Annual Report 2010 of

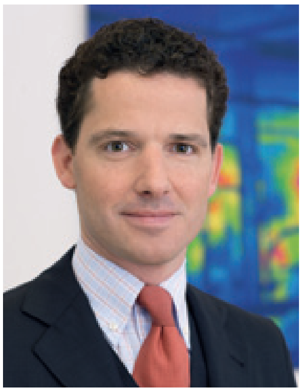
Rath Group

RATH

	2008 EUR'000	2009 EUR'000	2010 EUR'000
Sales	89,382	77,693	74,867
Change in %	6.8	-13.1	-3.6
EBIT	2,105	943	2,722
EBIT margin in %	2.4	1.2	3.6
EBT	-597	-930	1,464
Operative Cash flow	3,811	6,790	6,669
Capital ratio in %	40.7	41.7	43.7
Return on equity in %	-1.7	-0.6	0.6
Working Capital in %	123.3	119.8	97.3
ROCE in %	2.0	2.4	7.4
WACC in %	8.0	7.8	6.0
Investments in property	7,409	2,546	2,218
Depreciations	7,206	5,827	3,661
Number of employees in annual average	644	551	549
Number of consolidated corporations	9	8	8

Dear Shareholders,

As expected, 2010 was not an easy year for the Rath group. Forecasts made last year in this respect unfortunately turned out to be accurate. We correctly anticipated that industrial investment would remain low. The repair business, however, was unable to fully compensate for this downturn.



Manufacturing output in Europe increased once again, but currently lies at 2005 levels (Eurostat). This clearly demonstrates why there is generally little investment taking place in Europe. Accordingly, major efforts are being made in emerging markets to create added value at local level. For Rath, this means that the future, now more than ever, lies in export markets.

But export also means competing with relatively low-cost, but not necessarily beneficial, locally manufactured products. Consequently, quality, service and flexibility are the most important attributes in terms of our ability to differentiate ourselves from the competition. This is at the very heart of the challenges we face. To this end, we will intensify our efforts even further.

The times are past for complaining about globalization or protecting the economy through trade barriers. Communication has become so much easier through the Internet and e-mail that the term “region” no longer has any meaning in the economic sense, however much we may wish to believe otherwise.

For each and every one of us, therefore, whether in production or sales, it will become increasingly important to be flexible and to react to customer wishes in order to offer an exceptional level of service. Inflexible work plans and working hours must soon belong to the past if we wish to maintain our levels of pay. This will require a concerted effort by both employers and employees.

The Executive Board and Supervisory Board would like to thank all our employees for their efforts over the past year. It is not easy to achieve an improved result with lower sales. But now we have laid the foundations for expansion once more and thereby be in a better position to safeguard local jobs.

The Executive Board

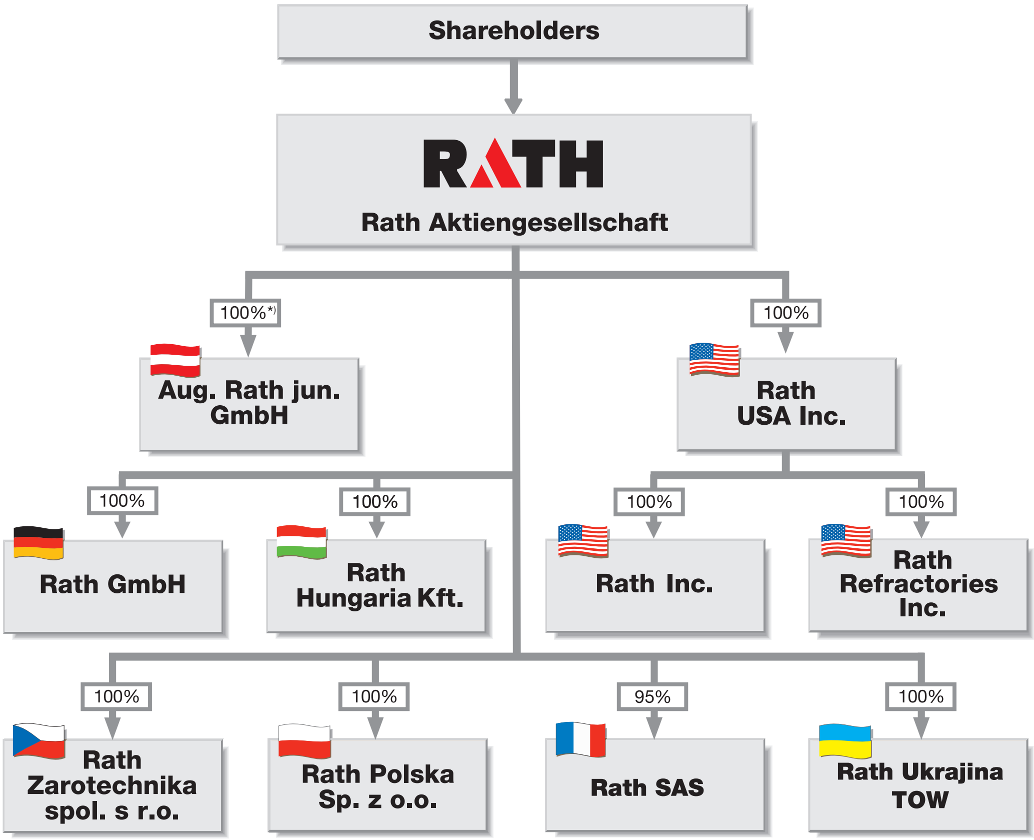
Our entrepreneurial action is based on responsibility, reliability, flexibility and openness. These values are recognized and realized throughout the entire company.

Top Technology for Individual Refractory Solutions

We define ourselves as a provider of refractory solutions; as a company that understands its customers' processes and offers the optimal solution thanks to a diverse product portfolio. We provide both refractory products and tailor-made solutions, and our products are characterized by high-quality product features and accurate processing techniques. Our services are distinguished by versatility and flexibility.

Specialists Perform Harder

Corporate Structure



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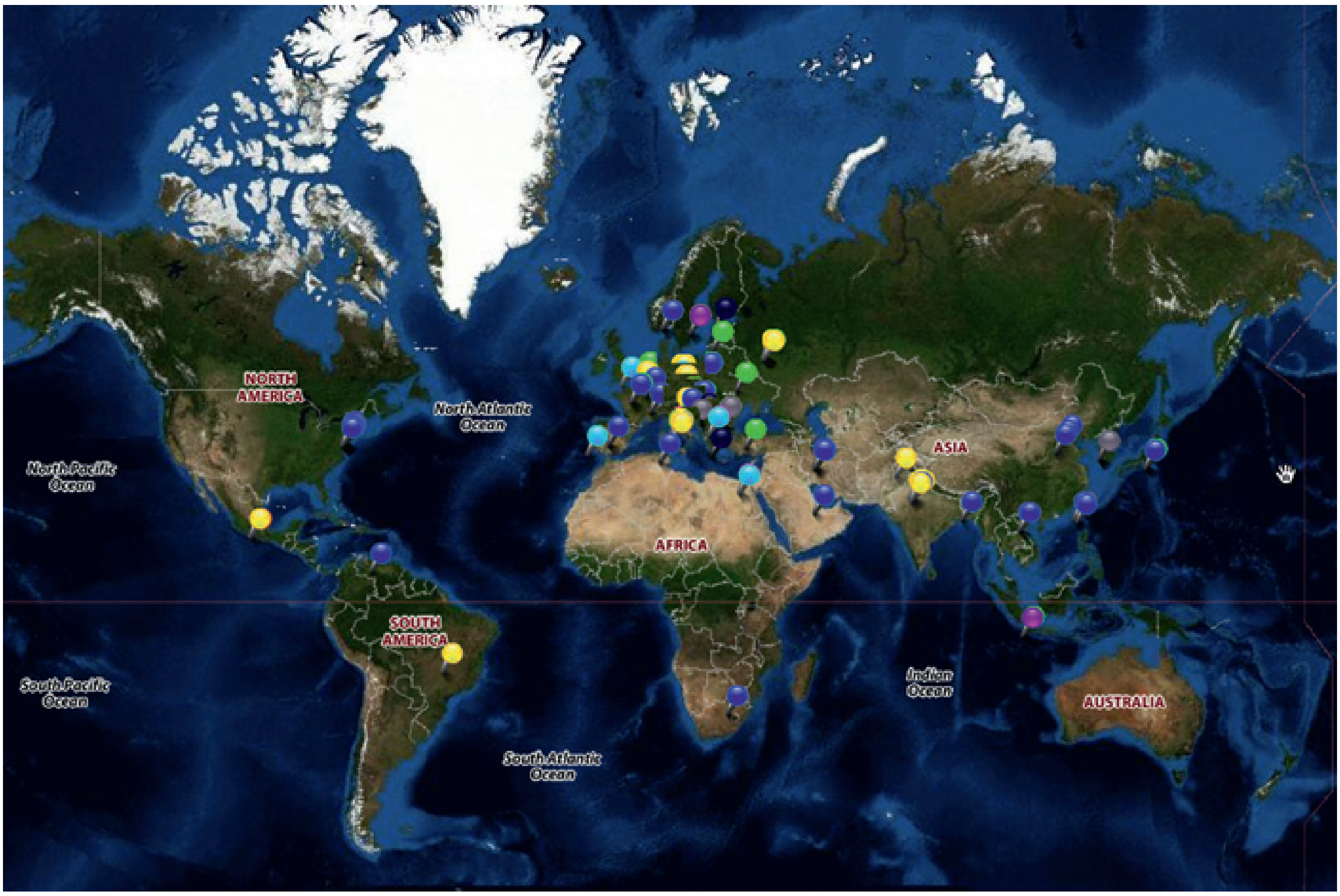


Dear Shareholders,

Despite an improving economy and positive developments in global trade, last year we faced many challenges. We have therefore held intensive discussions with the Executive Board regarding the current situation and future developments. Individual issues and decisions were the subject of continuous discussions between the Executive Board and the Chairman of the Supervisory Board. We have thereby fulfilled our legal obligations and those laid out in our Articles of Association. We have advised the Executive Board regarding the management of the company and supervised the activities of its Directors. The Executive Board has reported to us regularly, promptly and fully regarding all relevant issues. For 2010 we also carried out an evaluation of the Supervisory Board's activities, revealing no anomalies.

Supervisory Board Meetings

During the year under review, the Supervisory Board and Executive Board extensively discussed all relevant issues affecting the development of the business, including risk and risk management within both the company itself and its subsidiaries. Within the context of writing this report, and through other comprehensive reports provided for all meetings dealing with the Group's business and financial situation, with its personnel issues and also its investment and acquisition plans, the Executive Board has kept the Supervisory Board fully informed. Special events were reported individually. Supervisory Board committees reported on their activities at the Board's meetings.

Five Supervisory Board meetings were held during the financial year 2010. With very few exceptions, all members were personally present at all meetings.

During the meeting held on February 23, 2010, the previous year and the current business situation were discussed. Furthermore, the activity report regarding the Issuer Compliance Directive was acknowledged and an amendment to the Supervisory Board's procedures was agreed. At the meeting on April 20, 2010, the 2009 financial statements and management report as well as the 2009 consolidated financial statements and management report were reviewed, the 2009 financial statements were assessed as recommended by the Audit Committee and the proposal for the distribution of profits for 2009 was approved. The proposal regarding the election of auditors was also adopted. The meeting on June 17, 2010 was devoted to preparations for the Shareholders' Meeting. At the meeting on September 30, 2010 the position of Rath USA was discussed and reporting amendments adopted. On December 17, 2010, committee and business situation reports were heard and the budget and investment plan for 2011 was approved.

Committees

The Supervisory Board set up two committees. All respective committee members were present at all committee meetings.

The Audit Committee met twice in 2010. On April 20, 2010, the Audit Committee held its concluding meeting. The annual financial statements and management report as well as the consolidated financial statements and management report were approved, the Supervisory Board was recommended to approve the financial statements and acknowledged the Executive Board's proposal for the distribution of retained losses from the financial year 2009. On December 3, 2010, the auditors provided an update of the status of the preliminary audit of the financial statements and consolidated financial statements.

The strategy committee met twice in 2010 with full participation of its members. Through their attendance, other Supervisory Board members demonstrated their interest in the company's strategic concerns. The meeting on May 5, 2010 took place at the Krummnußbaum plant. The Supervisory Board was informed on-site about the changes at the plant and held discussions about the measures to be taken following the crisis. At the meeting on October 6, 2010, which took place at the Budapest plant, discussions were held regarding plant location optimization and the company's strategic orientation.

Financial statements

The financial statements of Rath Corporation as of December 31, 2010, and the management report from the Executive Board as well as the consolidated financial reports as of December 31, 2010, and the consolidated management report from the Executive Board were audited by, and received the unqualified opinion of, KPMG Austria GmbH, the auditing and tax consulting company selected as auditor at the Shareholders' Meeting on June 17, 2010. The Audit Committee of the Supervisory Board analyzed the findings of the audit of the annual accounts on April 8, 2011, together with the auditors, and recommended the approval of the financial statements and consolidated financial statements to the Supervisory Board. The Supervisory Board reviewed and approved without objection the financial statements of Rath AG as of December 31, 2010 and the management report from the Executive Board, as well as the consolidated financial statements as of December 31, 2010, the consolidated management report from the Executive Board and the Corporate Governance report.

The financial statements have therefore been approved in accordance with § 96 (4) AktG.

Vienna, April 15, 2011

Dr. Heinz Kessler
Chairman of the Supervisory Board

Corporate Governance Report

Principles

The Supervisory Board and the Executive Board of Rath AG, as well as the managers of the corporations of the Rath Group, are aware of their special responsibility as representatives of a stock-listed family business that carries a great tradition, and thus declare adherence to the principles of behavior toward shareholders, employees, customers and suppliers, as well as the social environment, which is characterized by its emphasis on ethical practices.

This not only includes strict adherence to all laws and regulations but also the commitment to corporate governance and similar principles of future-oriented, sustainable and environmentally conscious economic management.

The rules, which are reasonable for a company of our size, are observed by all the corporate bodies.

Basis

As a company listed in the Vienna Stock Exchange, Rath refers to the January 2010 version of the Code of the Austrian Working Group on Corporate Governance. The full wording of this code and further information related to this can be found at www.corporate-governance.at.

IV. Executive Board

16. As a company in the standard market auction of the Vienna Stock Market, our Executive Board is allowed to consist of just one member. An executive board with two members does not require a chairman.
18. The Company, due to its limited size, does not have an internal audit department. Internal audit tasks are conducted through corporate control and quality management staff.
30. The variable portion of earnings is linked to the EBT. Up to 50% of the total earnings can be variable. There is no agreement in existence concerning a company age pension plan. A D&O insurance policy has been arranged for the Executive Board.
31. It is at the sole discretion of each individual member of the Executive Board as to whether that individual's remuneration shall be disclosed.

V. Supervisory Board

51. The remuneration shall be decided by the Annual Shareholders' Meeting. Its distribution is entrusted to the Supervisory Board.
53. As a small, stock-listed family business, the commitment to the family is considered the central pillar of the Company. Therefore, the Supervisory Board shall adhere to the guidelines, although the content of such guidelines might not be wholly implemented.

VI. Transparency and Auditing

66. The Company establishes its interim reports for the first and third quarters not in accordance with IFRS.
68. Publications shall be issued in German.
73. The report on the Director's dealings shall be published on the FMA.
83. An adequate risk-management policy is in place. This enables ongoing improvements to be incorporated into all processes. An evaluation by the final auditors has not yet been conducted.

Organs of the Corporation

Members of Supervisory Board

Heinz Kessler (Chairman)	Independent, first elected on July 28,1999, appointed until the Shareholders' Meeting of 2013 Chairman of the Supervisory Board of Erste Group Bank AG
Ernst Rath (Vice Chairman)	Elected on June 27, 2008; appointed until the Shareholders' Meeting of 2013 Managing Director of Rath Holding GmbH
Paul Rath	Elected on September 14, 1989; appointed until the Shareholders' Meeting of 2013 Managing Director of Rath Holding GmbH
Philipp Rath	Elected on July 17, 2003; appointed until the Shareholders' Meeting of 2013 Auditor at Agitas
Gerd Unterburg	Independent, elected on July 12, 2005; appointed until the Shareholders' Meeting of 2013, Vice-Chairman of the Board of Hoerbiger Holding AG
Christian B. Maier	Independent, elected on June 27, 2008; appointed until the Shareholders' Meeting of 2013, Chief Financial Officer of Constantia Industries AG

Committees of the Supervisory Board

Audit Committee	Heinz Kessler (Chairman) Christian B. Maier (Financial Expert) Philipp Rath
Strategy Committee	Gerd Unterburg (Chairman) Ernst Rath Philipp Rath

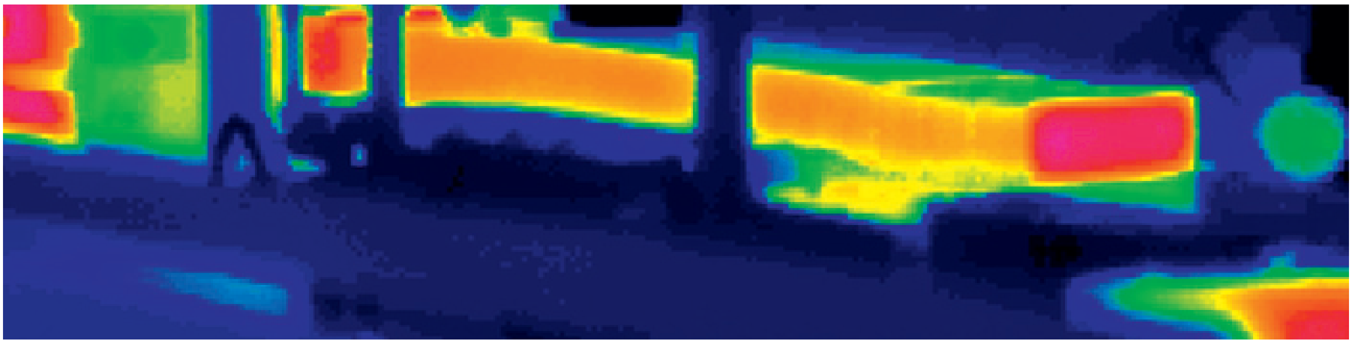
Executive Board

Georg Rath	Marketing and Sales, Finance and Investor Relation, Quality Management; Year of Birth: 1970; Appointed: July 1, 2006
Matthias Rath	Production, Research & Development, Human Resources Year of Birth: 1968; Appointed: July 1, 2006

Up-to-date information on the implementation of the Code and adjustments for statutory changes can be found on the Rath Group website (www.rath-group.com). Corresponding inquiries will be answered by the Executive Board during the year or by the Chairman of the Supervisory Board during the Shareholders' Meeting.

Vienna, April 8, 2011

Georg Rath Member of the Executive Board	Matthias Rath Member of the Executive Board



Declaration by all legal representatives in accordance with § 82 (4) Z 3 BörseG [Stock Exchange Act]

We confirm to the best of our knowledge that the consolidated financial statements established according to applicable accounting standards give as accurate a representation as possible of the Group's assets, finances and income, and that the consolidated management report gives as accurate a representation as possible of the activities, results and position of the Group, and that the consolidated management report describes the main risks and uncertainties faced by the Group.

We confirm to the best of our knowledge that the parent company financial statements, established according to appropriate accounting standards, give as accurate a representation as possible of the company's assets, finances and income, and that the management report gives as accurate a representation as possible of the activities, results and position of the company, and that the management report describes the main risks and uncertainties faced by the company.

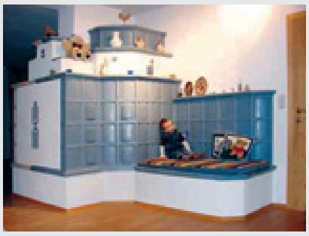
The results of the financial year ending on December 31, 2010, are not necessarily indicative of future results.

Vienna, April 8, 2011

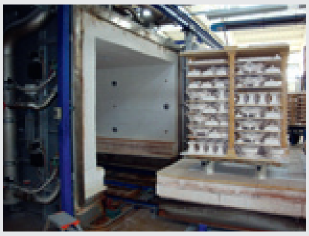
Georg Rath Matthias Rath

Iron and Steel

Domestic Fireplaces



Ceramics



Energy and Environmental Technology

Chemistry and Petrochemistry

Cement and Lime

Glass

Economic Report

Business and General Conditions

Organization

Despite returning optimism, the European market has not yet returned to previous levels. Consequently, the Rath Group has also decided to look to new markets:

In April 2010, a German company was created with 5 partners which in turn holds a 100% interest in an Indian subsidiary company. Its purpose is to sell partner company products to the steel industry. This is the first time Rath has been active in the Indian market. Previously, we only developed projects in this region indirectly in collaboration with our European customers. From now on it is our intention to serve this market directly.

The companies included within the consolidated financial statements are listed in the notes. We do not have any affiliates.

Business environment

2010 was another difficult year for the Rath Group. The economy continued to grow steadily, but Rath was not able to convert this into increased sales.

We shall use the example of the steel industry to demonstrate this point:

In primary metallurgy, refractory material is required to replace worn out material in direct contact with the iron, for which application magnesite is virtually the only product used. As a producer of aluminum oxide-based products, Rath is a supplier for just a few niche markets. In 2010, the production of pig iron in the EU27 rose by 24% (source: World Steel Association). Rath's sales of replacement material, on the other hand, grew by 77%. However, as the production volume of pig iron is still some 17% below its peak of 2007, European steel industry capacity is not being fully utilized.

In secondary metallurgy, Rath is present in a variety of applications due to its wide product range. Many investments were only finalized for 2009 in the year of the crisis. This was also the main reason why Rath experienced a lower reduction in sales figures than the competition. On account of plant capacity continuing to be underutilized and new capacity therefore not being required, no major investments were made in Europe in 2010. Plant expansions took place outside of Europe.

According to reports from the world's largest glass producers, the glass industry stabilized in 2010 and saw an increase of 7%. However, the planning and construction of new fusion tanks require a lead time of around 2 years. As a result, Rath once again experienced reduced sales in this sector in 2010. We are only likely to see an increase in 2011.

In 2010, the aluminum industry once again saw higher production (+4 %) outside China according to the annual reports of the largest companies. Rath was also able to profit handsomely from this trend with very strong growth (+98 %).

A further negative aftereffect of the crisis is that customers have lost their mistrust of cheap Asian products. We must therefore increasingly learn to deal with Chinese or Indian price levels in the European and American markets. In many cases the products' technical disadvantages such as a shorter life cycle are accepted in order to be able to reduce prices. Margins therefore continue to be under severe pressure.

Business performance

Sales

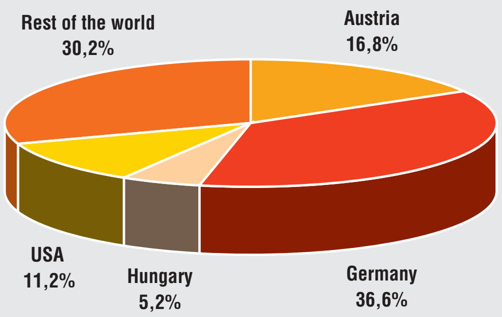
The major upheavals experienced by the various industries in which Rath is active have also led to changes in the structure of Rath's customer base.

The steel sector share of total sales has fallen by a third to around 21%. Sales to the Chemicals and Petrochemicals sector, however, more than doubled and is now the second largest sector just ahead of domestic fireplaces. The Non-Iron Metal and Special Kiln Engineering sectors remain positive areas. In the latter sector Rath was able to take advantage of an increase in research and development activity leading to higher demand for laboratory kilns and thermal analysis apparatus. In this area we are able to profit from the high quality and expertise associated with the workmanship of our components in the Special Kiln Engineering sector.

Forging furnace steel industry

As already mentioned above, Rath is mainly active in Europe and North America. As the European region has not yet regained its former strength, we were not quite able to maintain our sales in 2010. Turnover dropped from EUR 77.7 million to EUR 74.9 million (-3.6 %).

Share of consolidated sales by country (%)



The share of sales in the EU fell to 78% (2009: 84%). Sales in Germany were the hardest hit. This is mainly due to German plant and furnace construction companies completing fewer projects and having to source refractory materials from plants outside Europe in the country of delivery.

Project sales fell by 21% to a share of 29% (2009: 35%). New plant business with furnace and plant construction companies and the repair business for existing plants with the plant operators themselves were similarly affected. This clearly demonstrates that capacity is not being fully utilized and repairs are therefore not being pursued with any urgency.

Amongst individual Group companies, it is worth highlighting the increase in America as a result of higher sales to the chemical industry.

Share of consolidated sales by company (%)	2009	2010
Aug. Rath jun. GmbH	43.1	41.5
Rath GmbH	33.5	31.0
Rath Hungaria Kft.	8.4	9.2
Rath USA, Inc.	9.7	13.0
Rath Vertriebsgesellschaften	5.3	5.3

Profitability

The result of the ordinary business activities of the Rath Group (EBT) improved from a loss in 2009 of EUR 0.9 million to a profit of EUR 1.5 million.

Between 2005 and 2009, we invested nearly EUR 40 million in tangible assets. As a result we have built the new brick plant in the USA, finalized the expansion of our pre-cast blocks plant, doubled the production of aluminum oxide wool and completed the expansion of insulating fire bricks and vacuum formed shapes capacity. Although Rath Group plants are very new in comparison to those of our competitors, the amortized cost is not much higher. We have therefore had to closely analyze the details of our depreciation principles. When we compared the depreciation period with the actual average life cycle of the machines we found significant differences, and therefore introduced new Group guidelines that reflect the actual plant life cycles with allowance made for a margin of error. The application of these new guidelines would already have made a positive impact in 2009 of around EUR 2.1 million. As a result, despite lower sales over the past year we were able to slightly improve the result (EBT) by EUR 0.2 million.

Cost of materials in comparison to plant output reduced significantly, but taking into account the drastic reduction in stocks, actually increased slightly. This is a reflection of the aforementioned pressure on margins we face in the market place.

Personnel costs fell slightly (-3%) as we were still on short-time working at one plant. In contrast, we made further investments in research and development and in marketing.

Overall, the financial result improved as a result of EUR/USD exchange rate differences.

As already mentioned, in spite of lower sales and lower margins were able to achieve a slightly improved result.

Glasstec fair Düsseldorf

Asset and financial situation

In 2010, we made limited investments. Plant assets remained virtually unchanged. As a result of significant destocking, stocks fell by EUR 3.9 million or 19.7%. Total Rath Group assets fell therefore from EUR 77.3 million to EUR 74.7 million. Current assets as a proportion of sales fell by a further one percent.

As a result of the positive cash flow, liabilities were reduced. This led to an increase in the equity ratio from 41.7% to 43.7%.

Driven by the reduction in stocks, working capital fell by EUR 3.9 million or 9.6% to EUR 21.4 million. The working capital ratio thereby fell to 28.5 % (2009: 30.4%).

Operating cash flow of EUR 6.7 million was held at 2009 levels (EUR 6.8 million). Detailed figures are given in the consolidated cash flow statement.

In 2010, the annual net profit will be used to balance out the previous year's losses. The Executive Board will therefore not be recommending a dividend payment to the shareholders' meeting.

The stock price rose from EUR 8.01 (Dec. 31, 2009) to EUR 9.00 on December 31, 2010. This equates to an increase of 12.4%. The stock market capitalization therefore amounts to EUR 13.5 million.

Family and children's party in Krummnußbaum

Supplementary report

There have been no reportable events affecting the company's assets, finances or earnings.

Outlook report

Company development

Last year it was not easy to make a forecast due to the obvious market uncertainties. It is no different for 2011. Nevertheless, we are cautiously optimistic about our prospects for the year as a whole. How any growth in the individual regional markets will affect the Rath Group cannot be predicted with great confidence.

Rath is also predicting an increase in sales, the extent of which is largely dependent on investment activity in Europe and America. Price pressure will increase as customers react with increasing awareness of different pricing structures.

We will therefore intensify our activities in Asian markets in order to take advantage of the higher growth rates in the region. A first step in this direction was already taken last year with the founding of a new company for the Indian market. This should already begin to bear fruit by the end of the year.

In manufacturing we will pursue continuous improvements to improve efficiency. Furthermore, to be able to offer cheaper project packages we will improve the product ranges through improved purchasing conditions.

Risk report

Risk management system

The risk management system ensures that risks are regularly analyzed and assessed. This is the only way to be sure that they can be detected at an early stage and to implement counter-measures should a risk event occur.

Group-wide risk analysis will be assessed by the Executive Board and compliance with measures introduced will be monitored at site level within the framework of the quality management system.

Opportunities and risks

Energy issues can on the one hand lead to higher manufacturing costs as a result of increased demand and current developments, but on the other hand presents a marketing opportunity for redoubling our efforts to put energy efficiency and alternative energy sources from biomass at centre stage.

The problem of raw materials remains an important issue, one which is recognized and is being monitored by the European Commission.

Regarding alumina silica wool, the anticipated intensification of the restrictions of use did not materialize last year, but changes remain a possibility. Accordingly, the product remains on the so-called candidate list (Appendix XV) of European chemicals regulations regarding "Substances of Very High Concern".

When entering project business in new markets, prices are often reduced when orders are placed as it is sometimes difficult without reference plants in the country in question to retain customer confidence.

Risks from individual transactions are generally acceptable due to their size. The value of bad debts during the financial year amounted to 0.2% of turnover.

Research report

Intensive research activity is essential to maintaining a technical advantage over Asian competitors. We are therefore working with our customers to improve existing products and are also working on many ideas to create completely new products. Unfortunately, this process is protracted and prone to setbacks. Products created in the laboratory with excellent results cannot always be reproduced in the normal manufacturing process, or can only be reproduced with adapted levels of performance.

R&D costs remained nominally at 2009 levels of EUR 0.8 million. The R&D ratio rose, however, to 1.0% (2009: 0.8%).

Corporate Responsibility

Employees

The start of 2010 proved to be very trying for our employees. Early signs of an improvement in the economic situation were slow to appear, with the result that individual employees had to live with uncertainty for an extended period. The last plant on short-time working was only started up again in September.

Numbers of employees in annual average	2009	2010
Austria	152	149
Germany	235	233
Hungary	109	104
USA	42	46
Rest of the world	13	17
	551	**549**

Our efforts to retain the core workforce despite the weak start to the year are now bearing fruit. Towards the end of the year in some production areas we are once again operating at full capacity. Employee numbers at year end therefore rose slightly from 548 in 2009 to 554 in 2010.


Business Run 2010, Wiener Prater

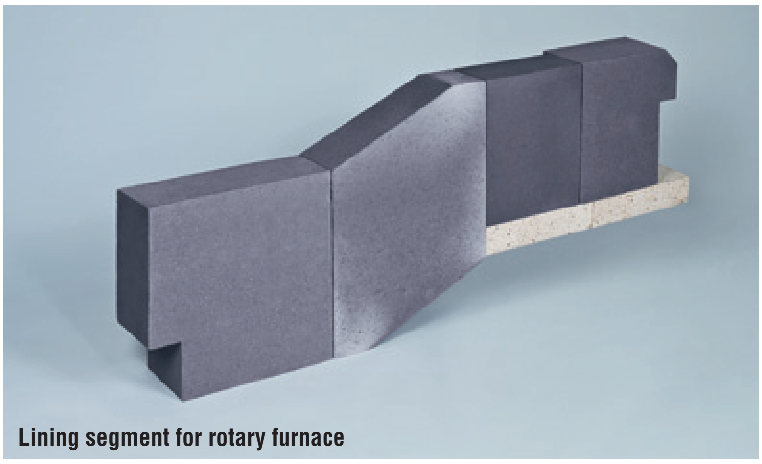
Over the coming years we will be faced with two main challenges: availability of skilled personnel and the application of flexible working models that are acceptable to all sides. Technicians, especially women, are very difficult to come by. This not only affects research but also more traditional professions such as electricians, metal workers and electrical engineers. Regarding flexible working hours, there is still much work to be done, as customers increasingly require intensive supervision rather than standard service. They come to a decision at an increasingly later stage and frequently refuse to hold product in stock. This compels our own manufacturing to react in a flexible way and to cope with a wide variety of plant load factors.

Advancement of women

Women make up approximately 18% of the Rath workforce. The situation in management is no better following the retirement of a woman technical board member. Here the figure is 12.5% (2009: 22.2%). The Supervisory Board shall consist solely of men until the shareholders' meeting in 2013.

It is well known that departments which are dominated by either men or women have a higher risk of interpersonal conflict. It is therefore the goal of Rath management to have a balanced distribution in all areas. In many cases, however, such as the recent appointment to a vacant board position, we did not receive any applications from women.

Our Austrian subsidiary received an award from the Family Ministry for the compatibility it provides between family and career. We make every effort to consider employee wishes for all jobs in terms of flexible working models.

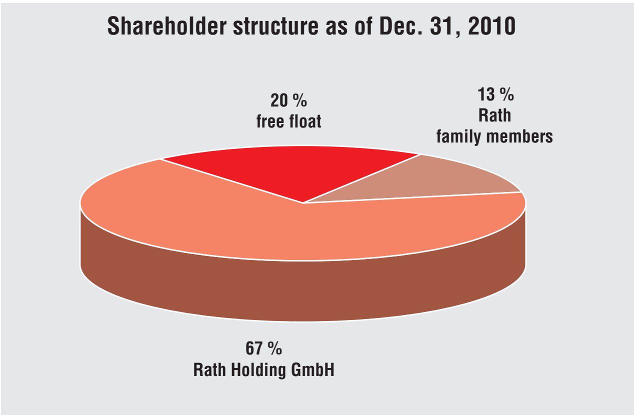

Lining segment for rotary furnace

Environment

Active environmental protection is practiced at all Rath Group sites. This not only means complying with legal and regulatory requirements, but also setting and achieving more far-reaching targets. Alongside the mainly authority-controlled emission and emission limits, we attempt to protect the environment through waste avoidance, waste sorting and appropriate methods of disposal.

Information in accordance with § 243a UGB (Austrian Commercial Code)

Capital composition is provided in greater detail in the notes. Company articles do not restrict the application of Rath AG voting rights. The company is not aware of any restrictions regarding the transfer of voting rights.



As of the reporting date, to the best of our knowledge shareholder structure has not changed significantly:

In 2010, Ernst Rath reported purchases of approximately 1% of the nominal share capital.

Rath AG does not operate an employee participation scheme.

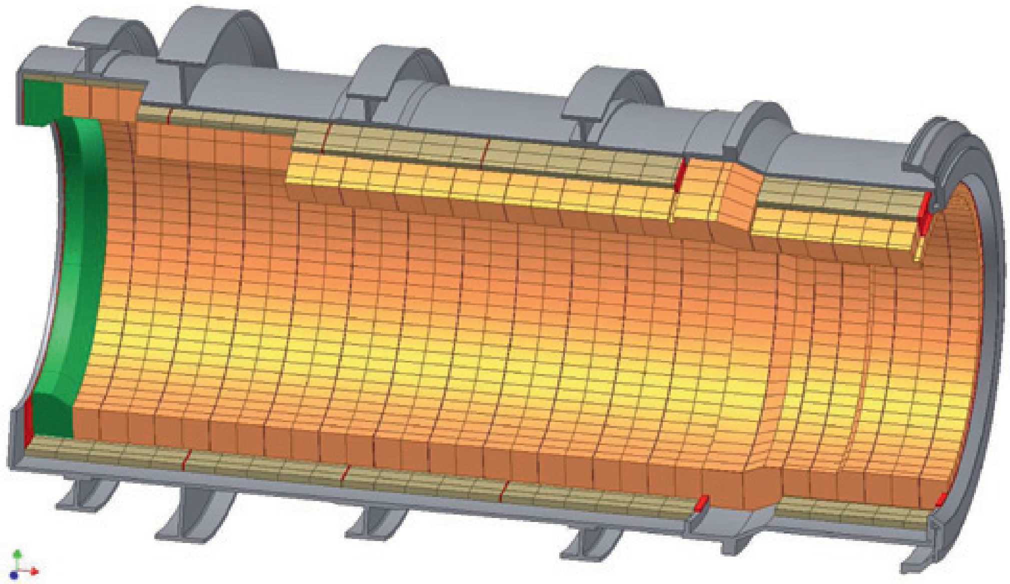
Regarding the Supervisory Board, Executive Board and the company's Articles of Association there are no regulations that deviate from the law.

Other than when provided for under the law, the Executive Board of Rath AG does not possess any authorization to issue or buy back shares.

There exist no agreements that become effective in the event of control changing hands. In the event of a public takeover bid there are no provisions for compensation.

Vienna, April 8, 2011

Georg Rath	Matthias Rath
Executive Board Member	Executive Board Member



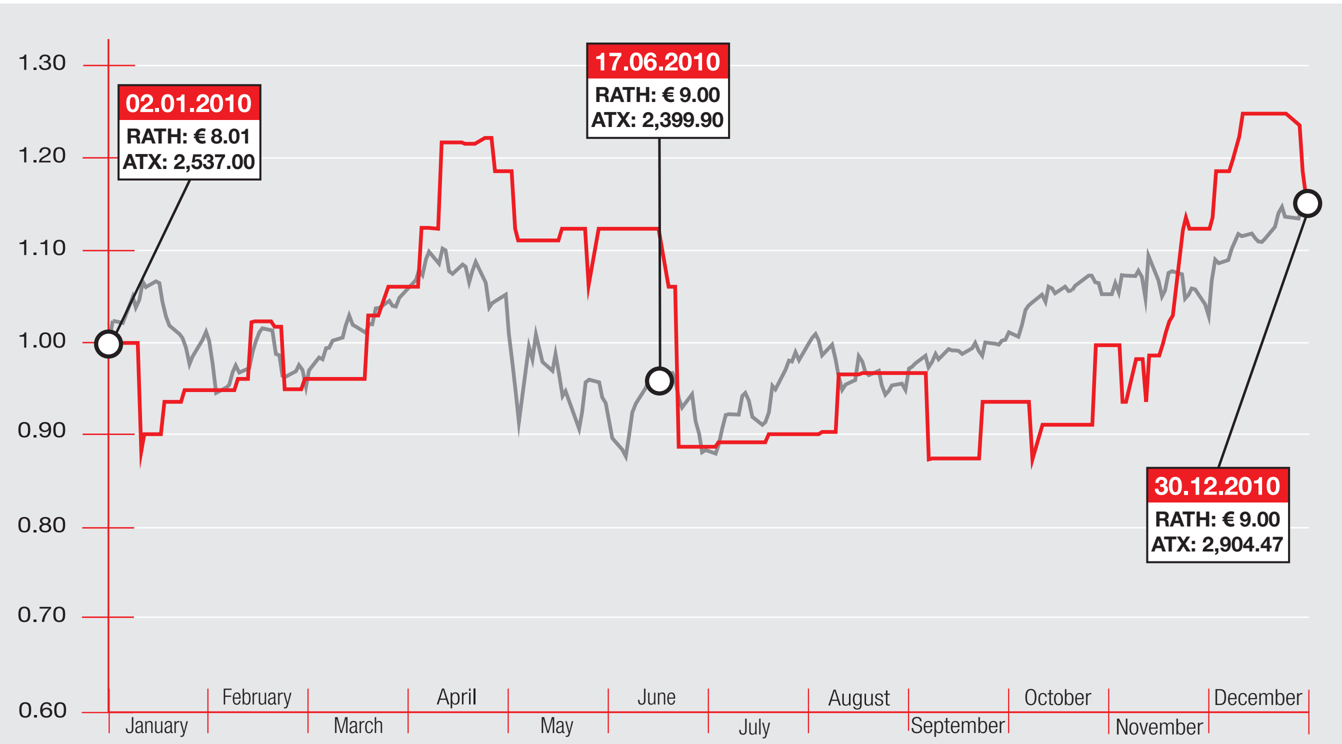
Rotary furnace for hazardous waste incineration

Stock Exchange Details Pursuant to § 93 (1) Stock Exchange Act

ISIN:	AT0000767306
Stock symbol:	RAT
Market segment:	Standard Market Auction
Segment:	Official Market
Share class:	Non-par value shares with voting rights

Number of shares:	1.500.000
Total number of shares:	1.500.000
Share price as of Dec. 31, 2009:	9.00 €
Market capitalization:	13.500.000,00 €
Earnings per share:	0.12 €

Stock Price Performance of the Rath Share in 2010



	Notes No.	Dec. 31 2010 [EUR'000]	Dec. 31 2009 [EUR'000]
ASSETS			
Non-current assets			
Property, plant & equipment	(1)	35,885	36,313
Intangible assets	(2)	623	624
Other financial assets	(3)	639	632
Deferred tax assets	(12)	4,154	3,736
		41,301	**41,305**
Current assets			
Inventories	(4)	15,808	19,686
Trade receivables	(5)	12,507	12,587
Other receivables and assets	(6)	161	317
Cash and cash equivalents	(7)	4,955	3,350
		33,431	**35,941**
Total assets		**74,732**	**77,246**
EQUITY AND LIABILITIES			
Equity	(8)		
Share capital		10,905	10,905
Additional paid-in capital		1,118	1,118
Retained earnings		21,569	21,392
Foreign currency translation reserve		-913	-1,153
		32,679	**32,262**
Non-controlling interests		1	-12
		32,680	**32,250**
Non-current liabilities			
Liabilities to employees	(9)	2,729	2,869
Financial liabilities	(10)	8,213	11,192
Government grants		52	120
Provisions	(11)	221	213
Deferred tax liabilities	(12)	1,736	814
		12,951	**15,208**
Current liabilities			
Financial liabilities	(10)	18,386	17,893
Trade payables	(13)	7,602	9,161
Current tax liabilities	(12)	545	163
Provisions	(11)	2,478	2,505
Other payables		90	66
		29,101	**29,788**
Total equity and liabilities		**74,732**	**77,246**

Consolidated Income Statement, Statement of Comprehensive Income

	Notes No.	2010 [EUR'000]	2009 [EUR'000]
Revenue	(14)	74,867	77,693
Change in inventory		-5,449	85
Own work capitalised		78	0
Other operating income	(17)	763	675
Materials and external services	(15)	-28,988	-34,564
Personnel expenses	(16)	-21,281	-21,908
Depreciation and amortization	(1) (2)	-3,661	-5,850
Other operating expenses	(18)	-13,606	-15,188
Earnings before interest and taxes (EBIT)		**2,722**	**943**
Financial income	(19)	615	1,271
Financial expenses	(20)	-1,873	-3,145
Net financial result		**-1,259**	**-1,874**
Earnings before taxes (EBT)		**1,464**	**-930**
Income tax expenses	(12)	-1,274	435
Consolidated result after taxes		**190**	**-495**
Attributable to			
Sharholder of Rath AG		177	-490
Non-controlling interests		13	-6
Consolidated result		**190**	**-495**
Basic earnings per share (EUR)	4.5	0.12	-0.33
Diluted earnings per share (EUR)	4.5	0.12	-0.33

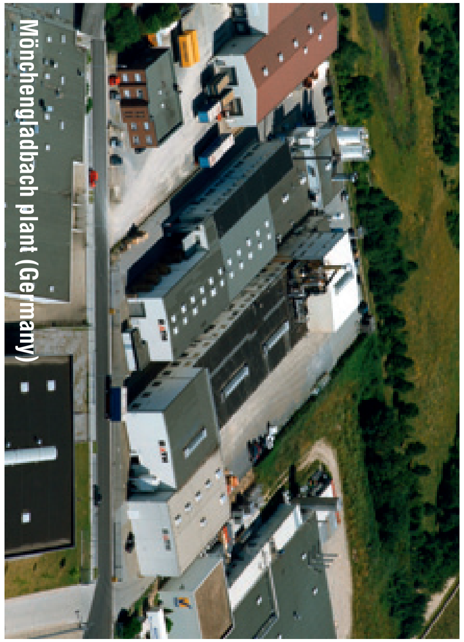
	2010 [EUR'000]	2009 [EUR'000]
Comprehensive income		
Consolidated result after taxes	190	-495
Currency translation	240	-1,013
Total comprehensive income	**430**	**-1,508**
Attributable to		
Shareholder of Rath AG	417	-1,502
Non-controlling interests	13	-6
Total comprehensive income	**430**	**-1,508**

	Notes No.	2010 [EUR'000]	2009 [EUR'000]
Cash flows from operating activities			
Earnings before taxes		1,464	-930
Depreciation and amortization	(1) (2)	3,661	5,850
Investment grants		-44	-94
Depreciation of financial assets		0	-23
Change in long-term provisions and accruals		-140	-96
Interest income	(19)	-61	-89
Interest expense	(20)	1,371	1,614
		6,252	**6,232**
Changes in			
Inventories		3,878	1,719
Trade receivables		80	1,075
Other receivables and assets		156	-305
Trade payables		-1,559	836
Provisions		-19	-981
Changes due to exchange rate		-448	-237
		8,340	8,339
Interest received		61	89
Interest paid		-1,321	-1,568
Income tax paid		-411	-69
		6,669	**6,791**
Cash flows from investing activities			
Investments in property, plant and equipment	(1)	-2,218	-2,489
Sale of intangible assets	(2)	-390	-57
Proceeds from sale of property, plant and equipment		65	15
		-2,543	**-2,531**
Cash flows from financing activities			
Net change in borrowings		-2,486	-4,648
Change recognized in equity		0	-432
		-2,486	**-5,080**
Currency differences			
Effect of foreign exchange differences		-36	-53
Net increase/decrease in cash and cash equivalents		**1,604**	**-873**
Cash and cash equivalents at the beginning of the year	(7)	**3,351**	**4,224**
Cash and cash equivalents at the end of the year	(7)	**4,955**	**3,351**

Consolidated Statement of changes in Equity

	Share capital [EUR'000]	Additional paid-in capital [EUR'000]	Foreign currency+ Translation reserve [EUR'000]	Retained results [EUR'000]	Total [EUR'000]	Non-controlling interests [EUR'000]	Total equity [EUR'000]
As of December 31, 2008	**10,905**	**1,118**	**-140**	**21,955**	**33,838**	**353**	**34,191**
Loss of the period 2009	0	0	0	-490	-490	-6	-496
Unrealised profit (+) / losses (-) from foreign currency translation	0	0	-1,013	0	-1,013	0	-1,013
Comprehensive income for the period	0	0	-1,013	-490	-1,503	-6	-1,509
Changes in non-controlling interests	0	0	0	-73	-73	-359	-432
As of December 31, 2009	**10,905**	**1,118**	**-1,153**	**21,392**	**32,262**	**-12**	**32,250**
Profit of the period 2010	0	0	0	177	177	13	190
Unrealised profit (+) / losses (-) from foreign currency translation	0	0	240	0	240	0	240
Comprehensive income for the period	0	0	240	177	417	13	430
As of December 31, 2010	**10,905**	**1,118**	**-913**	**21,569**	**32,679**	**1**	**32,680**


Milledgeville plant (USA)


Mönchengladbach plant (Germany)


Bennewitz plant (Germany)


Krummnußbaum plant (Austria)

1. The Company

Rath AG and its subsidiaries (hereafter referred to as the "Rath Group") manufacture refractory materials for industrial purchasers and other business enterprises. The main markets are located within the European Union, Eastern Europe and the USA. The parent company head office is located at Walfischgasse 14, 1010 Vienna. Production plants are located in Austria, Germany, Hungary and the USA.

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

2. Accounting principles and valuation methods

2.1. Accounting standards

The consolidated financial statements of the Rath Group as of December 31, 2010, were compiled in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including applicable interpretations from the International Financial Reporting Interpretations Committees (IFRIC) as applied in the European Union.

Accounting practices for the companies included in the consolidated financial statements are based on accounting methods which apply uniformly across the Rath Group.

The consolidated financial statements are compiled in units of 1,000 EUR (EUR'000), rounded up or down by commercial rounding. The summation of rounded figures and percentages may give rise to calculation differences due to the use of automatic calculation systems.

For comparability purposes, figures from the previous year may have been amended.

2.2. IFRS amendments and extension

Amendments to existing IAS and IFRS and new IFRS and IFRIC interpretations as applied within the European Union (EU) were taken into consideration for the compilation of the Rath Group consolidated financial statements.

Newly-applied standards and interpretations

The following amendments to, and revisions of, standards and interpretations were applied for the first time in the financial year 2010:

Standard	Subject	Effective date[1)]
IFRIC 12	Service concession arrangements	March 30, 2009
IAS 27 (2008)	Consolidated and separate financial statements in accordance with IFRS	July 1, 2009
IFRS 3 (2008)	Business combinations	July 1, 2009
IFRIC 16	Hedges of a net investment in foreign subsidiaries	July 1, 2009
IAS 39	Hedge accounting transactions	July 1, 2009
IAS 39 / IFRS 7	Effective date for reclassifications	September 13, 2009
IFRIC 17	Non-cash dividends to owners	November 1, 2009
IFRIC 18	Transfer of assets from customers	November 1, 2009
IFRS 2	Accounting of Group share-based cash transactions	January 1, 2010
IFRIC 15	Agreements for the construction of real estate	January 1, 2010
Various standards	Improvements to IFRS 2009	January 1, 2010

1) The rules are to be applied to the financial years which begin on or after the effective date of the relevant EU Directive.

IFRS 3 (2008): Business combinations and IAS 27 (2008): Consolidated and separate financial statements in accordance with IFRS

The main new features of the revised version of IFRS 3 can be summarized as follows: for the balance sheet treatment on non-controlling shares (formerly minority shares) the new version of IFRS 3 provides for the valuation at attributable fair value or the proportionate identifiable net equity. For subsequent acquisitions, a revaluation of existing shares in the purchased company takes place when control is attained. Goodwill is determined on integration as the difference between the revalued participation book value plus payments made to acquire the new shares plus minority shares less the purchased net equity. Furthermore, additional purchase costs are to be recorded as expenses.

The main changes to the revised IAS 27 can be summarized as follows: changes in the amount of holding without losing control are to be recorded exclusively as equity transactions. If control of a subsidiary is lost, then the consolidated asset values and liabilities are to be closed out. A new rule is that on first application, any remaining investment in the former subsidiary is to be valued at attributable fair value and that resulting differences are to be recorded against income. There was no impact on the consolidated financial statements as a result of the first-time application of IAS 27 (2008).

Other first-time applications

The first-time application of other amended or new standards and interpretations had no impact on these consolidated financial statements.

Standards and interpretations adopted by the EU but which have not yet become applicable

The following amendments or revisions of standards and interpretations have been adopted by the EU as of the reporting date but are not yet obligatory for the financial year and have not been applied prematurely:

Standard	Subject	Effective date[1)]
IAS 32	Classification of stock options	February 1, 2010
Various standards	IFRS 2010 improvements	June 30, 2010
IFRIC 19	Extinguishing financial liabilities	July 1, 2010
IAS 24 (2009)	Related party disclosures	January 1, 2011
IFRIC 14	Prepayments of a minimum funding requirement	January 1, 2011

1) The rules are to be applied to the financial years which begin on or after the effective date of the relevant EU Directive.

No significant impact is anticipated on the Rath Group consolidated financial statements as a result of amendments and revisions to standards. It is not planned to apply such modifications prematurely on a voluntary basis.

2.3. Consolidation scope and methods

The parent company is Rath AG, Vienna. All the companies that are controlled by the parent company (subsidiaries) are fully consolidated within the consolidated financial statements. Control is deemed to exist if the parent company is directly or indirectly able to determine the financial and business policies of the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The first time inclusion of a subsidiary takes place using the purchase method by allocating acquisition costs to the identifiable assets and liabilities of the purchased company. The amount of acquisition costs over and above the attributable fair value of net assets is recorded as goodwill. Should the attributable fair value of the net assets be higher than acquisition costs, then Rath AG, after additional critical assessment of the applicability and evaluation of the assets and liabilities taken over, will record the excess amount in profit and loss.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The following companies are included in the consolidated financial statements:

Name	Group interest [%]	Consolidation method
Aug. Rath jun. GmbH, Austria	100*)	Full consolidation
Rath GmbH, Germany	100	Full consolidation
Rath Hungaria Kft., Hungary	100	Full consolidation
Rath USA Inc., USA Rath Inc. Rath Refractories Inc.	100	Full consolidation
Rath zarotechnika spol. s r.o., Czech Republic	100	
Rath Polska Sp. z o.o., Poland	100	Full consolidation
Rath SAS, France	95	Full consolidation
Rath Ukrajina TOW, Ukraine	100	Full consolidation

*) rounded

2.4. Currency translation

Business transactions in foreign currency

The functional currency of Rath AG is the Euro.

Individual Group companies record business transactions in a foreign currency using the average exchange rate on the date of the transaction. The conversion of existing monetary assets and liabilities denominated in a foreign currency on the reporting date takes place using the valid average exchange rate as of this date. The resultant foreign currency profits and losses are recorded within the income of the financial year in question.

Conversion of individual financial statements in foreign currency

The functional currency of subsidiaries outside the Euro Zone is the relevant local currency. The conversion of all assets and liabilities of these companies including goodwill and value adjustments in Euros resulting from the initial consolidation takes place using the average exchange rate on the reporting date. Profit and loss items are converted at the average monthly mean exchange rate over the financial year in question.

Unrealized currency differences from long-term Group loans which are regarded as part of the net investment in a subsidiary are also recognized as income-neutral under the item “Currency translation differences”.

The following exchange rates are particularly significant for the consolidated financial reports:

	Rate on reporting date Dec. 31 2010	Rate on reporting date Dec. 31 2009	Average rate Dec. 1 2010	Average rate Dec. 1 2009	Average rate Dec. 1 2008
USD	1,322	1,441	1,326	1,424	1,470
HUF	277,600	270,420	275,480	279,271	251,510
CZK	25,170	26,473	25,284	26,367	24,950
PLN	3,996	4,105	3,995	4,346	3,510

equals 1 Euro.

Source: Austrian Nationalbank (www.oenb.at)

2.5. Accounting and valuation methods

a) Intangible assets

Individually acquired intangible assets are initially valued under acquisition or production costs. Acquisition or production costs include all costs incurred to bring the asset up to its current condition. Acquisition costs of an intangible asset acquired under a company merger reflect its attributable fair value at the time of acquisition. Following initial valuation, intangible assets are stated at acquisition or production cost less planned and unplanned cumulated amortization. Planned useful life ranges from 3 to 15 years. There are no intangible assets with an unlimited useful life.

b) Property, plant & equipment

Items of property, plant & equipment are valued at acquisition or production cost less accumulated depreciation and impairment losses. Acquisition and production costs include all costs incurred to bring the asset up to its current condition and location. Due to contractual obligations for rented property, estimated expenditure for renovation or demolition is capitalized. Production costs for self-constructed plant include direct costs and allocated variable and fixed costs and overheads. Costs of borrowing are not recognized due to non-existent eligible liabilities.

Costs incurred by an item in later periods are only capitalized if they lead to a substantial increase in the future potential utilization of the item (e.g. expanded field of application or significantly increased useful life).

Amortization of intangible assets and depreciable assets is applied in a linear fashion over the expected useful life of such assets. For the determination of depreciation rates the following values for useful life were used and are unchanged from 2009:

	Useful life in years from	to
Buildings	10	35
Machines	10	20
Business equipment	5	15

c) Assets from tenancies and leases

Assuming that all significant risks and opportunities under this item are transferred to the Rath Group (finance lease), then such items are recorded as assets. Valuation on contract agreement is made at the lower value of the attributable fair value of the object at the time of contract agreement and the cash value of minimum future payments. The amount determined is at the same time recognized as a financial liability.

For finance leases, from the lessee's point of view the attributable fair value or the lower cash value is capitalized at the time of purchase and amortized over useful life. Capitalized asset values are set against the respective cash value of the obligation from outstanding lease payments as of the reporting date.

d) Government grants

Government grants for reimbursement of expenses are recognized as other operating income in the period the payments accrue, except when the grant is dependent on conditions that are unlikely to occur.

Investment grants are recognized as liabilities at the time binding approval is given and recorded as income in accordance with the amortization of the plants in question.

e) Financial assets

All securities are classified as “available for sale”. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

The attributable fair value of securities is established using the stock market value as of the reporting date. Securities are recognized on the day of completion.

f) Inventories

Stocks are recorded at the lower value of acquisition and production cost and the net realizable value as of the reporting date.

Acquisition and production costs include all costs of manufacturing, working and processing and other costs that have been incurred to keep the stocks in their 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 average utilization of production facilities. Unit costs are calculated using the moving average price method.

Net realizable value is the product of expected sales proceeds minus the future cost of production and sales established from historical data.

Where the provisions of IAS 11 apply, production orders are recognized using the percentage of completion method. According to this method, costs incurred will be recognized as receivables under manufacturing orders as well as turnover with the addition of a profit margin in accordance with the production cost allocation. The production cost allocation will generally be calculated according to the ratio of incurred costs to anticipated total costs. Anticipated contract losses are to be covered by provisions, calculated in light of the recognized risk. Payments received are deducted from production order receivables. Any resulting negative balance for a production order is capitalized as a liability from production orders.

g) Trade receivables and other receivables and assets

Receivables from deliveries and services and other receivables are recorded at acquisition cost less impairment costs for any anticipated irrecoverable elements. The valuation of other assets is made at acquisition cost less impairment costs.

Since January 1, 2005, the Rath Group has been part of the European Emissions Trading Scheme. Under the scheme, the companies involved receive emissions certificates that must be returned to the relevant authority within four months of the end of the calendar year in respect of that year's actual emissions. If actual yearly emissions exceed those allocated on the certificates, then the required number of certificates must be purchased.

Purchased certificates and their acquisition costs are categorized as other assets and are recorded at the moment in time payment is made to the competent authority. Provisions will be made should the existing stock of certificates not cover anticipated obligations.

Any certificates acquired without payment are not recorded. Proceeds from the sale of these rights are recorded in income.

The Rath Group has sufficient numbers of free certificates.

h) Cash and cash equivalents

Cash and cash equivalents include cash and available bank credits.

i) Impairment

Except for inventory and deferred tax assets, assets are individually reviewed as of the reporting date to establish if any impairment has occurred.

If action is required, the Rath Group calculates the realizable amount for the asset. This corresponds to the higher of use value and net selling price. Should the realizable amount be less than the asset's book value, then an impairment loss for this difference shall be recorded in profit and loss.

The use value of the asset is the present value of anticipated future cash flows from its continued use and end-of-life disposal, using a pre-tax, standard market interest rate that is appropriate for the specific risks of the asset. If no separate cash flow can be determined for an individual asset, then use value is calculated using the next largest unit to which the asset belongs and for which it is possible to establish a separate cash flow (cash generating unit). The Rath Group defines individual companies as “cash generating units”.

The net sales price corresponds to the proceeds achievable in the market from independent third parties, less any costs of sale incurred.

Any subsequent non-impairment is recorded in profit and loss at the lower of amortized original cost of acquisition or production costs, and use value.

As of the reporting date, no action was required regarding impairment.

j) Employee benefits

Pension obligations

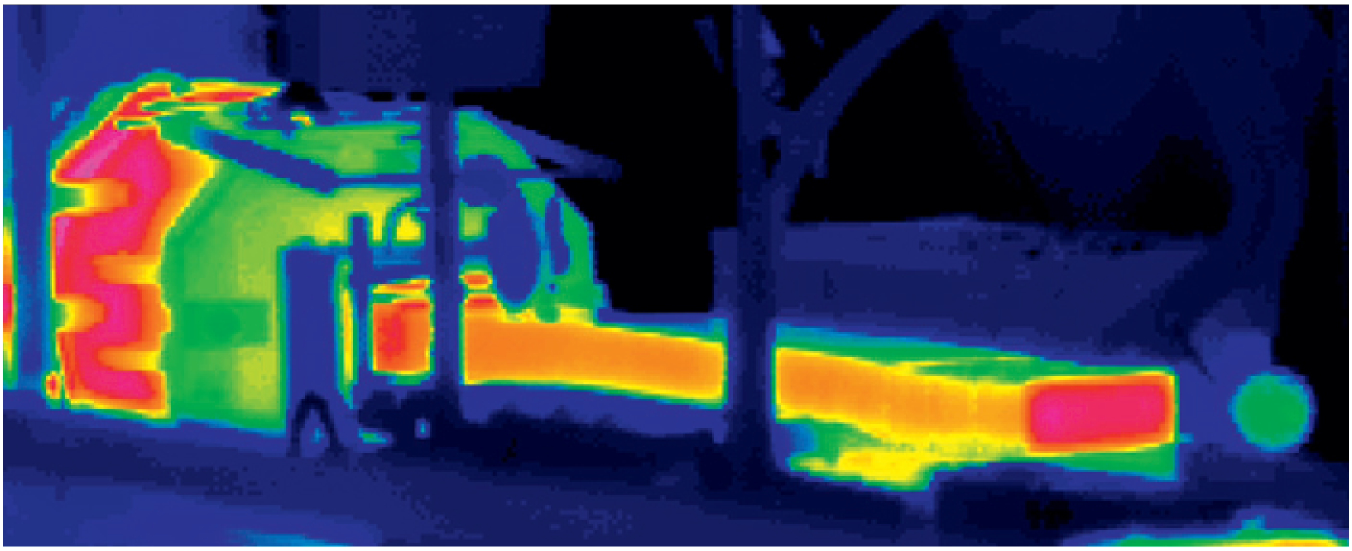
Due to individual agreements, the Rath Group is obliged to make payments to a total of two recipients after their retirement.

This obligation is calculated in accordance with IAS19. The cash value of the DBO (Defined Benefit Obligation) is determined. The DBO is calculated using the PUC (Projected Unit Credit) method. According to this procedure, future payments are calculated using realistic assumptions over the period of benefit entitlement. The calculation of the required reserve value is made in accordance with actuarial reports.

Any difference between the reserve value determined in advance and the actual value (actuarial profit/loss) will not be calculated within the reserve if it lies within 10% of the actual value. If the 10% threshold is exceeded, the excess amount is distributed to the average life expectancy of those in question (corridor method).

Calculations as of December 31, 2010, are based on the following assumptions:

	2010	2009
Interest rate	4.40%	5.50%
Pension increase	2.25%	2.25%
Pension age for men	65 years	65 years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P



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 1st January 2003, when their employment contracts are terminated by the employer or at the time of entering retirement. This depends on the number of years of service and the salary at the time of termination and amounts to between 2 and 12 months' salary. With effect from December 31, 2002, the option to freeze all existing severance-pension entitlements was approved and all employees transferred to the new Employee Pension Fund system. A provision was established for these frozen obligations.

The provision is calculated according to the projected unit credit method. According to this method, the cash value of future payments are calculated to the moment in time when entitlements are at their highest level (25 years). The calculation is made as of the reporting date using actuarial reports.

Any difference between the reserve value determined in advance and the actual value (actuarial profit/loss) will not be calculated within the reserve if it lies within 10% of the actual value. If the 10% threshold is exceeded, the excess amount is distributed to the average remaining period of service of all employees (corridor method).

Calculations as of December 31, 2010, and December 31, 2009, are based on the following assumptions:

	2010	2009
Interest rate	4.50%	5.50%
Salary increase	2.75%	2.75%
Pension age women	56.5 years	56.5 years
Pension age men	61.5 bis 65 years	61.5 bis 65 years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P

For all valid Austrian employment contracts after December 31, 2002, from the second month of the employment contract the Rath Group pays 1.53% of salary into the Employee Pension Fund each month, where the contributions are invested in an employee account and are either paid or transferred as entitlement to the employee on the termination of the employment contract. The only commitment on the part of the Rath Group is to pay the contributions. For this contribution-based pension model, therefore, no provision is established.

Other long-term employee benefits

As a result of collective contractual agreements, in Austria the Rath Group is obliged to make long-service payments in accordance with defined years of service (from 15 years). For this obligation, using a financial mathematical calculation with an interest rate of 4.5% (31.12.2009: 5.5%) a provision was set up.

k) Other provisions

Provisions are established 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 work needs to be carried out on a tangible asset at the end of its useful life, then the associated costs will be classified in the form of a provision for costs of disposal and capitalized as part of acquisition or production costs.

Provisions are set at the value corresponding to the best possible estimate of the expenditure required to fulfill the obligation. If the cash value of the provisions established using a standard market interest rate is significantly different from the nominal value, then the cash value of the obligation shall be used.

l) Income taxes

Income tax expense includes current and deferred taxes. For transactions recorded directly in equity, the associated income tax is also recorded neutrally in equity.

Actual taxes for individual companies within the Rath Group are calculated from the income tax liability of the company and the applicable tax rate in the country.

Deferred taxes are established according to the liability method for all temporary differences between value of the assets and debts in the IFRS consolidated financial statements and the tax amounts of the individual companies. Furthermore, any tax advantage likely to accrue from any losses carried forward is included in the calculation. Exceptions to this comprehensive deferred tax establish temporary differences associated with participation with non tax-deductible company values. Deferred tax assets are not established if it is unlikely that the inherent tax advantage can be realized. The determination of the deferred tax was based on a tax rate of 25% in Austria, 31% in Germany, 10% in Hungary (Dec. 31, 2009: 19%) and 42.7% in the USA.

m) Financial liabilities

Financial liabilities with additional charges are recorded at the amounts actually incurred. Premiums, discounts and other differences between the amount received and the amount of repayment are realized over the term of the finance arrangement according to the effective interest method and recorded in the financial result (continued acquisition costs).

n) Trade payables and other liabilities

Liabilities from deliveries and services are valued when the liabilities are incurred at the amount of the attributable fair value of the services received. They are subsequently valued as continued acquisition costs. Other liabilities not resulting from services relationships are recorded at cost.

o) Derivative financial instruments

The Rath Group currently only uses interest rate swaps to reduce existing risks of interest rate fluctuations.

The attributable fair value of interest rate swaps corresponds to the value that the Rath Group would receive or would have to pay on the reporting date if the company were wound up. To this end, actual market conditions, especially current interest rates, are taken into consideration.

p) Revenue recognition

Proceeds from deliveries (goods) are recognized if all the main risks and opportunities from the delivered item have been transferred to the buyer. Proceeds from services not associated with production are recorded to the extent that they have been performed as of the reporting date.

If the result of a production order (project business) can be reliably estimated, then the proceeds and order costs are recorded in line with the stage of advancement of the service as of the reporting date as proceeds and corresponding expense items. Any anticipated loss from the production order is immediately recorded as an expense item.

q) Financing expenses and financial incomes

Financing expenditure includes interest and other similar costs and charges incurred as a result of debt financing and finance lease agreements, exchange rate gains/losses and results of hedging and permanent impairments of "available for sale" securities.

Financial incomes include the interest, dividends and other similar proceeds realized from the investment of financial assets.

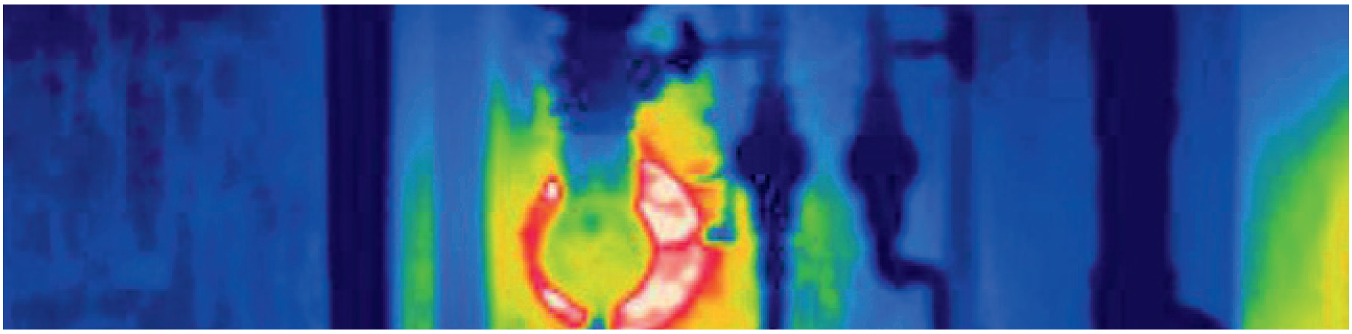
The interest is categorized on the basis of time elapsed according to the effective interest method. Dividends are recognized at the time of the resolution to make a dividend payout.

r) Uncertainties with judgments and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires judgments and assumptions to be made by company management regarding future developments which may have a decisive influence on the approach to and value of assets and debts, on the recording of other liabilities as of the reporting date, and on the disclosure of proceeds and expenditure during the financial year. Regarding liabilities and impairments not recorded in the statements as a result of bonds, warranties and other commitments, judgments are regularly made about whether or not to include them in the financial statements. The judgments and the assumptions on which they are based are continually validated. Actual values may vary from the assumptions and judgments made if the general conditions develop contrary to expectations as of the reporting date. Amendments are made in profit and loss when dictated by the facts and premisses are adapted accordingly.

For the following assumptions there exists a not inconsiderable risk that asset and liability values will need to be amended in the following financial year:

- For the valuation of existing pension and severance payment liability, assumptions are used regarding interest rates, retirement age, life expectancy, fluctuation and future salary increases.
- The calculation of deferred taxes is based on the assumption that sufficient taxable income will be generated in the future to utilize loss carry forwards.



3. Explanatory notes to balance sheet and profit and loss account items

(1) Property, plant & equipment

	Land and buildings [EUR'000]	Machinery [EUR'000]	Business equipment [EUR'000]	Payments effected and construction in progress [EUR'000]	Total [EUR'000]
Acquisition costs					
As of Jan 1, 2009	23,168	74,097	11,846	1,607	110,718
Additions	378	953	195	964	2,489
Disposals	-185	-3,137	-670	0	-3,992
Transfers	24	486	54	-937	-373
Exchange rate changes	-120	-428	-33	-1	-581
As of Dec 31, 2009	**23,265**	**71,972**	**11,392**	**1,634**	**108,262**
Additions	20	799	232	1,167	2,218
Disposals	-72	-8	-43	0	-123
Transfers	45	745	-663	-137	-11
Exchange rate changes	-382	-679	63	-2	-1,000
As of Dec 31, 2010	**22,876**	**72,828**	**10,980**	**2,662**	**109,346**
Cumulative depreciation					
As of Jan 1, 2009	11,691	51,480	6,914	0	70,085
Depreciation	852	4,377	376	0	5,606
Disposals	-184	-2,750	-655	0	-3,589
Exchange rate changes	-16	-115	-23	0	-153
As of Dec 31, 2009	**12,343**	**52,992**	**6,613**	**0**	**71,949**
Depreciation	203	2,682	357	0	3,242
Disposals	-67	-7	-43	0	-117
Transfers	0	529	-529	0	0
Exchange rate changes	-1,155	-481	23	0	-1,613
As of Dec 31, 2010	**11,325**	**55,715**	**6,421**	**0**	**73,461**
Book value on Jan 1, 2009	**11,477**	**22,617**	**4,932**	**1,607**	**40,633**
Book value on Dec 31, 2009	**10,921**	**18,979**	**4,779**	**1,634**	**36,313**
Book value on Dec 31, 2010	**11,551**	**17,113**	**4,558**	**2,662**	**35,885**

Included under the items buildings, machines and business equipment are leased assembly units and production plant with a book value of 4,750,000 Euros (Dec 31, 2009: 5,502,000 Euros). The leasing liabilities under these contracts are recorded under financial liabilities. Actual leasing payments accounted for will be allocated to a clearance and interest element. These contracts still have between 1 and 11 years to run.

Amendments to useful life had a positive impact on depreciation cost during the reporting year amounting to 2,060,000 Euros.

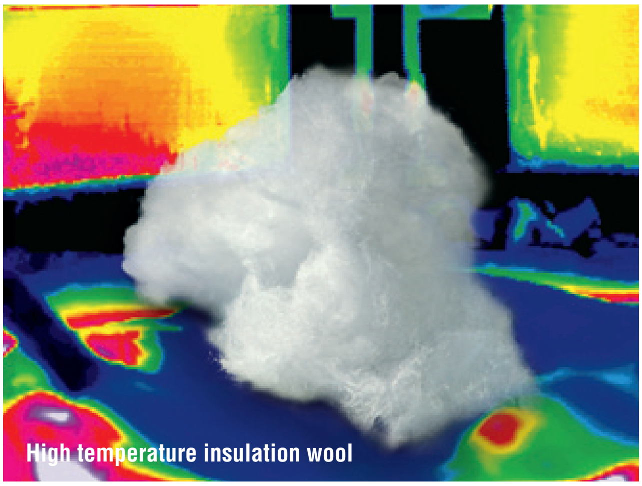
The book value as security for long-term land and buildings mortgaged using outside capital amounts to:

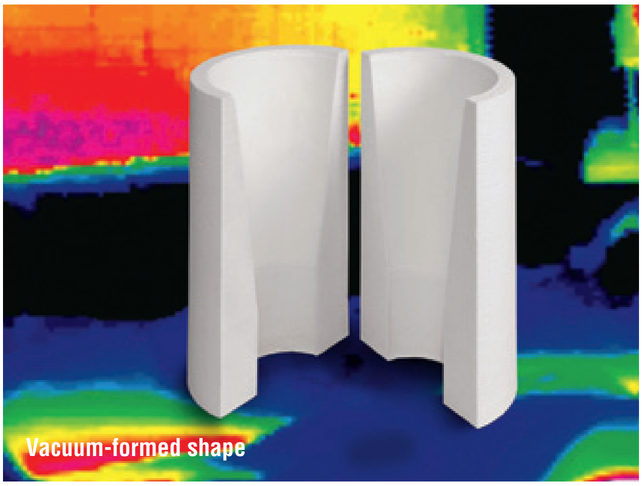
As of Dec 31, 2010		
Bank	**[EUR'000]**	**Type of security**
IKB Deutsche Industriebank	98.1	Land charge of EUR 1.79 million
Postbank Köln	1,637.9	Security assignment of EUR 4 million
	1,736.0	
As of Dec 31, 2009		
Bank	**[EUR'000]**	**Type of security**
IKB Deutsche Industriebank	294.3	Land charge of EUR 1.79 million
Postbank Köln	2,264.7	Security assignment of EUR 4 million
	2,559.0	

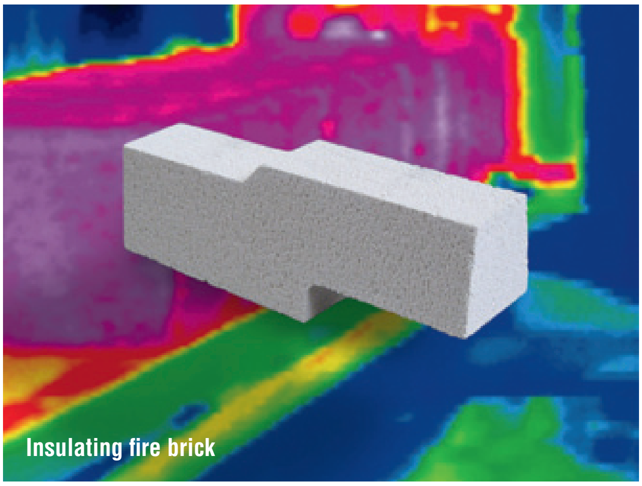
The granted securities in favor of the IKB are in respect of open credits of EUR 98,000 (Dec 31, 2009: EUR 294,000) and in favor of Postbank Köln amount to EUR 1,638,000 (Dec 31, 2009: EUR 2,265,000). The IKB loan expires in 2011 and the Postbank Köln loan in 2013.

Subsidies received for investments (investment grants) are recorded in the balance sheet as liabilities.

Monolithics

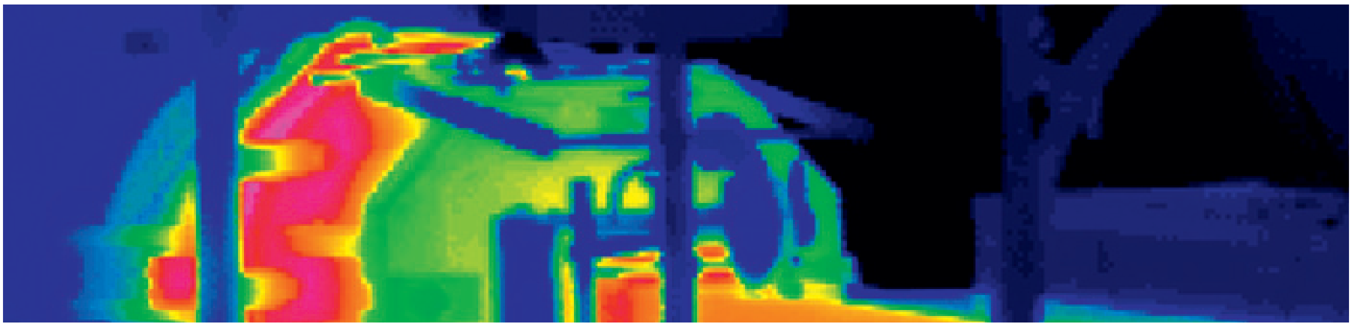

High temperature insulation wool


Vacuum-formed shape


Insulating fire brick

(2) Intangible assets

	Computer Software and licenses [EUR'000]	Customer stock [EUR'000]	Total [EUR'000]
Acquisition costs			
As of Jan 1, 2009	1,747	500	2,247
Additions	57	0	57
Disposals	-14	0	-14
Transfers	373	0	373
Exchange rate changes	-65	0	-65
As of Dec 31, 2009	**2,097**	**500**	**2,597**
Additions	390	0	390
Disposals	0	0	0
Transfers	11	0	11
Exchange rate changes	115	0	115
As of Dec 31, 2010	**2,612**	**500**	**3,112**
Cumulative depreciation			
As of Jan 1, 2009	1,609	200	1,809
Depreciation	144	100	244
Disposals	-14	0	-14
Exchange rate changes	-67	0	-67
As of Dec 31, 2009	**1,672**	**300**	**1,972**
Depreciation	300	100	400
Disposals	0	0	0
Exchange rate changes	116	0	116
As of Dec 31, 2010	**2,089**	**400**	**2,489**
Book value on Jan 1, 2009	**138**	**300**	**438**
Book value on Dec 31, 2009	**424**	**200**	**624**
Book value on Dec 31, 2010	**523**	**100**	**623**



(3) Other financial assets

	Acquisition costs Dec 31, 2009 [EUR'000]	(+) Additions (-) Disposals Dec 31, 2010 [EUR'000]	Acquisition costs Dec 31, 2010 [EUR'000]	Book value Dec 31, 2010 [EUR'000]	Book value Dec 31, 2009 [EUR'000]
Participations	0	5	5	5	0
Securities available for sale	753	0	753	634	632
	753	5	758	639	632

The recorded participation refers to FEAL GmbH, head office in Hamm, Germany, in which the parent company holds 16.67%. The securities were classified as "available for sale" in accordance with IAS 39. They include shares in three investment funds and are used to cover pension provisions in accordance with §§ 14 and 116 öEStG.

(4) Inventories

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Raw materials, consumables and fuel	**6,240**	**7,201**
Unfinished/finished products and trading goods, gross	10,402	13,643
Value adjustment on products and trading goods	-834	-1,158
Unfinished/finished products and trading goods, net	**9,568**	**12,486**
	15,808	19,686

(5) Trade receivables

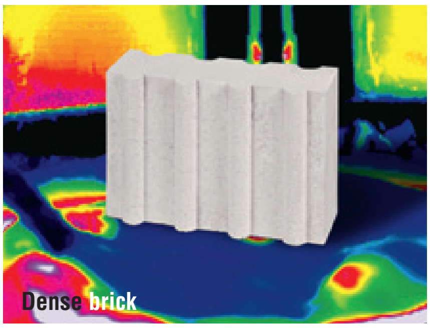
	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Receivables from third parties	11,350	10,491
Receivables from third parties in accordance with IAS 11 (percentage of completion method)	413	570
Receivables from related companies	1	16
Receivables from tax authorities	523	1,215
Other	220	295
	12,507	12,587

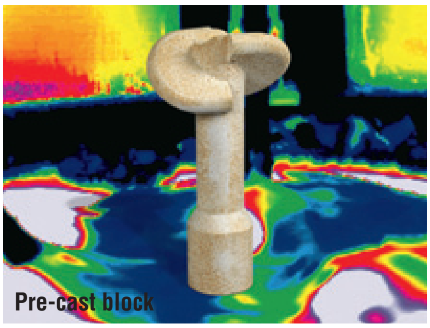
A deduction of EUR 506,000 (Dec 31, 2009: EUR 609,000) was made from receivables from third parties.

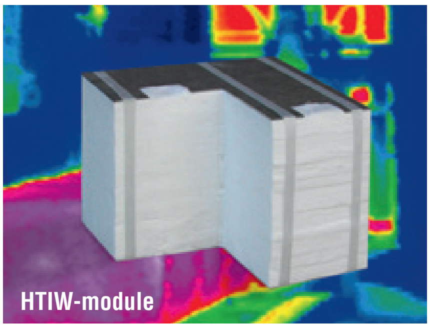
Costs of EUR 315,000 (Dec 31, 2009: EUR 456,000) are set against receivables in accordance with IAS 11.

(6) Other receivables and assets

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Deferred expenses	161	317







(7) Cash and cash equivalents

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Bank balances	4,941	3,334
Cash in hand	14	16
	4,955	3,350

Bank balances are freely available.

(8) Equity

Unchanged from 2009, share capital includes Rath AG nominal capital of EUR 10,905,000. It consists of 1,500,000 non-par value shares. Shares are fully paid up.

The non-par shares grant shareholders the usual rights under Austrian securities law. This includes the right to dividend payouts as decided upon at the shareholders' meeting and voting rights at the shareholders' meeting.

The bonded capital reserves recorded in the parent company's individual financial statements (December 31, 2010: EUR 1,118,000; December 31, 2009: EUR 1,118,000) may only released in accordance with paragraph 3 of the Austrian Stock Corporation Act to balance out a loss that would otherwise be reported in the parent company's individual financial statements.

The available reserves are the result of carried forward profits and losses generated within the Group.

Dividends are determined according to the balance sheet profit reported in the individual financial statements of the parent company in accordance with company law. As of December 31, 2010, the parent company reports a balance sheet loss of 421,000 Euros. Accordingly, the Executive Board will recommend to the shareholders' meeting that the loss is carried forward to the next period.

As of December 31, 2010, Rath AG does not hold any of its own shares. No shares (December 31, 2009: none) are being held back for issue in connection with options or sale contracts.

Exchange translation differences include all exchange rate differences caused through the conversion of subsidiaries' financial statements expressed in foreign currency.

Other shareholders' shares in equity (non-controlling shares) involve Aug. Rath jun. GmbH, Austria and Rath SAS, France.

Pre-cast blocks and brick formats

(9) Employee benefits

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Accruals for pensions	2,053	2,134
Accruals for severance payments	676	735
	2,729	2,869

	Pensions		Severance payments	
	2010 [EUR'000]	**2009 [EUR'000]**	**2010 [EUR'000]**	**2009 [EUR'000]**
Movement in DBO (Defined Benefit Obligation)				
As of Jan 1	1,928	1,988	569	617
Service time cost	0	0	17	29
Interest cost	102	109	31	36
Payments (benefits) during financial year	-169	-161	-100	-64
Actuarial profit or loss (-) during financial year	261	-8	88	-49
As of Dec 31	**2,122**	**1,928**	**605**	**569**
Movement in the accrual recorded in the financial balance sheet				
Defined Benefit Obligation (DBO)	2,122	1,928	605	569
Cumulative actuarial profit or loss (-)	-69	206	71	166
Accrual on Dec 31	**2,053**	**2,134**	**676**	**735**
Expenses recognized in the profit and loss				
Service time costs	0	0	17	29
Interest costs	102	109	31	36
Actuarial profit or loss (-) realized	-14	-54	-7	-3
Expenses recorded in profit and loss account	88	55	41	62
Movement in the accrual recorded in the financial balance sheet				
Accrual as of Jan 1	2,134	2,240	735	737
Expenses recorded in profit and loss account	88	55	41	62
Payments (benefits) during financial year	-169	-161	-100	-64
Accrual as of Dec 31	**2,053**	**2,134**	**676**	**735**
Development of the cumulated actuarial profits/losses				
Cumulative actuarial profit or loss (-) as of Jan 1	206	252	166	120
Amortization of actuarial profit or loss during financial year	-14	-54	-7	-3
Actuarial profit or loss (-) during financial year	-261	8	-88	49
Cumulative actuarial profit or loss (-) as of Dec 31	**-69**	**206**	**71**	**166**

	2010 [EUR'000]	**2009 [EUR'000]**	**2010 [EUR'000]**	**2009 [EUR'000]**
Historical information - pensions				
Expected DBO at end of period	1,867	1,928	1,988	2,082
Experience adjustment	-80	15	5	5
Historical information - severance payments				
Expected DBO at end of period	602	669	616	852
Experience adjustment	-32	49	-97	-19

Pension payments to beneficiaries amounted to 169,000 Euros during the financial year (December 31, 2009: 161,000 Euros).

(10) Financial liabilities

	Dec 31, 2010			Dec 31, 2009		
	Long-term [EUR'000]	Short-term [EUR'000]	Total [EUR'000]	Long-term [EUR'000]	Short-term [EUR'000]	Total [EUR'000]
Liabilities to credit institutions						
Short-term loans and borrowings	0	10,782	10,782	0	11,406	11,406
Export loans	0	2,963	2,963	0	2,963	2,963
Investment loans	4,714	3,390	8,104	6,782	2,432	9,214
Liabilities to other creditors						
Finance lease liability	3,499	1,251	4,750	4,410	1,092	5,502
	8,213	18,386	26,599	11,192	17,893	29,085

As of December 31, financial liabilities maturities are as follows:

2010	[EUR'000]	due < 1 year [EUR'000]	due in 2 to 5 years [EUR'000]	due > 5 years [EUR'000]
Liabilities to credit institutions				
Short-term loans and borrowings	10,782	10,782	0	0
Export loans	2,963	2,963	0	0
Investment loans	8,104	3,390	4,714	0
Liabilities to other creditors				
Finance lease liability	4,750	1,251	2,911	588
	26,599	18,386	7,625	588

2009	[EUR'000]	due < 1 year [EUR'000]	due in 2 to 5 years [EUR'000]	due > 5 years [EUR'000]
Liabilities to credit institutions				
Short-term loans and borrowings	16,887	11,406	0	0
Export loans	2,963	2,963	0	0
Investment loans	3,733	2,432	6,782	0
Liabilities to other creditors				
Finance lease liability	5,502	1,092	3,870	539
	29,085	17,893	10,652	539

The main conditions of financial liabilities are as follows:

Type of financing	Currency	Book value as of Dec 31, 2010 [EUR'000]	Effective interest 2010 %	Book value as of Dec 31, 2009 [EUR'000]	Effective interest 2009 %	Interest fixed/variable	Due
Short-term loans	EUR	9,765	1.88 - 2.98	10,497	1.88 - 3.95	variable	< 1 year
Short-term loans	USD	1,017	2.75	909	2.75	variable	< 1 year
Export loans	EUR	2,963	3.0	2,963	3.9	variable	< 1 year
Investment loans	EUR	8,104	3.00 - 5.85	9,214	3.00 - 5.85	variable	> 1 year
Finance lease	EUR	1,305	2.9	1,364	3.5	variable	> 1 year
Finance lease	USD	3,445	6.4 - 8.0	4,137	6.4 - 8.0	fixed	> 1 year
		26,599		29,084			

Details regarding granted securities are provided in 3.1 above. Beyond these securities the Rath Group has no further obligations to fulfill.

For part of the above variable loans an interest rate swap exists, details are provided in section 4.1.

The market values of the variable-rate financial liabilities do not vary significantly from the book values. The fixed-rate financial liabilities have a market value of 3,873,000 Euros (December 31, 2009: 4,230,000).

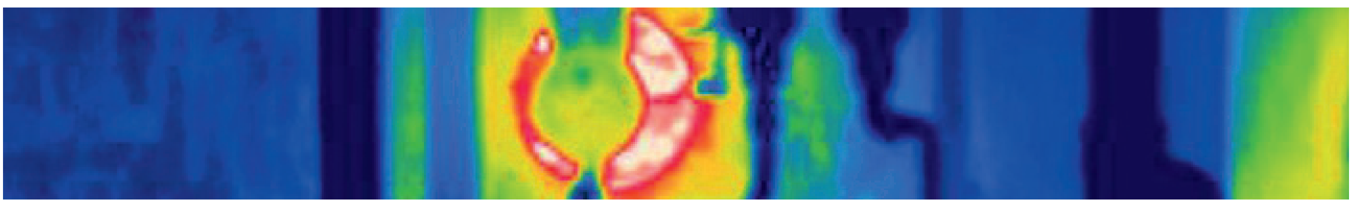
(11) Accruals and provisions

	Warranties [EUR'000]	Unused leave [EUR'000]	Other [EUR'000]	Total [EUR'000]
As of Jan 1, 2009	**331**	**791**	**2,577**	**3,699**
Use	-241	-234	-1,643	-2,118
Additions	0	42	1,095	1,137
As of Dec 31, 2009	**90**	**599**	**2,029**	**2,718**
Use	0	-254	-318	-572
Additions	0	200	353	553
As of Dec 31, 2010	**90**	**545**	**2,064**	**2,699**
Of which long-term	0	0	221	221
Of which short-term	90	545	1,843	2,478
	90	545	2,064	2,699

Provisions for warranties relate to costs of anticipated claims for products still within the warranty period (3 years). The amount of the provision is the cash value of the best estimate of these costs based on historical values.

The provision for unused leave represents the expected costs of unused leave.

The long-term provision relates to contractually agreed removal costs at a location. Other short-term provisions include significant personnel, consultancy and interest rate swap costs.



(12) Income taxes

Tax costs break down as follows:

	2010 [EUR'000]	2009 [EUR'000]
Corporation tax for the financial year (actual tax incurred)	793	537
Corporation tax arrears from previous years	0	-364
Deferred taxes	481	-608
	1,274	**-435**

Temporary differences from the amount stated in the IFRS consolidated financial statement and the respective tax amount have the following impact on deferred taxes reported on the balance sheet:

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Deferred tax assets		
Liabilities from leasing transactions	326	398
Employee benefits	-86	-65
Other	11	217
Loss carry-forwards	3,903	3,186
	4,154	**3,736**
Deferred tax liabilities		
Fixed assets	1,708	772
Other	28	42
	1,736	**814**
Deferred taxes (net)	**2,418**	**2,922**

Due to currently valid tax regulations it can be assumed that differences from retained profits between the fiscal participation amount and the pro rata equity of subsidiaries included in the consolidated financial statements shall mainly be exempt from taxation. No deferred tax has therefore been established in this regard.

Deferred taxes on the loss carry-forward of 8,696,000 Euros (Dec 31, 2009: 9,357,000 Euros) have been capitalized, as on the basis of existing plans it is probable they will be offset with future fiscal profits. Regarding loss carry-forwards of 8,092,000 Euros (Dec 31, 2009: 5,252,000 Euros) no deferred taxes have been capitalized, as it is unlikely as of the reporting date that they will be offset against future fiscal profits from individual companies from the current perspective. Loss carry-forwards can be carried forward without restriction.

A tax allocation contract in accordance with § 9 paragraph 8 KStG (corporation tax law) 1988 (Group provider Rath AG – Group member Aug. Rath jun. GmbH) exists for Group taxation purposes.

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

	2010 [EUR'000]	2009 [EUR'000]
Earnings before taxes	1,464	-930
Tax rate payable by the group	25%	25%
	366	**-233**
Tax reducing factors:		
Research and investment sponsorships	-31	-93
Lower tax rates on profits at foreign subsidiaries	-9	-6
Impact of tax rate change	0	-7

	2010 [EUR'000]	2009 [EUR'000]
Tax increasing factors:		
Non-deductible expenditure	6	10
Unrecognized deferred tax	369	136
Impact of tax rate change	139	0
Lower tax rates on losses at foreign subsidiaries	245	14
Higher tax rates on profits at foreign subsidiaries	61	109
Arrears payments from previous years	0	-364
Other	128	0
Income tax expenses	**1,274**	**-434**

(13) Trade payables and other liabilities

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Liabilities to third parties	6.199	7.104
Liabilities to participating companies	156	605
Other liabilities	1.247	1.451
	7.602	**9.160**

Other liabilities break down as follows:

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Tax authorities	210	298
Health insurance	285	383
Other	752	770
	1.247	**1.451**

(14) Sales revenue and segment reporting

In the table below, project sales during the financial year 2010 amount to 413,000 Euros (Dec 31, 2009: 570,000 Euros) for percentage of completion, costs for these projects amount to 315,000 Euros (Dec 31, 2009: 456,000 Euros).

Business segments are shown by region. Segmentation by region corresponds with the Group's own internal reporting method. Assets and liabilities and revenues and costs are only allocated to a region if they are directly attributable or can be deemed to be attributable using a reasonable methodology. Items that cannot be allocated in this manner are reported in the "Other" column. They include assets and expenditure for Group administration and long-term financing. Allocations between individual segments are performed independently.

Segment information is subject to the same accounting and valuation methods as the consolidated financial statements. There are no exchange deals within reported revenues.

Segmentation includes the following regions:

Austria:	Rath AG, Aug. Rath jun. GmbH
Germany:	Rath GmbH
Hungary:	Rath Hungaria Kft.
Rest of Europe:	Rath žárotechnika spol s r.o., Rath Polska Sp. z o.o., Rath Ukrajina TOW, Rath SAS
USA:	Rath USA Inc. (subgroup) - Rath Inc., Rath Refractories Inc.

Segmentation by region is performed according to turnover by customer location and asset value by the location in which the items are situated.

Segmentation by region

2010	Austria [EUR'000]	Germany [EUR'000]	Hungary [EUR'000]	Rest of Europe [EUR'000]	USA [EUR'000]	Consolidated [EUR'000]	Total [EUR'000]
Products	18,719	18,577	5,541	1,478	8,976	0	53,291
Project sales	12,332	4,655	1,318	2,506	766	0	21,576
Inter-segment sales	7,757	9,956	4,169	8	19	-21,910	0
Total	**38,808**	**33,188**	**11,029**	**3,992**	**9,761**	**-21,910**	**74,868**
Segment result (EBIT)	**146**	**2,472**	**32**	**465**	**-881**	**488**	**2,723**
Financial income	1,563	-1,284	5	0	2	329	615
Financial expenses	-1,196	-167	-223	-19	-361	92	-1,873
Financial result	**367**	**-1,451**	**-218**	**-19**	**-359**	**421**	**-1,259**
Earnings before taxes	**513**	**1,021**	**-186**	**447**	**-1,240**	**909**	**1,463**
Merger result	0	0	0	0	0	0	0
Income taxes	-120	-739	-162	-119	93	-227	-1,274
Annual result	**393**	**282**	**-348**	**328**	**-1,147**	**682**	**190**
Segment assets	30,628	36,106	12,915	2,335	16,062	-23,314	74,732
Segment liabilities	27,333	12,575	9,108	1,889	13,573	-22,426	42,052
Investments	650	1,587	68	32	367	0	2,704
Depreciation	1,181	1,253	347	51	829	0	3,661

2009	Austria [EUR'000]	Germany [EUR'000]	Hungary [EUR'000]	Rest of Europe [EUR'000]	USA [EUR'000]	Consolidated [EUR'000]	Total [EUR'000]
Products	19,526	18,838	5,704	955	5,761	0	50,784
Project sales	13,936	7,133	626	3,214	2,001	0	26,909
Inter-segment sales	5,254	6,999	5,913	19	0	-18,185	0
Total	**38,716**	**32,970**	**12,243**	**4,187**	**7,762**	**-18,185**	**77,694**
Segment result (EBIT)	**-364**	**1,754**	**198**	**-247**	**-651**	**253**	**943**
Financial income	4,136	223	992	170	7	-4,257	1,271
Financial expenses	-5,050	-167	-1,418	-189	-507	4,186	-3,144
Financial result	**-914**	**56**	**-426**	**-18**	**-500**	**-70**	**-1,873**
Earnings before taxes	**-1,278**	**1,810**	**-228**	**-265**	**-1,151**	**183**	**-930**
Merger result	0	-1,025	0	0	0	1,025	0
Income taxes	315	-149	112	42	86	29	435
Annual result	**-963**	**636**	**-116**	**-223**	**-1,065**	**1,236**	**-495**
Segment assets	33,412	35,307	12,706	2,063	14,369	-20,610	77,246
Segment liabilities	30,508	12,061	8,445	1,978	11,030	-19,026	44,996
Investments	1,847	1,394	377	77	367	-1,516	2,545
Depreciation	1,420	2,402	712	53	1,242	-2	5,827

(15) Materials and external services

	2010 [EUR'000]	2009 [EUR'000]
Cost of materials	18,646	20,466
Cost of external services	10,342	14,098
	28,988	34,564

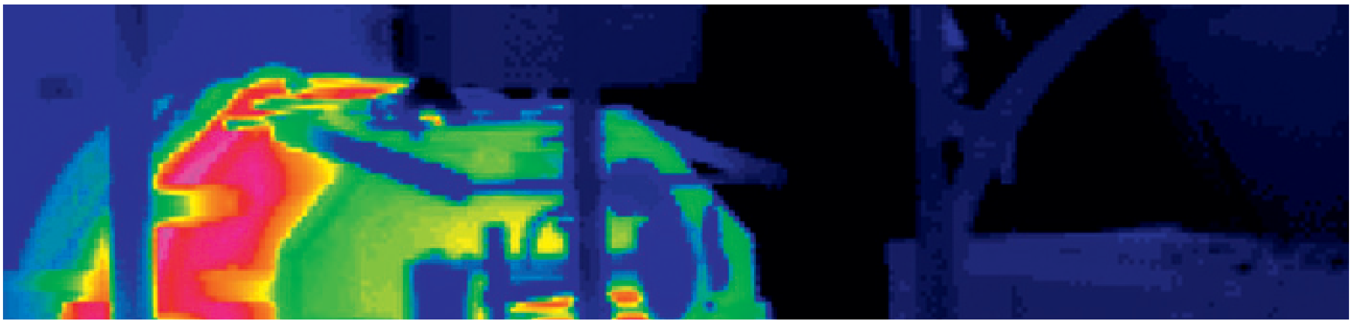
(16) Personnel expenses

	2010 [EUR'000]	2009 [EUR'000]
Wages and salaries	17,092	17,318
Expenses for statutory taxes and contributions	3,799	4,106
Expenses for pensions	89	101
Expenses for severance payments and anniversary payments	123	190
Other personnel costs	179	193
	21,281	21,908
The average headcount is as follows:		
Employees	194	161
Workers	355	389
	549	551

Part-time employees are considered work-time aliquots.

(17) Other operating income

	2010 [EUR'000]	2009 [EUR'000]
Income from previous periods	82	126
Release of reserves and value correction of receivables	73	124
Rental income	99	121
Funding/subsidies	119	104
Damage, insurance payments	124	0
Other	266	200
	763	675



(18) Other operating expenses

	2010 [EUR'000]	2009 [EUR'000]
Maintenances	2,131	2,495
Freight delivery and own vehicle expenses	2,917	2,517
Rental and leasing expenses	1,071	1,186
Travelling expenses	760	975
Legal, auditing and consultancy expenses	915	879
IT and communications expenses	752	788
Insurance	504	624
Commissions to third parties	366	443
Advertising and representation	368	425
R&D consultancy, technical audit costs	163	378
Other expenses	3,659	4,478
	13,606	15,188

Other expenses mainly include bad debts, office equipment, disposal costs, etc.

(19) Financial income

	2010 [EUR'000]	2009 [EUR'000]
Interest and similar income	61	89
Appreciation of financial assets	0	23
Exchange rate differences	554	1,159
	615	1,271

(20) Financial expenses

	2010 [EUR'000]	2009 [EUR'000]
Interest and similar expenses	1.321	1.568
Depreciation of financial assets	0	0
Interest rate swap evaluation	50	46
Exchange rate differences	502	1.531
	1,873	3,145

(21) Research and development expenses

These expenses include:

	2010 [EUR'000]	2009 [EUR'000]
Personnel costs	618	572
Technical auditing costs	163	378
	781	950

4. Other information

4.1. Financial instruments

Financial instruments include non-derivative and derivative financial instruments.

The non-derivative financial instruments available within the Group mainly include financial investments, receivables from deliveries and services, bank credits, financial liabilities and liabilities from deliveries and services.

Derivative financial instruments break down as follows:

	Dec 31, 2010			Dec 31, 2009		
	Loan amount [EUR'000]	Reference value %	Attributive fair value [EUR'000]	Loan amount [EUR'000]	Reference value %	Attributive fair value [EUR'000]
Interest rate swap	4,500	4.35	-538	4,500	4.35	-488

Derivative financial instruments are used exclusively to secure inherent interest risk for loans. The reference amount is made up of the reference basis of derivative instruments open as of the reporting date. The actual amounts accruing represent only a fraction of these amounts. The attributive fair value has been established on the basis of market prices and is included under Accruals.

Market risk

The main market risks for the Rath Group are foreign currency, interest rate fluctuation and price variations of raw materials and energy. In this respect, the objective of risk management is to minimize potential losses through monitoring and controlling these risks by making allowances for risk and opportunity.

Interest rate risk

Risks inherent to interest rate fluctuations mainly occur only within the context of long-term debt financing. A breakdown of all significant interest-bearing liabilities, declaration of the effective interest rate, maturity dates and information about existing security arrangements are covered in section 3.10.

Foreign exchange risk

The Rath Group conducts its business internationally and is therefore also exposed to exchange rate risks, especially for the USD and HUF. These risks are currently not secured by financial derivatives, which may lead to gains or losses from transactions in foreign currency.

Stove chamotte

Dense bricks

Credit risk

On the asset side, reported amounts represent both the maximum solvency and loss risk, given the absence of offset agreements. The risk of receivables from customers can be considered as low, as the solvency of new and existing customers is constantly reviewed. The risk of loss for other non-derivative and derivative financial instruments reported on the asset side is also considered as low given that contract partners are all banks with high solvency ratings.

The book value of financial assets represents at the same time the maximum credit risk. Financial assets include the following as of the reporting date:

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Trade receivables	12,507	12,587
Cash and cash equivalents	4,955	3,350
Available for sale securities from capital assets	634	632
Other assets	161	317
	18,257	16,886

The maximum credit risk of receivables from deliveries and services to customer groups breaks down as follows as of the reporting date:

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Receivables with large customers, gross	4,753	4,985
Receivables with others, gross	8,260	8,211
Sum of trade and other receivables, gross	**13,013**	**13,196**
Adjustments	-506	-609
Sum of trade and other receivables, net	**12,507**	**12,587**

Approximately 38% of receivables from deliveries and services over the past financial year result from business relationships with 10 large customers.

The age structure of the receivables and the recorded adjustments break down as follows:

	Dec 31, 2010 Gross [EUR'000]	Dec 31, 2010 Adj. [EUR'000]	Dec 31, 2009 Gross [EUR'000]	Dec 31, 2009 Adj. [EUR'000]
Not yet due	4,815	0	5,835	0
Overdue 0 - 90 days	6,116	0	5,492	0
Overdue 91 - 180 days	1,562	-456	1,402	-548
Overdue 181 - 360 days	521	-51	467	-61
Overdue > 1 year	0	0	0	0
	13,013	-506	13,196	-609

The nominal value of financial assets less any estimated deductions corresponds to the attributable fair value.

Liquidity risk

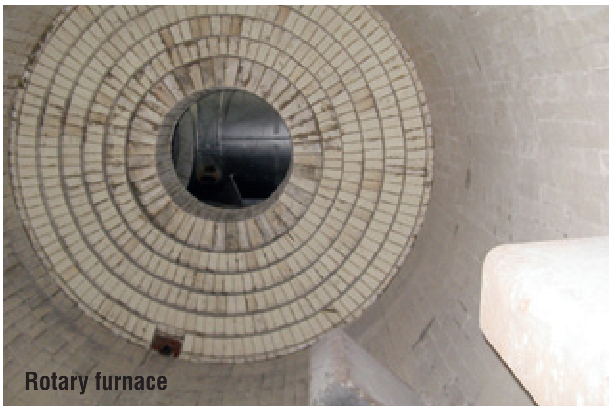
Liquidity risk is the risk of not being able to raise the required financial assets for the timely balancing of liabilities entered into. Careful liquidity management ensures the existence of cash and cash equivalents and the ability to finance through adequate lines of credit. Due to the dynamic nature of the transactions in question, an effort is made to facilitate flexible capital procurement through the lines of credit provided.

The following breakdown shows contractual maturity dates and expected interest payments for financial liabilities.

Dec 31, 2010	Total Book value [EUR'000]	Total contractual cash flow [EUR'000]	Contractual cash flows < 6 Months [EUR'000]	6-12 Months [EUR'000]	1-2 Years [EUR'000]	2-5 Years [EUR'000]	> 5 Years [EUR'000]
Non-derivative financial liabilities							
Short-term loans and borrowings	21,849	22,459	10,835	3,044	3,240	5,340	0
Finance lease liabilities	4,750	5,504	768	768	1,485	1,894	588
Trade payables	7,602	8,956	8,956	0	0	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	539	834	64	64	128	385	192
	34,740	37,753	20,624	3,877	4,854	7,618	780

Dec 31, 2009	Total Book value [EUR'000]	Total contractual cash flow [EUR'000]	Contractual cash flows < 6 Months [EUR'000]	6-12 Months [EUR'000]	1-2 Years [EUR'000]	2-5 Years [EUR'000]	> 5 Years [EUR'000]
Non-derivative financial liabilities							
Short-term loans and borrowings	23,583	24,583	11,491	3,044	2,350	7,698	0
Finance lease liabilities	5,502	6,590	719	719	1,363	3,211	578
Trade payables	9,160	9,160	9,160	0	0	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	488	1,369	86	86	171	513	513
	38,733	41,702	21,456	3,849	3,884	11,422	1,091


Crematorium


Rotary furnace

Currency risk

	Dec 31, 2010				Dec 31, 2009			
	EUR	USD	HUF	Other	EUR	USD	HUF	Other
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Financial assets								
Trade receivables	6,996	1,956	1,785	1,027	8,001	1,297	670	1,109
Financial liabilities								
Short-term loans and borrowings	-17,269	-1,017	-3,563	0	-18,863	-909	-3,808	0
Finance lease liabilities	-1,305	-3,445	0	0	-1,364	-4,137	0	0
Trade payables	-5,959	-417	-849	-377	-7,987	-224	-724	-224
Net exposure	**-17,537**	**-2,923**	**-2,627**	**650**	**-20,213**	**-3,973**	**-3,862**	**885**

Conversion rates are given in section 2.4.

The following sensitivity analysis shows the effects of exchange fluctuations on Rath Group results for the period. The analysis assumes that all other variables, especially interest rates, remain constant. The analysis was prepared on the same basis for the financial year 2009, although the actual trend deviates from the assumptions made at the time.

Dec 31, 2010	USD [EUR'000]	HUF [EUR'000]	Other [EUR'000]	Total [EUR'000]
10% strengthening of the EUR				
Effect on result for the period	115	35	6	156
Effect on equity	-249	-381	-42	-671
10% weakening of the EUR				
Effect on result for the period	-115	-35	-6	-156
Effect on equity	249	381	42	671

Dec 31, 2009	USD [EUR'000]	HUF [EUR'000]	Other [EUR'000]	Total [EUR'000]
10% strengthening of the EUR				
Effect on result for the period	107	12	12	130
Effect on equity	-334	-426	-32	-792
10% weakening of the EUR				
Effect on result for the period	-107	-12	-12	-130
Effect on equity	334	426	32	792

Interest rate risk

	Book value 2010 [EUR'000]	Book value 2009 [EUR'000]
Fixed rate instruments		
Financial liabilities	3,445	4,137
	3,445	4,137
Variable rate instruments		
Financial liabilities	23,154	24,948
	23,154	24,948

The Rath Group does not report any fixed rate financial asset or liability in the financial statements at attributable fair value and as of the reporting date has no derivatives as hedge instruments for fair value hedges. A change to the interest rate regarding fixed rate instruments would have no effect on the consolidated profit and loss account.

The following sensitivity analysis shows the impact of interest rate changes regarding variable rate instruments on Rath Group equity. The analysis assumes that all other variables, especially exchange rates, remain constant. The analysis was performed on the same basis as for the financial year 2009.

	Gain/Loss		Equity	
Dec 31, 2010	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]
Variable rate instruments	-232	232	-232	232
Interest rate swaps	45	-45	45	-45
Net cash flow sensitivity	-187	187	-187	187

	Gain/Loss		Equity	
Dec 31, 2009	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]
Variable rate instruments	-249	249	-249	249
Interest rate swaps	45	-45	45	-45
Net cash flow sensitivity	-204	204	-204	204

Rotary furnace for the steel industry

Fair values

The following table shows the fair values of financial assets and liabilities in relation to their book values:

	Dec 31, 2010		Dec 31, 2009	
	Book value [EUR'000]	Fair value [EUR'000]	Book value [EUR'000]	Fair value [EUR'000]
Assets measured at fair value				
Financial assets available for sale	634	634	632	632
	634	**634**	**632**	**632**
Assets at amortized cost				
Receivables	12,668	12,668	12,904	12,904
Liquid assets	4,955	4,955	3,350	3,350
	17,624	**17,624**	**16,254**	**16,254**
Liabilities measured at fair value				
Interest rate swaps	-539	-539	-488	-488
	-539	**-539**	**-488**	**-488**
Liabilities measured at amortized cost				
Bank liabilities	-21,849	-21,849	-23,580	-23,580
Finance lease liabilities	-4,750	-5,915	-5,501	-6,397
Trade payables	-7,602	-7,602	-9,161	-9,161
	-34,201	**-35,366**	**-38,240**	**-39,136**

The fair values of financial assets and financial liabilities do not deviate significantly from their respective book values. The fair values of derivative financial instruments are shown in the table in section 4.1. The fair value of other non-derivative financial instruments largely corresponds to the book value on account of the daily or short-term maturity.

Hierarchy for fair value determination

The following table analyzes the instruments at fair value by valuation method. Three valuation levels have been defined:

Level 1: Price quotation for identical assets or liabilities in an active market (without adjustment).

Level 2: Inputs that are directly (e.g. in the form of prices) or indirectly (e.g. derived from prices) observable and do not come under level 1.

Level 3: Inputs for assets or liabilities that do not correspond to any market-observable data.

Customer inspection at the plant

Assembly

Dec 31, 2010	Level 1 [EUR'000]	Level 2 [EUR'000]	Level 3 [EUR'000]	Total [EUR'000]
Financial assets				
Financial assets available for sale	634	0	0	634
	634	**0**	**0**	**634**
Financial liabilities				
Derivative financial liabilities	0	-539	0	-539
	0	**-539**	**0**	**-539**
Total	**634**	**-539**	**0**	**95**

Dec 31, 2009	Level 1 [EUR'000]	Level 2 [EUR'000]	Level 3 [EUR'000]	Total [EUR'000]
Financial assets				
Financial assets available for sale	632	0	0	632
	632	**0**	**0**	**632**
Financial liabilities				
Derivative financial liabilities	0	-488	0	-488
	0	**-488**	**0**	**-488**
Total	**632**	**-488**	**0**	**144**

Capital management

The goal of management is to structure capital in accordance with the requirements of shareholders, banks and creditors so as to ensure optimal development of the Group. Management makes every effort to achieve a balance between a potentially better result and equity at a lower debt level and operational flexibility provided in part by debt capital. Neither the parent company nor subsidiaries are subject to minimum capital requirements through articles of association or any external influence. The goal of capital management is on the one hand to ensure group companies remain going concerns and on the other hand to maximize shareholder return through optimization of equity and debt capital. Capital structure comprises financial debt, cash and equity that is attributable to the parent company and nominal capital, capital reserves and retained income. Capital structure is continuously monitored. To this end, capital costs and risks, which are an integral part of all types of capital, are taken into consideration. The global strategy of the Group has not changed from that of 2009. The central factor of the monitoring process is return on equity; this is continuously monitored by management and is defined as annual profit or loss over equity.

4.2. Other liabilities and contingent liabilities

Contingent liabilities

The Rath Group has taken on the following contingent liabilities:

	Dec 31, 2010 [EUR'000]	Dec 31, 2009 [EUR'000]
Retentions for business partners	1,865	2,123

Retentions for business partners mainly involve project business. Return obligations under standard industrial guarantees do not exist. The management is currently not aware of any other off-balance sheet opportunities and risks.

Unsettled legal disputes

No unsettled legal disputes exist as of the reporting date.

4.3. Related parties

All transactions with related persons and businesses are carried out under usual market conditions. Related persons and companies and their transactions with the Rath Group are as follows:

- **Hausinhabung Walfischgasse, Dr. Ernst Rath and co-owner**
  Rental expenses including service charges: 2010 EUR 138,000; 2009 EUR 143,000
  Liabilities 2010 EUR 0; 2009 EUR 0
- **Dr. Ernst Rath Gesellschaft mbH**
  Consulting services: 2010 EUR 0; 2009 EUR 7,000
  Liabilities 2010 EUR 0; 2009 EUR 0
- **Dkfm. Paul Rath Gesellschaft mbH**
  Interest expenses: 2010 EUR 6,000; 2009 EUR 8,000
  Liabilities 2010 EUR 156,000; 2009 EUR 293,000
- **Rath Holding GmbH**
  No transactions in 2010 and 2009
  Liabilities: 2010 EUR 1,000; 2009 EUR 16,000
- **Purchase of 6% shareholding in INERTA KERAMIK GmbH**
  By Dr. Ernst Rath GmbH and Dkfm. Paul Rath GmbH
  2010 EUR 0; 2009 EUR 432,000

Regarding shares held by the Executive Board and/or Supervisory board, please refer to comments in the position report.

Executive Board of Rath AG, Vienna

Matthias Rath
Georg Rath

Supervisory Board of Rath AG, Vienna

Heinz Kessler (Chairman)
Ernst Rath (Deputy Chairman)
Paul Rath
Philipp Rath
Gerd Unterburg
Christian B. Maier

In 2009, members of the Executive Board received gross salaries totaling EUR 313,000 (Dec 31, 2009: EUR 311,000), of which EUR 0 (Dec 31, 2009: EUR 0) was profit-related. Neither credits nor advances were made to corporate management bodies. Salaries for members of the Supervisory Board during the financial year amounted to EUR 44,000 (Dec 31, 2009: EUR 45,000), and pension payments to EUR 169,000 (Dec 31, 2009: EUR 161,000).

4.4. Auditing fees

Fees incurred for the financial year in favor of the auditor KPMG Austria GmbH amounted to EUR 65,000, of which EUR 57,000 was for the audit of the consolidated financial statements (including financial statements of individual related companies) and EUR 8,000 for other consultancy services.

4.5. Result per share

The basic result per share is calculated by dividing the proportion of corporate earnings attributable to parent company shareholders by the weighted number of ordinary shares in circulation during the year.

	2010	2009
Proportion of consolidated result attributable to parent company shareholders in EUR	177,000	-490,000
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in Euros	0.12	-0.33
Dividend payout per share for the financial year in EUR	0.00	0.00

The diluted result per share corresponds to the basic result per share, as no financial instrument with a diluting effect is in use.

5. Events after the reporting date

No significant event of particular relevance occurred to the Rath Group after the conclusion of the financial year.

These financial statements were prepared on April 8, 2011, by the company's Executive Board and have been submitted to the Supervisory Board for inspection and approval.

Vienna, April 8, 2011

The Executive Board

Georg Rath

Matthias Rath

Instead of Christmas presents, once again in 2010 a donation was made to the "Die Möwe" child protection association.

"Die Möwe" was founded nearly 20 years ago to help abused children and young people. As Austria's first such association, "Die Möwe" has tackled this taboo area with cost-free therapeutic assistance for affected children and young people and also by permanently working with the public to raise awareness.

"Look closely instead the other way"

For further info, visit www.die-moewe.at

Report on the Consolidated Financial Statements

We have audited the accompanying **consolidated financial statements** of

Rath Aktiengesellschaft,
Vienna,

for the **year from 1 January 2010 to 31 December 2010**. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated income statement/ consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2010 and of its financial performance and its cash flows for the year from 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 8 April 2011

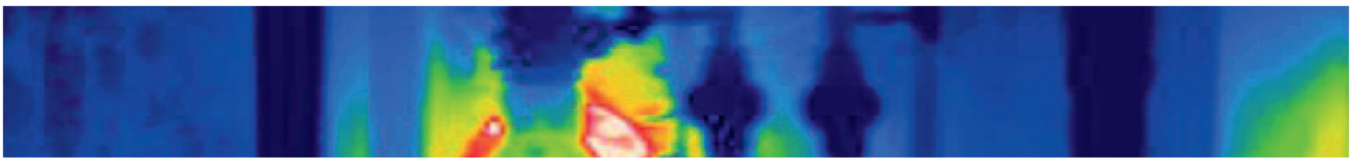
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Yann-Georg Hansa — Wirtschaftsprüfer
Mag. Helmut Kerschbaumer — Wirtschaftsprüfer
(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.



Terminology

Aluminum silicate wool	Aluminum silicate wool: This wool is a subgroup of the high-temperature insulation wools. Through the fusion of aluminum oxide (alumina) and silica (quartz sand), man-made mineral fibers are produced and later spun into wool. This is classified for the temperature range of 1250 - 1400°C.
Pre cas blocks	Concretes casted in moulds
Refractory	Designation for ceramic products with an application temperature between 600 - 2000°C
Insulating fire bricks	Stones with a raw density of 0.5 -1.5 kg/m3; for comparison, a pre-wall brick controls a raw density of 2,04 kg/m^3
High-temperature insulation wool (HTW)	Ceramic fibers for any application in the range of 900 -1600°C
ISO 9001	This is an international standard and is one of the basic requirements for operating a quality-management system. This goes beyond the pure quality of the product and requires significant action, covering the entire process as clearly established within the company.
Monolithics	Unshaped products in the form of concrete, mortars and adhesives
Projects	Orders for the supply of materials, including the engineering and installation.
Bricks	Dense products with a bulk density of >1,5 kg/m^3
Vacuum-formed shapes	Formed shapes manufactured out of high-temperature insulation wool

Business Management Terms and Key Figures

Agio	Premium
Actuarial profit/loss	Current profit/loss
Available for sale	Available for disposal
AVÖ - Actual Association of Austria;	A lobby of Austrian actuaries and actuarial experts. The AVO publishes the annuity valuations tables according to which the pension and severance-pay liabilities are calculated.
Balance sheet liability method	Method to determine the deferred taxes
Cash value	The cash value corresponds to the value that a future series of payments has at the present time. In other words, it is the value of all payments at the beginning of the term (at point zero in time).
Capital employed	The total amount of equity, tax reserves (without deferred tax) and liabilities subject to interest. The equity includes the shares of external shareholders.
Cash generating unit	Cash-generating unit
Corporate Governance	The code of conduct for the responsible management and control of companies, recorded in the Austrian Corporate Governance Code. The content represents a voluntary body of rules and regulations.
D&O Insurance (Director's & Officer's Insurance)	Management liability insurance
DBO (Defined benefit obligation)	Cash value of all forfeitable and non-forfeitable obtained entitlements
Discount	The difference between issue and repayment amount of a liability.
EAT (Earnings After Tax)	Result after tax/annual surplus
EBIT (Earnings Before Interest and Tax)	Earnings before interest and tax; operating result
EBIT margin	Percentage share of the EBIT in turnover

EBT (Earnings Before Tax)	Pre-tax earnings
Equity ratio	Equity divided by total capital
Return on equity	Profit divided by equity
Fair value	Valuation of financial instruments including derivative financial instruments with the current value to be attributed
Financial derivative	Finance securing business
Finance leasing	In finance leasing, the asset is surrendered against a fixed leasing rate for a certain basic lease period. During the basic lease period the agreement cannot be terminated. The lessee must bear the object-related risks, including the risk of destruction or theft. For finance leasing, a down payment or an increased first leasing rate is usually agreed. According to the contract design, full amortization agreements and partial amortization agreements are distinguished.
IAS (International Accounting Standards)	International accounting standards (see IFRS)
IASB (International Accounting Standards Board)	International board for the definition of accounting standards
IFRIC (International Financial Reporting Interpretations Committees)	International committee for interpretation of the accounting standards
IFRS (International Financial Reporting Standards)	International accounting standards (formerly IAS)
Interest swap	Agreement on the exchange of differently designed cash flows for a defined period; the cash flows are based on fixed and variable interest rates; for hedging purposes against interest-rate changes.
KMU	Small and medium enterprises
öEStG	Austrian Income Tax Act
Operating leasing	The agreements concluded for this purpose correspond to ordinary lease agreements. They may be terminated by either party to the agreement. If the agreement is terminated, the lessee may return the asset without further obligation. For this type of contract the leased object must be capitalized at the lessor. The leasing rates are operating expenses for the lessee and operating income for the lessor.
Percentage of completion	The degree of completion with respect to a project
PUC (Projected Unit Credit method)	Actuarial valuation method
ROCE (Return On Capital Employed)	Interest on the capital employed. Quotient from EBIT and capital employed
UGB	Business Enterprise Code
WACC (Weighted Average Cost of Capital)	Weighted average cost of capital; refers to an approach associated with the discounted cash-flow approach of company evaluation. The weighted average cost of capital is used to determine the minimum return for investment projects.
Working capital	Absolute surplus of current assets over the short-term borrowed capital; stocks plus short-term receivables and other assets minus short-term tax reserves minus other short-term reserves minus accounts payable minus other short-term liabilities.

The term “employee” is used in gender-neutral form for the purpose of readability.

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