2019

ANNUAL REPORT

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RATH

KEY FIGURES

	2019 K€	2018 K€	2017 K€	2016 K€	2015 K€
Turnover	**100,070**	94,488	86,338	80,306	81,924
Change in %	**5.9**	9.4	7.5	-2.0	5.8
EBITDA [1]	**14,111**	12,729	10,395	9,140	9,785
EBITDA margin in %	**14.1**	13.5	12.0	11.4	11.9
EBIT [1]	**8,383**	8,422	6,237	5,016	5,627
EBIT margin in %	**8.4**	8.9	7.2	6.2	6.9
EBT [1]	**7,854**	8,170	2,891	4,705	6,499
Operating cash flow	**4,354**	13,758	10,148	5,903	6,155
Capital ratio in %	**47.7**	45.3	44.7	50.7	49.2
Return on shareholders' equity in %	**7.4**	12.1	5.4	9.2	10.3
Net Debt	**35,381**	14,501	20,150	23,446	23,563
Net Debt / EBITDA [1]	**2.51**	1.14	1.94	2.57	2.41
Working capital in % of the turnover [2]	**33.8**	30.0	34.8	40.4	38.2
ROCE in %	**4.9**	9.7	8.8	6.3	5.1
Investments into property	**6,914**	5,479	5,788	5,629	3,799
Depreciation	**5,728**	4,306	4,157	4,124	4,159
Number of employees on annual average	**577**	549	536	542	551
Number of consolidated companies	**11**	10	10	10	9

[1] In the financial year 2019 adjusted for one-off effects (see Note 7)

[2] Contract liabilities are included into the calculation of working capital from FY 2017 onwards

ANNUAL REPORT 2019

RATH GROUP

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2019

CONSOLIDATED SALES FOR THE FIRST TIME OVER 100 MILLION €

PROFITABILITY REMAINS STRONG

RATH GROWS VIA ACQUISITION IN THE USA

PREFACE BY THE MANAGEMENT BOARD

DEAR LADIES AND GETLEMEN

We have achieved our long-standing goal of achieving a turnover of 100 million €.

In the past financial year, the RATH Group was confronted with a dimming of the economic environment. The trade conflicts between the USA and China as well as Europe and the repeatedly postponed BREXIT were not the best setting for achieving growth in our Group. Nevertheless, we did it.

In these eventful times and 30 years after going public, the RATH Group is delivering the highest turnover in history, with a remarkably profitable result.

We successfully pursued our goal of growing both through new products from our plants and inorganically. As of 30 August 2019, we were able to take over the production of refractory materials in the USA from Bucher Emhart Glass, CH in the course of an asset deal. With this acquisition we have succeeded in strengthening our strategic focus on the glass industry. With this acquisition, RATH enters the so-called wear parts business of refractory products for the container glass industry. The main focus continues to be on our existing excellent product portfolio in order to expand the newly acquired products and thus offer our customers an even wider choice.

Due to the global pandemic triggered by SARS-COV-2 (COVID-19), the year 2020 began somewhat more cautiously for the RATH Group than the years before. Our targets for the financial year 2020 currently cannot be achieved – the rigorous measures taken by many countries make it impossible to implement the plans as we had envisaged. The Management Board is currently expecting a

Andreas Pfneiszl (CFO, CSO), DI Ingo Gruber (COO, CTO)

reduction in revenues and earnings, but currently it is not yet possible to quantify this.

In line with the fact that the global pandemic will also put pressure on our economic performance, the Management Board and Supervisory Board will not propose a dividend payment at the upcoming Annual General Meeting in order to strengthen liquidity in the Group.

A big thank you goes to our employees for their great commitment in 2019 – and above all for their loyalty and dedication in these difficult times! We will also master this crisis and achieve strong results again.

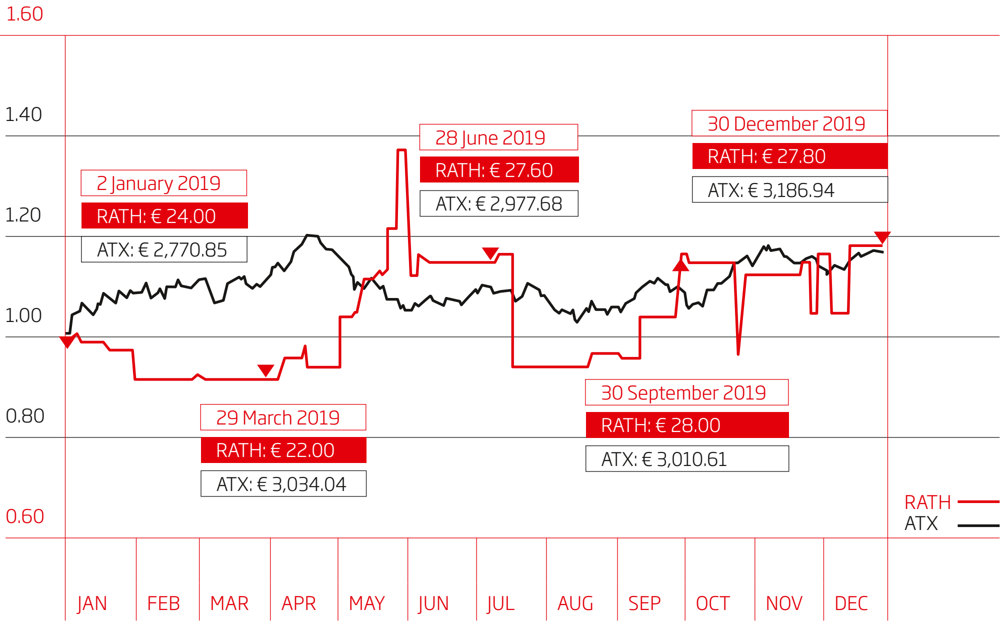
Yours, the Management Board

Andreas Pfneiszl

DI Ingo Gruber

THE STOCK

› SHARE DEVELOPMENT



› STOCK MARKET KEY FIGURES

ISIN	AT0000767306
Securities abbreviation	RAT
Market segment	Standard Market Auction
Trading segment	Official trading
Class of shares	No-par shares entitled to vote
Number of shares	1,500,000
Share price on 30 December 2019	€ 27.80
Market capitalization:	41,700,000 €
Earnings per share	€ 2.47

› CAPITAL MARKET CALENDAR 2020

25 September 2020	Semi-annual result 2020
2 October 2020	Annual General Meeting
30 November 2020	Result Q3 2020

THE STOCK

STOCK

The RATH stock

After a price of € 24.00 at the beginning of 2019, the share price rose to an annual high of € 33.00 at the end of May after overcoming the low for the year of € 22.00.
At mid-year, the price per share was € 27.60. At the end of the year, it closed at a price of € 27.80 and thus reported a price gain for 2019 amounting to 16 %. This is at a similar level to the ATX.

Investor Relations

The aim of the capital market communication by RATH AG is to inform the financial community about market-relevant developments promptly, extensively and regularly. As a judicious contact, we are capable of creating a fair and appropriate valuation of the RATH stock. The focus is always to convey an image representing the company's actual situation according to the principle of true and fair view.

For us, investor relations is not only an obligation to inform our stockholders about the company, but also an opportunity to attract new investors at home and abroad.

Investor Relations Officer
Christine Wittmann
Email: ir@rath-group.com
Internet: www.rath-group.com

CORPORATE GOVERNANCE REPORT
PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE

CORPORATE GOVERNANCE REPORT DECLARATION PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE

RATH is fully committed to complying with the rules of conduct laid down in the Austrian Corporate Governance Code and regards this as an essential prerequisite for responsible corporate management. The Management Board and the Supervisory Board, as well as all employees of the RATH Group, have committed themselves to upholding the Code.

The Austrian Corporate Governance Code is based on voluntary self-commitment and goes beyond the legal requirements for a stock corporation. RATH follows the rules of the Code almost entirely.

The Code comprises three categories of rules:

1. Legal Requirement ("L") – comprising mandatory legislation.
2. The "C" rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to achieve compliance with the Code.
3. Recommendation rules ("R") are recommendations by nature.

We comply with all the "L" and "C" rules. Deviating from this: C-Rule 16 (RATH AG currently has no chairperson of the Management Board), C-Rule 27 (currently there are no non-current targets on which the variable remuneration of the Management Board is based and no claw-back regulations), C-Rule 39 (currently there is no committee that is authorized to make decisions in urgent cases, as this task is performed at the level of the entire Supervisory Board)

The Corporate Governance Report of RATH AG also corresponds to the consolidated corporate governance report of the RATH Group.

The ÖCGK valid for the financial year 2019 (as of: January 2018) can be found on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) as well as on that of RATH AG (www.rath-group.com).

RATH uses the Corporate Governance Code of January 2018 to its full extent, accompanied by the following detailed explanations:

Composition of the Management Board

As of 31 December 2019, the Management Board of RATH AG consisted of two members. DI Ingo Gruber has been a member of the Management Board since 1 October 2019, responsible for the areas of Production and Research & Development. His predecessor, DI Jörg Sitzenfrey, was a member of the Management Board until 30 September 2019.

Mr. Andreas Pfneiszl has been a member of the Management Board since his initial appointment on 10 June 2013 and is responsible for Sales, Finance, Human Resources and IT.

As in the previous year, there is no chairperson.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

› MEMBERS OF THE MANAGEMENT BOARD

TITLE	NAME	FUNCTION	DATE OF BIRTH	INITIAL APPOINTMENT	END OF TERM OF OFFICE	SUPERVISORY BOARD MANDATES AND/OR COMPARABLE FUNCTIONS IN OTHER COMPANIES NOT INCLUDED INTO THE CONSOLIDATED FINANCIAL STATEMENT
	Andreas Pfneiszl	Member of the Management Board	1 December 1969	10 June 2013	31 December 2025	none
DI	Ingo Gruber	Member of the Management Board	19 April 1962	1 October 2019	31 December 2022	none
DI	Jörg Sitzenfrey	Member of the Management Board	29 April 1976	1 January 2013	30 September 2019	none

DI INGO GRUBER

Areas of responsibility

Management Board Member for Production and Engineering

Assigned corporate functions

Research & Development,
Production and Purchasing

Group companies

Member of the Management Board of RATH AG

ANDREAS PFNEISZL

Areas of responsibility

Management Board Member for Sales and Finance

Assigned corporate functions

Finance, IR, HR, Legal and
Information Technology

Group companies

Member of the Management Board of RATH AG, member of the executive management of RATH Filtration GmbH

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

Composition of the Supervisory Board

The Supervisory Board of RATH AG consists of five members elected by the Annual General Meeting.

› SUPERVISORY BOARD MEMBERS

TITLE	NAME	FUNCTION	DATE OF BIRTH	INITIAL APPOINTMENT	END OF TERM OF OFFICE	SUPERVISORY BOARD MANDATES AND/ OR COMPARABLE FUNCTIONS IN LISTED COMPANIES
Mag.	Stefan Ehrlich-Adám	Chairman of the Supervisory Board	19 May 1964	25 June 2013	Until the regular Annual General Meeting 2023	none
CPA Mag.	Philipp Rath	Deputy Chairman	3 July 1966	17 July 2003	Until the regular Annual General Meeting 2023	none
Mag.	Dieter Hermann	Member of the Supervisory Board	10 January 1966	25 June 2013	Until the regular Annual General Meeting 2023	none
Dr.	Andreas Meier	Member of the Supervisory Board	10 July 1962	1 June 2016	Until the regular Annual General Meeting 2023	none
Mag. Dr.	Ulla Reisch	Member of the Supervisory Board	22 April 1968	28 May 2018	Until the regular Annual General Meeting 2023	none

Diversity

The members of the Supervisory Board are selected on the basis of their professional qualifications, personal competence, and long-standing experience in management positions. In addition, aspects of diversity, internationality, representation of genders and age structure of its members are taken into account as much as possible. There is one female member on the Supervisory Board, and the overall portion of women thus amounts to 20 %.
All the members are Austrian citizens.

When selecting the members of the Management Board, the Supervisory Board ensures that non-current succession planning is adhered to. In the opinion of the Supervisory Board, the basic suitability criteria for

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

the screening of candidates for a position on the Management Board are their professional qualifications for the portfolio to be assumed, convincing leadership qualities, previous performance, and knowledge of the company. Setting aside these criteria, women and men have the same chances in the selection process. In the course of making its decision, the Supervisory Board contemplates the following aspects:

1. The members of the Management Board should have long-standing management experience and, if possible, bring experience from various professions.

2. At least one member of the Management Board should have a technical background or long-standing technical professional experience.

3. The Management Board as a whole should have long-standing experience in the areas of production, sales, finance and personnel management.

No target figure is set for the proportion of women on the Management Board. The Supervisory Board decides on the specific filling of the Management Board positions in the interests of the company and exclusively on a case-by-case basis, taking into account professional and personal qualifications.

Currently, no member of the Management Board of RATH AG is female; one member of the Supervisory Board is. Women hold leading positions in numerous departments of the first and second reporting level. As of 31 December 2019, women accounted for 18.4 % of the total workforce across the Group (previous year: 18.7 %).

The RATH Group supports and promotes employment of women in all departments, in particular in technical areas. However, the RATH Group is very often confronted with the situation that in many countries there are still significantly fewer women than men in technical occupations or professions. The RATH Group therefore supports various initiatives to inspire women to take up a technical profession or to start studying technology. This includes regular participation in various events such as recruitment and career orientation days for young women at universities and colleges. The RATH Group also takes measures and makes investments to promote compatibility of career and family. In addition, great attention is paid to strict gender equality in the recruitment process. However, despite all efforts to promote female employees the RATH Group will refrain from anything that would lead to discrimination against men.

Independence of the Supervisory Board members

All members of the Supervisory Board who are not in a business or personal relationship with RATH AG or its Management Board that would constitute a material conflict of interest and thus have the potential to influence the respective member's behavior, are regarded as "independent" in the sense of the general clause of regulation 53. The criteria of the Corporate Governance Code Annex 1 are used as a benchmark. According to these criteria, CPA Mag. Philipp Rath, Deputy Chairman of the Supervisory Board of RATH AG, is to be classified as dependent.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

Report on the remuneration of the Management Board and Supervisory Board
The remuneration of the Management Board comprises fixed and variable/success-related components, whereby the amount of the variable remuneration is limited to 50 % of the basic remuneration. Any amount exceeding this is credited as variable remuneration to the subsequent years. If the consolidated result falls below a defined minimum amount, this gives rise to a penalty, which is also carried forward to subsequent years and leads to a reduction in future variable salary components. C Rule 27.2 is currently not observed with regard to the non-current nature of variable/success-dependent elements. C Rule 27.5 with regard to claw-back is currently not observed either.

The variable/success-related remuneration for 2019 was regulated as follows:

› VARIABLE/SUCCESS-RELATED REMUNERATION

ANDREAS PFNEISZL

IN K€	PORTION	THEREOF PORTION	ACTUAL K€	GOAL K€	RANGE
Monetary targets	**75%**				
Sales-related		35%	33	30	80 % to 120 %
Profit-related					
EBITDA		40%	36	34	90 % to 120 %
Individual goals	**25%**				
Acquisition process		100%	31	22	
Overall target achievement	**100%**		**100**	**86**	

INGO GRUBER

IN K€	PORTION	THEREOF PORTION	ACTUAL K€	GOAL K€	RANGE
Monetary targets	**0%**				
Individual goals	100%				
Fixed premium		100%	25	25	
Overall target achievement	**100%**		**25**	**25**	

The members of the Management Board were granted entitlements to pension benefits – life insurance. These are paid by RATH AG to the insurance company once a year. The amount of the pension entitlement

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

is contractually fixed at € 10,000 per year and Management Board member and is not subject to indexation/increase in value. In the event of premature termination of the employment relationship, the contributions paid up to this point in time become vested for the Management Board. The insurance premiums paid by the RATH Group are shown in the following table as other remuneration.

At RATH AG, remunerations dependent on success are not granted via stock options but are dependent on varying success criteria. Part of this is a predefined target achievement regarding the operating results and qualitative and quantitative goals. Of the total remuneration of the Management Board in 2019, portions were both fixed and variable/performance-related. In case of a function termination by the Management Board, no claims or entitlements beyond the statutory requirements can be made or requested. No advances or loans were granted to members of the RATH AG Management Board.

› MANAGEMENT BOARD REMUNERATIONS

TITLE	NAME	FUNCTION	FIXED K€	VARIABLE K€	OTHER REMUNERATIONS	TOTAL 2019
DI	Jörg Sitzenfrey	Member of the Management Board	749	0	10	759
DI	Ingo Gruber	Member of the Management Board	54	25	3	82
	Andreas Pfneiszl	Member of the Management Board	215	100	10	325
						1,166

TITLE	NAME	FUNCTION	FIXED K€	VARIABLE K€	OTHER REMUNERATIONS	TOTAL 2018
DI	Jörg Sitzenfrey	Member of the Management Board	210	90	10	310
	Andreas Pfneiszl	Member of the Management Board	210	90	10	310
						620

The fixed remuneration of the former member of the Management Board, DI Jörg Sitzenfrey, also includes the performances on the occasion of the termination of the employment contract.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

The Supervisory Board remuneration (including attendance fees) for the financial year 2019, subject to the approval of the Annual General Meeting, amounts to a total of k€ 85 (previous year: k€ 70) distributed among the Members of the Supervisory Board as follows:

› SUPERVISORY BOARD REMUNERATIONS

TITLE	NAME	REMUNERATION INCL. ATTENDANCE FEES K€
Mag.	Stefan Ehrlich-Adám (Chairman of the Supervisory Board)	22
CPA Mag.	Philipp Rath (Vice Chairman)	18
Dr.	Andreas Meier	17
Mag.	Dieter Hermann	15
Mag. Dr.	Ulla Reisch	13
		85

The remunerations for Members of the Supervisory Board consist of fixed and attendance-dependent components. The fixed element consists of a total amount, and the second element of an attendance fee which is determined by a fixed amount per meeting that a member participates in.

› BASIC REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

DESIGNATION	BASIC REMUNERATION €
Chairman	13,500
Deputy	11,250
Member	10,000
Supervisory Board meeting	650
Strategy Committee	650
Audit Committee	650
Remuneration Committee	650

RATH AG has taken out directors' and officers' liability insurance (D&O insurance) for the management, Supervisory Board, Management Board, managing directors and senior staff of the RATH Group. The policyholder is RATH AG, the costs are borne by the company. The D&O insurance covers certain personal liability risks of the responsible persons of the RATH Group. The annual costs amount to k€ 17 (previous year: k€ 15).

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

Committees and activities of the Supervisory Board

The Supervisory Board of RATH AG consists of experts from various disciplines and conducts regular meetings dealing, among other things, with strategic matters and balance sheet affairs. Within this framework, the Supervisory Board of RATH AG is involved as an advising body in all basic decisions of the Management Board.

RATH AG has an Audit Committee, a Strategy Committee and a Remuneration Committee.

The following members of the Supervisory Board have been members of the Audit Committee since the Annual General Meeting on 28 May 2018: Mag. Ehrlich-Adám as chairman, CPA Mag. Philipp Rath, Mag. Dieter Hermann and Mag. Dr. Ulla Reisch. The Audit Committee held two meetings. On 24 April 2019, it focused on the preparation and audit of the Group's consolidated and individual financial statement, and on 17 December 2019, it focused on the main areas of the audit and the annual auditor's planning for 2019. Other topics included the effectiveness and operating mode of the internal control system, risk management and specific accounting issues. The annual auditor participated in both meetings.

The following members of the Supervisory Board are on the Strategy Committee: CPA Mag. Philipp Rath as chairman, Mag. Ehrlich-Adám, Mag. Dieter Hermann, Dr. Andreas Meier. The Strategy Committee held one meeting in 2019. At its meeting on 17 December 2019, the Supervisory Board dealt with an analysis of the status quo of our plants and possible improvement measures by the Management Board. The organic and inorganic growth potentials were also discussed.

The Remuneration Committee consists of Mag. Ehrlich-Adám as chairman, CPA Mag. Philipp Rath and Dr. Andreas Meier. A total of five meetings of the Remuneration Committee were held in the financial year. The main topics of the first meeting on 26 February 2019 were the achievement of the 2018 target agreement, and the 2019 target agreement meeting with the members of the Management Board. At the meetings on 13 September 2019, 18 September 2019 and 4 October 2019, the remuneration policy for the Management Board and the Supervisory Board was determined, and the type and content of the agreement to terminate the management contract of the outgoing member of the Management Board responsible for Production was discussed.

The duties of the Supervisory Board are governed by the Articles of Association and by applicable law. The Supervisory Board performed its duties in five regular meetings, including one inaugural meeting. At the inaugural meeting of the Supervisory Board, the members of the individual committees were elected. At the meeting on 4 March 2019, a report was given on the past financial year 2019 and the current business situation of the RATH Group 2019. Further priority areas of the Supervisory Board meetings were presentations about our production facilities and an update on our "DRIVE" growth strategy with regard to acquisitions.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

At the Supervisory Board meeting on 24 April 2019, the results of the audit of the annual financial statement of RATH AG and of the consolidated financial statement including an unqualified Auditor's Certificate were noted. Furthermore, in preparation for the Annual General Meeting, the report of the Supervisory Board was adopted, and the agenda items for the 30th General Meeting were defined and the individual resolution proposals approved. In addition, the current business situation as of Q1 2019 was reported.

On the day of the Annual General Meeting, 27 May 2019, the Supervisory Board meeting was informed about the current business situation of the RATH Group. The individual items of the Annual General Meeting were also discussed. At the meeting in September 2019, the semi-annual financial report was discussed, and deliberations were also held on the current business situation; furthermore, information was provided on the integration of Bucher Emhart Glass refractories production Owensville, Missouri. At the last annual meeting in December 2019, the new COO presented the actual state of Production and derived investment potential therefrom. The 2020 budget was postponed to 11 March 2020 on the basis of the new findings.

The attendance rate was 90 % (previous year: 93 %). No advances or loans were granted to members of the Supervisory Board of RATH AG.

A self-evaluation of the Supervisory Board took place in the financial year 2019.

Report on C Rule 49

At the beginning of 2019, Rödl & Partner Atlanta, USA, was commissioned with the due diligence in connection with the acquisition of the refractories division of Bucher Emhart Glass including the production facility in Owensville (Missouri, USA). CPA Mag. Philipp Rath is a partner of the affiliated company Rödl & Partner, Vienna, Austria. Consulting expenses of k€ 108 were reported for this purpose in the financial year.

Rödl & Partner New York, USA, was also commissioned to audit the 2019 financial statement of the American group companies RATH, Inc. and RATH LLC. Consulting fees amounting to k€ 31 were agreed for this purpose.

Financial auditor

At the 30th Annual General Meeting of RATH AG held on 27 May 2019, PwC Wirtschaftsprüfung GmbH, Vienna, was elected as the independent annual auditor for the 2019 annual financial statement and consolidated financial statement of RATH AG.

External evaluation

According to Rule 62 of the Austrian Corporate Governance Code, compliance with the provisions of the Code should be evaluated externally on a regular basis, i.e. at least every three years. An external

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE UGB (AUSTRIAN COMMERCIAL CODE)

evaluation was carried out by PwC Wirtschaftsprüfung GmbH, Vienna, for the reporting year 2018. The results of the evaluation are as follows:

"The evaluation did not reveal any facts that might lead to the assumption that, on the one hand, the corporate governance report of the company does not comply with the legal provisions of the Austrian Commercial Code (§ 243c of the UGB) in all material respects and, on the other hand, that the declaration of compliance of the company does not correctly represent, in all material respects, the implementation of and compliance with the relevant rules of the Austrian Corporate Governance Code in the version of January 2018."

In accordance with Rule 62 of the Austrian Corporate Governance Code, the next external evaluation is planned for the financial year 2022.

Compliance

Compliance is a central component of good corporate governance and a basic prerequisite for sustainable corporate success. We have a comprehensive compliance system, which is described in our Sustainability Report.

Changes after the balance sheet date

There were no material changes between the balance sheet date and the date of preparation of the Corporate Governance Report.

The Management Board

VIENNA, 28 APRIL 2020

Andreas Pfneiszl

DI Ingo Gruber

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO § 124 I 3 STOCK EXCHANGE ACT

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO § 124 I 3 STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statement as of 31 December 2019 established according to the International Financial Reporting Standards (IFRS) in the European Union (EU) provide a maximally faithful representation of the Group's asset, financial and earnings position, and that the consolidated annual report as of 31 December 2019 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 31 December 2019, established according to the UGB (Austrian Commercial Code), give as accurate a representation as possible of the company's asset, financial and earnings position, and that the management report as of 31 December 2019 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 years ending on 31 December 2019 are not necessarily indicative of the development of future results.

VIENNA, 28 APRIL 2020

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

DEAR STOCKHOLDERS,

Mag. Stefan Ehrlich-Adám, Chairman of the Supervisory Board

In the financial year 2019, 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 2019, the Management Board and the Supervisory Board exchanged information during five meetings (four regular meetings, one inaugural meeting), 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. Thus, 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. Five regular meetings (including the inaugural meeting of the Supervisory Board) were held in the financial year 2019. All but a few members participated personally in all meetings. At the meeting of March 2019, the past financial year and the current status of the potential acquisition of Bucher Emhart Glass were reported on. At the meeting in April 2019, the annual financial statement 2018 and the consolidated financial statement and management report 2018 were reviewed, the annual financial statement 2018 were assessed as recommended by the Audit Committee, and the proposal for the distribution of profits from the financial year 2018 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, the Annual General Meeting was prepared, and the current state of business was reported on. An update was given on the status of negotiations for the possible acquisition as well. The meeting in May 2019 was mainly used 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 2019/2020 were finalized. At the meeting in September 2019, the semi-annual financial report was discussed, and deliberations were also held on the current business situation; furthermore, information was provided on the integration of Bucher Emhart Glass refractories production Owensville, Missouri. At the last annual meeting in December 2019, the new COO

REPORT OF THE SUPERVISORY BOARD

presented the actual state of production and derived investment potential therefrom. The 2020 budget was postponed to 11 March 2020 on the basis of the new findings.

Committees

The Supervisory Board established three committees during the reporting year. The Audit Committee met twice in 2019. In April 2019, the Audit Committee carried out the final meeting for the financial year 2018 in the presence of the annual auditor. The annual financial statement and management report as well as the consolidated financial statement and management 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 2019, 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 2019. The meeting on 17 December 2019 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 total of five remuneration committees were held in the past financial year. The meeting on 26 February 2019 focused on the determination of the Management Board's target achievement in 2018 as the basis for the variable compensation component and the setting of targets for 2019. At the meeting on 15 July 2019, the extension of the Management Board mandates was discussed. At the meetings of 13 September 2019, 18 September 2019 and 4 October 2019, the nature and content of the agreement to terminate the management contract of the outgoing Chief Production Officer were discussed.

Annual Financial Statement

The annual financial statement of RATH AG as of 31 December 2019, and the management report by the Management Board, as well as the consolidated financial statement as of 31 December 2019 according to the IFRS, and the consolidated annual report by the Management Board were audited with involvement of Accounting and provided with an unqualified Auditor's Certificate by PwC Wirtschaftsprüfung GmbH, Vienna; this company had been selected as annual auditor by the Annual General Meeting on 27 May 2019. The Audit Committee of the Supervisory Board analyzed the result of the audit in cooperation with the annual auditors during the meeting on 28 April 2020, and recommended approval of the annual financial statement to the Supervisory Board. By resolution of 28 April 2020, the Supervisory Board approved the consolidated financial statement.

The Supervisory Board has reviewed the documents according to § 96 of the AktG (Austrian Stock Corporation Act) as well as the corporate governance report, and approved the annual financial statement, which are therefore established pursuant to § 96 IV 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, 28 APRIL 2020

Mag. Stefan Ehrlich-Adám
Chairman of the Supervisory Board

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ECONOMIC ENVIRONMENT

By the end of the financial year 2019, the global economy had slightly stabilized. Trade policy uncertainties and geopolitical tensions in emerging markets burdened down global economic activity – especially in the manufacturing sector. According to the International Monetary Fund (IMF), the global gross domestic product (GDP) rose by 2.9 % in 2019 and is thus below that of the previous year amounting to 3.6 %, i.e. failed to reach the 3% mark for the first time since 2016.

In the eurozone, the growth rate of real GDP for 2019 is 1.5 % according to WKO. Thus, the previous year's level of 1.9 % could not be maintained. The EU-27 growth rate amounts to 1.5 %. In Austria, the increase in 2019 will be 1.6 % and thus below the previous year's figure of 2.4 %.
The significant loss of momentum is mainly due to the cyclical weakness of world trade, which is dampening domestic exports and thus industrial dynamics. Conversely, the economy was supported by fiscal policy stimuli, robust consumer demand and continued favorable financing conditions.

The other major markets of the RATH Group show a similar picture. For Germany, the IMF calculated economic growth for 2019 of 0.5 %, compared to 1.5 % in the previous year. For the European emerging markets, the IMF expects real GDP to grow by 1.8 % in 2019 after 3.1 % in 2018.

The US economy was also unable to maintain the growth rate of the previous year. After a strong first quarter, growth slowed – but remained solid at 2.3 % over the year as a whole. The slowdown in entrepreneurial investment activities was cushioned by robust private consumption.

However, diminishing uncertainty due to a potentially unregulated withdrawal of Great Britain from the EU, positive signals about the easing of the trade conflict between the USA and China and the European Union and the easing of monetary policy in several countries generated signs of recovery at the end of the past financial year. In January 2020, the IMF predicted growth amounting to 3.3 % and 3.4 % for 2020 and 2021, respectively. According to Oesterreichische Nationalbank (OeNB), Austria's economy will also pass the nadir of the current economic cycle in the second half of 2019.

After a year of challenging conditions, the signs for the coming years in the RATH Group's markets pointed to improved growth with high economic risks.

INDUSTRY ENVIRONMENT

The RATH Group is a member of the Austrian Association of the Stone and Ceramics Industry Austria, which was able to keep turnover in 2019 stable compared to the previous year at € 3.51 billion.

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BUSINESS LINES

Within the RATH Group, we stratify our customers and their applications according to industries/business lines. This structure helps our customers to always get the best refractory solution. Our engineering department designs the optimal lining; in collaboration with our field service the solutions are discussed with the customer, produced, provided and handed over.

BUSINESS LINES ‹

INDUSTRY SHARES *FINANCIAL YEAR 2018*	INDUSTRY SHARES *FINANCIAL YEAR 2019*	
31%	29%	Metals
22%	19%	Ceramics
18%	21%	FC & Energy
16%	16%	Special furnaces
7%	6%	Domestic Fireplaces
6%	9%	Glass

METALS

In the "METALS" business line, we deal with inquiries from the steel and aluminum industries. The RATH Group provides its customers with a broad product portfolio here. Our customers are served worldwide, as they usually operate globally. The main geographical markets are Europe, the Middle East, Asia and the USA.

In the financial year 2019, despite a flattening of demand in this sector in 2019, we were able to maintain relatively constant turnover compared to the previous year, with a sales share of 29 % (previous year: 31 %).

A further decline in demand is expected in 2020 due to political instability. Penalties, sanctions and the imminent Brexit have a particularly significant impact on this industry. This makes our customers' products more expensive and thus leads to lower demands on the world market. Our expectation for the financial year 2020 in this business line is negative. From today's perspective, we assume that there will be a decline in sales by 8 %. Effects due to the COVID 19 crisis are not included in this forecast.

FUELS, CHEMICALS & ENERGY

In the "FUELS, CHEMICALS & ENERGY" business line, we deal with inquiries from industries such as titanium chloride pigment production, wood-based materials production, biomass plants, and petrochemical plants. Here, the RATH Group offers a broad and very application-oriented product portfolio. The main geographical markets are Europe and the USA followed by Asia.

In financial year 2019, we were able to achieve sales growth of 4 % with a sales share of 21 % (previous year: 18 %).

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The economic data for 2020 show a slight increase in demand in this industrial sector. Our expectation for the financial year 2020 in this business line is negative. From today's point of view, we assume that there will be a decline in sales of at least 5 %. Effects due to the COVID 19 crisis are not included in this forecast.

CERAMICS

In this business line we deal with inquiries from industries for the production of sanitary ceramics, tableware, and construction and technical ceramics. The RATH Group provides its customers with a broad product portfolio of high-temperature bricks and high-temperature fibers. The main geographical markets are Europe, the USA and Asia.

In the financial year 2019, we were able to increase our turnover by 13 %. The share of this business line in total sales amounts to 19 % (previous year: 22 %).

The economic data show a declining demand in this industry. Our expectation for the financial year 2020 in this business line is negative. From today's point of view, we assume that there will be a reduction in sales by at least 7 %. Effects due to the COVID 19 crisis are not included in this forecast.

SPECIAL FURNACES

In the "SPECIAL FURNACES" business line, we handle inquiries from industries in the field of dental furnace manufacturers, laboratory furnace manufacturers, and other special-application customers. The RATH Group provides its customers with the product line of vacuum-formed shapes here. The main geographical markets are Europe, the USA and Asia.

In the financial year 2019, turnover increased by 7 %. The business line "SPECIAL FURNACES" continues to account for a sales share of 16 % (previous year: 16 %).

Economic data show lower demand in this sector.

Our expectation for the financial year 2020 in this business line is negative. From today's point of view, we assume that there will be a reduction in sales by at least 7 %. Effects due to the COVID 19 crisis are not included in this forecast.

DOMESTIC FIREPLACES

In the "DOMESTIC FIREPLACES" business line, we handle inquiries from the stove fitter trade in the DACH region (Germany, Austria, Switzerland) plus Hungary, the Czech Republic and Poland. Here, the RATH Group supplies its customers with traditional fire clay products. Geographically, the main market area is Europe.

In the financial year 2019, this business line accounted for 6 % of total sales (previous year: 7 %).

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Economic data continue to show weak demand in this sector. However, our expectations for the financial year 2020 in this business line are slightly positive. From today's perspective, we expect an increase in sales of 3 %. Effects due to the COVID 19 crisis are not included in this forecast.

GLASS
In the business line "GLASS", we deal with inquiries from industries such as container glass, flat glass and special glass production. The RATH Group provides its customers here with wear parts material in addition to pre-cast blocks. The main geographical markets are Europe, the USA and Asia.

With the acquisition of the refractories division of Bucher Emhart Glass in August 2019, we were able to expand our capacities and significantly increase our competences and expertise in refractory materials for the Group's container glass industry. Thanks to this inorganic growth combined with organic growth based on continuously increasing demand, we were able to achieve a sales share of 9 % in the financial year 2019 (previous year: 6 %).

As a result of the company acquisition in the financial year, supported by our intensive activities in production and sales, we expect further customer growth in the glass industry. In the last few years, excluding the company acquisition, we have invested more than € 1.5 million into machinery and equipment for the production of refractory concrete components for the glass industry, and can now offer a very broad product portfolio.

Economic data continue to show rising demand in this sector. Our expectation for the financial year 2020 in this business line is positive. From today's point of view, we expect that our turnover will double. Effects due to the COVID 19 crisis are not included in this forecast.

BUSINESS PERFORMANCE 2019

The RATH Group's business developed satisfactorily in 2019 despite challenging conditions.
The Group once more reported strong sales growth and achieved the highest Group sales since its establishment. Our strategic orientation, coupled with premium niche products and high-quality services and constant demand, formed the basis for another successful financial year for the RATH Group.

In August 2019, the RATH Group acquired the refractories division of Bucher Emhart Glass and is now in an even stronger position in the growth market of the container glass industry.

After adjustment for various extraordinary one-off effects, the result achieved in the previous year, the best since going public in 1989, was also exceeded in terms of EBITDA. These one-off effects resulted from the incidental costs of the aforementioned merger, the insolvency of the key account Eisenmann, and the change in the Management Board in the financial year.

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In the following, you will find a representation of the four quarters from the 2019 economic year:

› KEY FIGURES

	FY 2018	FY 2019	Q4	Q3	Q2	Q1
Turnover in k€	94,488	100,070	27,490	21,902	27,638	23,040
EBITDA in k€	12,729	12,269	2,870	2,502	3,945	2,952
EBITDA margin	**13.5%**	**12.3%**	**10.4%**	**11.4%**	**14.3%**	**12.8%**
EBIT in k€	8,422	6,541	874	1,224	2,679	1,764
EBIT margin	**8.9%**	**6.5%**	**3.2%**	**5.6%**	**9.7%**	**7.7%**
Employees in Ø	549	577	596	590	564	558
Share price in €	24	27.8	27.8	28	27.6	22

After elimination of the one-off effects amounting to k€ 1,841 (previous year: k€ 0), the following picture emerges:

› KEY FIGURES

	FY 2018	FY 2019	Q4	Q3	Q2	Q1
Turnover in k€	94,488	100,070	27,490	21,902	27,638	23,040
EBITDA in k€	12,729	14,111	4,712	2,502	3,945	2,952
EBITDA margin	**13.5%**	**14.1%**	**17.1%**	**11.4%**	**14.3%**	**12.8%**
EBIT in k€	8,422	8,383	2,716	1,224	2,679	1,764
EBIT margin	**8.9%**	**8.4%**	**9.9%**	**5.6%**	**9.7%**	**7.7%**
Employees in Ø	549	577	596	590	564	558
Share price in €	24	27.8	27.8	28	27.6	22

SALES DEVELOPMENT

Group revenues increased, compared to the same period last year, by k€ 5,582 or 6 % (previous year: 9 %) to k€ 100,070 (previous year: k€ 94,488). The RATH Group is controlled via our national companies and our segments. The following is an analysis of the sales development at the company level:

Aug. RATH jun. GmbH Krummnußbaum was able to exceed the external turnover of the previous year with k€ 27,390 (previous year: k€ 27,361). Geographically, the market area, broken down by the locations of our customers, was mainly in Europe and the Middle East. A further increase in sales comes from the FUELS, CHEMICALS & ENERGY sector, in particular from the area of refuse incineration plants in Europe. At the same time, we were able to keep our project business (deliveries of goods with a service component) stable.

RATH GmbH Meißen with its three plants in Mönchengladbach, Bennewitz and Meißen was able to significantly increase its turnover. The increase in sales of 4.7 % to k€ 35,888 (previous year: k€ 34,294) is mainly due to the strong demand from the ceramics industry. Our market area here is primarily in Europe. Due to strong demand, our orders for goods deliveries with a service component (formerly project business) increased by 27 % to k€ 14,906.

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RATH Hungaria kft. reported a decrease in revenue amounting to 3.5 % and achieved sales of k€ 11,033 (previous year: k€ 11,431). The revenues originate mainly from the steel and glass industries. The sales markets here are in Europe and the Middle East. The high turnover from projects (goods deliveries with a service component) in the previous year declined in the current financial year to k€ 3,254 (previous year: k€ 5,980). However, this was almost completely offset by an increase in simple deliveries of goods.

RATH USA Inc. with its two plants in Newark and Milledgeville was able to report a strong increase in sales from k€ 21 to k€ 17,134 (previous year: k€ 14,166). The customers are mainly from the business lines FUELS, CHEMICALS & ENERGY and SPECIAL FURNACES. The main market area is North America. In the current financial year, turnover from the delivery of goods with a service component (formerly project business) of the previous year increased to k$ 2,982 / k€ 2,664 (previous year: k$ 2,097 / k€ 2,560). The company RATH LLC, newly established in the financial year, made a contribution to consolidated sales in the financial year due to the acquisition of the refractories division of Bucher Emhart Glass to the amount of k€ 2,020 (previous year: k€ 0).

Our sales companies from Europe and Mexico reported a decline in sales amounting to 10.6 %, to k€ 6,468 (previous year: k€ 7,237). The main reason for this was the project-related decline in sales at our Polish sales company amounting to k€ 1,138, to k€ 769 (previous year: k€ 1,907). Here we supply mainly to the steel and wood-based materials industry in Europe. Conversely, the Austrian sales company for hot gas filter cartridges, RATH Filtration GmbH, reported an increase in sales amounting to k€ 732, to k€ 2,272 (previous year: k€ 1,541).

EARNINGS DEVELOPMENT

The operative earnings before interest, income taxes, depreciations and amortization (EBITDA), adjusted for one-off effects, increased to k€ 14,111 (previous year: k€ 12,729). The EBITDA margin is thus 14.1 % (previous year: 13.5 %).

The earnings before interest and income taxes (EBIT) adjusted for one-off effects remained at k€ 8,383 (previous year: k€ 8,422), slightly below the previous year's level. The EBIT margin amounts to 8.4 % (previous year: 9 %).

Personnel expenses increased by 12.4 % to k€ 31,264 (previous year: k€ 27,819). However, this figure includes k€ 989 in personnel costs from inorganic growth and k€ 588 in one-off effects from the change in the Management Board in the financial year. The ratio of personnel expenses to turnover, adjusted for one-off effects, amounts to 30 % (previous year 29 %). Impairing losses in connection with trade receivables and contract assets increased by k€ 539, primarily due to the insolvency of our key accounts Eisenmann and ENPOL in the past financial year. The miscellaneous operating expenses remain at k€ 11,479 (previous year: k€ 11,110), at the previous year's level. The reason for the increase is the incidental costs of the acquisition of the refractories division of Bucher Emhart Glass amounting to k€ 528 recognized in other operating expenses in the financial year, and other one-off effects amounting to k€ 40.

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The financial result at the end of the reporting year was k€ -529 (previous year: k€ -253). The main reason for the decline is increased expenditures from foreign currency translation. These result mainly from fluctuations against the $. Net interest income, which mainly results from the interest expenditures of the promissory note loans, remained relatively constant year-on-year.

The RATH Group thus achieved earnings before tax of k€ 6,012 (previous year k€ 8,170). The consolidated result after taxes amounts to k€ 3,706 (previous year: k€ 5,864).

Due to the prevailing uncertainty caused by SARS-COV-2 (COVID-19), the Management Board and Supervisory Board will not propose a dividend payment at the upcoming Annual General Meeting, thus strengthening the Group's liquidity.

ASSETS AND FINANCIAL POSITION

In the financial year 2019, the balance sheet total remained relatively constant with a change of k€ -1,547. The share of non-current assets in total assets rose sharply year-on-year and stood at 53 % at the end of 2019 (previous year: 39 %). The main reason for this was the company acquisition in the financial year. In this context, intangible fixed assets increased due to the goodwill recognized and other intangible assets identified in the course of the purchase price allocation. Tangible assets also increased significantly, as the production facility in Owensville (Missouri, USA) was taken over in addition to sales and customer base.

Deferred tax assets amount to k€ 569 (previous year: k€ 1,385), which mainly relate to the capitalization of loss carry-forwards in Austria and the USA.

Working capital (consisting of inventories, trade receivables and contract assets; less contract liabilities and trade liabilities) increased from k€ 28,301 to k€ 33,840 in the past year. In terms of turnover, this results in a share amounting to 33.8 % (previous year: 30 %). Although this has increased, it is still well below the defined threshold of 40 %.

Consolidated equity increased last year by 4.7 % to k€ 50,236 (previous year: k€ 48,351). This change was primarily due to the earnings after income taxes of k€ 3,705 (previous year: k€ 5,864). The other comprehensive income includes actuarial losses after taxes in connection with pensions and severance payments to the amount of k€ 120 (previous year: k€ 192) and currency differences. The capital ratio amounts to 47.7 % (previous year: 45.3 %).

The non-current personnel provisions increased slightly from k€ 3,183 to k€ 3,228. This is due to lower interest rates amounting to 0.57 % for pensions (previous year: 1.05 %), 0.95 % – 1.22 % for severance payments (previous year: 1.50 %) and 1.32 % – 1.60 % for anniversary bonuses (previous year: 2.0 %).

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Financial liabilities decreased by k€ 2,000 due to redemptions. These were financed from the free cash flow generated. Financial liabilities are matched by cash and cash equivalents plus securities of k€ 4,593 (previous year: k€ 26,174). The decrease is primarily due to the merger in the financial year, which was associated with a net payment to the amount of k€ 13,617. Primarily due to the first-time application of IFRS 16, liabilities from leases increased by k€ 1,877 compared to the previous year's balance sheet date. Due to the effects described above, net debt rose to k€ 35,381 in the financial year (previous year: k€ 14,501).

The cash flow from operating business activities fell to k€ 4,354 in the past year, primarily due to the increase in working capital (previous year: k€ 13,758). The cash flow from investment activities changed from k€ -5,456 in 2018 to k€ -19,215 in the past financial year, primarily due to the company acquisition. In the financing sector, there was an increase from k€ -2,418 in the previous year to k€ -6,064 in 2019, primarily due to redemption of financial liabilities.

At the end of 2019, the debt repayment period (net debt/EBITDA) was 2.5 years, compared with 1.1 years in the previous year. The EBIT interest coverage was 8.5 (previous year: 10.5).

SUSTAINABLE FINANCING STRATEGY

For years, the Group's financing has been following the principles of maintaining secured liquidity as well as an equity base that is as high as possible. The Group is currently financed by the promissory note loan issued in 2017 with a maturity of 2022 or 2024, respectively.

Credit lines are available for possible liquidity bottlenecks resulting from the negative economic developments of the COVID 19 pandemic.

EMPLOYEES

Highly trained and motivated employees represent the key factor for the success of the RATH Group. Through their high technical and social competence, they ensure excellent product quality and high service level, and are an important driver for the future. Our success is due on the one hand to the dedication to innovative refractory solutions that we implement in our products and technologies, and on the other hand to the huge commitment and loyalty of our employees. As of 31 December 2019, the RATH Group employed a total of 580 people in full-time equivalents (previous year: 500).

The RATH Group does not have a stock option program. Management, leading employees and other key employees are included in locally differing premium models. Staff management tasks are carried out according to the central requirements of the parent company and then transferred to the subsidiaries. Strategic tasks in the field of Human Resources are within the responsibility of the CFO.

In 2019, the focus was on the acquisition of Bucher Emhart Glass's refractories production in the USA. This absorbed a large part of our resources for successful integration into our RATH world. In addition, we

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achieved further successes in the “filantHRopos” project, which aims to establish a centrally organized HR structure.

In 2019, the RATH Group paid a total of k€ 193 for staff training (previous year: k€ 152). Our employees excel by qualifications, commitment, responsibility, discipline, loyalty and mutual appreciation in a familial work environment. At this point, the Management Board would like to thank all RATH colleagues for their efforts and the constructive cooperation during the past financial year.

SUSTAINABILITY (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.

Active environmental protection is a very important factor and focus area of the RATH Group. Careful handling of resources and waste is the top priority in order to protect the environment as far as possible. Aug. RATH jun. GmbH, for example, is a member of Interseroh in Austria and Germany. The technical progress achieved in the field of environmental protection is continuously examined with regard to its applicability to operating facilities.

Since 1 January 2005, the RATH Group has been part of the European Emissions Trading Scheme. Under this scheme, the companies involved (currently Aug. RATH jun. GmbH, Austria) receive emissions certificates that must be returned to the relevant authority within four months at the end of the calendar year in respect of that year’s actual emissions. If actual yearly emissions exceed those allocated on the certificates, the required number of additional certificates must be purchased. As in the previous year, the RATH Group had sufficient free certificates.
The most important cross-company strategies for sustainability include RATH’s brand and product development strategies, innovation and the improvement of production procedures to optimize the economy and ecology during the production process as well as in the product sector. Reporting of important basic data of the Group companies was continued in the financial year 2019.

Our colleagues are the most important asset for further positive, sustainable development of our company’s success. Open, appreciative dealings with colleagues in all areas across functional levels are the foundation of our company.

RESEARCH & DEVELOPMENT

The RATH Group is organized by a central Research and Development department with the priority areas Innovation, Development, Process Engineering, and Materials Science. Intensive and sustainable research and development are important components of our strategy as a premium supplier. Topics and projects in the area of research, technology and innovation are of the highest priority and supporting pillars for our company success, and therefore crucial for a sustainable competitive advantage and growth.

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Many projects were implemented in 2019. Particularly noteworthy are the product developments in the area of long fibers, catalytic hot-gas filter elements and new production processes in the pre-cast blocks sector.

REPORTING ON KEY FEATURES OF THE INTERNAL CONTROL SYSTEM IN THE ACCOUNTING PROCESS

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 guarantees conformity of business procedures regarding the Articles of Association, Group guidelines and current legislation (Compliance).

The control environment of the accounting process is marked by a clear structure and process organization, with people specifically assigned to individual functions (e.g. in Financial Accounting and Controlling). The employees involved in the accounting process fulfill the professional requirements. SAP and LucaNet are used in accounting.

The RATH Group's guidelines are based on the RATH management handbook, the compliance guidelines as well as rules of procedure and signature rules for the company's executive management and managing employees of all RATH Group companies. These terms will be revised according to the Compliance terms, if necessary, and demonstrably brought to the attention of the respective executive management. The local executive management is responsible for adhering to the guidelines and policies of the respective RATH subsidiary. 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 which require approval by the Group's executive management. The management handbook of the RATH Group comprises, among other things, the information and stipulations necessary for the accounting process as well as the consolidation handbook (reporting policies, accounting and valuation rules) or IT policies.

Quarterly, Group results are consolidated according to the IFRS regulations for reporting to the Supervisory Board and stockholders. The Group's consolidated financial statement is comprehensively inspected by an auditor of the consolidated financial statement, who guarantees uniform auditing standards with his international network, in close cooperation with the Supervisory Board and the Audit Committee. A standardized monthly management reporting system comprises 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.

RISK MANAGEMENT

The RATH Group is exposed to a variety of opportunities and risks in its global entrepreneurial activities. Constant identification, valuation and control of risks is an essential part of the management, planning

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and controlling process. The Risk Management resorts to organizational, reporting and management structures available in the Group. These processes are continually evaluated by the central Processing Management team. The contents are about documenting all processes within the company as well as the documented actions in case of deviations in order to learn from mistakes and make constant improvements. This thinking in processes is anchored in ISO 9001. The risk management system ensures that risks are regularly analyzed and assessed. This ensures that these are anticipated and detected early on, and that countermeasures can be initiated quickly if they occur.

ESSENTIAL RISKS

Risks that might have negative affects on the asset, financial and earnings position of the RATH Group are basically unchanged compared to previous time periods and are as follows:

Procurement

A pivotal starting point for risk mitigation in the field of procurement is avoidance of dependence on individual suppliers, as far as possible. Our central Purchasing department actively counteracts this and creates requirements for a balanced portfolio of suppliers in consideration of reasonable purchase volumes and prices. In order to obtain better prices from our suppliers, it is often necessary to place bulk orders. However, this brings along the disadvantage of capital commitment. The central purchasing department also tries to create a balance here.

Production

The essential value-creation levels of the RATH Group lie within the manufacture of our products. A possible risk of a business interruption with direct impact on the company's result is covered by our business interruption insurance across the entire Group. The Group pro-actively counteracts this in a preventative way via constant analyses of individual assets and precautionary maintenance. In this area, digital solutions from the Industry 4.0 environment are increasingly being evaluated. Nonetheless, risks arising from product liability cannot be fully excluded. In case of quality flaws, they will be corrected according to our customer's best interests. Costs arising from this are covered by our group-wide product liability insurance. Reputation damage resulting from this, however, is always a risk for the Group.

Sales

The global product or project sale also harbors risks. Some of our overall solutions are nowadays going to countries that are not always economically and politically stable. Via our sales managers, information is continuously retrieved from the respective sales markets and countries, helping us to recognize possible losses of accounts receivable at an early stage and initiate countermeasures. Outside the European Union and the USA, the RATH Group mostly relies on credit operations in regard to payment conditions. Thus, it is guaranteed that our sales are collateralized by an international bank. For those sales not collateralized with letters of credit, we have set up an internal Receivables Management with credit limits. Receivables Management assesses the resulting credit risk with the help of external information from credit agencies and our experience with the respective customer or the customer's country, respectively.

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On the basis of the information collected a credit limit is set. The RATH Group has no credit default insurance. The losses of accounts receivable of the RATH Group in the reporting year 2019 amounted to k€ 651 (previous year: k€ 112), corresponding to 0.1 % (previous year: 0.1 %) of sales revenues. The main increase results from the insolvency of our key account Eisenmann.

Liquidity
The aim of liquidity management is to ensure that the Group has sufficient liquidity at all times. RATH's external financing leeway is primarily ensured by international banking groups. Within the Group, the principle of internal financing applies. This means that the financing requirements of subsidiaries are covered – as far as possible and economically feasible – by internal loan relationships. The stipulation of credit limits and the amount of refinancing costs at financial institutes are dependent on their evaluation of the future prospects of the RATH Group. Therefore, bank contacts are well maintained to ensure that our bank partners always have a clear and current idea of the economic situation of our Group.

Foreign currencies and interest
For the most part, the RATH Group provides deliveries to its customers in the respective currency of the company. Due to the ongoing valuation of the currency pairs $/€ or HUF/€, positive as well as negative changes can take place in the financial result of the individual companies and hence in the Group as well. The RATH Group currently does not possess any derivative financial instruments.

TOTAL RISK
The risks of the RATH Group are optimally supervised with the described means and measures; from today's perspective, the continued existence of the company is not at risk.

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

The authorized capital consists of 1,500,000 no-par value shares (previous year: 1,500,000 no-par-value shares), with each no-par-value share having an equal share of the authorized capital. The Management Board is not aware of any limits regarding voting rights or transfers of shares. RATH AG does not own any of its own shares. Widely held stock are held by Austrian and international investors.

The share is listed in the "Standard Market Auction" of the Vienna Stock Exchange under ISIN number AT0000767306. No significant investments of RATH Group employees are known. Like every stockholder, employees who own shares are also free to exercise their voting rights at annual general meetings.

There are no provisions not immediately derived from the law regarding the naming and dismissal of members of the Management Board and of the Supervisory Board, as well as changes to the company's Articles of Association. The Management Board is not aware of any significant agreements the company is involved in and that take effect at a change of control in the company following a takeover bid. There are no

STOCKHOLDER STRUCTURE
31 DECEMBER 2019

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

CONSOLIDATED ANNUAL REPORT 2019

compensation agreements in place between the company and their Management Board and Supervisory Board Members or employees in the case of a public takeover bid either.

OUTLOOK

Macroeconomic development

The novel lung disease SARS-COV-2 (COVID-19), which first appeared in China in December 2019, developed into a global pandemic in 2020. The measures taken in China to mitigate the consequences led to the standstill of a large part of the country's industrial activity, which is at the center of major global supply chains. More and more countries followed this example in the course of time, including the RATH Group's main sales and procurement markets. The cancellation of orders, temporary closure of production plants, short-time work and quarantine measures are currently causing uncertainty among customers, employees and suppliers of the RATH Group. Risks for the RATH Group may not only affect sales development, but also lead to considerable impairment of production, the procurement market and the supply chain.

The effects on the global economy cannot be seriously estimated at present. A global recession is a likely scenario. A potential outflow of capital in the event of a further deterioration in the underlying mood on the financial markets could lead to an outflow of capital from emerging markets and further burden global economic growth. Possible debt crises of individual countries due to the additional burden of the crisis would further cloud the sales prospects in these markets.

The ability of governments and international organizations to take massive and coordinated support measures is crucial for developments in the coming quarters. The duration of the pandemic is also crucial for the overall economic development.

Unresolved trade conflicts, especially those between the USA and China and Europe, continue to cause uncertainty. Political uncertainty in the run-up to the US presidential elections and in the event of continued trade policy tensions could lead to a more pronounced decline in investment activities by US companies than previously assumed and have consequences for the global economy as well.

Although the risk of a disorderly withdrawal of Great Britain from the EU has been averted as a result of the withdrawal agreement that has now been concluded in the course of the Brexit that took place on 31 January 2020, the focus is now shifting to the negotiations on an agreement on future cooperation.

Although the RATH Group is therefore sailing in very turbulent waters in the financial year 2020, we are very well equipped to survive this phase in our now 130-year company history. Production is maintained as far as possible, and our personnel deployment is optimized by home office. Depending on the decline in the order situation, the instrument of short-time working is being used in Austria and Germany. In addition, credit lines were increased at the beginning of 2020 in order to be prepared for possible liquidity bottlenecks.

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As of 31 March 2020, our order backlog stood at € 30.8 million (previous year: € 32.7 million). This already shows the first slump due to the COVID 19 pandemic. Nevertheless, the RATH Group will do its utmost to convince our customers with a competitive and attractive service and product mix.

As in previous years, within the company we are focusing strongly on quality, innovation and cost optimization, and the COVID 19 crisis has naturally led us to focus increasingly on the cost side. In sales, it is currently not possible to visit our customers. For this reason, we have switched to video conferencing, but this is undoubtedly not the same as talking personally to our customers about new orders and solutions.

We are continuing to pursue our goal of achieving both organic and inorganic growth. Currently interrupted by the pandemic, we will continue to follow this path and keep searching for potential targets.

On this basis and taking into account constant foreign currency exchange rates and interest rates as well as raw materials that can be supplied, the RATH management expects a decline in turnover and earnings for the financial year 2020. It is not yet possible to estimate the amount of the decline.

The Management Board

VIENNA, 28 APRIL 2020

Andreas Pfneiszl

DI Ingo Gruber

ANNUAL FINANCIAL STATEMENT
RATH GROUP 2019

CONSOLIDATED BALANCE SHEET

	ANNEXED NOTE	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Cash and cash equivalents	(20.3)	4,593	25,468
Trade receivables	(12)	14,346	15,814
Contract assets	(12)	6,035	0
Other financial receivables	(20.4)	92	414
Other non-financial receivables and accruals	(13)	1,989	2,446
Inventories	(11)	21,488	21,409
Receivables from income tax	(18)	1,367	16
Current assets		**49,910**	**65,567**
Financial assets	(20.5)	0	706
Intangible assets and goodwill	(9)	5,139	649
Tangible assets	(8)	49,591	38,449
Deferred tax assets	(18)	569	1,385
Non-current assets		**55,299**	**41,189**
TOTAL ASSETS		**105,209**	**106,756**
Current financial liabilities	(16), (20.6)	2,165	2,038
Current liabilities from leasing obligations	(10)	1,100	835
Trade liabilities	(20.7)	5,500	7,682
Contract liabilities	(20.7)	2,529	1,240
Other current non-financial liabilities	(19)	2,000	3,137
Other current financial liabilities	(20.7)	174	1,454
Current accruals and provisions	(17)	800	820
Current income tax debts	(18)	188	641
Current liabilities		**14,456**	**17,848**
Non-current financial liabilities	(16), (20.6)	35,000	37,000
Liabilities from leasing obligations	(10)	1,709	97
Personnel provisions	(15)	3,228	3,183
Other non-current liabilities and deferred income	(19)	149	176
Deferred tax liabilities	(18)	431	101
Non-current liabilities		**40,517**	**40,557**
Authorized capital		10,905	10,905
Capital reserves		1,118	1,118
Balance sheet profit and available savings		41,408	39,201
Reserve from currency conversion		-2,049	-1,848
Other reserves		-1,149	-1,028
Non-controlling interests		3	2
Stockholders' equity	(14)	**50,236**	**48,351**
TOTAL LIABILITIES AND EQUITY		**105,209**	**106,756**

CONSOLIDATED P&L ACCOUNT

	ANNEXED NOTE	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Sales revenue	(21)	100,070	94,488
Other operating income	(24)	637	544
		100,707	**95,032**
Cost of material and purchased services	(22)	-45,044	-43,262
Personnel expenses, including social security benefits and taxes	(23)	-31,264	-27,819
Impairing loss from receivables from trade receivables as well as contract assets	(12)	-651	-112
Other operating expenses	(25)	-11,479	-11,110
EBITDA		**12,269**	**12,729**
Depreciation on intangible assets	(9)	-314	-80
Depreciation on property, plant and equipment	(8)	-5,414	-4,227
EBIT		**6,541**	**8,422**
Interest income		20	23
Interest expenditures		-793	-802
Other financial income		1,072	1,192
Other financial expenses		-828	-666
Financial result	**(26)**	**-529**	**-253**
Earnings before tax (EBT)		**6,012**	**8,170**
Income tax	(18)	-2,306	-2,306
Consolidated result		**3,706**	**5,864**
of which attributable to non-controlling interests	(14)	1	1
of which attributable to stockholders of the parent company	(14)	3,705	5,863
Basic undiluted result per share (in €)	**(14)**	**2.47**	**3.91**
Diluted result per share (in €)	**(14)**	**2.47**	**3.91**

CONSOLIDATED INCOME STATEMENT

	ANNEXED NOTE	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Consolidated result after income tax		3,705	5,864
Items not reclassified to the profit and loss account			
Revaluation of non-current employee benefits according to IAS 19	(15)	-160	-255
Tax thereon	(18)	40	64
		-120	**-191**
Items reclassified to the profit and loss account			
Currency conversion differences		-202	-104
		-202	**-104**
Other comprehensive income		**-322**	**-296**
attributable to stockholders of the parent company	(14)	-322	-296
attributable to non-controlling interest	(14)	0	0
Comprehensive income after taxes		**3,384**	**5,569**
of which comprehensive income attributable to stockholders of the parent company	(14)	3,383	5,568
thereof comprehensive income of non-controlling interests	(14)	1	1

CHANGES IN CONSOLIDATED EQUITY

	AUTHORIZED CAPITAL K€	CAPITAL RESERVES K€	DIFFERENCES CURRENCY CONVERSION K€	OTHER RESERVES K€	BALANCE SHEET PROFIT AND AVAILABLE SAVINGS K€	TOTAL STOCKHOLDERS' EQUITY STOCKHOLDERS K€	SHARES OF NON-CONTROLLING STOCKHOLDERS K€	TOTAL STOCKHOLD-ERS' EQUITY K€
As of 2 January 2018	**10,905**	**1,118**	**-1,744**	**-837**	**34,463**	**43,905**	**2**	**43,906**
Consolidated result 2018	0	0	0	0	5,864	5,864	0	5,864
Other income 2018	0	0	-104	-192	0	-296	0	-296
Total consolidated earnings	**0**	**0**	**-104**	**-192**	**5,864**	**5,568**	**1**	**5,569**
Disbursement	0	0	0	0	-1,125	-1,125	0	-1,125
As of 31 December 2018	**10,905**	**1,118**	**-1,848**	**-1,028**	**39,201**	**48,349**	**2**	**48,351**
Consolidated result 2019	0	0	0	0	3,705	3,705	1	3,706
Other income 2019	0	0	-202	-120	0	-322	0	-322
Total consolidated earnings	**0**	**0**	**-202**	**-120**	**3,705**	**3,383**	**1**	**3,385**
Disbursement	0	0	0	0	-1,500	-1,500	0	-1,500
As of 31 December 2019	**10,905**	**1,118**	**-2,049**	**-1,149**	**41,408**	**50,232**	**3**	**50,236**

CONSOLIDATED CASH FLOW STATEMENT

	ANNEXED NOTE	2019 K€	2018 K€
Consolidated result before taxes		**6,012**	**8,170**
Cash flow from the result			
Depreciations	(8), (9)	5,728	4,306
Value adjustments and income from the disposal of securities classified as FVTPL (fair value through profit or loss)		-41	24
Change to personnel provisions		-115	-264
Change to value adjustments		651	-95
Exchange rate differences	(28)	-325	-611
Interest income	(26)	664	779
Income taxes paid	(18)	-1,753	-1,217
Income/loss from the disposal of assets		-20	2
Other adjustments due to IFRS 9		-5	-82
		10,796	**11,012**
Changes in net working capital			
Trade receivables		919	361
Other receivables and assets		-370	-1,258
Inventories		2,268	-552
Contract assets		-6,052	0
Trade liabilities		-1,986	1,743
Contract liabilities		1,245	524
Other liabilities, accruals and provisions, and deferrals		-2,466	1,928
		-6,442	**2,746**
Net cash inflow from operating activities		**4,354**	**13,758**
Disbursements for investments into property, plant and equipment	(8), (9)	-6,208	-5,166
Disbursements made for investments into intangible assets	(8), (9)	-173	-328
Proceeds from the sale of property, plant and equipment	(8), (9)	22	15
Net disbursements for mergers	(3)	-13,617	0
Proceeds from the sale of securities classified as FVTPL	(20.5)	747	0
Interest received		14	23
Cash flow from investment activities		**-19,215**	**-5,456**
Proceeds from financial liabilities	(29)	-28	152
Repayments of financial liabilities	(29)	-2,035	-189
Repayment of current financial liabilities	(29)	0	-114
Redemption portion of lease payments (2018: Redemption portion of payments in connection with financial leasing)	(29)	-1,819	-340
Dividends paid		-1,500	-1,125
Interest paid		-682	-802
Financial cash flow		**-6,064**	**-2,418**
Cash and cash equivalents at the beginning of the year		**25,468**	**19,569**
Net change of cash and cash equivalents		**-20,925**	**5,883**
Non-cash currency differences		**50**	**17**
Cash and cash equivalents at the end of the year		**4,593**	**25,468**

GROUP NOTES

1. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The company:
RATH Aktiengesellschaft (hereinafter referred to as "RATH AG"), Walfischgasse 14, A-1010 Vienna, Austria, and subsidiaries (hereinafter referred to as the "RATH Group" or "Group") produce and sell refractory materials for industrial customers and commercial enterprises. The main sales markets are located within the European Union, Eastern Europe, and the USA. The registered office of the parent company is in Vienna. Production facilities are located in Austria, Germany, Hungary and the USA. In addition, there are sales companies in Austria, the Czech Republic, Poland, the Ukraine, and Mexico.

The shares of RATH AG are listed on the Vienna stock exchange in the "Standard Market Auction" segment.

Accounting standards
The consolidated financial statement of the RATH Group as of 31 December 2019 have been prepared in accordance with § 245a of the Austrian Commercial Code (UGB) and the provisions of the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they are to be applied in the European Union (EU). All IFRS published by the International Accounting Standards Board (IASB) and adopted by the EU for the financial year for which application is mandatory were applied by the companies included in the consolidated financial statement.

The accounting practices for the companies included in the consolidated financial statement are based on the uniform accounting methods of the RATH Group.

Unless otherwise indicated, all amounts in notes and tables are stated in thousands of euros ("k€"). Both individual values and totals represent the value with the smallest rounding differences. Therefore, minor rounding differences to the reported totals may occur when adding up the individual values shown.

These are the first consolidated financial statement in which IFRS 16 Leases has been applied. The resulting changes and other changes in significant accounting policies are presented in Note (5).

This consolidated financial statement was approved for publication by the Management Board on 28 April 2020. The annual financial statement of RATH AG were submitted to the Supervisory Board for examination on 28 April 2020.

2. BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Consolidation scope:
The consolidated financial statement as of 31 December 2019 excluding RATH AG comprise 10 (previous year: 9) subsidiaries controlled by RATH AG.

They are fully consolidated from the date on which control is obtained, and deconsolidated when control is no longer exercised. According to IFRS 10, control is deemed to exist if the RATH Group has power of disposal over the subsidiary, is exposed to a risk burden from fluctuating returns from its interest in the associated company, or has a right to do so, and has the ability to use its power of disposal over the controlled company to influence the level of these returns and can subsequently use this to determine the financial and business policy of the company.

In addition to RATH AG, the basis of consolidation comprises the following companies:

	GROUP SHARE		CONSOLIDATION METHOD
	2019	2018	
Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, Austria	99.98 %	99.98 %	Full consolidation
RATH GmbH, Meißen, Germany	100 %	100 %	Full consolidation
RATH Hungaria Kft., Budapest, Hungary	100 %	100 %	Full consolidation
RATH Inc., Newark, Delaware, USA	100 %	100 %	Full consolidation
RATH žárotechnika spol. s r.o, Dvůr Králové nad Labem, Czech Republic	100 %	100 %	Full consolidation
RATH Polska Sp. z o.o., Dąbrowa Górnicza, Poland	100 %	100 %	Full consolidation
RATH Ukrajina TOW, Dnipro, Ukraine	100 %	100 %	Full consolidation
RATH Group S. de R.L. de C.V., Guadalupe, Mexico	100 %	100 %	Full consolidation
RATH Filtration GmbH, Vienna, Austria	100 %	100 %	Full consolidation
RATH LLC, Owensville, MO, USA	100 %	0 %	Full consolidation

Corporate mergers:
Mergers are accounted for using the purchase method as of the acquisition date and thus upon transfer of control to the Group.

The purchase cost of an acquisition is measured as the fair values of the assets given and liabilities incurred or assumed at the acquisition date. The acquired assets, liabilities and contingent liabilities are assessed at their fair value at the acquisition date. Intangible assets are determined internally using appropriate valuation methods. They are subject to scheduled amortization or, in the case of an indefinite useful life, are tested for recoverability at least once a year in the same way as goodwill. Acquisition-related costs are recognized as expenses. Any contingent consideration is assessed at fair value at the acquisition date.

Contingent considerations are assessed at fair value at the acquisition date. If a contingent purchase price part is classified as an equity instrument, it is not re-assessed in subsequent periods, and any settlement is recognized directly in stockholders' equity. Otherwise, subsequent changes in the fair value of a contingent consideration are recognized in profit or loss in the P&L account of the period in which the change in value occurred.

Any remaining positive difference between the purchase costs and the re-valued pro rata stockholders' equity is recognized as goodwill and allocated to cash-generating units. Goodwill is carried forward in the respective local currency in which it was allocated at the acquisition date. The test for recoverability is carried out at the level of the cash-generating units. Negative differences are recognized immediately in the P&L account under Other income after reassessment of the suitability for recognition and valuation of the acquired assets and liabilities and taking into account transaction costs.

Transactions with non-controlling stockholders:
Transactions with non-controlling stockholders are treated as transactions with equity owners of the Group. Any difference arising from the acquisition of a non-controlling interest between the consideration paid for the performance and the respective share in the carrying amount of the subsidiary's net assets is recognized in stockholders' equity. Gains or losses arising from disposals of non-controlling shares are also reported in stockholders' equity.

Transactions eliminated upon consolidation:
All intra-group income and expenditures as well as receivables and liabilities between the fully consolidated companies are eliminated in the course of consolidation. Intermediate profits and losses arising from intra-group deliveries of goods and services in fixed and current assets are eliminated unless they are immaterial. Entries that are unilaterally recognized in the P&L account are derecognized, and the related deferred taxes are recognized.

3. CORPORATE MERGERS

Overview:

Effective 30 August 2019 (closing), the RATH Group acquired the refractories division of Bucher Emhart Glass, including the production facility in Owensville (Missouri, USA) as well as sales and customer base, through its US subsidiary RATH, LLC, which was established in the financial year, in the course of an asset deal. The acquisition considerably strengthens the RATH Group's capacity as well as its expertise and competence in the field of refractory materials for the container glass industry.

The purchase price amounting to k$ 15,244 (corresponds to k€ 13,617) was settled in cash. As no cash and cash equivalents were taken over, the purchase price therefore also equals the net outflow of cash and cash equivalents in the course of the company acquisition, which is shown under cash flow from investment activities.

The assets and liabilities recognized as a result of the acquisition and the calculation of goodwill are as follows:

	FAIR VALUE K€
Purchase price	**13,617**
Property, plant and equipment	6,620
Brand and trademark rights	448
Customer relations	2,043
Purchase commitment	295
Inventories	2,367
Right-to-use assets under leases	645
Liabilities from leasing obligations	-645
Contract liabilities	-51
Other non-financial liabilities	-29
Net assets acquired	**11,693**
Goodwill at acquisition date	**1,924**

The purchase price allocation is of a preliminary nature, as the value of the customer relationships has not yet been finally determined. A provisional value amounting to of k€ 2,043 was determined for this, which is depreciated on a straight-line basis over a useful life of 6 years.
As of 31 December 2019, the carrying amount is k€ 1,923. For the purchase commitment, for which a value of k€ 295 was determined in the course of the purchase price allocation, the carrying amount as of the balance sheet date is k€ 196. Depreciation is calculated using the straight-line method over one year.

In addition, a trademark right for "Emhart Systems" was identified and valued at k€ 448 in the course of the purchase price allocation. This is amortized on a straight-line basis over the contractually limited useful life of 5 years. As of the consolidated balance sheet date, the carrying amount amounts to k€ 417.

A right-to-use asset for two warehouses and leasing liabilities to the same amount were recognized from leases taken over.

The goodwill is fully tax-deductible and is therefore amortized over 15 years using the straight-line method. As of 31 December 2019, this amounts to k€ 1,917, with the change at the acquisition date resulting from exchange rate differences.

No company acquisition took place in the previous year.

Costs associated with the merger:
The costs associated with the merger, amounting to k€ 528, are included in the P&L account under other operating expenses and in the consolidated cash flow statement under net cash inflow from operating activities.

Contribution to sales and earnings:
In the period from 31 August 2019 to 31 December 2019, the acquired company generated sales revenues amounting to of k€ 2,022 and an accumulated deficit of k€ 638.

If the acquisition had already taken place on 1 January 2019, consolidated pro forma sales revenues of k€ 8,879 and a net result amounting to k€ -275 for the financial year 2019 would have been reported. These amounts were calculated from the results of the subsidiary and adjusted for:

- the differences arising from the accounting policies of the Group and the subsidiary, and
- the additional depreciations that would have been applied if and insofar as the adjustments to property, plant and equipment and intangible assets to their fair values, together with the corresponding tax adjustments, had been made from 1 January 2019 on.

4. CURRENCY CONVERSION

Reporting currency:
The consolidated financial statement is prepared in €, which is the reporting currency of the RATH Group. The financial statements of foreign companies are translated into € in accordance with the functional currency concept. For all companies, this corresponds to the respective local currency, as the companies conduct their business independently in financial, economic and organizational terms.

All balance sheet items with the exception of stockholders' equity are translated at the mean exchange rate as of 31 December 2019. Goodwill is recognized as an asset in the local currency of its respective origin and is also translated at the mean rate of exchange on the consolidated balance sheet date. Income and expense items are converted at annual average exchange rates.

Currency conversion differences between the closing rate in the balance sheet and the average rate within the P&L account are recognized directly in equity under the item "Currency translation differences" in the statement of comprehensive income and thus as part of other income.

The exchange rates of major currencies used for currency conversion developed as follows:

	RATE ON REPORTING DATE 31 DECEMBER 2019	RATE ON REPORTING DATE 31 DECEMBER 2018	AVERAGE RATE 1-12 2019	AVERAGE RATE 1-12 2018
$	1.123	1.145	1.119	1.181
HUF	330.530	320.980	325.297	318.890
CZK	25.408	25.724	25.670	25.647
PLN	4.257	4.301	4.298	4.261
UAH	26.452	31.714	29.214	32.250
MXN	21.220	22.492	21.557	22.705

Source: Austrian National Bank (www.oenb.at)

Transactions in foreign currency:
Gains and losses from transactions in a currency other than the respective functional currency are immediately recognized in the P&L account.

Monetary assets and liabilities denominated in a foreign currency as of the reporting date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities assessed at fair value in a foreign currency are translated at the exchange rate applicable at the date when the fair value is determined. Non-monetary items assessed at historical purchase or production costs in a foreign currency are translated at the exchange rate at the date of the transaction.

5. EFFECTS OF NEW AND AMENDED STANDARDS

5.1 NEW AND AMENDED STANDARDS APPLICABLE IN 2019

Overview:
In the preparation of the consolidated financial statement, the following amendments or changes to existing IAS/IFRS or interpretations as well as the newly issued standards and interpretations, insofar as they had been published in the Official Journal of the European Union by the balance sheet date and had come into force by that date, were observed:

STANDARD	CONTENTS	TO BE APPLIED FROM
IFRS 16	Leases	January 2019
IFRS 9	Early redemption options with negative prepayment penalty	January 2019
IAS 28	Non-current shares in associated companies and joint ventures	January 2019
AIP 2015-2017	Changes and clarifications to various IFRS	January 2019
IAS 19	Changes to IAS 19: Plan amendments, curtailments and settlements	January 2019
IFRIC 23	Uncertainty regarding the income tax treatment	January 2019
IFRS 9, IAS 39, IFRS 17	Changes to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform	January 2020

IFRS 16 "Leases":

Regulations of the standard
IFRS 16 "Leases" replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. The standard regulates the recognition, valuation, presentation and disclosure of leases in the financial statement. The standard provides for a single accounting model for the lessee. This model results in the lessee recognizing all assets and liabilities under lease agreements in the balance sheet, unless the lease term amounts to 12 months or less or the asset is of low value. The simplifications are optional. At the start of the lease, the RATH Group as lessee must recognize a leasing liability (for payment of the lease installments) and a right-to-use asset. Accordingly, the leasing liability is valued using the effective interest method, and the right-to-use asset is generally amortized on a straight-line basis over the term of the contract.

For accounting purposes, the lessor continues to distinguish between financial leasing and operating finance leases. The accounting model of IFRS 16 does not differ significantly from that of IAS 17.

According to IFRS 16, multi-component contracts must be split into leasing and non-leasing components. The distinction between on-balance-sheet leasing components and off-balance-sheet service components is therefore of additional significance for the Group under IFRS 16. If and insofar as several components meet the definition of a lease, the accounting rules of IFRS 16 must be applied to each separately identifiable component and, in principle, presented separately from non-leasing components. However, the lessee has the option of not separating the leasing and non-leasing components and accounting for the entire agreement in accordance with IFRS 16. This option can be exercised uniformly at the level of asset classes of underlying leased assets.

For the lessor, on the other hand, separation of the individual contract components is mandatory, i.e. there is no option to waive the separation in the same way as for the lessee, since detailed knowledge of the individual components is required of the lessor in order to carry out appropriate (individual) pricing. The allocation of the consideration received to the contract components is to be carried out using the revenue recognition requirements of IFRS 15.73–15.90 (IFRS 16.17). In accordance with IFRS 15, the transaction price is allocated to the separate performance obligations on the basis of the respective individual sales prices. The market price must first be used to determine the individual selling price. In the event that the individual selling price is not directly observable, an estimate can be used.

IFRS 16 has been applied since 1 January 2019. The Group applies the modified retrospective transition method; therefore, no comparative figures are given. Instead, the cumulative effect of the initial application of IFRS 16 is recognized as an adjustment to the opening balance of retained earnings (or other equity component, if any).

Furthermore, the Group applies IFRS 16 to all leases already identified as such under IAS 17. Here, the carrying amounts of the leased asset immediately prior to the first-time application of IFRS 16 and the carrying amount of the leasing liability under IAS 17 are recognized as the initial carrying amount of the right-to-use asset and the leasing liability under IFRS 16. The valuation principles are applied only afterwards. Valuation adjustments resulting from the application of IFRS 16 are recognized after the date of initial application, i.e. not in the retained earnings.

Both the option for simplifications in connection with leases with short terms (12 months or less) and low-value assets is applied. The Group has entered into leases (as lessee) for various electronic equipment and machinery, which are recognized as low-value assets in accordance with IFRS 16. Furthermore, use is made of the facilitation whereby initial direct costs are not taken into account in the valuation of right-to-use assets. For those leases which fall under the options, the accounting method does not change, the expenditures still appear in the P&L account.

Assets and liabilities from leases are initially recognized at present value. The leasing liabilities include the present value of the following lease payments:

- fixed payments (including de facto fixed payments, less any leasing incentives to be received)
- variable lease payments linked to an index or (interest) rate, initially valued at the index or interest (rate) on the date of provision
- expected payments from the RATH Group from the utilization of residual value guarantees
- the exercise price of a purchase option whose exercise by the Group is sufficiently certain
- penalties in connection with the termination of a lease, if and insofar as during the term it is taken into account that the Group will exercise the termination option in question.

If and insofar as none of the exemptions in this respect have been utilized, the liabilities from agreements previously classified as operating leases are discounted at the lessee’s incremental borrowing rate as of 1 January 2019 and recognized at the present value of the remaining lease payments. The carrying amount of the associated right-to-use asset is calculated retrospectively as if IFRS 16 had always been applied. Discounting is also based on the incremental borrowing rate. Recognition is done at the amount of the leasing liability, adjusted by the amount of lease payments made or deferred in advance for the lease. The weighted average incremental borrowing rate used as lessee for the leasing liabilities recognized in the balance sheet at the date of initial application amounts to 2.17 %, with no significant difference arising.

The implementation project for IFRS 16 was performed and completed. In addition to the contract inventory, calculations were made with regard to the quantitative effects of the first-time application of IFRS 16. The resulting conversion effects as of 1 January 2019 were communicated internally to the company management. The actual implementation did not result in any significant deviations from the conversion effects determined. In the calculations of leasing liabilities and right-to-use assets, the regulations of IFRS 16 on terms and variable lease payments were taken into account.

Effects of IFRS 16
IFRS 16 primarily affects the accounting for contracts classified as operating leases under IAS 17.

As of 31 December 2018, the Group has non-cancelable obligations under operating leases to the amount of k€ 1,867. Under IAS 17, these leases were accounted for off-balance sheet, and the lease installments were periodically expensed. Of the total amount of the above-mentioned obligations, approximately k€ 178 is attributable to leases with a term of less than 12 months as of the balance sheet date. A further approx. k€ 218 is accounted for by the leasing of photocopiers, machines and other small equipment at a unit price of amounting to k€ < 5 each. As the company applies the option to apply the exemptions for short-term leases and low-value assets, the accounting for these classes of leases does not change. Under IFRS 16, too, the Group also recognizes expenditures from these contracts in the P&L account as soon as they are incurred.

For the leasing obligations in excess of this, the Group capitalizes right-to-use assets amounting to approx. k€ 2,349 as of 1 January 2019 and recognizes leasing liabilities amounting to approx. k€ 3,264 (after adjustments for prepayments made and deferred lease payments recognized as of 31 December 2018).

In the course of the contract inventory, contracts were identified in which the Group acts as lessee and which each contain a service component in addition to a leasing component. The Group does not exercise the option to account for the entire agreement in accordance with IFRS 16 and will therefore separate the two components. This affects contracts that are classified as operating leases in accordance with IAS 17. There is no conversion effect for the share of the service component in the context of first-time application, as the expense continues to be recognized directly in the P&L account as soon as it is incurred. A leasing liability and a right-to-use asset are recognized for the leasing component as described above. The resulting conversion effects have already been taken into account in the adjustments described in the previous paragraph.

The first-time application of IFRS 16 will increase the EBITDA by k€ 1,012 in the financial year 2019. This is due to the fact that the expenditures from operating leases were included in EBITDA in accordance with IAS 17, but the depreciations on the capitalized right-to-use asset and interest expenditures from the leasing liability in accordance with IFRS 16 are no longer so.

Under IAS 17, payments from operating leases were allocated to operating cash flow. Under IFRS 16, the current redemption payments for the leasing liability were allocated to the cash flow from financing activities. Accordingly, the operating cash flow increased by approximately k€ 982, and the cash flow from financing activities decreased correspondingly.

Leases that are classified as financial leasing under IAS 17 are recognized at the date of transition to IFRS 16 in the same way as previously. However, IFRS 16 results in changes in the recognition of the right-to-use asset, particularly with regard to initial direct costs and residual value guarantees. These adjustments are not conversion effects due to the first-time application of IFRS 16 though, but rather effects that arise after the transition to IFRS 16 and thus modifications.

VALUATION OF THE LEASING LIABILITIES (DETAILS)

	K€
Commitments from operating leases disclosed as of 31 December 2018	1,867
Discounted using the lessor's incremental borrowing rate at the date of first-time application of IFRS 16	1,643
Plus: liabilities from financial leasing recognized as of 31 December 2018	932
Minus: short-term leases, which are recognized as expenses on a straight-line basis	-178
Minus: Leases of low-value assets recognized as expenses on a straight-line basis	-218
Plus: Contracts that have been reassessed as leases	119
Plus/minus: Adjustments due to different estimates of extension and termination options	983
Minus: Prepaid lease installments, presented net with leasing liability	-16
Leasing liabilities recognized in the balance sheet at 1 January 2019	**3,264**

OF WHICH

	K€
Current leasing liabilities	1,629
Non-current leasing liabilities	1,635

The Group determines the maturity of leasing liabilities using the redemption model. Under the redemption model, the current portion corresponds to the redemption portion of the leasing liability.

Individual leases for employee vehicles are linked to the 3-month EURIBOR (not taking into account a change of 25 basis points). The effect of changes in this index was immaterial and was not included in the reconciliation.

The change in accounting policy affected the following balance sheet items as of 1 January 2019 as follows:

		K€
Property, plant and equipment	Acceptance	1,810
Right-to-use assets	Increase	4,158
Other financial receivables	Acceptance	16
Leasing liabilities	Increase	2,349

Other new and amended standards to be applied in 2019:
The changes and amendments to IFRS 9, IAS 39 and IFRS 9 (IBOR reform) were applied early in the 2019 consolidated financial statement. Neither this change nor the other ones have a material impact on the asset, financial and earnings position of the Group.

5.2 STANDARDS, INTERPRETATIONS AND CHANGES TO PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY IN 2019 AND HAVE NOT BEEN APPLIED PREMATURELY

The following changes or revisions of standards and interpretations have not yet been fully adopted by the EU as of the balance sheet date and are not yet mandatory for the financial year and have not been applied prematurely either.

Standards adopted by the European Union as of the reporting date:

STANDARD	CONTENTS	ACCEPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
Framework	Changes to references to the Framework in IFRS	January 2020	None
IAS 1 IAS 8	Changes to IAS 1 and IAS 8: Definition of materiality	January 2020	None

Standards not yet adopted by the European Union as of the reporting date:

STANDARD	CONTENTS	ACCEPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
IFRS 17	Insurance contracts	January 2023	None
IFRS 3	Changes to IFRS 3: Definition of a business operation	January 2020	None

6. ACCOUNTING AND VALUATION PRINCIPLES

6.1 TANGIBLE ASSETS

Tangible assets are valued at purchase or production costs less accumulated scheduled depreciations and impairments. Purchase or production costs include all expenditures incurred to bring the asset up to its current condition and location. The production costs of internally produced assets include the expenditures attributable directly to the production. Borrowing costs are recognized if and insofar as they can be attributed to a qualifying asset. As in the previous year, no borrowing costs were recognized in the reporting year as there were no qualifying assets.

Costs incurred for an item in later periods (subsequent purchase or production costs) are capitalized only if it is probable that the RATH Group will derive future economic benefit from it and the costs can be reliably determined.

Property, plant and equipment subject to wear is depreciated using the straight-line method over the expected useful life of the assets concerned. The depreciation is as a matter of principle recognized in profit or loss. Depreciation methods, residual values and economically useful lives are reviewed on every balance sheet date and adjusted if required. The following useful lives in years were assumed when determining the depreciation rates:

	USEFUL LIFE IN YEARS	
Building	from 10	to 35
Machinery	from 10	to 25
Business equipment	from 3	to 15

Gains and losses from disposals of property, plant and equipment are calculated as the difference between the proceeds from the disposal and the carrying amounts of the property, plant and equipment and are recognized in the P&L account under "Other operating income" or "Other operating expenses".

Ordinary maintenance and minor repairs are treated as immediate expenses.

6.2 INTANGIBLE ASSETS

First-time recognition:
In accordance with IAS 38, both externally acquired and internally generated intangible assets are recognized only if

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the purchase or production costs of the asset can be measured reliably

In order to assess the probability of future economic benefits, reasonable and justified assumptions regarding the framework conditions are included. In the case of intangible assets that were acquired separately or in the course of a merger, the probability criterion pursuant to IAS 38 is generally considered to be met.

Individually acquired intangible assets are valued at purchase or production costs upon initial recognition. Purchase or production costs include all expenditures incurred to bring the asset up to its current condition. The purchase cost of an intangible asset acquired in a merger is tantamount to its fair value at the acquisition date.

Subsequent valuation:
Following initial recognition, intangible assets are recognized at purchase or production costs less cumulative depreciations and impairment. Depreciation is calculated using the straight-line method over an estimated useful life. The following useful lives in years were assumed when determining the depreciation rates:

	USEFUL LIFE IN YEARS	
Customer relations	6	
Rights under trademark law	5	
Other intangible assets	from 1	to 15

There are no intangible assets with an indefinite useful life.

Gains and losses from disposals of intangible assets are calculated as the difference between the proceeds from the disposal and the carrying amounts of the intangible assets and are recognized in the P&L account under "Other operating income" or "Other operating expenses". Development expenses are capitalized only if the development costs can be assessed reliably, if the product or the procedure is technically and commercially suitable, if a future economic use is likely, and if the Group intends to and has sufficient resources to finish the development and use or sell the asset. Capitalized development expenses are assessed as purchase or production costs less cumulative depreciations and cumulated impairments.

Goodwill:
The goodwill reported in the balance sheet results from the application of the purchase method for mergers. The acquired, provisionally valued goodwill was allocated in full to the "USA" segment (see Note (7)) on the basis of the expected synergies to which the assets not recognized in the course of the purchase price allocation are allocated.

Internally generated intangible assets:
In the case of internally generated intangible assets, the period of manufacture is divided into a research and a development phase. Development expenses are incurred in particular for new refractory technologies and significant improvements in their performance and quality.

Development expenses are capitalized only if all the conditions of IAS 38 are met cumulatively:

- The completion of the intangible asset can be technically realized to the extent that it can be used or sold.
- The intention to complete the intangible asset and use or sell it.
- The ability to complete the intangible asset and use or sell it.
- The manner in which the intangible asset is expected to generate future economic benefits can be demonstrated.
- Adequate technical, financial and other resources are available to complete development, and the intangible asset can be used or sold.
- The expenditure attributable to the intangible asset can be valued reliably.

As in the previous year, these conditions were met for individual projects in the financial year (see Note (9)).

Capitalized development expenses are shown net in the respective expense items.

6.3 IMPAIRMENT OF NON-CURRENT ASSETS

General:
In case of non-current assets, except for deferred tax assets and financial assets, a review of whether or not there are indications of impairment is carried out on the respective balance sheet date or in case of a triggering event. Capitalized development costs for projects in progress are tested annually for recoverability.

In case of indications, the RATH Group calculates the recoverable amount for the asset. This corresponds to the higher of use value and fair value less selling costs. Should the recoverable amount be less than the carrying amount of the asset, an impairing loss for this difference is to be reported in the P&L account.

The use value of the asset is equivalent to the present value of anticipated future cash flows from its continued use and end-of-life disposal. This is based on a standard market interest rate that is adapted to the specific risks of the asset. If no cash flow that is independent of other assets can be determined for an individual asset, the use value is calculated using the next largest unit to which this asset belongs and cash flows are generated that are largely independent of the inflows from other assets ("cash-generating unit" or "CGU"). The RATH Group defines the individual group companies as CGUs.

The fair value less the selling costs is equivalent to the proceeds achievable in the market from independent third parties, less any selling costs incurred.

Any subsequent non-impairment leads to a reversal of impairment in the P&L account up to the lower value of the amortized purchase or production costs and the recoverable amount.

As on the previous year's balance sheet date, there were no indications of impairment or reversal of impairment as of the balance sheet date.

Goodwill:
According to IFRS 3 "Business Combinations", goodwill is not subject to scheduled amortization, but is to be tested for impairment annually or more frequently if there are indications that material impairment may have occurred. Any impairment loss identified in this process is to be recognized at the amount by which the carrying amount of the respective cash-generating unit, including the goodwill allocated to this unit, exceeds the respective recoverable amount. This is the higher of use value and fair value less the selling costs.

As the existing goodwill results from a merger on 30 August 2019 and the associated purchase price allocation as at 31 December 2019 is not yet final, no impairment test was carried out in the financial year 2019.

Goodwill completely revalued unscheduled is reported in the Summary of Fixed Assets as a disposal.

6.4 GOVERNMENT GRANTS

Government grants for expenditures are recognized as other operating income in the respective period, except when the payment of the grant is dependent on conditions that do not occur with sufficient probability yet. Investment grants are recognized on the liability side from the time binding approval is given, and reported in the P&L account in accordance with the depreciation of the assets in question.

As of 31 December 2019, k€ 149 (previous year: k€ 176) in investment grants and subsidies are carried as liabilities. A total of k€ 31 (previous year: k€ 5) in investment grants were recognized in other operating income.

6.5 FINANCIAL ASSETS AND LIABILITIES

Recognition and initial valuation
Trade receivables and issued debentures are recognized from the date of their creation. All other financial assets and liabilities are initially recognized on the trading day when the organization becomes a party to the contract under the terms of the instrument.

A financial asset (other than a trade receivable without a significant financing component) or a financial liability is initially assessed at fair value. In the case of an item that is not valued at FVTPL, the transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added. Trade receivables without significant financing components are valued at the transaction price upon initial recognition.

Classification and subsequent valuation of financial assets:
Upon initial recognition, a financial asset is classified and valued as follows:

- Financial assets at amortized cost:

These assets are subsequently measured at amortized cost using the effective interest method. The amortized purchase costs are reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. A gain or loss on write-off is recognized in profit or loss.

- *FVTPL:*
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- *FVOCI debt instruments:*
  These investments into debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains or losses are recognized in other income. Upon write-off, the accumulated other income is reclassified to profit or loss.
- *FVOCI equity investments:*
  Equity investments are assessed at fair value with changes in other income. Dividends are recognized as income in profit or loss unless the dividend is clearly covering part of the costs of the investment. Other net gains or losses are recognized in other income and never recycled to profit or loss.

Financial assets are reclassified after initial recognition only if the Group changes its business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is valued at amortized cost if both of the following conditions are met and it has not been designated at FVTPL:

- It is held in the context of a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

A debt instrument is designated as FVOCI (fair value through other comprehensive income) if both of the following conditions are met and it has not been designated at FVTPL:

- It is held in the context of a business model whose objective is to hold financial assets to collect the contractual cash flows as well as to sell financial assets; and
- its contractual terms result in cash flows at specified dates, which represent exclusively payments of principal and interest on the outstanding principal.

Upon initial recognition of an equity investment that is not held for trading, the RATH Group may irrevocably elect to show consequential changes in the fair value of the investment in other income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not valued at amortized cost or at FVOCI are assessed FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably decide to designate financial assets that otherwise qualify for valuation at amortized cost or at FVOCI at FVTPL if this results in the elimination or significant reduction of accounting mismatches otherwise occurring.

Impairment of financial assets
The Group assesses the expected credit losses associated with debt instruments measured at amortized cost or fair value through equity on a forward-looking basis. The impairment method depends on whether there is a significant increase in credit risk.

In the case of trade receivables, the Group applies the simplified approach permitted by IFRS 9, according to which expected credit losses are to be recognized over the term of the receivables from the time of initial recognition. In order to measure the expected credit losses, trade receivables and contract assets were combined on the basis of common credit risk characteristics and days past due. Contract assets relate to work in progress that has not yet been invoiced and have essentially the same risk characteristics as trade receivables for the same types of contracts have. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of the revenues over a period of 36 months prior to 31 December 2019 or 1 January 2019, respectively, and the corresponding historical defaults in this period. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the claims. The Group has identified the country risk in relation to the respective customer domicile as the most relevant factor and adjusts the historical loss rates based on expected changes in these factors. The default risk of trade receivables and contract assets is generally classified as low. A significant increase in this is estimated from an overdue period of 90 days.

Information on developments of the value adjustment in relation to trade receivables is provided in Note (12).

Trade receivables and contract assets are derecognized when it is reasonably considered that they are no longer realizable. Indicators that, based on reasonable judgment, claims no longer appear to be recoverable include, without being limited to, a debtor's failure to commit to a repayment schedule to the Group and a failure to make contractual payments for a period of more than 120 days in arrears. In order to determine the loss ratio, i.e. the actual loss of receivables in the event of a customer default or what is likely to be uncollectible from the insolvency estate, the customer's financial situation as well as empirical values and estimates by legal experts are taken into account in addition to any collateral.

Impairment losses on trade receivables and contract assets are presented in the operating result as impairment losses, net. Amounts achieved in subsequent periods and previously written off are recognized in the same item.

Classification of financial liabilities:
Upon initial recognition, a financial liability is classified and valued as follows:

- Other financial liabilities (at amortized cost)
- FVTPL (at fair value with changes in value in profit or loss)

Other financial liabilities are subsequently assessed at amortized cost using the effective interest method. Interest expenditures and foreign currency translation differences are recognized in profit or loss. Profits or losses from write-off are also recognized in profit or loss.

Derivative financial instruments:
Until June 2018, the RATH Group used to hold an interest swap that economically served to hedge a variable-interest liability, but for which hedge accounting in accordance with IAS 39 was not applied. As of 31 December 2019 (and thus unchanged from the previous year's balance sheet date), the RATH Group does not hold any derivative financial instruments.

6.6 INVENTORIES

Inventories are valued at the lower value of the purchase or production costs and the net realizable value as of the balance sheet date. The RATH Group reviews the recoverability of inventories at regular intervals and compares them with the net realizable value on the sales market (selling price less attributable selling and administrative costs). If this is lower than the cost of acquisition or production is, a depreciation to net realizable value is recognized in the income statement.

In addition, a marketability discount is reported if the consumption per year is less than the stock level on the key date. Standard formats are excluded from this valuation approach.

Purchase or production costs include all costs of manufacturing, working and processing, as well as other costs that have been incurred to bring the inventory in its current location and condition. Production costs include all direct costs and variable costs and overheads that are systematically incurred during production on the basis of the average utilization of the production facilities. Unit costs are calculated using the moving average price method.

The net realizable value is the estimated selling price in the ordinary course of business less applicable variable cost of sales and production.

6.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include ready money and readily available bank balances with a remaining time to maturity of up to three months. The item Cash and cash equivalents corresponds to the cash fund in the consolidated cash flow statement.

6.8 EMPLOYEE BENEFITS

- *Short-term employee benefits:*
  Obligations from short-term employee benefits are recognized as an expense as soon as the related work is performed. A liability is recognized for the amount expected to be payable if the Group currently has a legal or actual obligation to pay that amount as a result of employee service, and the obligation can be estimated reliably.
- *Defined-contribution plans:*
  Obligations for contributions to defined-contribution plans are recognized as an expense as soon as the related work is performed. Prepaid contributions are recognized as assets if and insofar as a right to reimbursement or a reduction in future payments arises. In the case of defined-contribution pension plans, the company performs payments to private or public pension systems and employee and employee pension funds due to statutory or contractual obligations. There are no other obligations beyond the payment of contributions.
- *Defined-benefit plans:*
  All other obligations result from unfunded, defined-benefit plans and are provided for accordingly. The Group's net obligation with regard to defined-benefit plans is calculated separately for each plan by estimating the future benefits that the employees have earned in the current and prior periods. This amount is discounted, and the fair value of any scheme assets is deducted.

This obligation is reported in accordance with IAS 19. This is done by determining the present value of the defined-benefit obligation (DBO). The DBO is calculated using the projected unit credit (PUC) method. According to this method, future payments are calculated using realistic assumptions over that period during which the respectively entitled persons acquire these entitlements. The calculation of the required provision is done for the respective balance sheet date by an actuary's expert opinion.

Future obligations will be assessed according to actuarial principles and are based on a proper assumption of the discount factor, salary increase factor and the pension increase factor. Assumption-based revaluations of the net liability from defined-benefit plans are recognized directly in stockholders' equity via other income in the year in which they occur. Thus, the accrual usually corresponds to the actual obligation on the respective balance sheet date.

Any past service costs are immediately recognized in the P&L account. Regarding the anniversary bonus provisions, actuarial profits and losses are immediately reported in the P&L account. For severance payment accrual and provisions for pensions, the results from the revaluation of the net liability are recognized in the other income. With respect to severance payment accruals, the service costs are distributed over the time frame in which the maximum entitlement to compensation is reached.

6.9 ACCRUALS AND PROVISIONS

Accruals and provisions are recognized if the RATH Group has a legal or factual obligation to a third party as a result of a past event, whereby it is likely that this obligation will lead to a reduction of resources and a reliable estimate of the amount of the obligation can be made. If dismantling work needs to be carried out on a tangible asset at the end of its useful life, the associated expenditures will be entered on the liabilities side in the form of an accrual for costs of disposal and capitalized as part of purchase or production costs. The accruals and provisions are recognized at the value corresponding to the best possible estimate of the expenditure required to fulfill the obligation. If the present value of the accrual established using a standard market interest rate is significantly different from the nominal value, the present value of the obligation is recognized.

An accrual for warranties is recognized once the underlying products or services are sold. The accrual is based on historical warranty data and a weighting of all possible results with the related probabilities.

6.10 TAXES

Tax expense includes current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss. Excepted from this are those items that are associated with a merger or with an item recognized directly in stockholders' equity or in other income.

Interest and penalties on income taxes that do not meet the definition of income taxes are accounted for in accordance with IAS 37. IFRIC 23 is taken into account for the accounting of uncertain tax items.

Current taxes
Current taxes are the expected tax payables or receivables on taxable income or fiscal loss for the financial year based on tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable for earlier years. The amount of the expected tax liability or asset reflects the amount that represents the best estimate, taking into account fiscal uncertainties, if and insofar as there should be any. Current tax liabilities also include all tax liabilities arising as a result of the determination of dividends.

Current taxes for individual companies within the RATH Group are calculated from the income tax liability of the company and the tax rate applicable in the respective country. Current tax assets and liabilities are netted only under certain conditions.

There is a tax allocation agreement in accordance with § 9 VIII of the Austrian Corporation Tax Act of 1988 between RATH AG as the group parent and the group companies Aug. RATH jun. GmbH and RATH Filtration GmbH as group members for the purpose of group taxation.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for fiscal purposes and for fiscal loss carry-forwards. No deferred taxes are reported for the following items:

- temporary differences upon initial recognition of assets or liabilities in a transaction that is not a merger of companies and affects neither the balance sheet result before taxes nor the taxable result.
- temporary differences associated with investments into subsidiaries, affiliates and associates and jointly controlled entities, if and insofar as the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences upon initial recognition of goodwill.

A deferred tax asset for unused fiscal losses, unused fiscal credits and deductible temporary differences is recognized to the extent that it is probable that future taxable results will be available against which it can be utilized. Future taxable profits are determined on the basis of the reversal of taxable temporary differences. If the amount is not sufficient to fully capitalize deferred tax assets, the future taxable profits – taking into account the reversal of temporary differences – are to be determined on the basis of the individual business plans of the subsidiaries. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; appreciations are made whenever the probability of future taxable income improves.

Unrecognized deferred tax assets are reassessed at each balance sheet date and recognized to the extent that it is probable that future taxable earnings will allow the asset to be recovered.

Deferred taxes are assessed using the tax rates expected to apply to temporary differences as soon as they reverse, using tax rates in force or announced at the balance sheet date. As in the previous year, the calculation of deferred taxes was based on a tax rate of 25 % in Austria, 31 % in Germany, 9 % in Hungary and 29 % in the USA.

The valuation of deferred taxes reflects the fiscal consequences arising from the Group's expectations regarding the manner in which the carrying amounts of its assets and liabilities will be recovered or settled at the balance sheet date.

Deferred tax assets and deferred tax liabilities are to be netted if certain conditions are met.

6.11 REVENUE RECOGNITION

General:

The basis for the recognition of sales revenue within the RATH Group is the existence of a contract in which a consideration is agreed with the customer. The consideration is allocated to the individual performance obligations under the contract on the basis of their relative individual selling prices. If these are not available (e.g. for customer-specific projects), the expected costs plus a margin are used.

Variable consideration is recognized in sales revenue only to the extent that it is highly probable that there will not be a significant reduction in such amounts in the future. Sales revenue is therefore presented less any rebates, discounts, bonuses and any contractual penalties. Revenue recognition is also performed for graded price structures that define discounts in future periods. Recognition of variable considerations is mainly based on historical data.

Depending on the nature of the performance obligation, it is recognized as turnover in a date-based or period-based manner, respectively.

Performance obligations within the RATH Group:

The RATH Group produces and sells refractory products. These include high-temperature wool, rolls, mats, combination modules, lightweight refractory bricks and dense bricks and castables, as well as vacuum-formed shapes and filter elements. In addition to the production of standard formats, also customer-specific products are manufactured, whose production usually requires engineering (planning). In the context of projects, customers are provided with holistic refractory solutions such as furnaces. In addition to engineering, further services such as assembly, supervision or repair services are offered and also sold together with the production service.

A performance is customer-specific if:
- the design specifications are unique to a customer and reworking would be uneconomical or involve significant costs; or
- alternative use of the products is restricted by contractual restrictions.

At the beginning of the contract, independent goods or services are deferred and identified as a performance obligation. A series of independently identifiable goods or services that are essentially the same and have the same pattern of transmission to the customer are identified as a performance obligation (e.g. production of several identical bricks of standard size).

A good or a service can be defined independently if the following two criteria are met:
- the customer derives benefits from the promised goods or services directly or in combination with other resources available to the customer; and
- the promised goods or services are separable from other promised goods or services under the same contract.

The following significant and typical performance obligations exist within the RATH Group:
- Production of products with standard format
- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

Neither in the financial year nor in the previous year were there any agreements containing significant financing components or significant guarantees or warranties and associated obligations. As in the previous financial year, the performance obligations have an expected original term of a maximum of one year.

Period-based revenue recognition:
The Group recognizes revenue over a period of time if any of the following criteria is met:
- The customer receives the benefit of the performance provided and consumes it at the same time
- Production or improvement of an asset over which the customer has control during the production or improvement
- Customer-specific performance: Production of an asset that cannot be used by the company for any other purpose, where there is an entitlement to receive payment for the performances rendered so far and an expectation that the contract be performed as agreed

This results in the following typical performance obligations within the RATH Group, for which period-based revenue is recognized:
- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

Date-based revenue recognition:
If the criteria for period-based revenue recognition are not met, the revenues are recognized in a date-based manner. Revenue is therefore recognized when control is transferred on a specific date. Here, the Group uses the following indicators:
- The significant risks and rewards of ownership of the asset lie with the customer in accordance with the agreed INCOTERM
- Customer acceptance (unless a mere formality)

The RATH Group has the following significant and typical performance obligations, for which date-based revenue recognition is applied:
- Production of products with standard format

Contract costs:
Costs incurred to obtain a contract with an expected term of no more than one year are expensed immediately in accordance with IFRS 15:91–94. Significant costs incurred in obtaining a contract with a term of more than one year are capitalized as an asset and expensed over the term of the contract. As of 31 December 2019, no deferred contract costs existed (previous year: k€ 0).

6.12 FINANCIAL INCOME AND EXPENDITURES

The Group's financial income and expenditures comprise
- Interest income
- Interest expenditures
- Income from securities
- Net gains or losses from financial assets valued at FVTPL
- Foreign currency exchange gains and losses from financial assets and liabilities
- Impairment losses (and reversals of impairment) of investments into debentures valued at amortized cost

Interest income and expenses are recognized in profit or loss using the effective interest method. Income from securities is recognized in profit or loss at the time when the Group has a legal claim to payment.

The effective interest rate is the interest rate that exactly discounts the estimated future cash outflows or receipts over the expected lifetime of the financial instrument:
- to the net carrying amount of the financial asset, or
- to the residual carrying amount of the financial liability.

In the calculation of interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset's credit rating is not impaired) or to the residual carrying amount of the liability. For financial assets that are impaired in terms of credit rating after initial recognition, by contrast, interest income is calculated by applying the effective interest rate to the amortized purchase cost of the financial asset. If the credit rating of the asset is no longer impaired, interest income is again calculated on a gross basis.

6.13 USE OF DISCRETIONARY DECISIONS AND ESTIMATES

General:
Preparation of the consolidated financial statement requires the management to make certain estimates and assumptions that affect the application of accounting and valuation methods, the recognition and measurement of assets and liabilities and contingent liabilities, the disclosure of other obligations at the balance sheet date, and the recognition of income and expenditures during the reporting period.

Historical information, planning data and economic conditions are taken into account when determining the estimates and assumptions. These estimates and the underlying assumptions are reviewed on an ongoing basis. The actual amounts may differ from these estimates. With respect to liabilities and impairments not reported in the balance sheet and arising from sureties, guarantees and other contingencies, regular estimates are made as to whether recognition is required in the consolidated financial statement.

The following accounting and valuation methods are most significantly associated with management's use of discretion, estimates and assumptions:

Revenue recognition:
In addition to material deliveries, there are often other performance obligation such as engineering, supervision or installation services. This gives rise to discretionary scope with regard to determining the individual distinguishable performance obligations and the allocation of the consideration to them on the basis of their individual selling prices. It is also necessary to exercise discretion as to whether in the case of orders from long-standing existing customers or in areas in which the Group has long-standing experience a customer acceptance not yet performed should be classified as a formal act and therefore revenue is recognized in a period-based manner.

In addition, the assessment of whether a material is customer-specific requires certain discretionary powers. This classification is decisive for the timing of revenue recognition. Determination of the transaction price hardly involves any discretionary decisions, as it is usually not of a variable nature.

The RATH Group provides various types of product guarantees depending on the business line and market conditions. The accounting of accruals and provisions for product warranties is generally associated with estimates regarding the frequency and amount of the claims. These estimates are based on historical records of the frequency and amount of warranty claims as well as management's best estimate of the expected benefits from warranty claims. As there have been no significant expenditures from warranty claims in the past and no significant changes are expected in the future, we did not recognize a provision for product liability in the previous year.

Recognition of deferred tax assets:
In order to determine deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of deferred tax assets. However, since future business developments are uncertain, and in some cases they cannot be influenced by the RATH Group, the valuation of deferred taxes is subject to uncertainty.

Accounting of mergers:
The accounting of mergers requires the use of discretionary judgment in assessing the identifiability of intangible assets and recognizing all identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date. In particular, the valuation of intangible assets is generally based on the forecast of the overall expected future cash flows and is closely linked to management's assumptions regarding their future development and the underlying developments of the discount rate to be applied.

Impairment of assets:
Goodwill and assets are reviewed for recoverability whenever any events or changes in circumstances indicate that the carrying amount of an asset or group of assets may exceed its recoverable amount. Goodwill and intangible assets not yet ready for use are to be tested for recoverability annually, even if there are no signs of impairment.

When assessing recoverability, the management makes estimates and future-related assumptions about the expected cash flow surpluses and cost of capital rates for the RATH Group and individual cash-generating units in the planning periods. The estimates made are made to the best of the management's knowledge and belief under the going concern assumption, are based on experience, and take the remaining uncertainty into account in an appropriate manner.

Useful lives of property, plant and equipment:
Determination of the useful lives of property, plant and equipment is based on estimates that are in turn based on experience from the operation of comparable assets. A list of the useful lives is provided in Note (6.1).

Valuation of existing obligations for pensions, severance payments and service anniversary bonuses:
The actuarial valuation of pension plans as well as of severance compensation and service anniversary bonuses is based on assumptions concerning the expected discount rate, salary and pension increases, fluctuation rates and life expectancy. Detailed information on the parameters used as well as a sensitivity analysis is provided in Note (15).

Subsequent valuation of trade receivables and contract assets:
Value adjustments for trade receivables and contract assets are based on expected credit losses. This requires assumptions to be made to determine the weighted average loss rates.

Capitalization of development costs
In addition to the definition of the research and development phase, the assessment of technical feasibility also involves discretionary decisions by the management. Meeting the recognition criteria for intangible assets under IAS 38 likewise necessitates assumptions about market conditions and developments, customer demand and other future developments.

7 BUSINESS SEGMENTS

General:
The business segments are presented by region. The business segmentation by regions corresponds to the RATH Group's internal reporting system, which is regularly presented to the chief operating decision-maker, the Management Board of RATH AG.

Assets and liabilities as well as income and expenditures are allocated to the individual business segments only if and insofar as they are attributable to the respective business segments directly or by way of a reasonable procedure. Allocations between the individual segments are performed using the arm's length principle.

The business segment information is subject to the same accounting and valuation methods as the consolidated financial statement is, and is presented according to the following regions:

Austria:	Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, RATH Filtration GmbH, RATH AG
Germany:	RATH GmbH
Hungary:	RATH Hungaria Kft.
USA:	RATH Inc., RATH LLC
Rest of world:	RATH žárotechnika spol. s r.o, RATH Polska Sp. z o.o., RATH Ukrajina TOW, RATH Group S. de R.L. DE C.v.

Reconciliation of results to "Adjusted EBITDA":
For internal reporting purposes, EBITDA is adjusted for one-off and special effects:

	REPORTING:	2019 K€	2018 K€
EBITDA before adjustments		**12,269**	**12,729**
Insolvency of key accounts Eisenmann and ENPOL	(12)	686	0
Change in the Management Board	(23)	588	0
Incidental costs of company acquisition	(3)	528	0
Other		40	0
		14,111	**12,729**

Segment reporting:
The segment "Austria" comprises the production site in Krummnußbaum, where, in addition to the production of lightweight refractory bricks and dense bricks, further focuses are on the production of vacuum-formed shapes and stove fitter products. The holding company RATH AG and the sales company for filter cartridges for hot-gas filtration are also allocated to this segment.

Filter cartridges for hot-gas filtration are produced in addition to vacuum-formed shapes at the Meißen plant, which is assigned to the "Germany" segment. The Mönchengladbach plant produces mainly high-temperature wool and partially processes it into rolls and mats. The focus of the Bennewitz site is on the production of lightweight refractory bricks and dense bricks.

The plant in Budapest belongs to the "Hungary" segment and produces mainly pre-cast blocks and dense bricks as well as lightweight refractory bricks.

In the "USA" segment, refractory products are produced and sold at the three locations in Milledgeville, Owensville and Newark. While the plant in Newark produces mainly vacuum-formed shapes, the plant in Milledgeville produces mainly lightweight refractory bricks and dense bricks. At the Owensville site, the production focus is on refractory products for the glass industry.

In the above segments, in addition to the production of standard formats, customer-specific products are also manufactured, the production of which generally requires engineering (planning). In the context of projects, customers are provided with holistic refractory solutions such as furnaces. In addition to engineering, further services such as assembly, supervision or repair services are offered and also sold together with the production service. The segment "Rest" consists of the sales companies in the Czech Republic, Poland, Mexico and Ukraine.

	AUSTRIA K€	GERMANY K€	HUNGARY K€	USA K€	REST K€	CONSOLIDATION K€	TOTAL K€
2019							
Orders for goods	20,977	19,311	9,567	16,058	2,550	1,235	69,697
Delivery of materials including services	8,163	16,012	1,466	3,066	1,647	0	30,353
Intra-Group sales	11,278	10,707	4,648	92	372	-27,097	0
Other revenues	0	20	0	0	0	0	20
Total	**40,417**	**46,049**	**15,681**	**19,216**	**4,569**	**-25,862**	**100,070**
Other operating income	6,026	1,553	186	124	103	-7,356	636
Cost of material and purchased services	-23,500	-24,124	-10,634	-9,686	-2,968	25,869	-45,043
Personnel expenses	-10,979	-11,773	-2,530	-4,486	-956	49	-30,675
Other operating expenses	-7,544	-5,222	-1,911	-3,284	-515	7,599	-10,877
EBITDA	**4,420**	**6,483**	**792**	**1,884**	**233**	**299**	**14,111**
Depreciations	-1,537	-2,039	-497	-1,565	-90	0	-5,728
Segment result (EBIT)	**2,883**	**4,444**	**295**	**319**	**143**	**299**	**8,383**
Financial income	5,821	61	222	3	64	-5,079	1,092
Financial expenses	-1,249	-77	-472	-695	-78	951	-1,620
Financial result	**4,572**	**-16**	**-250**	**-692**	**-14**	**-4,128**	**-528**
Earnings before tax (EBT)	**7,455**	**4,428**	**45**	**-373**	**129**	**-3,829**	**7,855**
Income tax	-807	-1,229	-29	-157	-30	-54	-2,306
Annual yield	**6,648**	**3,199**	**16**	**-530**	**99**	**-3,883**	**5,549**
Segment assets	86,420	41,277	12,560	33,785	4,055	-72,887	105,210
Segment liabilities	51,902	14,231	8,485	33,919	2,263	-55,826	54,974
Investments	2,542	5,029	689	12,831	298	0	21,389
Depreciations	1,537	2,039	497	1,565	90	0	5,728

	AUSTRIA K€	GERMANY K€	HUNGARY K€	USA K€	REST K€	CONSOLIDATION K€	TOTAL K€
Year 2018							
Orders for goods	23,158	19,362	8,178	12,645	974	0	64,316
Delivery of materials including services	5,743	14,906	3,254	1,521	4,723		30,146
Intra-Group sales	10,321	9,427	5,464	145	127	-25,485	0
Other revenues	0	26	0	0	0	0	26
Total	**39,222**	**43,721**	**16,896**	**14,311**	**5,824**	**-25,485**	**94,488**
Other operating income	5,816	1,205	24	129	26	-6,656	544
Cost of material and purchased services	-22,384	-22,973	-11,340	-7,526	-4,265	25,226	-43,262
Personnel expenses	-10,567	-10,824	-2,272	-3,420	-737	0	-27,820
Other operating expenses	-7,281	-5,349	-2,341	-2,493	-613	6,854	-11,222
EBITDA	**4,806**	**5,780**	**967**	**1,001**	**235**	**-61**	**12,728**
Depreciations	-1,268	-1,597	-420	-983	-38	0	-4,306
EBIT	**3,538**	**4,183**	**547**	**18**	**197**	**-61**	**8,422**
Financial income	1,756	93	74	9	43	-760	1,215
Financial expenses	-1,101	-119	-394	-603	-93	842	-1,467
Financial result	**655**	**-25**	**-320**	**-594**	**-51**	**83**	**-253**
EBT	**4,193**	**4,158**	**227**	**-576**	**146**	**22**	**8,170**
Income tax	-1,107	-1,323	-20	209	-52	-12	-2,306
Annual yield	**3,086**	**2,834**	**207**	**-367**	**94**	**9**	**5,864**
Segment assets	88,087	36,327	13,635	18,649	4,045	-53,987	106,756
Segment liabilities	57,989	7,795	9,456	17,620	2,400	-36,855	58,405
Investments	-738	3,021	735	423	78	1,960	5,479
Depreciations	1,268	1,597	420	983	38	0	4,306

NOTES ON CONSOLIDATED BALANCE SHEET

8. TANGIBLE ASSETS

	REAL ESTATE	BUILDINGS (INCLUDING BUILDINGS ON THIRD-PARTY GROUND)	TECHNICAL SYSTEMS	OTHER ASSETS AND BUSINESS EQUIPMENT	ASSETS FROM FINANCIAL LEASING	INSTALLATIONS UNDER CONSTRUCTION	TOTAL
	K€	K€	K€	K€	K€	K€	K€
Purchase cost							
As of 1 January 2018	466	24,420	84,993	18,427	4,282	991	133,580
Additions	0	513	2,498	509	0	1,646	5,166
Disposals	0	0	-187	-239	0	0	-427
Repostings	0	289	201	16	0	-506	0
Exchange rate change	-7	58	328	82	119	-14	566
As of 31 December 2018	**459**	**25,280**	**87,833**	**18,795**	**4,401**	**2,117**	**138,886**
Additions	0	464	3,383	482	706	1,879	6,914
Disposals	0	0	-174	-334	-16	-2	-526
Repostings	0	35	6,739	-4,988	0	-1,725	61
Additions from first-time application of IFRS 16	0	0	0	0	2,349	0	2,349
Additions from company acquisition	0	1,460	4,248	16	645	883	7,252
Exchange rate change	-7	-25	-7	26	51	-9	29
As of 31 December 2019	**452**	**27,214**	**102,022**	**13,997**	**8,136**	**3,143**	**154,964**
Cumulated depreciations							
As of 1 January 2018	-1	-14,774	-67,797	-11,333	-2,370	0	-96,276
Additions	0	-505	-2,992	-578	-153	0	-4,227
Disposals	0	0	194	215	0	0	409
Exchange rate change	0	-6	-267	0	-70	0	-343
As of 31 December 2018	**-1**	**-15,285**	**-70,862**	**-11,695**	**-2,592**	**0**	**-100,436**
Additions	0	-658	-3,216	-485	-1,055	0	-5,414
Disposals	0	0	174	334	7	0	515
Exchange rate change	0	15	-30	6	-30	0	-39
As of 31 December 2019	**-1**	**-15,928**	**-73,934**	**-11,840**	**-3,670**	**0**	**-105,373**
Carrying amounts							
As of 1 January 2018	**465**	**9,646**	**17,196**	**7,094**	**1,912**	**991**	**37,304**
As of 31 December 2018	**458**	**9,995**	**16,971**	**7,100**	**1,809**	**2,116**	**38,449**
As of 31 December 2019	**451**	**11,286**	**28,088**	**2,157**	**4,466**	**3,143**	**49,591**

Unscheduled impairment losses were recognized neither in the financial year nor in the previous year.

As of 31 December 2019, purchase commitments in the area of fixed assets amounted to k€ 917 (previous year: k€ 1,047).

9. INTANGIBLE ASSETS

	SOFTWARE K€	OTHER RIGHTS K€	CAPITALIZED DEVELOPMENT EXPENDITURES K€	RIGHTS UNDER TRADEMARK LAW K€	CUSTOMER RELATIONS K€	GOODWILL K€	TOTAL K€
Purchase cost							
As of 1 January 2018	1,666	174	465	0	0	0	2,305
Additions	42	0	286	0	0	0	328
Disposals	-16	0	0	0	0	0	-16
Exchange rate change	8	0	0	0	0	0	8
As of 31 December 2018	**1,700**	**174**	**751**	**0**	**0**	**0**	**2,625**
Additions	40	0	129	1	1	2	173
Disposals	-1	0	0	0	0	0	-1
Repostings	-61	0	0	0	0	0	-61
Additions from company acquisition	0	0	0	448	2,330	1,923	4,701
Exchange rate change	1	0	0	-2	-1	-8	-10
As of 31 December 2019	**1,679**	**174**	**880**	**447**	**2,330**	**1,917**	**7,427**
Cumulated depreciations							
As of 1 January 2018	-1,488	-173	-248	0	0	0	-1,909
Additions	-47	0	-32	0	0	0	-79
Disposals	16	0	0	0	0	0	16
Exchange rate change	-3	0	0	0	0	0	-3
As of 31 December 2018	**-1,523**	**-173**	**-280**	**0**	**0**	**0**	**-1,976**
Additions	-55	0	-17	-30	-211	0	-313
Reversals of impairment losses	0	0	0	0	0	0	0
Disposals	1	0	0	0	0	0	1
Exchange rate change	1	-1	0	0	0	0	0
As of 31 December 2019	**-1,576**	**-174**	**-297**	**-30**	**-211**	**0**	**-2,288**
Carrying amounts							
As of 1 January 2018	**177**	**0**	**218**	**0**	**0**	**0**	**395**
As of 31 December 2018	**177**	**0**	**471**	**0**	**0**	**0**	**649**
As of 31 December 2019	**103**	**0**	**583**	**417**	**2,119**	**1,917**	**5,139**

Information on goodwill is provided in Notes (3) and (6.2) as well as (6.3) of the Annexed Notes.

As in the previous year, internally generated intangible assets comprise mainly capitalized costs for the development of a high-temperature long fiber.

10 LEASES

Rights of use under leases:

The rights of use under leases developed in the financial year as follows:

	PRODUCTION AND WAREHOUSES, OFFICE BUILDINGS K€	EMPLOYEE VEHICLES K€	FORKLIFT TRUCKS AND OTHER COMMERCIAL VEHICLES K€	TOOLS AND OTHER EQUIPMENT K€	TOTAL K€
Purchase cost					
As of 31 December 2018	4,401	0	0	0	4,401
Additions from first-time application of IFRS 16	1,239	618	429	63	2,349
Additions	98	535	74	0	707
Disposals	0	-16	0	0	-16
Additions from company acquisition	645	0	0	0	645
Exchange rate change	52	-1	0	-1	50
As of 31 December 2019	**6,435**	**1,136**	**503**	**62**	**8,136**
Cumulated depreciations					
As of 31 December 2018	-2,592	0	0	0	-2,592
Additions	-513	-368	-139	-34	-1,054
Disposals	0	7	0	0	7
Exchange rate change	-31	0	0	0	-31
As of 31 December 2018	**-3,136**	**-361**	**-139**	**-34**	**-3,670**
Carrying amounts					
As of 31 December 2018	**0**	**0**	**0**	**0**	**0**
As of 31 December 2019	**3,299**	**775**	**364**	**28**	**4,466**

The acquisition of right-to-use assets under a lease agreement is not reflected in the cash flow statement as a non-cash transaction.

The expense recognized in 2019 for short-term leases and for leases of minor value amounts to k€ 370 (previous year: k€ 1,038 for operating leases). These are shown in the cash flow statement under operating cash flow.

Leasing liabilities:

The development of leasing liabilities in the financial year is shown in Note (5.1). As of 31 December 2019, it is composed as follows:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Non-current leasing liabilities	1,100	835
Current leasing liabilities	1,709	97
	2,809	**932**

In the financial year, k€ 75 was paid in interest expenditures for leases (previous year: k€ 24 from financial leasing).

The redemption portion of the leasing liability contained in the lease payments is recognized in cash flow from financing activities, to which the interest portion is also allocated in accordance with the option in IAS 7.31.

11 INVENTORY

	31 DECEMBER 2019 K€	31 DECEMBER 2020 K€
Raw materials, consumables and fuel	3,918	3,799
Finished goods	10,656	11,650
Other inventories	4,045	4,168
Merchandise	3,690	2,583
Value adjustments for inventories	-821	-790
	21,488	**21,409**

In 2019, inventories were tested for impairment, and as a result k€ 31 (previous year: k€ 94) was recognized as an expense from depreciations to net realizable value.

12 TRADE RECEIVABLES UND CONTRACT ASSETS

Trade receivables and contract assets are composed as follows:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Trade receivables	15,819	16,667
Contract assets	6,035	0
Value adjustments	-1,473	-854
	20,381	**15,812**
of which non-current	**0**	**0**

The portfolio of contract assets has developed as follows:

	2019 K€	2018 K€
Balance as of 1 January	**0**	**0**
Addition	6,040	0
Addition from company acquisition	0	0
Change in value adjustment	-22	0
Currency conversion	17	0
Balance as of 31 December	**6,035**	**0**

If, on the balance sheet date, performances have been provided in connection with performance obligations that meet the criteria for period-based revenue recognition and have not yet been (fully) invoiced, these services are deferred as contract assets in parallel with revenue recognition in accordance with the stage of completion. Thus, the contract assets of the RATH Group are primarily associated with uncompleted, customer-specific projects and customer-specific finished products from production orders without a service component. Raw materials and semi-finished products are not taken into account here.

Compared with the previous year, as of 31 December 2019, there are significantly more extensive, as yet uncompleted, customer-specific projects and significantly larger items of work performed in connection with these and customer-specific construction contracts of a non-project nature. These were capitalized as contract assets. Around half of this is accounted for by three major projects. These include k€ 1,000 for the engineering and manufacture of the refractory lining of a tunnel kiln including the insulation of kiln rollers, k€ 723 for the engineering and manufacture of a bell furnace with hearth, and k€ 938 for the engineering and manufacture of customer-specific refractory materials for the container glass industry.

Based on the procedure described in Note (6.5), the value adjustment with respect to trade receivables and contract assets was determined as follows as of 31 December 2019 and as of the previous year's balance sheet date:

Value adjustments as of 31 December 2019	NOT OVERDUE	OVERDUE UP TO 90 DAYS	OVERDUE 91–180 DAYS	OVERDUE 181–360 DAYS	OVERDUE MORE THAN 360 DAYS	TOTAL
Expected loss ratio in %	0.42 %	0.38 %	52.56 %	3.44 %	93.17 %	
Trade receivables (gross carrying amount)	8,965	4,729	1,298	68	759	15,819
Other financial receivables (gross carrying amount)	92	0	0	0	0	92
Contract assets – gross carrying amount	6,035	0	0	0	0	6,035
Value adjustment	-63	-18	-682	-2	-708	-1,473

Value adjustments as of 31 December 2018	NOT OVERDUE	OVERDUE UP TO 90 DAYS	OVERDUE 91–180 DAYS	OVERDUE 181–360 DAYS	OVERDUE MORE THAN 360 DAYS	TOTAL
Expected loss ratio in %	0.69 %	1.53 %	1.87 %	2.31 %	85.22 %	
Trade receivables (gross carrying amount)	13,641	2,108	340	455	830	17,374
Other financial receivables (gross carrying amount)	414	0	0	0	0	414
Contract assets (gross carrying amount)	0	0	0	0	0	0
Value adjustment	-99	-32	-6	-10	-707	-854

No trade receivables were taken over in the course of the company acquisition in the financial year (see Note (3)).

The value adjustments are developing as follows:

	2019 K€	2018 K€
Balance as of 1 January	**854**	**1,140**
Use	0	-3
Reversal	-140	-319
Allocation to reserves	759	33
Currency conversion	0	4
Balance as of 31 December	**1,473**	**854**

In the course of the insolvency of our key accounts Eisenmann Thermal Solutions GmbH & Co KG and ENOL Sp. Z.o.o., bad-dept allowances to the amount of k€ 686 were reported. General information on credit and market risks as well as impairment of trade receivables is provided in the risk report.

13 OTHER NON-FINANCIAL RECEIVABLES AND ACCRUALS

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Receivables tax office and social security contributions	1,419	1,782
Accruals and deferrals	132	237
Miscellaneous other receivables	438	427
Other non-financial receivables and accruals	**1,989**	**2,446**

14 STOCKHOLDERS' EQUITY

Unchanged compared to the previous year, the authorized capital is reported as RATH AG's nominal capital of k€ 10,905. It consists of 1,500,000 no-par value shares, which are fully paid up. As in the previous year, there are neither preferential rights nor restrictions, nor is there any authorized capital. Nor are any shares held by the parent company or subsidiaries.

The appropriated capital reserves amounting to k€ 1,118 (previous year: k€ 1,118) may be released only to offset a net loss that would otherwise have to be reported in the annual financial statement of RATH AG.

The available savings are the result of profits and loss carry-forwards that were generated within the Group. The other reserves include other income excluding currency conversion differences, which are reported separately.

Dividends are determined according to the balance sheet profit reported in the annual financial statement of the parent company in accordance with corporate law. As of 31 December 2019, RATH AG reports a balance sheet profit to the amount of k€ 10,420 (previous year: k€ 10,341). Due to the economic uncertainty triggered by the novel lung disease COVID-19, the Management Board will propose to the upcoming Annual General Meeting not to pay a dividend in order to strengthen the Group's liquidity by carrying forward the amount to new account. Of the previous year's earnings, k€ 1 per share (totaling k€ 1,500) was paid out as a dividend in the current financial year.

The shares of non-controlling stockholders in stockholders' equity relate to the Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Austria, amount to 0.02 % as in the previous year and are not material.

Earnings per share:
The undiluted result per share is calculated by dividing the share of the consolidated result attributable to the stockholders of RATH AG by the weighted number of ordinary shares in circulation during the year.

	2019 K€	2018 K€
Proportion of consolidated result attributable to stockholders of the parent company in k€	3,705	5,863
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in €	2.47	3.91
Dividend payout per share for the financial year in €	1.00	0.75

The diluted result per share is equivalent to the basic undiluted result per share, as no financial instruments with a diluting effect are in use.

15 EMPLOYEE BENEFITS

Pension obligations:
The pension obligation is based on individual contractual commitments to a total of two pensioners/former executives in Austria, after whose retirement pension payments are due.

Severance payment obligations:
In accordance with statutory provisions, the RATH Group is obliged to pay severance payments to all employees in Austria whose employment contracts began before 1 January 2003, as soon as their employment contracts are terminated by the employer or at the time of going into retirement. This depends on the number of years of service and the salary at the time of severance and amounts to between two and 12 monthly salaries. With effect from 31 December 2002, the option was exercised to freeze all severance payments and to transfer all employees to the new system of a defined-contribution "employee pension fund". A provision is formed for the frozen obligation.

For all valid Austrian employment relationships that began after 31 December 2002, from the second month of the employment contract on the RATH Group pays 1.53 % of the employee's salary into the Employee Benefit Fund each month, where the contributions are invested in an employee account and are either paid or transferred as entitlement to the employee upon termination of the employment contract. The RATH Group is obliged solely to pay the contributions. For this defined-contribution pension model, therefore, no accrual needs to be established.

Anniversary bonus reserves:
Based on legal regulations or collective agreements, the RATH Group is obliged to pay anniversary bonuses to the amount of one to three months' salary to all blue-collar workers who joined the company on or after 1 May 2015 and to white-collar workers in Austria who have exceeded a certain length of service.

Calculation parameters:
The calculations for employee benefits are based on the following parameters:

	2019 %	2018 %
Interest rate Pensions	0.57	1.05
Interest rate Severance payments	0.95 - 1.22	1.50
Interest rate Anniversary	1,32-1,60	2.00
Salary increases	2.00	2.00
Pension increases	1.75	1.75
Probability of death	AVÖ 2018-P	AVÖ 2018-P

Through the Federal Constitution Act on Different Age Limits, the starting age for women's pensions will be gradually increased from 60 to 65 years starting in 2024. Starting in 2033, men and women may retire with pensions at 65.

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Accruals and provisions for severance payments	725	692
Accruals and provisions for pensions	2,134	2,200
Accruals and provisions for anniversary bonuses	369	290
	3,228	**3,183**

Development of the provision (DBO)	SEVERANCE PAYMENT ACCRUAL 2019 K€	SEVERANCE PAYMENT ACCRUAL 2018 K€	PENSION ACCRUAL 2019 K€	PENSION ACCRUAL 2018 K€	ANNIVERSARY BONUS ACCRUAL 2019 K€	ANNIVERSARY BONUS ACCRUAL 2018 K€
Present value of the provision (DBO) on 1.1.	**692**	**787**	**2,200**	**2,113**	**290**	**291**
Service costs	23	24	0	0	87	57
Interest expenses	10	14	22	40	6	6
Reported in the P&L account	**33**	**38**	**22**	**40**	**94**	**63**
Actuarial profits/losses						
from experience-based adjustments	14	3	43	36	0	0
from changes in demographic assumptions	0	5	0	70	0	0
from changes in financial assumptions	35	0	69	140	0	0
reported in other income	**49**	**9**	**111**	**247**	**0**	**0**
Disbursements	-31	-142	-200	-200	-10	-33
Other changes	-19	0	0	0	-4	-31
Present value of the provision (DBO) on 31.12.	**725**	**692**	**2,134**	**2,200**	**369**	**290**

The expected payments ("expected benefits") from defined employee benefit obligations for subsequent years are as follows:

	31 DECEMBER 2019 PENSIONS K€	SEVERANCE PAYMENTS K€	ANNIVERSARY BONUSES K€
up to 1 year	200	5	5
1 - 5 years	703	137	64
5 - 10 years	606	372	92
more than 10 years	376	555	965
Expected payments	**1,884**	**1,068**	**1,125**

For the RATH Group, the risk is primarily in the development of life expectancy and inflation because the benefits from these care plans are life-long pension benefits. There are no further (extraordinary) risks. For the severance payments and the anniversary bonus payments, the risk is primarily in the development of inflation and wage increases.

Under otherwise unchanged conditions, a change in the interest rate of return or the increase in purchases has the following effects on the accruals and provisions:

Impact Change Return interest rate	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Change in the accrual for severance payments	-33	35
Change in the accrual for pensions	-72	76
Change to the accrual for anniversary bonus payments	-23	26

	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Impact Change Payment increase		
Change in the accrual for severance payments	34	-33
Change in the accrual for pensions	75	-71
Change to the accrual for anniversary bonus payments	26	-23

Pension payments to pension recipients in the financial year amounted to k€ 200 (previous year: k€ 200).

The weighted duration of the Macaulay pension obligation amounts to 6.0 years (previous year: 6.3 years), that of the severance payment obligation 10.2 years (previous year: 10.7 years) and those of the obligation from anniversary bonuses 18.7 years (previous year: 18.6 years)

16 FINANCIAL LIABILITIES

	31 DECEMBER 2019			31 DECEMBER 2018		
	NON-CURRENT K€	CURRENT K€	TOTAL K€	NON-CURRENT K€	CURRENT K€	TOTAL K€
Liabilities towards banks						
Overdraft facility	0	2,000	2,000	2,000	2,000	4,000
Investment loan	35,000	165	35,165	35,000	38	35,038
	35,000	**2,165**	**37,165**	**37,000**	**2,038**	**39,038**

The maturities of financial liabilities are presented in the risk report under liquidity risk.

The main conditions of financial liabilities are as follows:

TYPE OF FINANCING	INTEREST FIXED/ VARIABLE	CURRENCY	EFFECTIVE INTEREST 2019 %	CARRYING AMOUNT AS OF 31 DECEMBER 2019 K€	DUE	EFFECTIVE INTEREST 2018 %	CARRYING AMOUNT AS OF 31 DECEMBER 2018 K€	DUE
Overdraft facility	variable	€	1.50	2,000	< 1 year	1.50	2,000	< 1 year
Overdraft facility	variable	€	n/a	0	n/a	1.90	2,000	> 1 year
Investment loans	variable	€	1.35 – 1.65	15,000	> 1 year	1.35 - 1.65	15,000	> 1 year
Investment loans	fixed	€	1.53 – 2.11	20,000	> 1 year	1.53 - 2.11	20,000	> 1 year
Investment loans	variable	€	n/a	0	n/a	5.01	38	< 1 year
Accrued interest	n/a	€	n/a	20,165	< 1 year	n/a	169	< 1 year
				37,165			**39,207**	

The accrued interest of the previous year was reported under other financial liabilities. Please refer to Note (20.6) with regard to the fair values.

17 ACCRUALS AND PROVISIONS AND CONTINGENT LIABILITIES

Current accruals and provisions:

	PERSONNEL K€	OTHER K€	TOTAL K€
As of 1 January 2018	**598**	**172**	**770**
Addition	591	227	817
Consumption	-598	-168	-767
As of 31 December 2018	**591**	**230**	**820**
Addition	825	210	1,035
Consumption	-637	-223	-860
Reversal	-169	-26	-195
As of 31 December 2019	**610**	**191**	**800**

As in the previous year, the personnel provisions mainly include provisions for premiums. As in the previous year, other accruals and provisions are mainly composed of provisions for legal and consulting fees, provisions for Supervisory Board compensation, and uncertain liabilities.

All the accruals and provisions listed in the above table are short-term.

Pending legal disputes:
As in the previous year, there are no major pending legal disputes ongoing as of the reporting date.

Contingent liabilities:
The Group has the following contingent liabilities as of the balance sheet date:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Financial retentions for business partners	3,114	2,441
	3,114	**2,442**

The financial retentions mainly relate to the project business and are granted in favor of customers to hedge our performance obligations, which are fulfilled by third parties. There are no return obligations that would exceed industry-standard guarantees. The management is currently not aware of any other significant opportunities and risks from off-balance sheet transactions.

18 INCOME TAXES

Tax expense consists of the following:

	2019 K€	2018 K€
Current income tax expense for the current financial year	1,057	1,538
Current income tax expense for prior periods	58	44
Current income tax expense	**1,115**	**1,582**
Deferred tax expense/income	1,191	724
Income tax	**2,306**	**2,306**

The current income tax liabilities reported on the balance sheet date are owed to the following tax authorities:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Austria	173	99
Germany	0	538
Miscellaneous	16	4
Current income tax debts	**189**	**641**
Germany	1,327	0
Poland	28	0
Czech Republic	12	16
Income tax receivables	**1,367**	**16**

Temporary differences between the amount stated in the IFRS consolidated financial statement and the respective fiscal valuation or loss carry-forwards, respectively, have the following impact on deferred taxes reported on the balance sheet:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Holdings of deferred tax assets and liabilities:		
Deferred tax assets		
Loss carry-forwards	1,902	2,677
Inventories	1,353	107
Liabilities from leasing transactions	733	186
Contract liabilities and other liabilities	582	0
Staff provisions IAS 19	279	263
Other	53	92
Receivables	27	20
Temporary differences in the foreign currency valuation	1	2
Subtotal deferred tax assets	4,930	3,347
Subtotal deferred tax assets	**4,455**	**4,822**
Deferred tax liabilities		
Fixed assets	-2,853	2,064
Contract assets	-1,885	0
Other	-54	0
Subtotal deferred tax liabilities	**-4,792**	**2,063**
Netting	-4,361	-1,962
Deferred tax assets	**569**	**1,385**
Deferred tax liabilities	**-431**	**101**
Deferred taxes (net position)	**138**	**1,283**

Due to the currently applicable fiscal regulations, it can be assumed that differences from retained profits between the fiscal participation amount and the pro rata stockholders' equity of subsidiaries included into the consolidated financial statement shall mostly remain non-taxable. No tax deferral has therefore been established in this regard.

Deferred taxes on loss carry-forwards amounting to k€ 8,445 (previous year: k€ 9,999) have been capitalized, as on the basis of existing plans it is probable their use will be offset with future fiscal profits.

On loss carry-forwards amounting to k€ 15,613 (previous year: k€ 12,250), no deferred taxes have been capitalized, as it is unlikely from the current perspective that they will be offset on the reporting date with future fiscal profits from individual companies. Of the non-recognized loss carry-forwards, k€ 13,717 (previous year: k€ 10,874) are non-vested to expire within the years 2020 to 2040, and k€ 1,896 (previous year: k€ 1,217) are vested.

The causes of the difference between the expected tax burden in accordance with the Austrian corporate income tax rate of 25 % and the income tax expense breaks down as follows:

	2019 K€	2018 K€
Earnings before income tax	6,012	8,170
Income taxes at the tax rate of 25 %	**-1,503**	**-2,042**
Deviating foreign tax rates	-159	-179
Non-deductible expenditures	-137	-178
Tax relief and non-taxable income	0	2
Tax expense and income from previous periods	46	49
Initially recognized and non-recognized active deferred tax assets on loss carry-forwards	-566	42
Other effects	13	0
Effective tax burden	**-2,306**	**-2,306**
Effective tax burden in %	**38.4**	**28.2**

The tax recognized in the other income is as follows:

TAXES RECOGNIZED IN THE OTHER INCOME	BEFORE TAXES K€	2019 TAX INCOME (EXPENSE) K€	AFTER TAXES K€	BEFORE TAXES K€	2018 TAX INCOME (EXPENSE) K€	AFTER TAXES K€
Items not reclassified to profit or loss						
Revaluation of net liability from defined-benefit plans	160	-40	120	255	-64	192

19 OTHER NON-FINANCIAL LIABILITIES

The other non-financial liabilities are broken down as follows:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Other personnel-related accruals and deferrals	782	437
Liabilities from taxes	409	1,202
Accruals from vacation entitlements and overtime	406	407
Liabilities from social security contributions	322	347
Investment grants	149	176
Accruals and deferrals	0	744
Miscellaneous other non-financial liabilities	81	0
Other non-financial liabilities	**2,149**	**3,313**
of which non-current	149	176

20 FINANCIAL INSTRUMENTS

20.1 OVERVIEW

This disclosure comprises information on the financial instruments of the RATH Group, including

- an overview of all financial instruments held by the Group
- detailed information on each type of financial instrument
- information about the determination of the fair value of the instruments, including related discretionary decisions and estimation uncertainties

The following financial instruments were held by the Group on the balance sheet date:

	ANNEXED NOTE	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Financial assets			
Financial assets valued at amortized cost:			
Trade receivables and contract assets	(20.2)	20,381	15,814
Cash and cash equivalents	(20.3)	4,593	25,468
Other current financial receivables	(20.4)	92	414
Financial assets assessed at fair value through profit or loss:			
Non-current financial assets	(20.5)	0	706
		25,066	**42,402**
Financial liabilities			
Liabilities valued at amortized cost			
Trade liabilities and contract liabilities	(20.7)	8,029	8,922
Other financial liabilities	(20.7)	174	1,454
Current bank liabilities	(20.6)	2,165	2,038
Non-current bank liabilities	(20.6)	35,000	37,000
Leasing liabilities	(10)	2,809	932
		48,177	**50,346**

Information on the liabilities from leasing obligations is provided under items (5.1) and (10).

20.2 TRADE RECEIVABLES AND CONTRACT ASSETS

Classification:
As in the previous year, there are no major pending legal disputes ongoing as of the reporting date.

Trade receivables are amounts owed by customers for goods sold or services rendered in the ordinary course of business. They are generally payable within 30 days and are therefore classified as current. Trade receivables are initially recognized at the amount of the non-contingent consideration. Since within the RATH Group these do not contain any significant financing components, they are not to be recognized at fair value. Details of the Group's impairment methods and the calculation of the value adjustment are given in Notes (6.5) and (12).

Fair values:
Due to the short-term nature of the receivables and contract assets, their carrying amount corresponds to their fair value.

Impairments and risks:
Information on impairments of trade receivables and contract assets is provided in Note (12). The default and foreign currency risks to which the Group is exposed can be found in the risk report.

20.3 CASH AND CASH EQUIVALENTS

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Cash balance	26	19
Bank balances	4,567	25,449
	4,593	**25,468**

Bank balances are freely available.

Classification:
Time deposits are reported as cash equivalents if they have a term of up to three months from the acquisition date and are repayable within 24 hours on notice without loss of interest. See Note (6.7) for the Group's other accounting policies for cash and cash equivalents.

Fair values:
Credit balances are held only with first-class, international banks. Due to the short-term nature of cash and cash equivalents, their carrying amount matches their fair value.

20.4 OTHER FINANCIAL ASSETS VALUED AT AMORTIZED COSTS

Classification:
As in the previous year, the other financial receivables primarily include receivables from creditors and current security deposits. They are to be recognized initially at the amount of the non-contingent consideration. Since within the RATH Group these do not contain any significant financing components, they are not to be recognized at fair value. Details of the Group's impairment methods and the calculation of the value adjustment are disclosed in Note (6.5).

Fair values:
Due to the short-term nature of the other receivables, their carrying amount matches their fair value.

Impairments and risks:
Information on impairment of other financial assets valued at amortized cost is provided in Note (12). The default and foreign currency risks to which the Group is exposed can be found in the risk report.

20.5 FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH PROFIT OR LOSS

In the previous year, the financial assets consisted of co-ownership shares in three funds, which serve exclusively to cover the accruals and provisions for pensions in accordance with the provisions of §§ 14 and 116 of the Austrian Income Tax Act. The investment fund shares allocated to this category were sold in the financial year. As of 31 December 2019, no securities were held in the short term, and investments were made in new securities at the beginning of 2020.

Classification:
Investment fund shares may not be valued at FVOCI in accordance with IFRS 9, as they do not constitute equity instruments. However, they do not have contractual cash flows either, so the classification for debt instruments is also not applicable. They were therefore assessed at current market value with changes in fair value in the income statement**.**

Fair values and risks:
Information on the Group's exposure to market risks is to be found in the risk report. For information on the methods and assumptions used in determining the fair value, please refer to Note (6.5).

20.6 FINANCIAL LIABILITIES

Fair values:
Significant differences between carrying amount and fair value exist for promissory note loans amounting to k€ 20,000 (previous year: k€ 20,000) with fixed interest rates. The fair values of the miscellaneous bank liabilities do not differ significantly from the carrying amounts, as the interest payments on these borrowings either almost match current market rates or the borrowings are short-term.

	31 DECEMBER 2019		31 DECEMBER 2018	
	CARRYING AMOUNT K€	FAIR VALUE K€	CARRYING AMOUNT K€	FAIR VALUE K€
Non-current bank liabilities	35,000	36,390	37,000	37,551
Current bank liabilities	2,165	2,165	2,038	932
	37,165	37,165	39,038	38,483

The fair values of non-current borrowings are based on discounted cash flows using the current market interest rate for such borrowings. They are assigned, due to the use of unobservable inputs, including the Bank's own default risk, to fair values of Level 3 in the fair-value hierarchy (see Note (20.8)).

Compliance with credit conditions and risk exposure:
RATH AG complied with all financial credit conditions in the reporting periods 2019 and 2018. Further explanations and details of the risks to which the Group is exposed from short-term and non-current borrowings can be found in the risk report.

20.7 TRADE LIABILITIES, CONTRACT LIABILITIES UND OTHER FINANCIAL LIABILITIES

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Trade liabilities	5,500	7,682
Contract liabilities	2,529	1,240
Other financial liabilities	174	1,454
	8,203	**10,376**

Trade liabilities are uncollateralized and are usually settled within 30 days of receipt. The carrying amounts of the contract liabilities are equivalent to their fair values due to their short-term nature.

As in the previous year, the contract liabilities are mainly down payments received. The contract liabilities reported at the previous year's balance sheet date were fully recognized as sales revenue in the financial year. In the course of the company acquisition in the financial year (see Note (3)), k€ 51 (previous year: k€ 0) in contract liabilities were taken over in the form of down payments received. The carrying amounts of the contract liabilities are equivalent to their fair values due to their short-term nature.

As in the previous year, the other financial liabilities are mainly from debtors with credit balances. The carrying amounts of this item are also equivalent to the fair values due to their short-term nature.

20.8 FAIR-VALUE HIERARCHY

This section explains the discretionary decisions and estimates used in determining the fair values of financial instruments. The Group classifies its financial instruments into the three levels mandated in the context of the accounting standards in order to provide guidance on the reliability of the inputs used in determining the fair value. An explanation of these levels is provided following the table below, which shows the carrying amounts of financial assets and financial liabilities including their levels in the fair-value hierarchy.

		VALUATION						
	CATEGORY	AT AMORTIZED PURCHASE COSTS K€	AT FAIR VALUE K€	TOTAL K€	LEVEL 1 K€	LEVEL 2 K€	LEVEL 3 K€	TOTAL K€
31 December 2019								
Financial assets								
Cash and cash equivalents	at amortized cost	4,593	0	4,593	4,593	0	0	4,593
Trade receivables and contract assets	at amortized cost	20,381	0	20,381	0	0	20,381	20,381
Other financial receivables	at amortized cost	92	0	92	0	0	92	92
Financial liabilities								
Trade liabilities and contract liabilities	at amortized cost	8,029	0	8,029	0	0	8,029	8,029
Other financial liabilities	at amortized cost	174	0	174	0	0	174	174
Current bank liabilities	at amortized cost	2,165	0	2,165	0	0	2,165	2,165
Non-current bank liabilities	at amortized cost	35,000	0	35,000	0	0	35,000	35,000
Leasing liabilities	at amortized cost	2,809	0	2,809	0	0	2,809	2,809

	CATEGORY	VALUATION AT AMORTIZED PURCHASE COSTS K€	VALUATION AT FAIR FAIR VALUE K€	VALUATION TOTAL K€	LEVEL 1 K€	LEVEL 2 K€	LEVEL 3 K€	TOTAL K€
31 December 2018								
Financial assets								
Cash and cash equivalents	at amortized cost	25,468	0	25,468	25,468	0	0	25,468
Trade receivables and contract assets	at amortized cost	15,814	0	15,814	0	0	15,814	15,814
Other financial receivables	at amortized cost	414	0	414	0	0	414	414
Non-current financial assets	Mandatory for FVTPL	0	706	706	706	0	0	706
Financial liabilities								
Trade liabilities and contract liabilities	at amortized cost	8,922	0	8,922	0	0	8,922	8,922
Other financial liabilities	at amortized cost	1,454	0	1,454	0	0	1,454	1,454
Current bank liabilities	at amortized cost	2,038	0	2,038	0	0	2,038	2,038
Non-current bank liabilities	at amortized cost	37,000	0	37,000	0	0	37,000	37,000
Leasing liabilities	at amortized cost	932	0	932	0	0	932	932

Level 1: The fair value of financial instruments traded on active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by the Group is the current bid price. These instruments are classified in Level 1.

Level 2: The fair value of financial instruments that are not traded on an active market (such as OTC derivatives) is determined using valuation techniques that maximize the use of observable market data and minimize the use of company-specific estimates. If all significant inputs for valuation of an instrument at fair value are observable, the instrument is classified in Level 2.

Level 3: If any of the significant inputs are not observable, the instrument is classified in Level 3
This applies to unquoted equity instruments.

No regroupings were made during the year.

In detail, the following valuation techniques are used to value financial instruments:

- Use of quoted market prices or dealer quotes for similar instruments
- for other financial instruments: an analysis of discounted cash flows (DCF analysis).

NOTES ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

21 SALES REVENUE

In the following tables, revenues from contracts with customers are broken down by the business lines METALS, FUELS, CHEMICALS & ENERGY, CERAMICS, SPECIAL FURNACES, GLASS and DOMESTIC FIREPLACES. Geographical allocation of sales revenues is based on the customer's location.

Revenues by region and Business Lines 2019	AFRICA & ASIA 1 K€	ASIA 2 & AUSTRALIA/ OCEANIA K€	EASTERN EUROPE K€	SOUTHERN EUROPE K€	WESTERN EUROPE K€	WESTERN HEMISPHERE K€	TOTAL K€
METALS	1,725	198	7,494	2,813	16,556	177	28,963
CERAMICS	127	61	3,689	758	12,521	1,931	19,087
FUELS, CHEMICALS & ENERGY	713	1,578	5,203	1,474	5,885	6,991	21,844
GLASS	835	529	525	110	3,546	3,130	8,675
SPECIAL FURNACES	106	2,141	2,791	795	5,499	4,553	15,885
DOMESTIC FIREPLACES	0	0	2,634	1,198	2,632	0	6,464
OTHER REVENUES	0	0	0	0	0	0	0
Sales deductions	**0**	**0**	**-530**	**0**	**-318**	**0**	**-848**
Total in k€	**3,506**	**4,507**	**21,806**	**7,148**	**46,321**	**16,782**	**100,070**

Revenues by region and Business Lines 2018	AFRICA & ASIA 1 K€	ASIA 2 & AUSTRALIA/ OCEANIA K€	EASTERN EUROPE K€	SOUTHERN EUROPE K€	WESTERN EUROPE K€	WESTERN HEMISPHERE K€	TOTAL K€
METALS	1,171	167	7,291	4,539	16,075	537	29,779
CERAMICS	94	243	2,634	1,294	9,887	2,703	16,855
FUELS, CHEMICALS & ENERGY	926	419	6,150	3,280	6,488	3,729	20,993
GLASS	988	142	1,389	380	1,097	1,392	5,388
SPECIAL FURNACES	207	2,259	3,157	577	4,951	3,652	14,804
DOMESTIC FIREPLACES	0	0	3,312	1,348	2,831	8	7,499
OTHER REVENUES	0	0	0	0	26	0	26
Sales deductions	**0**	**0**	**-542**	**0**	**-314**	**0**	**-856**
Total in k€	**3,387**	**3,230**	**23,392**	**11,417**	**41,042**	**12,020**	**94,488**

22 COST OF MATERIALS AND PURCHASED SERVICES

	2019 K€	2018 K€
Costs of materials	32,243	30,803
Expenditures for third-party services	12,801	12,459
	45,044	**43,262**

23 PERSONNEL EXPENSES

Personnel expenses and the number of employees have developed as follows compared to the previous year:

	2019 K€	2018 K€
Wages and salaries	24,999	22,453
Expenditures for statutory taxes and contributions	4,960	4,571
Contributions to defined-contribution plans	299	364
Expenditures for severance payments and service anniversary bonuses	777	172
Other personnel expenses	229	260
	31,264	**27,819**
Average number of employees		
Blue collar	350	330
White collar	227	219
	577	**549**
Staff count at balance sheet date		
Blue collar	364	332
White collar	230	215
	594	**547**

Remuneration for the Management Board and Supervisory Board:

Management Board members were remunerated as follows in the current and previous financial years:

		2019 K€	2018 K€
Mr. Andreas Pfneiszl	fixed	215	210
	Life insurance	10	10
	variable	100	90
		325	**310**
DI Ingo Gruber	fixed	54	0
	Life insurance	3	0
	variable	25	0
		82	**0**
DI Jörg Sitzenfrey	fixed	161	210
	Termination benefits	588	0
	Life insurance	10	10
	variable	**0**	**90**
		759	**310**
Total Management Board remuneration		**1,166**	**620**

The remuneration of the Management Board depends on the scope of functions and the responsibility and personal performance by the individual member of the Management Board, as well as on the achievement of company goals, size and economic situation of the company. At RATH AG, remunerations dependent on success are not granted via stock options but are dependent on varying success criteria. Part of this is a predefined target achievement regarding the operating results as well as qualitative and quantitative goals.

As in the previous year, the total remuneration of the Management Board for the financial year comprises both fixed and performance-related components. As in the previous year, the upper limit of the variable remuneration was set at 40 % of the basic salary. The members of the Management Board were granted entitlements to pension benefits in the form of a life insurance. In the event of premature termination of the employment relationships, the contributions paid up to this point in time become vested.

Upon termination of his/her function and provided that his/her 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 31 December 2002; the claims will increase only as a result of salary adjustments and amount to k€ 25 as of 31 December 2019 (previous year: k€ 28).

As in the previous year, RATH AG has taken out directors and officers liability insurance (D&O insurance) for 2019. The costs of this insurance are borne by the organization. The D&O insurance covers certain personal liability risks of the responsible persons of the RATH Group. The annual costs amount to k€ 17 (previous year: k€ 15).

Expenditures for the remuneration of the members of the Supervisory Board amounted to k€ 85 in the reporting year (previous year: k€ 70). In addition, in the financial year k€ 9 (previous year: k€ 0) was paid in consulting fees to members of the Supervisory Board.

Pension payments were made to former executive bodies to the amount of k€ 200 (previous year: k€ 200).

24 OTHER OPERATING INCOME

	2019 K€	2018 K€
Capitalized services	443	402
Other allowances and grants	35	7
Income from the disposal of fixed assets, excluding financial assets	20	15
Insurance claims or compensation	15	19
Expenditures passed on to third parties	1	1
Miscellaneous	123	100
	637	**544**

25 OTHER OPERATING EXPENSES

	2019 K€	2018 K€
Legal counseling and other consultations	2,059	1,392
Maintenance and service	1,765	2,087
Travel expenses	1,453	1,088
Advertisement and marketing	1,052	865
Other taxes	649	721
IT expenditures	633	592
Insurances	513	438
Car and truck expenditures	418	371
Disposal costs	395	397
Rent and lease	370	1,038
Communications expenses	259	184
Expenditures for workplace safety	258	234
Continued education and training	193	152
Energy	162	186
Technical examination costs	161	137
Out-of-pocket costs for monetary transactions	139	136
Contributions for trade associations	127	136
Occupancy costs	95	63
Office supplies	94	73
Supervisory board remunerations	85	70
Transportation by third parties	61	87
Losses from the disposal of property, plant and equipment	0	25
Miscellaneous other expenditures	538	638
	11,479	**11,110**

The expenditures for the auditor of the consolidated financial statement, PwC Wirtschaftsprüfung GmbH, Vienna, amounted to k€ 83 in the financial year (previous year: k€ 6), of which k€ 45 was attributable to expenditures for the audit of the consolidated financial statement and k€ 13 to the audit of the annual financial statement of RATH AG, while the remaining k€ 25 was accounted for by other certification services. The expenditures of the previous year relate to the audit of the Corporate Governance Report 2018. In addition, k€ 48 was reported for the audit of the report packages and annual financial statements of RATH Hungaria Kft. and RATH GmbH. Furthermore, tax consulting services were provided by the PwC network to the amount of k€ 8.

The expenditures reported in the previous year for the auditor of the consolidated financial statement, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, amounted to k€ 150, of which k€ 45 related to the audit of the consolidated financial statement.

26 FINANCIAL RESULT

The financial result by category of the individual financial instruments is broken down as follows:

2019	INTEREST INCOME AND INTEREST EXPENSES	FINANCIAL INSTRUMENTS, VALUED AT ATTRIBUTABLE FAIR VALUE	CURRENCY CONVERSION	REDUCTIONS IN VALUE AND APPRECIATIONS IN VALUE	OTHER PROFITS AND LOSSES	NET FINANCIAL EARNINGS
		VALUATION RESULTS FROM				
	K€	K€	K€	K€	K€	K€
EARNINGS +/EXPENSES -						
Financial receivables at amortized cost	20	0	244	-651	-2	-389
Financial liabilities at amortized cost	-755	0	9	0	1	-745
Mandatory for FVTPL	0	41	0	0	0	41
Personnel provisions	-38	0	0	0	0	-38
Credit and liability provisions	0	0	0	0	-50	-50
Total	**-773**	**41**	**253**	**-651**	**-51**	**-1,181**
of which in impairing losses on accounts receivables	0	0	0	-651	0	-651
of which included in financial result	-773	41	253	0	-51	-530
Total	**-773**	**41**	**253**	**-651**	**-51**	**-1,181**

2018	INTEREST INCOME AND INTEREST EXPENSES	FINANCIAL INSTRUMENTS, VALUED AT ATTRIBUTABLE FAIR VALUE	CURRENCY CONVERSION	REDUCTIONS IN VALUE AND APPRECIATIONS IN VALUE	OTHER PROFITS AND LOSSES	NET FINANCIAL EARNINGS
		VALUATION RESULTS FROM				
	K€	K€	K€	K€	K€	K€
EARNINGS +/EXPENSES -						
Financial receivables at amortized cost	0	0	602	-112	0	490
Financial liabilities at amortized cost	-719	0		0	0	-719
Mandatory for FVTPL	0	-24	0	0	0	-24
Personnel provisions	-60	0	0	0	0	-60
Credit and liability provisions	0	0	0	0	-50	-50
Total	**-779**	**-24**	**602**	**-112**	**-50**	**-363**
of which in impairing losses on accounts receivables	0	0	0	-112	0	-112
of which included in financial result	-779	-24	602	0	-50	-252
Total	**-779**	**-24**	**602**	**-112**	**-50**	**-364**

Impairment and appreciations in value for loans and receivables involve trade receivables and are reported in the operational result.

27 RESEARCH AND DEVELOPMENT EXPENDITURES

The expenditures include the following research and non-capitalizable development expenditures:

	2019 K€	2018 K€
Personnel costs	390	331
Technical examination costs	161	137
	551	**468**

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

28 GENERAL NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement of the RATH Group shows how cash and cash equivalents have changed over the course of the reporting year as a result of cash inflows and outflows. Cash and cash equivalents (fund) comprise cash and bank balances.

The effects of mergers are eliminated here and shown in the item Net disbursements for mergers. Amounts taken over from foreign Group companies are generally converted at average exchange rates for the year. In deviation from this, the cash and cash equivalents fund is recognized at the exchange rate on the balance sheet date.

The items “Interest received” and “Interest paid”, in the previous year reported in the cash flow from operating activities, were reported in the cash flow from investment activities and the cash flow from financing activities in the financial year. The reporting of the previous year’s amounts was adjusted accordingly.

The exchange rate differences reported in the cash flow from results comprise of the following:

	2019 K€
Change reserve currency conversion	-202
Trade receivables and contract assets	-54
Liquid assets	-50
Inventories	-16
Other receivables and accruals	-13
Property, plant and equipment, and intangible assets	19
Trade liabilities and contract liabilities	-10
Other liabilities and accruals	-27
Other balance sheet items	27
Currency conversion-related changes in cash flow from ongoing business activities	**-325**

The exchange rate-related changes in the individual balance sheet items do not fully offset the change in the currency conversion reserve reported in stockholders’ equity, as the foreign currency effects of balance sheet items eliminated in the consolidation are shown net with these in the consolidated cash flow statement.

29 RECONCILIATION OF NET LIABILITY

The net liability of the RATH Group on the balance sheet date is as follows:

	31 DECEMBER 2019 K€	31 DECEMBER 2018 K€
Cash and cash equivalents	-4,593	-25,468
Financial liabilities	37,165	39,038
Leasing liabilities	2,809	931
Net liability	**35,381**	**14,501**

The change in net liability in the financial year is made up of the following movements:

	INVESTMENT LOANS K€	OVERDRAFTS K€	LEASES K€	SUB-TOTAL K€	CASH AND CASH EQUIVALENTS FUND K€	NET LIABILITIES K€
Net liabilities as of 1 January 2018	**35,190**	**4,000**	**1,260**	**40,450**	**19,569**	**20,881**
Inclusion	152	0	0	152	0	
Redemption	-304	0	-340	-644	0	
Repostings / other changes	0	0	0	0	5,882	
Exchange rate change	0	0	11	11	17	
Net liabilities liabilities as of 31 December 2018	**35,038**	**4,000**	**931**	**39,969**	**25,468**	**14,501**
Adjustment upon adoption of IFRS 16 (see Note 5)	0	0	2,349	2,349	0	
Inclusion	0	0	1,351	1,351	0	
Redemption	-38	-2,000	-1,819	-3,857	0	
Company acquisition	0	0	0	0	-13,617	
Disposal	0	0	-8	-8	0	
Accrued interest (net)	165	0	0	165	0	
Repostings / Other changes	0	0	0	0	-7,308	
Exchange rate change	0	0	5	5	50	
Net liabilities as of 31 December 2019	**35,165**	**2,000**	**2,809**	**39,974**	**4,593**	**35,381**

RISK REPORT

Risk policy principles:
The RATH Group is exposed to a large number of risks that are inseparably linked to entrepreneurial activity in the course of its multinational activities with its business divisions, assets and liabilities and planned business decisions.

The Management Board bears the responsibility for the establishment and control of the Group's risk management system. The Group's risk management guidelines were developed so as to identify and analyze risks, to introduce appropriate risk limits and controls, and to monitor the development of risks and compliance with limits. The risk management policies and the risk management system are regularly reviewed to reflect changes in market conditions and in the Group's activities. The existing training and management standards and the associated processes are intended to ensure a target-oriented control environment in which all employees understand their respective tasks and responsibilities.

The Audit Committee monitors on the one hand compliance by the Management Board with the policies and processes of Group risk management and on the other the effectiveness of the risk management system with regard to the risks to which the Group is exposed.

The Group is exposed to the following financial risks:
- Default risk
- Liquidity risk
- Market risk
- Interest rate risk

Default risk:
The default risk is the risk of financial losses that will be incurred if a customer or contracting party to a financial instrument fails to honor its contractual obligations. As a matter of principle, the default risk arises from trade receivables and in the previous year from the Group's investment certificates held as financial assets.

The carrying amounts of the financial contract assets and contractual assets are equivalent to the maximum default risk.

Trade receivables and contract assets:
The Group's default risk is influenced mainly by the individual characteristics of its customers. However, the Management Board also considers the characteristics of the entire customer base, including the default risk of the industrial sector and the countries in which the customers operate, as these factors may also affect the default risk.

For monitoring of the default risk, customers are divided into groups according to their creditworthiness. The geographical location, industrial sector, age structure and the occurrence and duration of payment problems are taken into account. The Group limits its default risk on trade receivables by setting a maximum payment term amounting to 3 months for corporate customers, which may be exceeded only in exceptional cases.

The maximum credit risk of trade receivables relating to customer groups breaks down as follows as of the reporting date:

	31 DECEMBER 2019 *K€*	31 DECEMBER 2018 *K€*
Receivables from key accounts, gross	8,726	3,291
Receivables from miscellaneous customers, gross	13,128	13,377
Trade receivables and contract assets, gross	**21,854**	**16,668**
Value adjustments	**-1,473**	**-854**
Trade receivables and contract assets, net	**20,381**	**15,814**

Approx. 42 % (previous year: 21 %) of trade receivables and contract assets as of the reporting date result from business relationships with 10 key accounts. The increase is primarily due to a significant increase in contract assets and trade receivables in connection with major projects, which extend beyond the balance sheet date. The RATH Group continues to see no significant concentration of risk.

Liquidity risk:
The liquidity risk is the risk that the Group may not be in a position to meet its financial liabilities by delivering cash or other financial assets in accordance with the contract. The purpose of managing the Group's liquidity is to ensure that – as far as possible – sufficient cash and cash equivalents are available at any time to meet payment obligations when they fall due, under normal as well as under problematic conditions, without suffering unacceptable losses or damaging the Group's reputation.

The Group uses activity-based cost accounting to calculate its product and service costs. This allows monitoring of cash requirements and optimization of inflows to the capital employed.

The RATH Group monitors the amount of the expected payments from trade receivables and other receivables together with the expected disbursements from trade liabilities and other liabilities.

The following table shows the contractual residual terms of the financial liabilities as of the balance sheet date, including estimated interest payments. These are non-discounted gross amounts including contractual interest payments, but excluding the effect of netting.

		DUE IN 6 MONTHS		DUE IN 6–12 MONTHS		DUE IN 1–5 YEARS		DUE >5 YEARS	
31 December 2019	CARRYING AMOUNT K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€
Trade liabilities	5,500	0	5,500	0	0	0	0	0	0
Contract liabilities	2,529	0	2,529	0	0	0	0	0	0
Other financial liabilities	174	0	174	0	0	0	0	0	0
Current bank liabilities	2,165	210	2,000	0	0	0	0	0	0
Non-current bank liabilities	35,000	0	0	442	0	2,588	35,000	0	0
Leasing liabilities	2,809	32	601	27	582	75	1,626	0	0

		DUE IN 6 MONTHS		DUE IN 6–12 MONTHS		DUE IN 1–5 YEARS		DUE >5 YEARS	
31 December 2018	CARRYING AMOUNT K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€	INTEREST K€	RE-DEMPTION K€
Trade liabilities	7,682	0	7,682	0	0	0	0	0	0
Contract liabilities	1,240	0	1,240	0	0	0	0	0	0
Other financial liabilities	1,454	0	1,454	0	0	0	0	0	0
Current bank liabilities	2,038	328	38	328	2,000	0	0	0	0
Non-current bank liabilities	37,000	0	0	0	0	2,107	17,000	289	20,000
Leasing liabilities	932	17	89	15	746	4	97	0	0

The RATH Group's refinancing options are determined by numerous financial, macroeconomic and other factors. These factors include credit terms (covenants) in current and future credit agreements and the maintenance of the current credit rating. All covenants were complied with in the financial year 2019 and in the previous year.

Market risk:
The most significant market risks for the RATH Group are price risks for raw materials and energy, foreign currencies and interest rates. The objective of risk management is to monitor and control risks in order to minimize potential losses due to price fluctuations.

Price risks:
Significant price risks for the RATH Group exist in the area of energy and raw material costs. Energy costs, which are mainly incurred in the firing and also in the shaping of refractory materials, account for a significant part of the Group's total costs. In 2019, the Group's electricity and gas costs amounted to k€ 5,228 (previous year: 4,890 €) or 5.2 % (previous year: 5.2 %) of the turnover. Energy prices depend on the development of international and local markets and are subject to fluctuations. The RATH Group minimizes the risk from energy price fluctuations by closely monitoring and, as a rule, negotiating prices annually.

The most important raw materials for the RATH Group include alumina, aluminum, silicon, andalusite or flint clay chamotte. Due to the diversified product portfolio, there is no significant cluster risk in raw material prices. The prices are usually negotiated annually, and their development is closely monitored. In the case of raw materials, in addition to the price risk, there is also a risk regarding the security of supply. A disruption of supply inevitably leads to production problems. With few, insignificant exceptions, there are alternative supplier options for the supply of raw materials in order to minimize the supply risk.

Currency risk:
The Group is exposed to transactional foreign currency risks to the extent that the rates of currencies in which sales and purchase transactions as well as receivables and credit transactions take place do not match the functional currency of the Group companies. The above transactions are conducted mainly based on euros (€) and US dollars ($).

In addition, the translation of foreign individual financial statements into the Group currency, the €, results in currency conversion differences (translation risk), which are recognized in the currency conversion difference in other comprehensive income. Revenues, earnings and balance sheet values of the companies not located in the eurozone are therefore dependent on the respective € exchange rate.

The summarized quantitative information on the Group's foreign exchange risk reported to the Group's management is as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
Net exposure	*K€*	*K$*	*K€*	*K$*
Financial assets:				
Cash and cash equivalents	240	286	398	1,007
Trade receivables and contract assets	526	17	886	0
Financial liabilities:				
Trade liabilities	-475	-277	-749	-1
Net exposure	**291**	**26**	**535**	**1,006**

A strengthening/weakening of the € or $ as of 31 December would have the following effects on the consolidated result and equity if the general conditions remained unchanged:

	AS OF 31 DECEMBER 2019 IN THE RESPECTIVE CURRENCY			
Effect on result for the period in case of	9% STRENGTHENING OF THE €	11% WEAKENING OF THE €	10% STRENGTHENING OF THE $	10% WEAKENING OF THE $
Financial assets:				
Cash and cash equivalents	22	-31	24	-29
Trade receivables and contract assets	47	-2	53	-2
Financial liabilities:				
Trade liabilities	-43	30	-48	28
Total	**26**	**-3**	**29**	**-3**

	AS OF 31 DECEMBER 2018 IN THE RESPECTIVE CURRENCY			
Effect on result for the period in case of	9% STRENGTHENING OF THE €	11% WEAKENING OF THE €	10% STRENGTHENING OF THE $	10% WEAKENING OF THE $
Financial assets:				
Cash and cash equivalents	36	44	101	-101
Trade receivables and contract assets	81	98	0	0
Financial liabilities:				
Trade liabilities	-68	-83	0	0
Total	**49**	**59**	**101**	**-101**

If liabilities or receivables within the Group in different currencies compared to the functional currency of the respective subsidiary are also included, the effects increase. A 9% strengthening or 11% weakening of the € would have an additional negative effect on the net result for the period amounting to k€ 409 or a positive effect amounting to k€ 500. While a 10% strengthening of the $ would have an additional positive effect on the consolidated result amounting to k$ 3,557, a 10% devaluation of the $ would have a negative effect on the result in the same amount.

Interest rate risk

Risks from interest rate changes essentially consist of non-current debt financing. The following sensitivity analysis shows the impact of interest rate changes regarding interest-bearing instruments on the period result of the RATH Group. The analysis assumes that all other variables, especially exchange rates, remain constant. The RATH Group does not assess any fixed-rate financial assets or liabilities in the financial statements at fair value in the P&L account, and, as of the reporting date (and thus unchanged from the previous year), has no derivatives as hedging instruments for fair-value hedges. A change to the interest rate regarding fixed rate instruments would have no effect on the consolidated P&L statement.

		INTEREST PROFILE			PROFIT/LOSS	
As of 31 December 2019	CARRYING AMOUNT K€	NOT INTEREST-BEARING K€	FIXED INTEREST-BEARING K€	VARIABLY INTEREST-BEARING K€	PLUS 100 BASIS POINTS K€	MINUS 100 BASIS POINTS K€
Interest-bearing liabilities:						
Trade liabilities and contract liabilities	8,029	8,029	0	0	0	0
Other financial liabilities	174	174	0	0	0	0
Current financial liabilities	2,165	165	0	2,000	-20	0
Non-current financial liabilities	35,000	0	20,000	15,000	-105	0
Leasing liabilities	2,809	0	2,809	0	0	0
Total	**48,177**	**8,368**	**22,809**	**17,000**	**-125**	**0**
Interest-bearing assets:						
Cash and cash equivalents	4,593	26	0	4,567	46	0
Trade receivables and contract assets	20,381	20,381	0	0	0	0
Other current financial receivables	92	92	0	0	0	0
Non-current financial assets	0	0	0	0	0	0
Total	**25,066**	**20,499**	**0**	**4,567**	**46**	**0**

		INTEREST PROFILE			PROFIT/LOSS	
As of 31 December 2018	CARRYING AMOUNT K€	NOT INTEREST-BEARING K€	FIXED INTEREST-BEARING K€	VARIABLY INTEREST-BEARING K€	PLUS 100 BASIS POINTS K€	MINUS 100 BASIS POINTS K€
Interest-bearing liabilities:						
Trade liabilities and contract liabilities	8,922	8,922	0	0	0	0
Other financial liabilities	1,454	1,454	0	0	0	0
Current financial liabilities	2,038	0	38	2,000	-20	20
Non-current financial liabilities	37,000	0	20,000	17,000	-170	170
Leasing liabilities	932	0	188	744	-7	7
Total	**50,346**	**10,376**	**20,226**	**19,744**	**-197**	**197**
Interest-bearing assets:						
Cash and cash equivalents	25,468	19	0	25,449	254	0
Trade receivables and contract assets	15,814	15,814	0	0	0	0
Other current financial receivables	414	414	0	0	0	0
Non-current financial assets	706	706	0	0	0	0
Total	**42,402**	**16,953**	**0**	**25,449**	**254**	**0**

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

30 BUSINESS RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

All transactions with related parties are conducted at arm's length Related parties conducting transactions with the RATH Group include:

- Rath Holding GmbH

Rath Holding GmbH, Vienna, as the ultimate parent company of RATH AG, holds 66.67 % of the shares in RATH AG, as on the previous year's balance sheet date. At Rath Holding GmbH, FN 195558k, Dr. Ernst Rath, Mag. Karin Bauer-Rath, and DI Dr. Matthias Rath are registered as managing directors. The following companies are listed in the commercial register as stockholders: Dr. Ernst Rath Gesellschaft m.b.H., Vienna, and Dkfm. Paul Rath Gesellschaft m.b.H., Vienna. At Dr. Ernst Rath Gesellschaft m.b.H., FN 102608w, Dr. Ernst Rath and DI Dr. Matthias Rath are registered managing directors. The following are listed as stockholders in the commercial register: Dr. Ernst Rath, CPA/StB Mag. Philipp Rath and DI Dr. Matthias Rath.

At Dkfm. Paul Rath Gesellschaft m.b.H., FN 101540z, Mag. Karin Bauer-Rath is registered as managing director. The following are listed as stockholders in the commercial register: Mag. Karin Bauer-Rath, Dkfm. Paul Rath and Ms. Andrea Vladarski.

As in the previous year, there were no material transactions with the above-mentioned companies in the financial year, apart from the distribution of their share of the dividend for the financial year 2018, amounting to k€ 1,000.

- House ownership Walfischgasse, Dr. Ernst Rath and co-owner

The rental expenses charged, including operating costs, amounted to k€ 158 in the financial year (previous year: k€ 145), whereby there were no outstanding liabilities at the balance sheet date (and thus unchanged from the previous year).

- Members of the Supervisory Board and Management Board, and their close family members

The business relationships with members of the Management Board and of the Supervisory Board of RATH AG are listed in Note (23) insofar as payments from Management Board contracts and Supervisory Board mandates are concerned. In addition, Dr. Meier, member of the Supervisory Board, received a fee for a personnel placement service amounting to k€ 9 in the financial year (previous year: k€ 0).

Pension payments made to related parties are disclosed in Note (15).

Management Board of RATH AG, Vienna:

As in the previous year, the Management Board of RATH AG consisted of two members on 31 December 2019. Andreas Pfneiszl, born in 1969, has been a member of the Management Board since
10 June 2013 (initial appointment) and responsible for Sales, Finance, Human Resources and IT since 1 October 2019. DI Ingo Gruber, born in 1962, has been a member of the Management Board since 1 October 2019 (initial appointment) and is responsible for Production and Research & Development. His predecessor, DI Jörg Sitzenfrey, born in 1976, was a member of the Management Board from 1 January 2013 (initial appointment) to 30 September 2019, with responsibility for Production, Research & Development and IT.

As in the previous year, the members of the Management Board did not hold any Supervisory Board mandates or comparable functions in domestic or foreign companies not included in the consolidated financial statement. Andreas Pfneiszl, member of the Management Board, is also present in the management of RATH Filtration GmbH, Vienna. The management contract with Mr. Pfneiszl ends on 31 December 2025. That with Mr. Gruber has a term until 31 December 2022.

Supervisory Board of RATH AG, Vienna

Mag. Stefan Ehrlich-Adám (Chairman) since 25 June 2013
CPA Mag. Philipp Rath (Vice Chairman) since 17 July 2003
Mag. Dieter Hermann since 25 June 2013
Dr. Andreas Meier since 1 June 2016
Mag. Dr. Ulla Reisch since 28 May 2018

31 EVENTS AFTER THE BALANCE SHEET DATE

The outbreak of the COVID 19 pandemic in early 2020 was declared a public health emergency of international concern by the WHO, with significant implications for populations and businesses around the world.

The measures taken in China to mitigate the consequences led to the standstill of a large part of the country's industrial activity, which is at the center of major global supply chains. More and more countries followed this example in the course of time, including the RATH Group's main sales and procurement markets. The cancellation of orders, temporary closure of production plants, short-time work and quarantine measures are currently causing uncertainty among customers, employees and suppliers of the RATH Group. Risks for the RATH Group may not only affect sales development, but also lead to considerable impairment of production, the procurement market and the supply chain.

The quantitative effects on the global economy and on the RATH Group cannot be reliably estimated at present and depend heavily on the duration of the pandemic. The ability of governments and international organizations to take massive and coordinated support measures is also crucial for developments in the coming quarters. However, we are very well equipped to survive this phase in our now 130 years of corporate history. Production is maintained as far as possible; our personnel deployment is optimized by home office. If and insofar as necessary due to a decline in the order situation, the instrument of short-time working is additionally used in Austria and Germany. In addition, credit lines were increased at the beginning of 2020 in order to be prepared for possible liquidity bottlenecks.

Apart from the effects of the COVID 19 pandemic, no significant events of particular significance for the RATH Group have occurred since the end of the financial year.

This consolidated financial statement was prepared on 28 April 2020 by the company's Management Board and submitted to the Supervisory Board on 28 April 2020 for review and approval.

VIENNA, 28 APRIL 2020

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

AUDITOR'S CERTIFICATE

AUDITOR'S CERTIFICATE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

Audit Opinion

We examined the consolidated financial statement of Rath Aktiengesellschaft, Vienna, and its subsidiaries (from the Group) consisting of the consolidated balance sheet on 31 December 2019, the consolidated P&L account, the consolidated income statement, the development of the consolidated equity and the consolidated cash flow statement for the financial year ending on this balance sheet date and the group notes.

According to our assessment, the annexed consolidated financial statement conform to the legal provisions and provide a fair and true representation of the assets and financial position of the Group on 31 December 2019, as well as of the profitability and the cash flows from the group for the financial year ending on this reporting date in agreement with the International Financial Reporting Standards as they are applied in the EU (IFRS) and the additional requirements of § 245a of the UGB (Austrian Commercial Code).

BASIS FOR THE AUDIT OPINION

We conducted our audit in accordance with EU Regulation № 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). Our responsibilities under these provisions and standards are described further in the section of our Auditor's Certificate entitled "Responsibilities of the annual auditor for the auditing of consolidated financial statement". We are independent of the Group, 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 is sufficient and appropriate to serve as a basis for our Audit Opinion.

REFERENCE TO OTHER FACTS

The consolidated financial statement of Rath Aktiengesellschaft, Vienna, for the financial year ending 31 December 2018 were reviewed by another annual auditor, who issued an Auditor's Certificate provided with an unqualified Audit Opinion on these financial statement on
24 April 2019.

Our Audit Opinion is not qualified in respect of this matter.

PARTICULARLY IMPORTANT AUDITING MATTERS

Particularly important auditing matters are such that were most important for our audit of the consolidated financial statement from the financial year according to our best judgment. These facts were

AUDITOR'S CERTIFICATE

considered in the context of our audit of the consolidated financial statement as a whole and in forming our Audit Opinion thereon. 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

1. CAPITALIZATION OF DEFERRED TAXES FOR LOSS CARRY-FORWARDS

- Facts
  The RATH Group has capitalized a total of k€ 952 (previous year: k€ 1,385) in deferred tax assets. This includes deferred tax assets from loss carry-forwards to the amount of k€ 1,902 (previous year: k€ 2,677), before netting. The recognition of deferred tax assets is based on the assumption that sufficient taxable income will be generated in a planning period of at least 5 years against which loss carry-forwards can be used. These assumptions are based on estimates of the current and planned fiscal results and any future measures implemented with fiscal effect by the companies concerned.

  Due to the material assessment and the associated uncertainties, this issue was classified as particularly important.

- Audit procedure and findings
  We have:

- established the process for determining future fiscal results as the basis for the calculation of deferred tax assets and loss carry-forwards for significant companies,
- checked for major companies whether the budget figures used are plausible in comparison with our knowledge of the planned business performance,
- obtained confirmation of the existence and accuracy of the loss carry-forwards by obtaining letters from tax consultants,
- analyzed and reviewed the balance sheet assumptions regarding the usability of loss carry-forwards, and
- checked the presentation and explanations in the group notes.

Our auditing measures have confirmed the appropriateness of the recognition of deferred tax assets on loss carry-forwards as of 31 December 2019. The fiscal forecasts upon which the recognition is based

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report taxable profits that justify the recognition. The information mandated by the relevant standards is complete and accurate.

- Reference to further information
  For further information, please refer to section (6.10) in the Group notes to the consolidated financial statements of the RATH Group regarding the accounting and valuation principles for taxes, section (6.13) regarding the use of discretionary decisions and estimates for the recognition of deferred tax assets, and section (18) regarding income taxes.

2. COMPANY ACQUISITION AND THE RELATED PURCHASE PRICE ALLOCATION

- Facts:
  In the course of an asset deal on 30 August 2019, the RATH Group acquired the refractories division of Bucher Emhart Glass including the production facility in Owensville (Missouri, USA). The purchase price of k$ 15,244 was paid in cash. The acquired net assets at the acquisition date amounted to k€ 11,693 and are included in the consolidated financial statement of the RATH Group from this date onwards in the course of full consolidation.

  Under IFRS, a company is required to recognize the identifiable assets acquired and the liabilities assumed separately from goodwill at fair value at the acquisition date. As the purchase price allocation, in particular the customer relationships, is provisional at the end of the reporting period, provisional amounts are entered for this item into the consolidated financial statement. The costs associated with the company acquisition are shown in the P&L account under other operating expenses.

  Identification and valuation of the acquired assets and liabilities
  is complex and requires significant estimates on the part of the Management Board in making predictions and assumptions. A significant risk lies in the initial estimate of the fair value of the assets acquired through the acquisition in the course of the purchase price allocation.

  We consider the discretionary scope in the identification and valuation of the acquired assets and liabilities a significant risk of material misstatement in the calculation of fair values. For this reason, this is a particularly important auditing matter for us.

- Audit procedure and findings
  We have assessed the purchase price allocation made by the Management Board, and our auditing measures included the following activities:

– Analysis of the underlying contracts in order to gain an understanding of the material terms and conditions and to assess the appropriateness of the accounting treatment,

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- Involvement of our internal valuation specialists to review the preliminary purchase price allocation and the discount rates used in this context,
- Assessment of the valuation model, cash flow forecasts and key assumptions used in the calculation of the provisional fair values of the assets; and
- assessment of the appropriateness of the respective information in the consolidated financial statement.

Our auditing measures have confirmed the valuation models used by the Management Board to determine the fair values in the course of the preliminary purchase price allocation as of the acquisition date. The assumptions and parameters used in the preliminary valuation are within normal ranges. The information mandated by the relevant standards is complete and accurate.

- Reference to further information
  For further information, please refer to section (2) of the group notes of the RATH Group regarding the accounting and valuation principles for company acquisitions, section (3) regarding the company merger, and section (6.13) regarding the use of discretionary decisions and estimates for company acquisitions.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENT

The legal representatives are responsible for the creation of the consolidated financial statement and that this provides an accurate image of the asset, financial and earnings position of the Group in agreement with the International Financial Reporting Standards (IFRS) as applicable in the EU and the additional requirements of the § 245a of the Austrian Commercial Code. Furthermore, the legal representatives are responsible for the internal controls that they consider necessary to enable preparation of consolidated financial statement free of significant – intended or unintended – misrepresentations.

During the creation of the consolidated financial statement, the legal representatives are responsible for assessing the capability of the Group 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 Group or to stop their company activities or do not have any realistic alternatives to this.

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

RESPONSIBILITIES OF THE ANNUAL AUDITOR FOR THE AUDITING OF CONSOLIDATED FINANCIAL STATEMENT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statement as a whole are free from material misrepresentation, whether due to fraud or error, and to grant an Auditor's

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Certificate that includes 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.

Incorrect representations may result from fraudulent acts or mistakes and are to be considered significant if it can be expected from them individually or altogether that they will influence the economic decisions of users made on the basis of these consolidated 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 evaluate risks of significant – intended or unintended – 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 resulting from mistakes, because fraudulent actions may comprise fraudulent 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 regarding the effectiveness of the Group'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 the company's 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 Group to continue its business activities. If we come to the conclusion that a significant uncertainty exists, we are obligated to make note of this in our Auditor's Certificate for the relevant information in the consolidated financial statement or, if these specifications are 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 Group not being able to continue its operations.

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- We evaluate the entire representation, the structure and the content of the consolidated financial statement including the information as well as if the consolidated group statement represents the business transactions and events in a manner that creates a fair and true representation.
- We obtain sufficient and appropriate documentary audit evidence about the financial information of the entities or business activities within the Group to enable us to express an Audit Opinion on the consolidated financial statement. We are responsible for the instruction, monitoring and execution of the auditing of the consolidated financial statement. We bear the sole responsibility for our Audit Opinion.

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 consolidated 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 consolidated annual report
Austrian corporate law requires that the consolidated annual report be audited as to whether it is consistent with the consolidated financial statement, and whether it was prepared in accordance with applicable legal requirements.

The legal representatives are responsible for the creation of the consolidated annual 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 consolidated annual report.

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

Statement
In view of the knowledge and understanding of the Group and its environment gained during the audit of the consolidated financial statement, no significant misrepresentations in the consolidated annual report were identified.

Further information
The legal representatives are responsible for the further information. The further information comprises all the information in the annual report, not including the consolidated financial statement, the consolidated annual report and the Auditor's Certificate regarding this.

Our Audit Opinion on the consolidated financial statement does not cover this further information, and we do not provide any type of guarantee about this.

In connection with our audit of the consolidated financial statement, it is our responsibility to read such further information and to consider whether there are any significant discrepancies between the further information and the consolidated financial statement or our knowledge gained during the audit, or whether such information otherwise appears to be incorrectly represented in a significant manner. If, based on the work performed, we come to the conclusion that the further information is misrepresented in a significant manner, we must report this. We have nothing to report in this respect.

Additional information under Article 10 of the EU-Reg
We were elected as annual auditors by the Annual General Meeting on 27 May 2019.
We were commissioned by the Supervisory Board on 22 July 2019. We have been annual auditors since the financial year 2019.

We declare that the Audit Opinion in the section "Report on the Consolidated 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 I 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 audit is Mag. Bettina Maria Szaurer.

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Vienna, 28 April 2020

PwC Wirtschaftsprüfung GmbH

Mag. Bettina Maria Szaurer
Certified Public Accountant

**The consolidated financial statement with our Auditor's Certificate may be published or disclosed only with our approval. This Auditor's Certificate relates only to the complete consolidated financial statement in the German language, including the consolidated annual report. To any deviating versions, the regulations of
§ 281 II of the UGB (Austrian Commercial Code) apply.**

GLOSSARY

Business Management Terms and Key Figures

AVÖ	Aktuarvereinigung Österreichs (AVÖ, Actuarial Association of Austria); professional body of Austrian actuaries and actuarial experts. AVÖ publishes the annuity valuation tables according to which the pension and severance payment liabilities are calculated.
CAPITAL EMPLOYED	Capital employed; stockholders' equity including minority interests, plus net debt.
CGU (CASH GENERATING UNIT)	Cash-generating unit; the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CORPORATE GOVERNANCE	Code of conduct for the responsible management and control of companies, reported in the Austrian Corporate Governance Code. The content represents a voluntary body of rules and regulations.
DBO (DEFINED BENEFIT OBLIGATION)	Present value of all vested and non-vested earned rights based on the estimated salary level at the time of retirement. The only actuarial method by which the DBO may be determined is the projected unit credit method (PUC). The DBO corresponds to the PBO (Projected Benefit Obligation).
D&O INSURANCE – "DIRECTORS' & OFFICERS' LIABILITY INSURANCE"	The D&O Insurance (also called directors' and officers' liability insurance or more generally: Financial losses liability insurance for organs of legal entities (stock corporations, cooperatives, associations, foundations, registered societies)) is usually concluded as insurance to the benefit of third parties. The company (policyholder) insures its organ members (Executive Board members, Managing Directors, Supervisory Board members, Advisory Board members) against the risk of personal liability in connection with actions of the Boards.
EBITDA	Earnings before interest, tax and depreciations on tangible and intangible assets
EBITDA MARGIN	Relative share of the EBITDA in turnover
EBIT (EARNINGS BEFORE INTEREST AND TAX)	Earnings before interest and tax; operating result
EBIT MARGIN	Relative share of the EBIT in turnover
EBIT (EARNINGS BEFORE INTEREST AND TAX)	Earnings before interest and tax; operating result
EBIT MARGIN	Relative share of the EBIT in turnover
EBT (EARNINGS BEFORE TAX)	Earnings before taxes
CAPITAL RATIO	Percentage ratio of stockholders' equity to total capital
RETURN ON STOCKHOLDERS' EQUITY	Earnings after tax as a percentage of reported stockholders' equity
ONE-OFF EFFECTS	One-off effects are expenditures and income which are disclosed separately as they are not attributable to ordinary business activities. These effects are reported separately to enable investors to better understand and assess the asset, financial and earnings position of the RATH Group.

GLOSSARY

FAIR VALUE	The price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.
FVOCI	Fair value with changes in value through other income
FVTPL	Fair value with changes in value in profit or loss
IASB (INTERNATIONAL ACCOUNTING STANDARDS BOARD)	International board for the definition of accounting standards
IFRIC (INTERNATIONAL FINANCIAL REPORTING (INTERPRETATIONS COMMITTEES)	International committee for the interpretation of accounting standards
IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)	International Accounting Standards (formerly IAS)
NET DEBT	Net debt; interest-bearing financial liabilities including liabilities from leases, less cash and cash equivalents.
RIGHT-OF-USE ASSET	Right to use the underlying asset. This generally corresponds to the present value of future lease payments plus directly attributable costs.
PUC (PROJECTED UNIT CREDIT METHOD)	Actuarial valuation method
ROCE (RETURN ON CAPITAL EMPLOYED)	Return on capital employed; quotient of EBIT less taxes and capital employed
CONTRACT LIABILITY	Obligation of the RATH Group to transfer to a customer goods or services for which it has received (or will receive) consideration from a customer.
CONTRACT ASSET	Entitlement of the RATH Group to consideration in exchange for goods or services transferred to a customer.
WACC (WEIGHTED AVERAGE COST OF CAPITAL)	Weighted average cost of capital; refers to a procedure associated with the discounted cash-flow approach of company valuation. The weighted average cost of capital is used to determine the minimum return for investment projects.
WORKING CAPITAL RATIO	Reveals which portion of the current liabilities can be financed by the current assets. Inventories, contract assets and receivables less trade liabilities as well as contract liabilities are put into perspective to turnover.

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THE MALE FORMS USED IN THE TEXT INCLUDE FEMALE PERSONS AS WELL. CONSISTENT DOUBLE DESIGNATION WAS WAIVED IN THE INTEREST OF BETTER LEGIBILITY.