2018 was HUF 1,095 million (Q1-Q3 of 2017: HUF 1,090 million). The increase in gross profit (HUF 761 million) was deteriorated by the combined change in sales and general overhead costs (HUF 487 million) and the change in the balance of other revenues and expenditures (HUF 269 million). Profitability changed from 3.5% during the base period to 3.2%. The profitability of operating profit + depreciation changed from 8.3 per cent during the base period to 7.6 per cent.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1-Q3 of 2018 the net financial result was a loss of HUF 140 million. compared to the loss of HUF 94 million during the base period.

The net result of interest incomes and expenses was HUF -43 million during Q1-Q3 of 2018 (against HUF -28 million during the base period).

The net exchange rate difference of FX items during Q1-Q3 of 2018 was HUF 92 million (HUF 56 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

in HUF thousand

	Q1-Q3 2017	Q1-Q3 2018
Interest income	466	302
Exchange rate gains	107 703	382 763
Other financial revenues	914	
Financial revenues	109 083	383 065
Interest payable	28 862	43 284
Exchange rate loss	164 147	474 322
Other financial expenditures	9 724	5 161
Financial expenditures	202 733	522 767

5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during Q1-Q3 of 2018 amounted to HUF 956 million, which, because of the factors outlined in sections 1-4 is HUF 41 million less than the figure for Q1-Q3 of 2017. The profitability ratio represents a 2.75 per cent return on sales on the basis of profit before taxation, against the level of 3.23 per cent during the base period.

The Group has HUF 323 million in tax liability. Within that, the corporate income tax liability was HUF 70 million. the local business tax liability was HUF 227 million and the deferred tax liability in the reporting period was HUF 26 million.

7. 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:

- accounting under IFRS as costs of technical development in part and of foundation and reorganisation expenses in full, capitalised according to HAS;
- the reclassification into profit tax of the business tax accounted under HAS as other expenditures;
- any rebate accounted as other expenditure according to the HAS requirements must be accounted as an item reducing the sales revenues according to the IFRS requirements, while discounts received and accounted under other revenues according to the Hungarian regulations. is accounted as a cost reduction item;
- financial discounts offered or received and shown in financial results as per the HAS, are presented as revenue or cost reduction item under the international regulations;
- provisions released in relation to the costs and expenditures incurred are accounted as items reducing the relevant revenue category instead of other revenues;
- restatement of certain bank charges accounted as indirect expenditure under the Hungarian Accounting Regulations into financial expenditure.
- the amount paid for services in advance in foreign currency is valued as per the IFRS regulations (IAS 21) at the spot exchange rate valid at the time of the transaction. According to the Hungarian regulations. the FX exchange rate differences accounted for in the financial income for this transaction are deleted.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1.000	X	1.000.000	

*Indicate with X.

Description of item	31.12.2017	30.09.2018	Index
Real estate machines equipment	15 818 383	17 936 212	113,4%
Intangible assets	282 418	203 866	72,2%
Other long-term assets	267 126	213 338	79,9%
Property for investment purposes	338 217	338 217	100,0%
Receivables from the sale of assets	130 399	130 399	100,0%
Deferred tax receivables	39 424	26 822	68,0%
Total invested assets	16 875 967	18 848 854	111,7%
Inventories	7 007 620	9 326 668	133,1%
Trade receivables and other receivables	9 864 423	10 720 183	108,7%
Profit tax receivable	51 515	97 895	190,0%
Liquid assets. bank account	2 638 342	982 604	37,2%
Total current assets	19 561 900	21 127 350	108,0%
Total assets	36 437 867	39 976 204	109,7%
Registered capital	13 473 446	13 473 446	100,0%
Treasury shares	-108 952	-108 952	100,0%
Retained earnings	6 613 450	6 935 784	104,9%
Total equity and reserves	19 977 944	20 300 278	101,6%
Long-term credits and loans	4 372 974	3 718 845	85,0%
Provisions	162 712	165 031	101,4%
Deferred tax liability	83 392	96 442	115,6%
Total long-term liabilities	4 619 078	3 980 318	86,2%
Provisions	119 194	154 870	129,9%
Short-term portion of loans and credits	1 581 719	4 651 084	294,1%
Trade liabilities and other payables	10 139 932	10 889 654	107,4%
Total short-term liabilities	11 840 845	15 695 608	132,6%
Total equity and liabilities	36 437 867	39 976 204	109,7%

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 changed from the closing value of HUF 15,818 million on 31 December 2017 to HUF 17,936 million. This represents an increase by 13.4 per cent. The depreciation of tangible assets was HUF 1,425 million in Q1-Q3 of 2018.

1.2. Intangible assets

The net value of intangible assets changed from HUF 282 million to HUF 204 million. This represents a decline by 27.8 per cent. The amount of depreciation accounted during the period was HUF 104 million.

1.3. Other long-term assets

This balance sheet line shows other long-term loans given HUF 3 million (31 December 2017: HUF 4 million), receivables from the sale of assets amounting to HUF 130 million (31 December 2017: HUF 130 million), as well as long-term advance payments in the amount of HUF 263 million (31 December 2017: HUF 263 million) are also shown here, as this is the consequence of the partial payment of a long-term liability upon favourable conditions, to be recorded annually in the indirect cost line. In consequence of the discharge of liabilities during the year, the amount of long term receivables declined by HUF 54 million during the period.

1.4. Property for investment purposes

The book value of real estate for investment purposes did not change during the period. It amounted to HUF 338 million on 30 September, 2018.

1.5. Other investments

The amount of other investments remained unchanged during the reporting period at HUF 205 thousand.

1.6. Deferred tax receivables

The amount of receivable was HUF 27 million on 30 September, 2018, which is HUF 12 million less than the amount on 31 December 2017. The largest element of the reduction in receivables is the deferred tax of the accrued loss released during the year.

2. CURRENT ASSETS**2.1. Inventories**

On 30 June, 2018, the closing value of stocks was HUF 9,327 million (31 December 2017: HUF 7,008 million). The change is an increase by HUF 2,319 million. Components of the change are: an increase in materials and goods by HUF 1,271 million and an increase in unfinished, semi-finished and finished goods by HUF 1,048 million.

2.2. Trade receivables and other receivables

The closing figure of receivables as at 30 September, 2018 was HUF 10,720 million, an increase by HUF 856 million compared to the 31 December 2017 figure (closing figure for 31 December 2017: HUF 9.864 million). Accounts receivable increased by HUF 594 million, advances made for investment and inventories increased by HUF 126 million and other receivables increased by HUF 136 million.

2.3. Profit tax receivables

On 30 September, 2018 profit tax receivables amounted to HUF 98 million, of which the corporate tax receivable is HUF 28 million and local trade tax receivable is HUF 70 million.

On 31 December, 2017, in terms of profit tax balance, the Group had a HUF 52 million profit tax receivable, within which the corporate tax receivable amounts to HUF 37 million and the local trade tax receivable is HUF 15 million.

2.4. Liquid assets

The closing figure of liquid assets on 30 September, 2018 was HUF 983 million, HUF 1,656 million less than on 31 December 2017 (HUF 2,638 million).

3. EQUITY AND RESERVES

The change occurred as follows:

in HUF thousand

	Share capital	Treasury shares	Reserve from share-based payments	Retained earnings	Other aggregate income	Total shareholders' equity
Balance as at 01 January 2017	13 473 446	-108 952	0	5 314 151	-	18 678 645
Profit for current year				715 881		715 881
Dividend payment				-269 458		-269 458
Balance as at 30 September 2017	13 473 446	-108 952	0	5 760 574	-	19 125 068
Profit for current year				852 876		852 876
Dividend payment				-		0
Balance as at 01 January 2018	13 473 446	-108 952	0	6 613 450	-	19 977 944
Profit of current year				632 251		632 251
Dividend payment				-309 917		-309 917
Balance as at 30 September 2018	13 473 446	-108 952	0	6 935 784	0	20 300 278

3.1. Registered capital

RÁBA Plc.'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 September, 2018, the share capital of the Company was HUF 13,473 million.

3.2. Treasury shares

On 30 September, 2018 the value of treasury shares was HUF 108,952 thousand (120,681 shares), with no changes since 31 December, 2017. All rights related to the shares of the Company owned by the Group ("treasury shares") are suspended until the renewed issue of the shares in question.

3.3. Retained earnings

The retained earnings (HUF 6.936 million) changed by HUF 322 million, i.e. the profit for the reporting year compared to the closing value for the previous year (HUF 6,613 million).

4. LONG-TERM LIABILITIES

4.1. Long-term credits and loans

The closing value of long-term credits and loans as at 30 September, 2018 amounted to HUF 3,719 million, which was 15 per cent lower than the opening balance of the period (on 31 December 2017 the closing figure was HUF 4,373 million).

4.2. Provisions

The closing value of provisions as at 30 September, 2018 was HUF 320 million, of which HUF 165 million is long-term, the rest is the amount set aside for the liabilities expected for after the reporting period. The amount of long-term provisions increased by HUF 2 million compared to 31 December 2017.

4.3. Deferred tax liability

On 30 September, 2018, the Company had deferred tax liabilities in the amount of HUF 96 million, which is HUF 13 million more than the amount on 31 December, 2017.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans of HUF 4,651 million increased by 194 per cent compared to the closing value at the end of December 2017 (HUF 1,582 million).

The net borrowing of the Rába Group was HUF 4,873 million on 30 September, 2018 an increase by HUF 4,071 million compared to the level as at 31 December 2017.

5.2. Provisions

The short-term portion of provisions amounted to HUF 155 million on 30 September, 2018, which is HUF 36 million higher than the amount on 31 December 2017.

5.3. Profit tax liability

At the end of the six-month period, the Group had profit tax receivables, similar to 31 December of the previous year.

5.4. Accounts payable and other short-term liabilities

On 30 September, 2018, the amount of accounts payable and other short-term liabilities was HUF 10,890 million, which is 7.4 per cent more than the closing value as at the end of December 2017 (HUF 10,140 million). Accounts payable decreased by HUF 154 million, other liabilities increased by HUF 212 million, whereas passive accruals increased by HUF 692 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Data in HUF thousand

	Q1-Q3 2017	Q1-Q3 2018
Cash-flows from operating activities		
Profit before taxation	996 250	955 505
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	9 971	15 772
Depreciation and amortisation	1 466 943	1 528 314
Impairment of intangible assets, properties machines and equipment	16 044	15 414
Impairment of bad and doubtful receivables and of long term receivables	9 650	11 802
Impairment of stocks kept at net realisable value	158 504	166 500
Scrapping of stocks	36 779	4 502
Provisions / (release)	-38 472	37 995
Result from the sale of real estate machinery and fixtures and intangible assets	-24 904	-445
Revaluation of loans and credits at end of period	22 098	214 967
<i>Changes in working capital:</i>		
Changes in trade and other receivables	365 405	-867 562
Changes in stocks	-2 391 344	-2 490 050
Accounts payable and other liabilities	-2 036 379	656 319
Profit tax paid	-416 370	-343 982
Interests paid	-20 688	-27 512
Net cash flows from operating activity	-1 846 512	-122 461
Cash-flows from investment activities		
Purchase of real estate machinery and fixtures as well as of intangibles	-1 564 145	-3 424 390
Revenues from the sale of real estate machinery and fixtures as well as intangible asses	29 372	459
Interests received	466	302
Net cash flows used for investment activities	-1 534 307	-3 423 629
Cash flows from financing activities		
Loans and credits received	2 902 419	3 873 037
Loans and credits repaid	-744 426	-1 672 768
Dividend paid	-269 459	-309 917
Net cash flows from financing activities	1 888 534	1 890 352
Net increase/decrease of cash and cash equivalents	-1 492 285	-1 655 738

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába Group amount to HUF 8,370 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 8,218 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 438 million.

RS1. Ownership structure. ratio of participation

Description of ownership	Total equity						Series listed ¹			
	Beginning of current year (01 January)			At end of term (30 September)			At beginning of period		At end of term	
	% ²	% ³	pcs	% ²	% ³	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.76	7.83	1 045 635	7.93	8.00	1 068 043				
Foreign institutional/corporate	2.25	2.27	303 443	2.24	2.26	302 409				
Foreign private individual	0.04	0.04	5 432	0.08	0.08	10 805				
Domestic private individual	14.57	14.71	1 963 642	14.38	14.51	1 936 895				
Employees. leading officials	0.13	0.13	17 074	0.13	0.13	17 074				
Treasury shares	0.90		120 681	0.90		120 681				
Shareholder forming part of general government ⁴	74.35	75.02	10 017 539	74.35	75.02	10 017 539				
International Development Institutions ⁵	0.00	0.00	0	0.00	0.00	0				
Other ⁶	0.00	0.00	0	0.00	0.00	0				
TOTAL	100.00	100.00	13 473 446	100.00	100.00	13 473 446				

¹ If the listed series equals the total share capital and it is indicated, there is no need to fill it in. If more than one series are listed at the Stock Exchange, the ownership structure must be specified for each series.

² Ownership ratio

³ Voting right ensuring participation during the decision-making process at the general meeting of shareholders of the issuer. If the ownership ratio and the voting right are the same, only the column regarding the owner needs to be filled in/published while stating such fact.

⁴ E.g.: MNV Zrt., Social Security, Local Government, 100% state-owned companies, etc.

⁵ E.g.: EBRD, EIB, etc.

RS3. List and introduction of shareholders with a stake exceeding 5%

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting right (%) ^{3,4}	Comment ⁵
Hungarian State Holding Company Ltd. (MNV Zrt.)	D	G	10 015 829	74.34	75.01	

¹ Domestic (D), Foreign (F)

² Custodian (C), General government (G), International Development Institution (IFI), Institutional (I), Business entity (B), Private (P), Employee, leading official (D)

³ Should be rounded to two decimal figures

⁴ Voting right ensuring participation during the decision-making process at the general meeting of shareholders of the issuer

⁵ E.g.: strategic investor, financial investor, etc.

RS2. Changes in the number of treasury shares during the current year (pcs.)

	1 January	31 March	30 June	30 September
At corporate level	120 681	120 681	120 681	120 681
Subsidiaries				
Grand total	120 681	120 681	120 681	120 681

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

TSZ1. Headcount of full-time employees (people)

	End of base period	Beginning of current year	End of current period
At corporate level	18	17	17
At group level	1 548	1 485	1 440

The consolidated closing headcount as at 30 September, 2018 was 1,452. The decline in headcount is 4.5 per cent compared to the end of the base period.

TSZ2. Managing executives. strategic employees

Type ¹	Company	Position	Beginning of mandate	End/termination of mandate	Number of shares owned (pcs)
BD	István Pintér	Chairman of the BD	2005		7 082
BD	Ákos Csókay	Board member	2017		0
BD	Dr. János Géza Fördös	Board member	2016		0
BD	Dr. Péter Hartmann	Board member	2016		0
BD	Dr. Róbert Homolya	Board member	2016	2017	
BD	Dr. Miklós Rátky	Board member	2014		0
BD	Dr. Norbert Szivek	Board member	2016	2017	
BD	György Wáberer	Board member	2012		0
BD	Andor Nándor Tóth	Board member	2018		0
SB	Dr. Zoltán Lajos Pafféri	Chairman of the SB	2018		0
SB	Dr. Gábor Czepek	Chairman of the SB	2016	2018	
SB	Dr. Mónika Bartha	SB member	2015	2017	
SB	Dr. Zsolt Harmath	SB member	2016		0
SB	Dr. Tünde Kánta	SB member	2017		0
SP	István Pintér	Chief Executive Officer	2003	indefinite	7 082
SP	Béla Balog	Deputy Chief Executive Officer	2004	indefinite	3 332
SP	Ádám Steszli	HR and Controlling Director	2014	indefinite	1 664
SP	István Pintér	Managing Director	2004	indefinite	7 082
SP	László Urbányi	Managing Director	2005	indefinite	3 332
SP	János Torma	Managing Director	2005	indefinite	1 664
Total number of shares owned (pcs):					17 074

¹ Employee in a strategic position (SP). Supervisory Board Member (SB). Member of the Board of Directors (BD)

As from 1 January 2017 Rába Plc's individual financial accounts are also drawn up in accordance with the provisions of the IFRS.

RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (IFRS)

Data in HUF thousand

Description of item	31.12.2017	30.09.2018	Index
Property machinery equipment	6 066 626	6 051 251	99.75%
Intangible assets	15 171	13 261	87.41%
Other long-term assets	1 335 046	1 334 446	99.96%
Real estate for investment	338 217	338 217	100.00%
Subsidiary investments	11 592 703	11 592 703	100.00%
Other investments	130 399	130 399	100.00%
Total invested assets	19 478 162	19 460 277	99.91%
Inventories	8 617	8 611	99.93%
Accounts receivable and other receivables	548 148	3 024 445	551.76%
Profit tax receivable	11 574	25 412	219.56%
Cash and cash equivalents	2 270 233	843 247	37.14%
Total current assets	2 838 572	3 901 715	137.45%
TOTAL ASSETS	22 316 734	23 361 992	104.68%
Registered capital	13 473 446	13 473 446	100.00%
Treasury shares	-108 952	-108 952	100.00%
Retained earnings	3 583 342	3 300 935	92.12%
Total equity and reserves	16 947 836	16 665 429	98.33%
Provisions	45 133	45 133	100.00%
Long-term financial liability	40 513	40 513	100.00%
Deferred tax liability	5 183	342	6.60%
Total long-term liabilities	90 829	85 988	94.67%
Provisions	26 688	80 500	301.63%
Short-term portion of loans and credits	0	2 578 707	
Short-term financial liabilities	35 932	35 932	100.00%
Accounts payable and other liabilities	5 215 449	3 915 436	75.07%
Total short-term liabilities	5 278 069	6 610 575	125.25%
TOTAL EQUITY AND LIABILITIES	22 316 734	23 361 992	104.68%

RÁBA NYRT. (INDIVIDUAL) PROFIT AND LOSS STATEMENT (IFRS)

Data in HUF thousand

Description of item	Q1-Q3 2017 *	Q1-Q3 2018 *	Index	Q3 2017	Q3 2018	Index
Sales revenues	1 220 002	1 089 786	89,3%	339 752	353 721	104,1%
Direct costs of sales	261 551	275 269	105,2%	83 704	92 639	110,7%
Gross revenue	958 451	814 517	85,0%	256 048	261 082	102,0%
Sales and marketing costs	38 926	39 136	100,5%	6 382	15 824	247,9%
General overhead costs	739 385	749 543	101,4%	257 976	257 314	99,7%
Other revenues	330	262 294	79483,0%	63	0	0,0%
Other expenditures	114 675	172 190	150,2%	37 539	49 541	132,0%
Other operating expenditures total	-892 656	-698 575	78,3%	-301 834	-322 679	106,9%
Operating profit	65 795	115 942	176,2%	-45 786	-61 597	134,5%
Financial income	4 730	3 307	69,9%	-8 546	406	-4,8%
Financial expenditures	14 107	84 014	595,5%	6 215	-6 106	-98,2%
Net financial income	-9 377	-80 707	860,7%	-14 761	6 512	-44,1%
PROFIT BEFORE TAXATION	56 418	35 235	62,5%	-60 547	-55 085	91,0%
Profit Tax	13 396	7 725	57,7%	4 195	3 137	74,8%
PROFIT OF CURRENT YEAR	43 022	27 510	63,9%	-64 742	-58 222	89,9%
TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR	43 022	27 510	63,9%	-64 742	-58 222	89,9%
EBITDA	221 293	278 070	125,7%	6 655	-7 933	-119,2%

* The accounting of dividend income was modified, the dividend received forms part of the other revenues instead of financial income in Q1-Q3 2018, while it was reclassified to sales revenue instead of financial income in Q1-Q3 2017

PK1. General information pertaining 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"/>	IFRS	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
Other:					

Declaration of liability

- We, the undersigned, authorised signatories of the Company hereby declare that the data and statements contained in the quarterly report are true and accurate. The report reflects the true and fair value of the Company's assets, liabilities, financial position, profit and loss, as well as of the situation, development and performance of the business and also describes the main risks and factors of uncertainty. We are not aware of any factor of uncertainty concerning the remaining period of the year, the going concern basis is not infringed. The Company does not conceal any fact that is important for assessing its financial and economic position.

Regarding the quarterly report, Rába Plc. wishes to emphasize the following:

- The figures shown in the quarterly report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába has prepared its quarterly report in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard.

Győr, 14 November, 2018

István Pintér
Chairman - CEO

Béla Balog
Chief Financial Officer