

2020

ANNUAL FINANCIAL STATEMENT OF
RATH AKTIENGESELLSCHAFT

2020 ANNUAL FINANCIAL STATEMENT

OF RATH AKTIENGESELLSCHAFT

CONTENTS

Management Report	4
Balance Sheet	10
P&L Account	12
Notes	14
Summary of Fixed Assets	26
Investments	28
Auditor's Certificate	32
Report of the Supervisory Board	40
Statement by all Legal Representatives	42

Imprint

OWNER, EDITOR AND PUBLISHER:

RATH AKTIENGESELLSCHAFT, WALFISCHGASSE 14, A-1015 VIENNA

RESPONSIBLE FOR IR AND COMPLIANCE: ANDREAS PFNEISZL

WEB: WWW.RATH-GROUP.COM

EMAIL: INFO@RATH-GROUP.COM

CLERICAL AND PRINTING ERRORS RESERVED

THE MALE FORMS USED IN THE TEXT INCLUDE FEMALE PERSONS AS WELL.

CONSISTENT DOUBLE DESIGNATION WAS WAIVED IN THE INTEREST OF BETTER

LEGIBILITY.

MANAGEMENT REPORT

MANAGEMENT REPORT FOR THE BUSINESS YEAR 2020

Business and General Conditions

RATH Aktiengesellschaft (hereinafter referred to as "RATH AG") is a company listed on the Vienna Stock Exchange in official trading ("Standard Market Auction"). It acts as the holding company of the RATH Group and essentially provides central control of the reporting of its individual subsidiaries as well as the strategic development of our product portfolio, our application solutions, and our sales markets.

Furthermore, the financing of the entire RATH Group is the responsibility of RATH Aktiengesellschaft. There are no branch offices or permanent establishments. RATH AG finances the RATH Group primarily through structured financing from promissory note bonds. As of December 31, 2020, as in the previous year, the Company holds no derivative financial instruments.

BUSINESS PERFORMANCE

Sales development and profitability

The stated sales revenues amounting to k€ 5,360 (previous year: k€ 5,439) originate from license and inter-company pricing for services by the Marketing, R&D, Financing and Controlling, IT as well as Process Management departments.

The personnel expenses amounting to k€ 2,536 (previous year: k€ 3,462) decreased by k€ 926. The reduction is mainly due to the suspension of bonus payments for the business year, effects from short-time work and the cessation of a special effect from the termination of the employment contract of a member of the Management Board in the previous year.

The miscellaneous other operating expenses amounted to k€ 5,225 (previous year: k€ 3,301). They mainly include foreign currency losses amounting to k€ 2,644 (previous year: k€ 249), marketing expenses amounting to k€ 621 (previous year: k€ 640), IT expenses amounting to k€ 402 (previous year: k€ 427), consulting expenses amounting to k€ 381 (previous year: k€ 499) and expenses for services provided by Group subsidiaries amounting to k€ 400 (previous year: k€ 438). The increase is mainly due to foreign currency losses resulting primarily from loans to Group companies in \$.

The operating result is k€ -2,226 (previous year: k€ -486) and was negatively influenced by exchange rate changes amounting to k€ 2,611 (previous year: k€ 285 positively).

In the business year, dividend income amounting to k€ 500 (previous year: k€ 2,200) from subsidiaries to the Company was reported. The financial result dividend income/write-ups/depreciations of subsidiaries amounted to k€ 172 (previous year: k€ 256). The company closes the books at an annual deficit amounting to k€ 1,189 (previous year: annual surplus of k€ 1,579).

MANAGEMENT REPORT

Assets and financial position

The balance sheet total of RATH AG decreased from k€ 65,621 to k€ 63,504. A major reason for this is the reduction in the level of loans to affiliated companies due to exchange rate changes and repayments in the past business year. In addition, a loan in the amount of k€ 2,000 was repaid in full during the business year. Fixed assets in the field of tangible assets (property, plant and equipment) decreased by k€ 14 at book value (previous year: k€ 74). The equity ratio amounts to 38 % (previous year: 39 %).

The operating cash flow, determined in accordance with AFRAC Opinion 36 "Statement of Cash Flows (Austrian Commercial Code)" (June 2020), amounts to k€ 1,083 for the business year (previous year: k€ -2,361) and results primarily from significantly lower working capital compared with the previous year. The increase in cash flow from investment activities to k€ 2,449 (previous year: k€ -9,319) is due to the absence of one-time effects from a company acquisition in the previous year. The cash flow from investing activities amounts to k€ -2,620 (previous year: k€ -4,163). The increase is mainly due to the fact that no dividend was paid in the current business year as a result of the COVID-19 pandemic. Due to the economic uncertainties and consequences triggered by the COVID-19 pandemic, it was decided in the previous year not to disburse a dividend despite the excellent asset, financial and earnings position, in order to strengthen the company's liquidity by carrying forward to new account. It is proposed to disburse a dividend to the amount of € 0.33 per share from the net profit, i.e. a total of k€ 500, and to carry forward the remaining amount.

In the past year, the share price changed from € 27.80 on December 31, 2019, to € 23.00 on December 31, 2020. The year-end market capitalization therefore amounts to k€ 34,500 (previous year: k€ 41,700).

FORECAST REPORT

As the company is a holding company, its performance relies solely on the revenues of its subsidiaries and their billable services. The COVID-19 pandemic led to shutdown of a large part of industrial activity in many countries – including key sales and procurement markets of the RATH Group. The recovery of the global economy remains vulnerable to setbacks from new drastic increases in the number of infections, setbacks in vaccine production, and waves of bankruptcies. The International Monetary Fund (IMF) expects global economic output to increase by 5.5 % in 2021 and by 4.2 % in 2022. Economic output in the eurozone as a whole is expected to grow by 4.2 % in 2021. The gross domestic product (GDP) is forecast to increase by 3.5 % in Germany and by 5.1 % in the USA. For Austria, the Austrian Institute of Economic Research (WIFO) expects the gross domestic product (GDP) to increase by 4.5 % in 2021.

After a challenging year 2020, the RATH Group is currently showing signs of a return to its previous turnover and earnings power, manifesting primarily in a strongly improved order situation. The RATH Group continues to abide by its growth target. In order to achieve this, inorganic growth will be accelerated in parallel with organic growth. The starting points for this are the expansion of our product range and

MANAGEMENT REPORT

the development of additional sales markets. The RATH Group will continue to place its internal attention on cost discipline, increasing efficiency and innovations.

RISK REPORT

The internal control system (ICS) is secured via a holistic process management. There, signature regulations are defined on the basis of a dual-control principle as well as separation of critical functions in all areas of the company. The risk management system ensures that risks are regularly analyzed and assessed. This is the only way to be sure that they can be detected at an early stage, and countermeasures can be implemented quickly should a risk arise. Special risks can arise due to the financing functions of the holding company. For that reason, exchange rates and the development of interest rates are being continually monitored.

RESEARCH REPORT

RATH AG performs a central function in the area of R&D. Here the individual projects are planned, coordinated and accompanied during implementation. RATH AG also provides test equipment for group-wide activities.

ESSENTIAL CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

The internal control system (ICS) defines all processes for securing economic efficiency and correctness of the accounting. It reduces the error rate of transactions, protects assets from losses by damages and fraud, and ensures conformity of business procedures regarding the Articles of Association and current legislation. The control environment of the accounting process is marked by a clear structural and process organization, with persons assigned uniquely to the individual functions (e.g. in Financial Accounting and Controlling).

The employees involved in the accounting process fulfill the professional requirements. SAP is used in accounting. The rules of procedure refer, among other things, to the mandatory compliance with terms of the management handbook and define a list of business cases that require approval by the company's management. The RATH AG Management Handbook contains, among other things, the information and regulations necessary for the accounting process, such as the reporting guidelines, accounting and valuation rules or IT guidelines. A standardized monthly management reporting system includes all individual companies consolidated in the RATH Group.

The Supervisory Board of RATH AG regularly discusses information regarding the internal control system during its meetings. The task of the Audit Committee is to monitor the effectiveness of the control system.

MANAGEMENT REPORT

CORPORATE SOCIAL RESPONSIBILITY

The Supervisory Board and Management of the RATH Group attach high value to sustainable corporate governance. Thus, strategic decision-making as well as operational leadership are influenced equally by ecological, economic and social factors. The most important cross-company strategies for sustainability include RATH's brand and product development strategies, innovation and production procedures to optimize the economy and ecology during the production process as well as in the product. Reporting of important basic data of the Group companies was continued in the business year 2020. Our colleagues are the most important asset for a positive, sustainable development of our company's success. Open, appreciative dealings with colleagues of all sectors beyond function levels are the foundation of our company. During the 2020 business year, RATH AG had an average of 24 (previous year: 24) employees on the payroll. The proportion of women in the RATH AG workforce amounts to around 56 % (previous year: 57 %), the proportion in the Supervisory Board to 20 % (previous year: 20 %).

INFORMATION ACCORDING TO § 243A OF THE AUSTRIAN COMMERCIAL CODE (UGB)

Capital composition is explained in more detail in the Notes. There are no restrictions in the Articles of Association regarding the exercise of voting rights in RATH AG. The company is unaware of any restrictions on the transfer of voting rights.

AS PER DECEMBER 31, 2020

66.7 %	RATH Holding GmbH
18.8 %	Rath family members
14.5 %	Widely held stock

STOCKHOLDER STRUCTURE ◀

RATH AG does not operate an employee stock options scheme. There are no regulations deviating from the statutory stipulations with regard to the appointment and dismissal of members of the Management Board and of the Supervisory Board, changes to the company's Articles of Association, and the powers of the members of the Management Board, in particular their ability to issue or redeem shares. The company does not hold any treasury shares as of the balance sheet date, as of the previous year's balance sheet date. There are no existing agreements that become effective in the event of a change in control. In the event of a public takeover bid, there are no provisions for compensation.

THE MANAGEMENT BOARD

VIENNA, APRIL 26, 2021

Andreas Pfneiszl (m.p.)

Member of the Management Board

DI Ingo Gruber (m.p.)

Member of the Management Board

ANNUAL FINANCIAL STATEMENT
RATH AG 2020

BALANCE SHEET

	DECEMBER 31, 2020 €	DECEMBER 31, 2019 k€
ASSETS		
A. Fixed assets		
I. Intangible assets		
Industrial and intellectual property rights and similar rights and benefits, as well as licenses derived from this	109,257	79
II. Property, plant and equipment		
1. Other assets, company and business equipment	207,426	243
2. Down payments and assets under construction	21,800	0
	229,226	243
III. Financial assets		
1. Interest in affiliated companies	20,639,559	20,640
2. Loans to affiliated companies	30,630,755	33,743
3. Investment securities	596,526	0
	51,866,840	54,383
	52,205,323	54,705
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies thereof € 2,499,900 from dividends; previous year: k€ 4,200 of which with a remaining term > 1 year € 0; previous year: k€ 0	8,986,740	9,732
2. Other receivables and assets of which with a remaining term > 1 year € 0; previous year: k€ 0	44,994	15
	9,031,735	9,748
II. Cash balance, bank balances	1,533,826	621
	10,565,561	10,369
C. Accruals and deferrals		
Other accruals and deferrals	37,819	48
D. Deferred tax assets		
Deferred tax assets	695,286	499
	63,503,988	65,621

BALANCE SHEET

	DECEMBER 31, 2020 €	DECEMBER 31, 2019 k€
LIABILITIES AND EQUITY		
A. Stockholders' equity		
I. Called-up, paid, subscribed authorized capital	10,905,000	10,905
II. Capital reserves		
Fixed	1,118,067	1,118
III. Retained earnings		
Other reserves (available savings)	2,972,839	2,973
IV. Net profit	9,230,581	10,420
of which profit carried forward € 10,419,706; previous year: k€ 8,841		
	24,226,487	25,416
B. Accruals and provisions		
1. Provisions for severance payments	33,571	32
2. Provisions for pensions	2,005,759	2,131
3. Accruals and provisions for taxes	0	173
4. Other accruals and provisions	200,766	429
	2,240,096	2,765
C. Liabilities		
1. Liabilities towards banks		
of which with a remaining term < 1 year € 0; previous year: k€ 2,000	0	2,000
of which with a remaining term > 1 year € 0; previous year: k€ 0		
2. Promissory note bonds		
of which with a remaining term < 1 year € 168,354; previous year: k€ 165	35,168,354	35,165
of which with a remaining term > 1 year € 35,000,000; previous year: k€ 35,000		
3. Trade payables		
of which with a remaining term < 1 year € 232,954; previous year: k€ 161	232,954	161
of which with a remaining term > 1 year € 0; previous year: k€ 0		
4. Liabilities to affiliated companies		
of which with a remaining term < 1 year € 870,947; previous year: k€ 0	870,947	0
of which with a remaining term > 1 year € 0; previous year: k€ 0		
5. Other liabilities		
of which from taxes € 428,829; previous year: k€ 54		
thereof in the context of social security € 327,022; previous year: k€ 44	765,150	115
of which with a remaining term < 1 year € 765,150; previous year: k€ 115		
of which with a remaining term > 1 year € 0; previous year: k€ 0		
of which with a remaining term < 1 year € 2,037,405; previous year: k€ 2,441		
of which with a remaining term > 1 year € 35,000,000; previous year: k€ 35,000		
	37,037,405	37,441
	63,503,988	65,621

P&L ACCOUNT

	2020 €	2019 €
1. Sales revenue	5,360,405	5,439
2. Miscellaneous other operating income	379,411	995
	5,739,816	6,434
3. Personnel expenses		
a) Salaries	-1,936,945	-2,761
b) Social expenses	-599,057	-701
of which expenses for pensions € -74,604; previous year: k€ -133		
of which expenses for severance payments and benefits to internal employee pension funds € -46,052; previous year: k€ -46		
of which expenses for statutory social contributions as well as taxes and statutory deductions depending on salary payment € -476,439; previous year: k€ -516		
	-2,536,002	-3,462
4. Depreciations and amortization of intangible and tangible fixed assets	-181,048	-135
5. Other operating expenses	-5,248,361	-3,323
thereof taxes not falling under item 15 € -23,134; previous year: k€ -22		
6. Subtotal of No.s 1 to 5	-2,225,594	-486
7. Income from investments	499,900	2,200
of which from affiliated companies € 499,900; previous year: k€ 2,200		
8. Earnings from other securities and loans held as financial assets	804,767	885
thereof from affiliated companies € 794,622; previous year: k€ 880		
9. Other interest and similar income	15	1
10. Income from the disposal of and the appreciations to financial assets and marketable securities	0	35
11. Expenses from affiliated companies	0	-108
of which value adjustments on investments € 0; previous year: k€ -108		
12. Interest and similar expenses	-633,016	-666
13. Subtotal of No.s 7 to 12	671,667	2,348
14. Earnings before taxes	-1,553,928	1,862
15. Taxes on income and earnings		
from taxes € 195,970; previous year: k€ -490	364,803	-283
of which from tax allocation € 101,833; previous year: k€ 374		
16. Earnings after taxes = annual deficit/surplus	-1,189,125	1,579
17. Profit carried forward from the previous year	10,419,706	8,841
18. Net profit	9,230,581	10,420

NOTES

A. ACCOUNTING AND VALUATION PRINCIPLES

1. GENERAL PRINCIPLES

The valid version of the annual financial statement was created taking into account the Austrian Commercial Code (UGB) and the principles of proper bookkeeping as well as the general standard of presenting a maximally faithful representation of the asset, financial and earnings position of the company. The company is to be classified as a large corporation pursuant to § 221 of the Austrian Commercial Code (UGB).

The principle of completeness was adhered to during creation of these annual financial statement. The P&L account was prepared according to the total cost method. The accounting and valuation methods applied before have been retained.

RATH Aktiengesellschaft ("RATH AG"), as the parent company of the Group, prepares the consolidated financial statement for the smallest and largest group of companies published at the Vienna Commercial Register Court under the number FN 83203 h. The legal relationships with the affiliated companies as of the balance sheet date are shown in Attachment 2 to the Notes.

For the valuation of individual assets and liabilities, the principle of individual assessment and a continuation of the company were assumed. Thus, the prudence principle was complied with by reporting only revenues realized on the reporting date. All foreseeable risks and imminent losses were taken into consideration.

Estimates are based on a prudent assessment. If and insofar as statistically ascertainable experience from similar circumstances exists, the company has taken this into account in its estimates.

2. FIXED ASSETS

a) Intangible assets

Intangible assets acquired are assessed at purchase cost less scheduled depreciations. The scheduled depreciation takes place using the straight-line method. The following useful life is used as a basis for the scheduled depreciation:

> INTANGIBLE ASSETS	YEARS
Software and licenses	3-4

Acquisitions in the first half of the financial year are depreciated at the full annual rate; additions in the second half at one-half the annual rate. Low-value assets (individual acquisition value up to € 800; previous year: € 400) are capitalized in the year of addition and immediately depreciated. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the business year.

NOTES

b) Property, plant and equipment

Property, plant and equipment are assessed at purchase cost less scheduled linear depreciations. The scheduled depreciations are performed on the basis of the following depreciation rates:

YEARS

3-10

PROPERTY, PLANT AND EQUIPMENT <

Other assets, company and business equipment

Acquisitions in the first half of the financial year are depreciated at the full annual rate; additions in the second half at one-half the annual rate. Low-value assets (individual acquisition value up to € 800; previous year: € 400) are capitalized in the year of addition and immediately depreciated. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the business year. Investment grants are depreciated directly from the purchase and production costs.

c) Financial assets

Shares of affiliated companies are as a matter of principle assessed at purchase cost, if appropriate less depreciations in consideration of impairments. If there are indications of a permanent significant decrease in fair value, the investments are valued.

If and insofar as the carrying amounts of the shares are not sufficiently covered by the prorated stockholders' equity of the subsidiaries, a valuation is carried out on the basis of discounted net cash surpluses. Here, estimates must be made under uncertainty, especially with regard to future cash surpluses. A future change in the macroeconomic, industry or company situation may lead to a reduction or increase in planned cash surpluses and thus to impairment losses or appreciations in value.

The valuations are based on a net present value-oriented method based on the expected development, in which the weighted average cost of capital (WACC) is used. These are equivalent to the weighted average return on equity and borrowed capital. The weighting of return on equity and borrowed capital is based on the capital structure of the respective investment. Against the background of the currently volatile financial market environment, the development of the cost of capital represents an uncertainty and is continuously monitored.

Loans and investment securities are reported at purchase cost, reduced by depreciations to reflect impairment where applicable. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the business year. Unscheduled depreciations take place if the value at the reporting date is lower than their carrying amount is. In the business year, unscheduled depreciations were made on investments to the amount of € 0 (previous year: k€ 108). These affect with € 0 (previous year: k€ 72) the investment in RATH Polska Sp. z o.o., Dąbrowa Górnicza, Poland and with € 0 (previous year: k€ 36) the investment in RATH Group S. de R.L. de C.V., Guadalupe, Mexico.

NOTES

d) Write-ups to fixed assets

Write-ups to the fixed assets is made when the reasons for the unscheduled depreciation have ceased to apply. The appreciation is made to a maximum of the net carrying amount resulting from consideration of the normal depreciations that would have had to be carried out in the meantime.

No write-ups were made in the business year (previous year: k€ 0).

3. CASH BALANCE, BANK BALANCES

Bank balances denominated in foreign currency are reported at the exchange rate on the balance sheet date.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are assessed at nominal value unless, in case of foreseeable individual risks, the lower applicable value is recognized.

5. PREPAID EXPENSES AND DEFERRED CHARGES

Accruals include expenses prior to the reporting date if they represent expenses for a specific period after that date.

6. DEFERRED TAX ASSETS

Deferred tax assets are recognized for differences between the carrying amounts of assets, provisions, liabilities and prepaid expenses and deferred charges under corporate law and the tax base of assets, accruals and provisions, liabilities and prepaid expenses, which are expected to be reduced in subsequent financial years. Deferred taxes are valued at the tax rate of 25 % (previous year: 25 %) without consideration of discounting.

In addition, deferred tax assets are recognized for existing fiscal loss carry-forwards to the extent that sufficient deferred fiscal liabilities are available or there are convincing substantial indications that sufficient taxable earnings will be available in future to utilize these loss carry-forwards. In addition to appropriate tax planning, the consistently positive results of past periods are also used as substantial indications.

Deferred tax assets and deferred tax liabilities were netted, since it was legally possible to offset actual tax refund claims against actual tax liabilities.

NOTES

7. ACCRUALS AND PROVISIONS

a) Accruals and provisions for pensions

Accruals and provisions for pensions are calculated on the basis of AFRAC Opinion 27 "Provisions for pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Commercial Code" (December 2020) using actuarial principles in accordance with the projected unit credit method, using the biometric tables AVÖ 2018-P and an interest rate of 0.32 % (previous year: 0.57 %) and with a retirement age according to AVÖ-2018-P. The calculation was based on a pension trend of 1.6 % (previous year 1.75 %) and a fluctuation of 0 % (previous year: 0 %). The accumulation period begins at the time when the employee's work performance first gives rise to benefits under the plan and continues until the date of full vesting.

The discount rate used is a key date interest rate. The key date interest rate is the interest rate at which a company with a high credit rating can obtain debt capital on the reporting date that is essentially equivalent to the average remaining term of the obligations. The interest expenditures relating to pension provisions and the effects of a change in the interest rate are reported under personnel expenses.

The allocation to reserves of the provision amounting to € 74,604 (previous year: k€ 133), which is included in salary expenses, is offset by a payment to the amount of € 199,644 (previous year: k€ 200), which was reversed directly against the provision.

b) Accruals and provisions for entitlements to severance payments

The accruals and provisions for severance payments are calculated in accordance with AFRAC Opinion 27 "Provisions for pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Commercial Code" (December 2020) in accordance with recognized actuarial principles using the projected unit credit method based on the biometric tables AVÖ 2018-P with an interest rate of 0.91 % (previous year: 1.22 %). The retirement age is set at the ASVG (Austrian General Social Security Act) retirement age in accordance with the transitional provisions of the Budget Accompanying Act of 2003. The calculation was based on a salary trend of 1.5 % (previous year: 2 %) and, as in the previous year, no fluctuation was assumed. The accumulation period begins at the time when the employee's work performance first gives rise to benefits under the plan and continues until the date of full vesting.

The discount rate used is a key date interest rate. The key date interest rate is the interest rate at which a company with a high credit rating can obtain debt capital on the reporting date that is essentially equivalent to the average remaining term of the obligations. The interest expenditures relating to severance payment provisions and the effects of a change in the interest rate are reported under the relevant personnel expenses. The change amounting to € 1,792 (previous year: k€ 3) is therefore included in the salary expenditures. As in the previous year, there were no disbursements in the business year.

NOTES

c) Accruals and provisions for anniversaries

The calculation of provisions for anniversary bonuses is based on the same methodology as for entitlements to severance payments, with an interest rate of 1.17 % (previous year: 1.32 %) and a retirement age in accordance with the ASVG with the transitional provisions of the Budget Accompanying Act of 2003. The calculation was based on a salary trend of 1.5 % (previous year: 2 %) and a fluctuation of 15 % (previous year: 10 %). As in the previous year, there were no disbursements in the business year.

d) Miscellaneous other accruals and provisions

All foreseeable risks and uncertain liabilities were taken into account according to the prudence principle to the amount of miscellaneous other accruals and provisions that are required according to reasonable entrepreneurial judgment. The other accruals and provisions were formed to the amount of the settlement, which was estimated as best as possible.

8. LIABILITIES

Liabilities are recognized at the settlement amount, taking into account the principle of prudence.

9. CURRENCY CONVERSION

As in the previous year, the foreign-currency liabilities will be assessed at the rate applying on the day of the transaction or the lower currency buying rate on the balance sheet date. As in the previous year, the foreign-currency obligations are assessed with the rate applying on the day of the transaction or the higher currency selling rate on the balance sheet date.

NOTES

B. NOTES ON THE BALANCE SHEET AND P&L ACCOUNT OF RATH AG

NOTES ON THE BALANCE SHEET

1. Fixed assets

The development of fixed assets is shown on the Summary of Fixed Assets (Attachment 1 to the Notes).

Of the loans, an amount of € 3,828,816 (previous year: k€ 3,059) is due within the next year.

2. Receivables and other assets

The item "Other receivables and assets" includes € 32,979 (previous year: k€ 15) from tax receivables, of which € 18,435 (previous year: k€ 0) from income taxes. Other receivables do not comprise any substantial income affecting payment only after the balance sheet date.

Receivables from affiliated companies include not only receivables from Group apportionment and license fees but also € 2,499,900 (previous year: k€ 4,200) in receivables from dividends and € 348,254 (previous year: k€ 640) in receivables from accrued interest and € 101,833 (previous year: k€ 374) receivables from tax contributions.

3. Deferred tax assets

Deferred taxes are formed pursuant to § 198 (9) and (10) of the Austrian Commercial Code (UGB) in accordance with the balance sheet-oriented concept and without deduction of accrued interest on the basis of the current corporate tax rate of 25 % (previous year: 25 %). Here, deferred taxes on group tax loss carry-forwards amounting to € 2,012,992 (previous year: k€ 1,126) have been taken into account, whose consumption is probably based on the future expected profitability in subsequent years. The valuation of deferred taxes on tax loss carryforwards is justified pursuant to § 198 (9) 3 of the Austrian Commercial Code (UGB).

The deferred tax assets amounting to € 695,286 (previous year: k€ 499) as of the balance sheet date were formed for temporary differences between the valuations under fiscal and company law for the following items:

12/31/2019 IN K€	12/31/2020 IN €		DEFERRED TAX ASSETS <
16	10,857	Financial assets	
779	701,991	Non-current personnel provisions	
76	55,303	Cost of procuring money	
1,126	2,012,992	Group loss carry-forwards - according to preliminary tax calculation 2020	
1,997	2,781,143	Amount of total differences	
499	695,286	Resulting deferred tax as per December 31 (25 %)	

NOTES

In the current business year, use was made of the option to carry back losses in accordance with § 26c (76) of the Austrian Corporation Tax Act (KStG) in conjunction with § 124b (355) of the Austrian Income Tax Act (EStG), and € 1,172,193 was taken into account in the 2019 assessment. This reduced the loss carryforward offset in the 2019 preliminary tax calculation by € 886,548.

4. Stockholders' equity

As in the previous year, the called-up and paid nominal capital amounts to € 10,905,000 and is composed of 1,500,000 no-par shares.

Due to the economic uncertainties and consequences triggered by the COVID-19 pandemic, in the previous year it was decided not to disburse a dividend despite the excellent asset, financial and earnings position, in order to strengthen the company's liquidity by carrying forward to new account.

It is proposed for the current year to pay from the net profit amounting to € 9,230,581 a dividend to the amount of € 0.33 per share, i.e. a total of € 500,000, and to carry forward the remaining amount.

The net profit is not subject to a distribution ban pursuant to § 235 (2) of the Austrian Commercial Code, as the reserves that can be released at any time exceed the amount of capitalized deferred tax assets.

5. Liabilities

The item "Other liabilities" comprises € 749,294 (previous year: k€ 94) in expenses that will not be recognized in cash until after the reporting date. The change in other liabilities is due to the utilization of COVID-19 relief.

Total liabilities with a term of more than five years amounted to € 0 as of the balance sheet date (previous year: k€ 0).

As in the previous year, there are no trade payable to third parties for which collateral has been provided.

Liabilities to affiliated companies include current settlements with Group companies.

6. Liability relationships and obligations from using property, plant and equipment not listed in the balance sheet

a) Contingencies

As in the previous year, the company issued a letter of comfort to Unicredit Bank Austria AG in the amount of € 1,000,000 for Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum.

At the reporting date, guarantees exist for customers of the subsidiary RATH Business Services GmbH (formerly RATH Filtration GmbH), Vienna, amounting to € 2,445 (previous year k€ 3).

NOTES

Furthermore, there are bill-of-exchange completion and guarantee declarations towards the subsidiaries RATH Business Services GmbH (formerly RATH Filtration GmbH), Vienna, Chamottewaren- und Thonöfen-fabrik Aug. RATH jun. GmbH, Krummnußbaum, and RATH Sales GmbH & Co KG, Meißen, Germany, for any outstanding accounts with a credit institution. These amounted to € 3,017,197 as of the balance sheet date (previous year: k€ 0).

b) Obligations from the use of property, plant and equipment not listed in the balance sheet

OF THE FOLLOWING FIVE BUSINESS YEARS IN €	OF THE FOLLOWING BUSINESS YEAR IN €	OTHER OPERATING INCOME <
1,473,439 (previous year k€ 675)	414,706 (previous year € 208)	Obligations from rentals and leases

NOTES ON THE P&L ACCOUNT

1. Sales revenue

The sales revenue consists of Group contribution and license payments. The safeguard clause pursuant to § 240 of the Austrian Commercial Code (UGB) was invoked.

2. Miscellaneous other operating income

The miscellaneous other operating income is composed as follows:

DECEMBER 31, 2019 k€	DECEMBER 31, 2020 €	OTHER OPERATING INCOME <
534	32,618	Income from foreign currency valuation
443	249,568	Income from passing on to affiliated companies
0	96,306	Subsidies from the public sector for short-time work
18	919	Miscellaneous
995	379,411	

Income from passing on to affiliated companies includes expenses which are to be borne by subsidiaries but which have been incurred by or invoiced to the company, respectively.

3. Personnel expenses

In the business year 2020, we had an average of 24 (previous year: 24) employees on the payroll. The expenses for severance payments include benefits to internal employee pension funds amounting to € 34,260 (previous year: k€ 38).

NOTES

4. Other operating expenses

The miscellaneous other operating expenses are composed as follows:

	2020	2019
	€	K€
Foreign currency losses	2,644,033	249
Marketing	620,855	640
IT expenses	402,201	427
Expenses passed on by affiliated companies	400,600	438
Legal counseling and other consulting	381,522	499
Insurances	182,044	172
Rental and leasing	147,417	118
Travel expenses	51,886	295
Skill Enhancement	15,642	112
Miscellaneous	379,027	351
	5,225,226	3,301

The expenses for the annual auditor are listed in the consolidated financial statement.

5. Taxes on income and earnings

The company is a parent company that is required to be consolidated according to § 244 of the Austrian Commercial Code (UGB). In 2005, a tax sharing agreement was signed in accordance with § 9 (8) of the KStG 1988 (group parent RATH AG – group members Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, and RATH Business Services GmbH (formerly RATH Filtration GmbH), Vienna, since 2016) for the purpose of group taxation. The group parent debits or (in the event of a loss) credits the group members with the amounts of corporate income tax they have incurred, calculated according to the debit method, via tax contributions. In the case of a positive fiscal result, the tax contribution is calculated by applying a fiscal rate of 25 % or 12.5 % depending on whether the positive fiscal result of the group members is covered by the combined positive result of the group parent, and in the case of a negative fiscal result by applying a fiscal rate of 25 %.

The tax expenditure (-) or tax income (+), respectively, for the business year results from the following:

	2020	2019
	€	K€
Current corporate income tax	67,000	-162
Corporate income tax from group allocation	101,833	374
Deferred tax income/expense	195,969	-490
Tax expenditure from previous periods	0	-6
	364,803	-283

NOTES

6. Events after the balance sheet date

On January 01, 2021 (entry in the commercial register on January 22, 2021), the subsidiary RATH Filtration GmbH was renamed to RATH Business Services GmbH. A total of 13 employees were transferred to the Company on January 01, 2021. In April 2021, we received the sad news about the passing of a former member of the Board of Management, Dkfm. Paul Rath, for whom k€ 571 was still recognized as a pension provision as of December 31, 2020. No other significant events have occurred since the balance sheet date.

C. ORGANS OF THE COMPANY

DI Ingo Gruber, born in 1962, has been a member of the Management Board since October 01, 2019, responsible for the divisions Production and Research & Development. The Management Board contract is in force until December 31, 2022.

His predecessor, DI Jörg Sitzenfrey, born in 1976, was a member of the Management Board from January 01, 2013 (initial appointment) to September 30, 2019.

Mr. Andreas Pfneiszl, born in 1969, has been a member of the Management Board since June 10, 2013 (initial appointment) and responsible for Sales, Finance, Human Resources and IT since October 01, 2019. The management contract is in force until December 31, 2025.

In the following, the total remuneration of the Management Board is shown with its respective fixed and variable shares:

DECEMBER 31, 2019	DECEMBER 31, 2020		MANAGEMENT BOARD REMUNERATIONS<
k€	€		
215	217	fixed	Andreas Pfneiszl
10	10	Life insurance	
100	0	variable	
325	227		
54	217	fixed	DI Ingo Gruber
3	10	Life insurance	
25	0	variable	
82	227		
161	0	fixed	DI Jörg Sitzenfrey
588	0	Benefits on the occasion of termination of the employment relationship	
10	0	Life insurance	
0	0	variable	
759	0		
1,166	454		Total Management Board remuneration

NOTES

Upon termination of his function and provided that his employment is terminated at the same time, a member of the Management Board is entitled to a severance payment as defined in § 23 of the Angestelltengesetz (Austrian Salaried Employees Act), unless the termination is due to a justified dismissal. In this regard, it should be noted that the old severance payment claims were frozen as of December 31, 2002; the claims will change only as a result of salary adjustments and amount to k€ 25 as of December 31, 2020 (previous year: k€ 25).

Pension payments were made to former executive bodies to the amount of € 199,644 (previous year: k€ 200). No advances or loans were granted to members of the company's executive bodies.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of five members elected by the Annual General Meeting, who are characterized by strong managerial and legal expertise, personal qualifications and long-standing experience. All the members are Austrian citizens.

› SUPERVISORY BOARD MEMBERS	YEAR OF BIRTH	INITIAL APPOINTMENT	END OF CURRENT TERM OF OFFICE
Mag. Stefan Ehrlich-Adám (Chairman) › independent	1964	25.6.2013	in 2023
CPA Mag. Philipp Rath (Vice Chairman) › dependent	1966	17.7.2003	in 2023
Mag. Dieter Hermann › independent	1966	25.6.2013	in 2023
Dr. Andreas Meier › independent	1962	1.6.2016	in 2023
Mag. Dr. Ulla Reisch › independent	1968	28.5.2018	in 2023

The Supervisory Board remuneration (including attendance fees) for the business year 2020, subject to the approval of the Annual General Meeting, amounts to a total of € 87,250 (previous year: k€ 85) and is distributed among the individual Members of the Supervisory Board as follows:

› SUPERVISORY BOARD MEMBERS	REMUNERATION (INCL. ATTENDANCE FEES)
Mag. Stefan Ehrlich-Adám (Chairman)	20,650
CPA Mag. Philipp Rath (Vice Chairman)	18,400
Dr. Andreas Meier	16,500
Mag. Dieter Hermann	15,850
Mag. Dr. Ulla Reisch	15,850

NOTES

The remunerations for Members of the Supervisory Board consist of fixed and attendance-dependent components. The fixed components consist of a total amount. In addition, the participation of members is remunerated at a flat rate per meeting.

THE MANAGEMENT BOARD

VIENNA, APRIL 26, 2021

Andreas Pfneiszl (m.p.)

Member of the Management Board

DI Ingo Gruber (m.p.)

Member of the Management Board

SUPPLEMENT 1: SUMMARY OF FIXED ASSETS

	ACQUISITION AND MANUFACTURING COSTS			
	AS OF JANUARY 01, 2020 €	ADDITIONS €	DISPOSALS €	AS OF DECEMBER 31, 2020 €
I. Intangible assets				
Industrial and intellectual property rights and similar rights and benefits, as well as licenses derived from this	726,582	84,257	0	810,839
	726,582	84,257	0	810,839
II. Property, plant and equipment				
1. Other assets, company and business equipment *	1,005,926	92,070	-4,796	1,093,200
2. Down payments and assets under construction	0	21,800	0	21,800
	1,005,926	113,870	-4,796	1,115,000
III. Financial assets				
1. Interest in affiliated companies	30,530,403	0	0	30,530,403
2. Loans to affiliated companies	33,975,029	0	-896,046	33,078,983
3. Investment securities	0	596,526	0	596,526
	64,505,432	596,526	-896,046	64,205,911
	66,237,940	794,652	-900,842	66,131,750
* of which low-value assets in accordance with § 13 of the EStG (Austrian Income Tax Act)		28,492		

SUPPLEMENT 1: SUMMARY OF FIXED ASSETS

CUMULATED DEPRECIATIONS					NET CARRYING AMOUNTS	
AS OF JANUARY 01, 2020 €	ADDITIONS €	DISPOSALS €	VALUE ADJUSTMENT FOREIGN CURRENCY €	AS OF DECEMBER 31, 2020 €	CARRYING AMOUNT DECEMBER 31, 2019 €	CARRYING AMOUNT DECEMBER 31, 2020 €
-647,174	-54,408	0	0	-701,582	79,408	109,257
-647,174	-54,408	0	0	-701,582	79,408	109,257
-762,891	-126,641	3,758	0	-885,774	243,035	207,426
0	0	0	0	0	0	21,800
-762,891	-126,641	3,758	0	-885,774	243,035	229,226
-9,890,844	0	0	0	-9,890,844	20,639,559	20,639,559
-231,805	0	0	-2,216,422	-2,448,227	33,743,224	30,630,755
0	0	0	0	0	0	596,526
-10,122,649	0	0	-2,216,422	-12,339,071	54,382,782	51,866,840
-11,532,715	-181,048	3,758	-2,216,422	-13,926,427	54,705,225	52,205,323
	-28,492					

SUPPLEMENT 2: INVESTMENTS

COMPANY NAME AND HEADQUARTERS	SHARE %	STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2020* €	ANNUAL RESULT 2020* €
RATH GMBH, MEISSEN, GERMANY	100.00 %	26,085,523	-340,132
PREVIOUS YEAR	100.00 %	26,425,654	1,970,083
RATH HUNGARIA KFT., BUDAPEST, HUNGARY	100.00 %	2,916,349	-526,969
PREVIOUS YEAR	100.00 %	3,769,721	-313,445
RATH INC., NEWARK, DE, USA	100.00 %	64,057	-713,352
PREVIOUS YEAR	100.00 %	816,036	-208,449
CHAMOTTEWAREN- UND THONÖFENFABRIK AUG. RATH JUN. GMBH, KRUMMNUSSTBAUM, AUSTRIA	99.98 %	13,007,530	677,284
PREVIOUS YEAR	99.98 %	12,330,247	1,633,200
RATH ŽÁROTECHNIKA SPOL. S R.O., DVŮR KRÁLOVÉ NAD LABEM, CZECH REPUBLIC	100.00 %	1,457,109	27,646
PREVIOUS YEAR	100.00 %	1,476,507	10,527
RATH POLSKA SP. Z O.O., DĄBROWA GÓRNICZA, POLAND	100.00 %	104,316	-19,953
PREVIOUS YEAR	100.00 %	132,568	-5,446
RATH UKRAJINA TOW, DNIPRO, UKRAINE	100.00 %	180,595	-17,715
PREVIOUS YEAR	100.00 %	250,530	4,005
RATH GROUP S. DE R.L. DE C.V., GUADALUPE, MEXICO	100.00 %	-223,282	-88,871
PREVIOUS YEAR	100.00 %	-149,914	-13,018
RATH BUSINESS SERVICES GMBH (FORMERLY RATH FILTRATION GMBH), VIENNA, AUSTRIA	100.00 %	308,726	92,918
PREVIOUS YEAR	100.00 %	415,808	252,702

* according to preliminary local financial statement

AUDITOR'S CERTIFICATE

Report to the annual financial statement

Audit Opinion

We have audited the annual financial statement of Rath Aktiengesellschaft, Vienna, consisting of the balance sheet as of December 31, 2020, the P&L account for the business year ending on this reporting date, and the Notes.

According to our assessment, the annexed annual financial statement conforms to the legal provisions and gives a maximally faithful representation of the assets and financial position of the company as of December 31, 2020, as well as of the profitability of the company for the business year ending on this reporting date, in agreement with the provisions of Austrian corporate law.

Basis for the Audit Opinion

We conducted our audit in accordance with EU Regulation No. 537/2014 (hereinafter EU-Reg) and generally accepted Austrian standards for the auditing of financial statement. These principles require application of the International Standards on Accounting (ISA). According to these provisions and standards, our responsibilities are described further in the section of our Auditor's Certificate entitled "Responsibilities of the annual auditor for the auditing of the annual financial statement". We are independent of the company, in agreement with the provisions of Austrian corporate and professional law, and we have fulfilled our other professional obligations in agreement with these requirements. We believe that the documentary audit evidence we obtained for auditing up to the date of the auditor's certificate is sufficient and appropriate to serve as a basis for our Audit Opinion at this date.

Particularly important auditing matters

Particularly important auditing matters are circumstances that were most important for our audit of the annual financial statement from the financial year according to our best judgment. These circumstances were considered in connection with our audit of the annual financial statement as a whole and during the formation of our Audit Opinion, and we do not provide a separate Audit Opinion on these circumstances.

We have structured our presentation of these particularly important auditing matters as follows:

- Facts
- Audit procedure and findings
- Reference to further information

Recoverability of shares in affiliated companies and loans to affiliated companies

Facts

The shares in affiliated companies to the amount of k€ 20,640 (previous year: k€ 20,640) as well as loans to affiliated companies totaling k€ 30,631 (previous year k€ 33,743) represent 81 % (previous year: 83 %) of the balance sheet total of Rath Aktiengesellschaft, Vienna, on the balance sheet date.

AUDITOR'S CERTIFICATE

Pursuant to § 204 (2) of the Austrian Commercial Code (UGB), shares in affiliated companies and loans to affiliated companies are to be written down on an unscheduled basis to the lower value to be attributed on the reporting date in the event of an expected permanent impairment, whereby a depreciation may also be made if the reduction in value is not expected to be permanent. An appreciation in value pursuant to § 208 (1) of the Austrian Commercial Code must be carried out if, in the case of shares in affiliated companies or loans to affiliated companies that have been written down on an unscheduled basis, it becomes apparent in a later business year that the reasons for the unscheduled depreciation no longer exist. The appreciation is to be made to the extent of the increase in value.

The Management Board carries out a recoverability test for shares in affiliated companies if there are or cease to be signs of permanent impairment. If and insofar as the carrying amount of the shares in affiliated companies is not sufficiently covered by the prorated stockholders' equity, or for the purpose of determining write-ups, a valuation is carried out on the basis of a discounted cash flow method, which are essentially dependent on future turnover and margin expectations and on discounting interest rates.

The determination of the fair value of loans to affiliated companies also requires estimates of default probabilities and repayments.

The assumptions underlying the valuation models are subject to significant estimation uncertainties, as assumptions regarding the discounting interest rate, profitability and growth rates are made on the basis of data from the annual planning process.

In view of the complexity of the impairment models, the estimation uncertainties associated with the derivation of the data used and the immanent discretionary decisions, the recoverability of the value of shares in affiliated companies and loans to affiliated companies is regarded as a particularly important auditing matter.

Audit procedure and findings

We have

- gained an understanding of how Rath Aktiengesellschaft, Vienna, monitors the existence of signs of permanent impairment or appreciation in value, respectively,
- established the process for determining the fair value, for analyzing recoverability, for determining the discounting interest rate, profitability and growth rates, and for the valuation model,
- ascertained whether the future cash flows used in the budget statement can be derived from the information in the planning prepared by the Management Board and brought to the attention of the Supervisory Board,
- discussed the underlying planning assumptions with the Management Board, and validated the plausibility based on information about the current and expected development of the respective unit,

AUDITOR'S CERTIFICATE

- evaluated adherence to the planning by comparing the planning made in the previous periods with the actually occurred values,
- consulted internal experts to check the plausibility of the calculations and the valuation model, who reviewed the calculations and checked that the valuation model complies with the general principles,
- consulted internal experts to reconcile the parameters used, such as the discounting interest rates on which the calculation is based, and critically assessed the results, and
- examined the presentation and explanations in the Notes.

The valuation model, the assumptions and parameters used in the valuation and the presentations and explanations in the Notes are in accordance with the general principles and the Austrian Commercial Code.

Reference to further information

For further information, please refer to the Notes to the financial statement of Rath Aktiengesellschaft, Vienna, section A. Accounting and Valuation Principles, 2. Fixed assets, c) financial assets and d) write-ups to fixed assets as well as B. Notes to the Balance Sheet and P&L Account of Rath AG, Notes to the Balance Sheet, 1. Fixed assets.

Further information

The legal representatives are responsible for the further information. The further information comprises all the information in the annual report, excluding the annual financial statement, the management report and the Auditor's Certificate.

Our Audit Opinion on the annual financial statement does not cover such other information, and we do not express any form of assurance conclusion thereon.

In the context of our auditing of the annual financial statement, we have a responsibility to read this other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statement or our knowledge obtained in the audit or otherwise appears to be misstated.

If, based on our work performed on the other information obtained before the date of this Auditor's Certificate, we conclude that there has been a material misstatement of such other information, we are required to report that fact. We have nothing to report in this respect.

Responsibilities of the legal representatives and the Audit Committee for the annual financial statement

The legal representatives are responsible for the creation of the annual financial statement and for making sure that this provides a maximally faithful representation of the company's asset, financial and earnings position in agreement with the provisions of Austrian corporate law. Furthermore, the legal representatives are responsible for the internal controls that they deem necessary to enable preparation of annual financial statement free of significant – fraudulent or accidental – misrepresentations.

AUDITOR'S CERTIFICATE

During the creation of the annual financial statement, the legal representatives are responsible for assessing the capability of the company to continue their company activities, to specify circumstances in connection with the continuation of their company activities – if and insofar as relevant – and to apply the accounting principle of the continuation of company activities; unless the legal representatives intend to either liquidate the company or to cease their company activities, or do not have any realistic alternatives to this.

The Audit Committee is responsible for monitoring the accounting process of the Company.

Responsibilities of the annual auditor for the auditing of the annual financial statement

Our goals are to obtain sufficient certainty as to whether the annual financial statement as a whole is free of significant – fraudulent or accidental – misrepresentations, and to provide an Auditor's Certificate that contains our Audit Opinion. Sufficient certainty is a high level of certainty, but not a guarantee that an audit executed in agreement with the EU-Reg and the Austrian principles of proper auditing, which mandate application of the ISA, will always discover a significant misrepresentation if such exists. Misrepresentations may result from fraudulent acts or mistakes and are to be considered significant if it can be expected that they – individually or altogether – will influence the economic decisions of users made on the basis of these annual financial statement.

As a part of an audit in agreement with the EU-Reg and the Austrian principles of proper auditing, which mandate application of the ISA, we exercise discretion according to our best judgment during the entire audit and maintain a critical approach.

Furthermore, the following applies:

- We identify and assess risks of significant – fraudulent or accidental – misrepresentations in the statement, plan auditing measures as a response to these risks, execute them and obtain documentary audit evidence that is sufficient and suitable to serve as a basis for our Audit Opinion. The risk that significant misrepresentations resulting from fraudulent actions not being discovered is greater than a risk of misrepresentations resulting from mistakes, because fraudulent actions may comprise collusive collaborations, falsifications, intended incompleteness, misleading representations or the bypassing of internal controls.
- We gain an understanding of the internal control system relevant for the audit in order to plan auditing measures that are appropriate under the specified circumstances, however not with the goal of submitting an audit opinion of the effectiveness of the company's internal control system.
- We assess the appropriateness of the accounting methods applied by the legal representatives as well as the plausibility of the estimated values in the accounting presented by the legal representatives and related information.
- We draw conclusions about the appropriateness of the application of the accounting principles for the continuation of operations by the legal representatives as well as on the basis of the obtained documentary audit evidence as to whether there is a significant discrepancy in connection with events or circumstances that may cause significant doubt in the ability of the company to

AUDITOR'S CERTIFICATE

continue its operations. If we come to the conclusion that a significant uncertainty exists, we are obligated to point in our Auditor's Certificate to the relevant information in the annual financial statement or, if this is inappropriate, to modify our Audit Opinion. We draw our conclusion on the basis of the documentary audit evidence that we have obtained up to the date of our Auditor's Certificate. Future events or circumstances may nevertheless result in the company ceasing to continue its operations.

- We evaluate the entire representation, the structure and the content of the annual financial statement, including the specifications, as well as if the financial statement represents the business transactions and events in a manner that creates a maximally faithful image.

We talk to the Audit Committee about the planned scope and the planned time needed for the audit, as well as about important findings, including any important deficiencies in the internal control system that we detect during our audit.

We also provide the Audit Committee with a statement that we complied with the relevant professional behavior requirements regarding independence and we inform them of all relationships and other circumstances from which it can be reasonably assumed that they have an effect on our independence and – if and insofar as relevant – any affiliated protective measures.

On the basis of the issues that we discuss with the Audit Committee, we determine which issues were most important for the audit of the annual financial statement for the financial year and are therefore particularly important auditing matters. We describe these issues in our Auditor's Certificate unless laws or other legal provisions rule out publication of the issues, or we determine in extremely rare cases that an issue should not be included in our Auditor's Certificate because it is reasonably expected that the negative consequences of such a notification would outweigh their advantages for the public interest.

Further legal and other statutory requirements

Report on the Management Report

Due to the provisions of Austrian corporate law, the management report must be examined to check that it is in agreement with the annual financial statement and was issued according to the applicable legal requirements.

The legal representatives are responsible for the preparation of the management report in agreement with the provisions of Austrian corporate law.

We have executed our audit in agreement with the professional principles for the auditing of the management report.

AUDITOR'S CERTIFICATE

AUDIT OPINION

According to our assessment, the management report was created in compliance with the applicable legal requirements, comprises correct information according to § 243a of the Austrian Commercial Code (UGB), and is in agreement with the annual financial statement.

STATEMENT

In light of the knowledge and understanding about the company and its environment gained during the auditing of the annual financial statement, we did not find any significant misrepresentations in the management report.

Additional information under Article 10 of the EU-Reg

We were elected as annual auditors by the Annual General Meeting on October 02, 2020. We were commissioned by the Supervisory Board on November 09, 2020. We have been annual auditors without interruption since the business year 2019.

We declare that the Audit Opinion in Section "Report on the annual financial statement" is consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU-Reg.

We declare that we have not performed any prohibited non-auditing services (Article 5 (1) of the EU-Reg), and that we have maintained our independence from the audited company in the performance of the audit.

Financial auditor responsible for the order

The financial auditor responsible for the auditing order is Mag. Bettina Maria Szaurer.

Vienna

April 26, 2021

PwC Wirtschaftsprüfung GmbH

Mag. Bettina Maria Szaurer

CPA

Publication or disclosure of these annual financial statement with our Auditor's Certificate is permissible only with our approval. This Auditor's Certificate is valid only for the complete annual financial statement in the German language, including the management report. To any deviating versions, the regulations of § 281 (2) of the Austrian Commercial Code (UGB) apply.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In the business year 2020, the Supervisory Board once more performed the tasks for which it is responsible under the law, the Articles of Association, and the rules of procedure. We supervised the work of the members of the Management Board and provided them with advice. The Management Board informed us promptly and comprehensively about the competitive environment, the business performance, and the intended business policy, as well as all important strategic and operational decisions. Major investment projects, planned Group financing measures and acquisition projects were agreed with us. As Chairman of the Supervisory Board, I reviewed the minutes of the Management Board meetings and discussed current business developments with the Management Board on an ongoing basis. The Supervisory Board was involved into all decisions of significance. In the reporting year 2020, the Management Board and the Supervisory Board exchanged information in seven meetings, consulting on the economic situation and the strategic development of our Group, as well as on important events, investments and actions. During all meetings, the Supervisory Board was, in the context of regular reporting, informed by the Management Board about the major matters of executive management, the course of business and the economic situation of the company. The Supervisory Board was given ample opportunity to comply with its obligation to inform and supervise. We have thereby fulfilled our legal obligations and those laid out in our Articles of Association. We have advised the Management Board regarding the management of the company and supervised the activities of the executive management. There were no reasons for complaints concerning the business activities of the Management Board.

Meetings of the Supervisory Board

During the reporting year, the Supervisory Board and Management Board extensively discussed all relevant issues affecting the development of the business, including risk situation and risk management within both the company itself and its Group companies. The Management Board has kept the Supervisory Board informed in the course of reports generated on an ongoing basis by the reporting system, and on the basis of detailed reports on the business and financial position of the Group, the personnel situation and the potential investment and acquisition projects. Special events were reported separately. The committees of the Supervisory Board reported on their activities at the Board's meetings. In the 2020 business year, seven meetings (including one extraordinary meeting and one inaugural meeting) were held. All members participated personally in all meetings. At the March 2020 meeting, the 2020 budget was approved with a plan through 2021, and an update was provided on the status of potential acquisitions and the internal evaluation of C Rule 62. At the extraordinary meeting of the Supervisory Board in April 2020, an update was provided on the COVID-19 pandemic and its impact. At the meeting in April 2020, the annual financial statement and management report 2019 as well as the consolidated financial statement and consolidated annual report 2019 were reviewed; the annual financial statement 2019 was assessed as recommended by the Audit Committee, and the proposal for the distribution of profits from the business year 2019 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, and the current state of business was reported on. Meetings were held in May, July and September 2020 to consider the current business situation with particular focus on the impact of the COVID-19 pandemic, and to provide an update on potential acquisitions. The meeting in October 2020

REPORT OF THE SUPERVISORY BOARD

was used mainly for the preliminary discussion regarding the Annual General Meeting. During the inaugural meeting of the Supervisory Board, which took place on the same day after the Annual General Meeting, the meeting dates for 2021 were finalized. In the last meeting of the year in December 2020, primarily the outlook into the next year and the budget for 2021 were discussed and approved.

Committees

The Supervisory Board established three committees during the reporting year. The Audit Committee met twice in 2020. In April 2020, the Audit Committee carried out the final meeting for the business year 2019 in the presence of the annual auditor. The annual financial statement and management report as well as the consolidated financial statement and consolidated annual report were reviewed, and the Supervisory Board was given the recommendation to approve the annual financial statement and (in the absence of the annual auditor) the selection of the financial auditor. At the meeting in December 2020, the annual auditors reported on the status of the preliminary audit of the annual financial statement and consolidated financial statement. The Strategy Committee met once in 2020. The meeting in December 2020 focused on the analysis of the current situation by the Management Board, and in particular by the COO, regarding our plants and any change measures. It was also decided to continue to focus strategically on inorganic growth in addition to organic growth. A Remuneration Committee was held in the past business year. The meeting focused on the determination of the Management Board's target achievement in 2019 as the basis for the variable remuneration component and the setting of targets for 2020.

Annual and consolidated financial statement

The annual financial statement of RATH AG as of December 31, 2020, and the consolidated financial statement as of December 31, 2020 according to the IFRS were audited with involvement of Accounting and provided with an unqualified audit opinion by PwC Wirtschaftsprüfung GmbH, Vienna, selected as annual auditor by the Annual General Meeting on October 02, 2020. The opinion on the management report and the consolidated annual report was that they are consistent with the annual financial statement and the consolidated financial statement and have been prepared in accordance with the applicable legal requirements. The Audit Committee of the Supervisory Board analyzed the findings of the audit in cooperation with the auditor during the meeting on April 26, 2021, and recommended approval of the annual financial statement including the management report and the consolidated financial statement including the consolidated annual report to the Supervisory Board. By resolution of April 26, 2021, the Supervisory Board approved the annual financial statement, including the management report, and the consolidated financial statement, including the consolidated annual report.

The Supervisory Board has reviewed the documents according to § 96 of the AktG (Austrian Stock Corporation Act) as well as the consolidated corporate governance report, and approved the annual financial statement, which is thus established pursuant to § 96 (4) of the AktG; the Supervisory Board has also reviewed and approved the proposal for the appropriation of profits submitted to it by the Management Board. The final result of the audits gave no reasons for complaints.

VIENNA, APRIL 26, 2021

Mag. Stefan Ehrlich-Adám
Chairman of the Supervisory Board

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO §124 (1) 3 STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statement as of December 31, 2020 established according to the International Financial Reporting Standards (IFRS) in the European Union (EU) provides a maximally faithful representation of the Group's asset, financial and earnings position, and that the consolidated annual report as of December 31, 2020 presents the business performance, the operating results and the situation of the Group so as to give a maximally precise representation as possible of the Group's assets, financial and earnings position, and that the consolidated annual report describes the main risks and uncertainties faced by the Group.

We confirm to the best of our knowledge that the parent company's annual financial statement as of December 31, 2020, established according to the Austrian Commercial Code (UGB), provides a maximally faithful representation of the company's asset, financial and earnings position, and that the management report as of December 31, 2020 presents the business performance, the operating results and the situation of the company so as to give a maximally precise representation as possible of the assets, financial and earnings position, and that the management report describes the main risks and uncertainties faced by the company.

The results of the financial year ending on December 31, 2020, are not necessarily indicative of the development of future results.

VIENNA, APRIL 26, 2021

Andreas Pfneiszl (m.p.)

Member of the Management Board

DI Ingo Gruber (m.p.)

Member of the Management Board

