Business Report

2011

RATH

Annual Report 2011 of

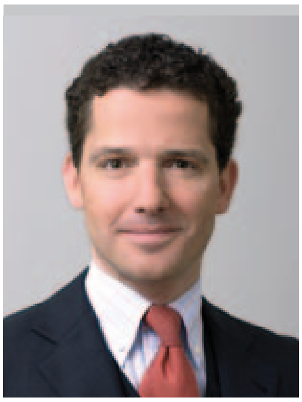
Rath Group

	2009 EUR'000	2010 EUR'000	2011 EUR'000
Sales	77,693	74,867	81,678
Change in %	-13.1	-3.6	9.1
EBIT	943	2,722	4,026
EBIT margin in %	1.2	3.6	4.9
EBT	-930	1,464	2,987
Operative Cash flow	6,790	6,669	5,972
Capital ratio in %	41.7	43.7	42.7
Return on equity in %	-0.6	0.6	6.6
Working Capital in %	119.8	97.3	89.0
ROCE in %	2.4	7.4	8.4
WACC in %	7.8	7.9	8.0
Investments in property	2,546	2,218	5,783
Depreciations	5,827	3,661	3,642
Number of employees in annual average	551	549	575
Number of consolidated corporations	8	8	8

Dear Ladies and Gentlemen,

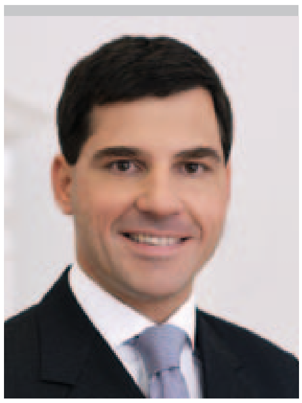
Dear Shareholders,

We can look back on a good year 2011: the sales of the Rath Group rose by 9% and the profit (EBT) doubled. The Executive Board and Supervisory Board would like to thank all our employees for their efforts and good performance over the past year. We would like to express our thanks to the shareholders for reposing their trust in the Rath Group by proposing the distribution of dividend at the Annual General Meeting.



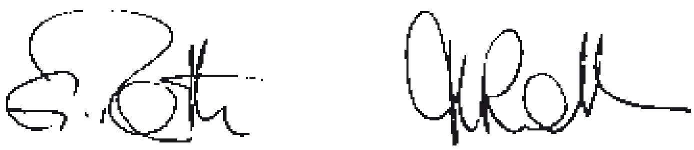
The utilization of the production facilities was good last year, too. Nonetheless, we cannot rest on our laurels, since the cyclical outlook is one of uncertainty. This is why we will continue to strive in improving the material and energy efficiency of our factories. We have a few projects under way towards this end. The most important measure was the installation of a new furnace at our factory in Milledgeville, which has commenced operations in February 2012. Based on all calculations, the energy costs for the manufacture of our products at this location should reduce as a result of this development.

Once again, we would like to mention the greater need for our flexibility with customer support as was done last year at this juncture.



This does not merely concern fast response times to inquiries and customer wishes, but also to prompt execution of the orders. This leads to fluctuating utilization of our production facilities, which need to handle such situations cost-effectively.

Despite all uncertainty, we are still optimistic in the current year. The projects and orders in hand allow us to hope for a satisfactory year 2012. The expansion in the Latin America region, too, which we have embarked upon in the current year, shall create new potential and opportunities for us. There is a need for high-quality materials in Latin America. The first set of orders that we have received illustrate that this was the right way forward, on account of which, other orders will follow.



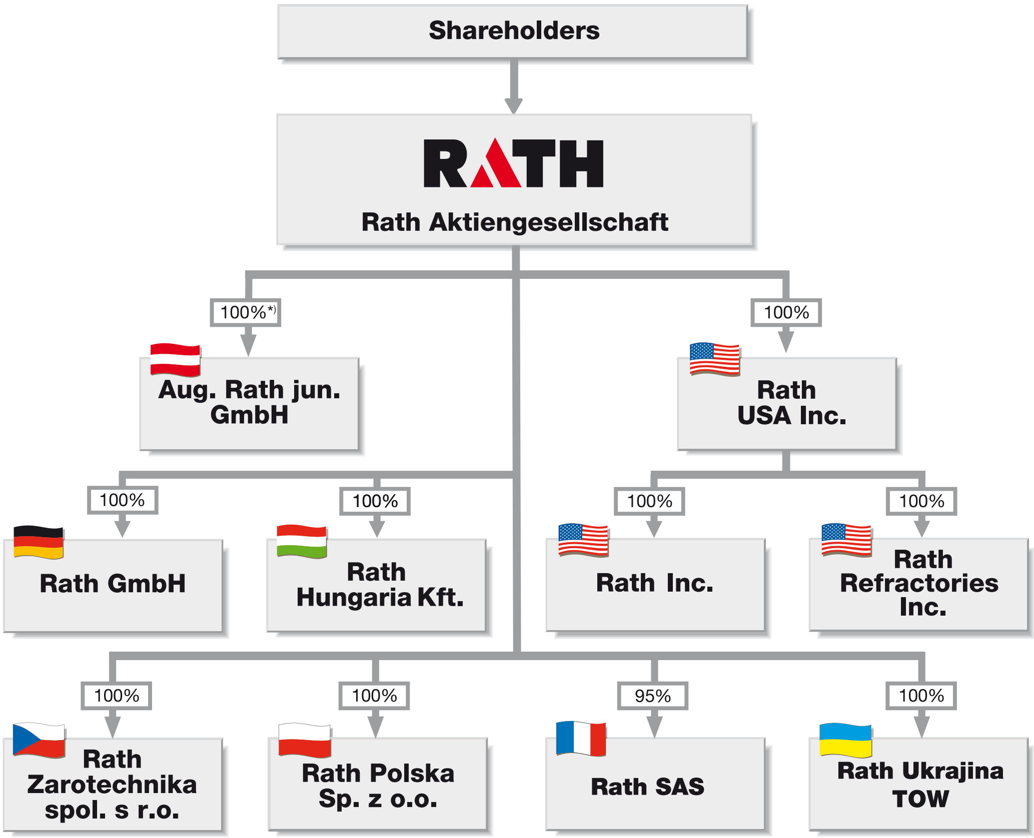
The Executive Board

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



*) rounded

European fair for tiled stoves, Wels/Austria

Dear Shareholders,

In the backdrop of the generally subdued and cautious economic development in our customers' industries, the year 2011 has been overall encouraging for the Rath Group. We have held intensive discussions with the Executive Board regularly regarding the current situation and the opportunities and risks.

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 in detail regarding all relevant issues. For 2011 too, we 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. The Executive Board has kept the Supervisory Board informed in the course of reports generated on an ongoing basis by the reporting system, and on the basis of a detailed report on the business and financial position of the group, the personnel situation and the investment and acquisition projects. Special events were reported separately. Supervisory Board committees reported on their activities at the Board's meetings.

Five Supervisory Board meetings were held during the financial year 2011.

The active interest is well documented by the attendance of 96%. The expansion of the factory in Milledgeville/USA was presented in the meeting conducted on January 26, 2011. During the meeting held on March 8, 2011, the previous year and the current business situation were discussed. Furthermore, the activity report regarding the Issuer Compliance Directive was taken note of and the Supervisory Board's activity was evaluated. At the meeting on April 15, 2011, the 2010 financial statements and management report as well as the 2010 consolidated financial statements and management report were reviewed, the 2010 financial statements were assessed as recommended by the Audit Committee and the proposal for the distribution of profits for 2011 was approved. Moreover, the proposal for the election of the financial auditor was also adopted and preparations made for the Annual General Meeting. Finally, the investment decision in Milledgeville/USA was also discussed and approved. In the meeting held on August 30, 2011, the half-yearly financial report was discussed and deliberations were also made on the current business situation and the expansion in Latin America. On November 24, 2011, the business situation and the ongoing projects were discussed and the budget and the investment plan were approved for the year 2012.

Committees

The Supervisory Board has set up two committees. There was active participation of the members recorded in the meetings held by the committees. The Audit Committee met twice in the year 2011. On April 8, 2011, 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 and the Supervisory Board was recommended to approve the financial statements. On December 2, 2011, the auditors provided an update on the status of the preliminary audit of the financial statements and consolidated financial statements. The strategy committee has met once in the year 2011. The meeting focused on forming an overview of the Asian market and the potential available there for Rath.

Financial statements

The financial statements of Rath AG as of December 31, 2010, and the management report of the Executive Board as well as the consolidated financial reports as of December 31, 2010, and the consolidated management report of the Executive Board were audited with the help of the books of accounts, and certified by the financial auditors elected at the Shareholders' Meeting held on June 21, 2011, PwC INTER-TREUHAND GmbH, 1030 Vienna, Erdbergstrasse 200. The Audit Committee of the Supervisory Board analyzed the findings of the audit of the annual accounts on April 11, 2012, 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, 2011 and the management report of the Executive Board, as well as the consolidated financial statements as of December 31, 2011, the consolidated management report of the Executive Board and the Corporate Governance report. The proposal for the distribution of profits made by the Executive Board was approved.

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

Vienna, April 16, 2012

Dr. Heinz Kessler
Chairman of the Supervisory Board

Corporate Governance Report

Principles

The Supervisory and Executive Board, along with the General Manager's of each Rath Group company, are aware of their special responsibility as representatives of a publicly listed, family-owned company. They have a rich tradition and a full commitment to the principles of ethical behavior with respect to shareholders, employees, customers and suppliers, as well as society as a whole.

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 part of the salaries is linked to the EBT. Up to 50% of the basic salary may be variable. There are no commitments on any corporate old-age pension scheme. A D&O insurance policy has been concluded 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 family enterprise listed on the Stock Exchange, Rath AG perceives the bond to the family as the central pillar of the company. This is why the guidelines for the Supervisory Board form an important set of specifications, which, however, are implemented only in a reasonable manner.

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 and partner at GRANT Thornton UNITREU GmbH
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 Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft

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

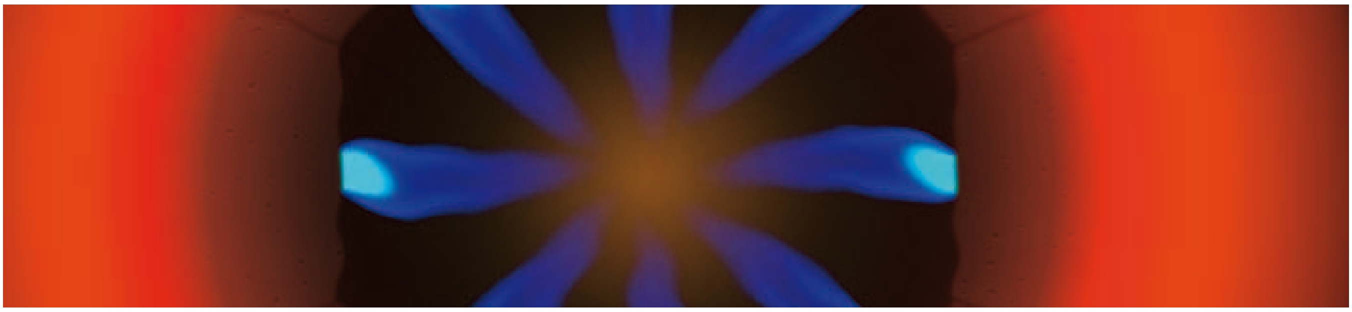
Georg Rath	Marketing and Sales, Finance and Investor Relation, Quality Management; Year of Birth: 1970; Appointed: July 1, 2006
Matthias Rath	Production, Research & Development, Human Resources Year of Birth: 1968; Appointed: July 1, 2006

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 11, 2012

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 the IFRS 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, 2011, are not necessarily indicative of future results.

Vienna, April 11, 2012

Georg Rath

Matthias Rath

Iron and Steel

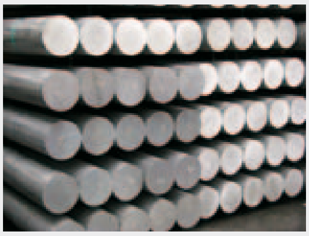
Domestic fireplaces

Ceramics

Energy and environmental engineering

Chemistry and Petrochemistry

Non-ferrous metal



Glass

Economic Report

Business and General Conditions

Organization

There were no changes in the group structure in the previous year. The companies for opening up the markets in Latin America are just in the stage of being set up. The companies included within the consolidated financial statements are listed in notes. We do not have any branches.

Business environment

The development of the real BIP's in the European states (EU27) and in the USA was once again encouraging and favorable in the year 2011 (+1.6%). The growth rates, however, were not as good as in the year 2010 (EU: +2.0%, USA: +3.0%). A slowdown was clearly apparent in the economic recovery in the second half of the year.

Industrial production rose – based on provisional figures – by 7% in Austria and by 8% in Germany. In the whole of Europe (EU27), the rise of 3.3% was not so distinct. It was better in the USA (4.5%).

According to information published by the sectors of the steel, aluminum and glass industries, they were able to achieve moderate increase in sales or production levels. Despite the generally impressive figures in Germany, the increases achieved in the context of individual industries were generally quite different. As an example of this, the increase in raw steel production in Germany was listed as being only 1%, which was considerably less than the development of the German industrial production.

In emerging economies, too, there was a reduction in the growth rate since inflation and the attempts on its crackdown remained and continue to remain in the foreground. In the Near East, the Arabian spring season led to turbulences, which had highly varying impacts on different national economies. However, there is no sign of improvement in the near future.

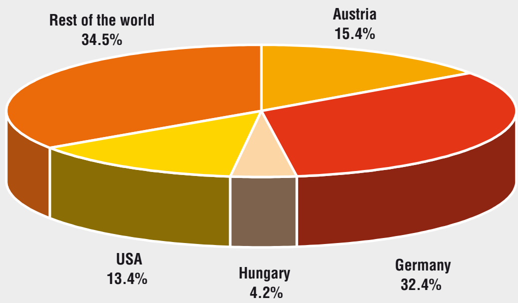
Site supervision

Business performance

Sales development

Measured on the basis of the general economic development, the year 2011, overall, has been highly favorable for the Rath Group. In the year elapsed, sales could be enhanced from EUR 74.9 million to EUR 81.7 million (+ 9.1%). The German and American companies need to be highlighted in particular with respect to the individual segments. The German company could increase its consolidated sales figure by 30% from EUR 23.2 million to EUR 30.1 million. In America, we achieved an increase of 23% to EUR 12.0 million (Previous year: EUR 9.7 million). Both companies benefited primarily from the boom in the ceramic industry.

Share of consolidated sales by country (%)



The Polish and Ukrainian companies deserve special mention since they could more than double their sales figures to some extent.

An assessment for the German-speaking region shows an exemplary change in the markets: The sales figure with German customers has, in fact, increased by 10.5% to EUR 33.9 million. The products sold, however, were no longer installed in Germany in several cases, but exported to other countries on behalf of the customers. This is why the share of goods and services, which remained in Germany, has, in fact, fallen by 3.5% or almost EUR 1.0 million. All in all, this leads to a reduction of the German share in the total sales (by country) from 36.6% to 32.4%. This is an impressive illustration of the performance of the Rath Group.

Consolidated share of sales [%] by company	2011	2010
Aug. Rath jun. GmbH	32.7	41.5
Rath GmbH	36.9	31.0
Rath Hungaria Kft.	9.0	9.2
Rath USA, Inc.	14.7	13.0
Rath Sales companies	6.7	5.3
	100.0	**100.0**

The deliveries made to several industries such as steel, ceramic and aluminum, has the advantage that any weakness taking place in a particular customer group may be compensated by another.

The steel industry could recover marginally, since increased investments were made in this sector in expansions. The ceramic and aluminum industries saw really outstanding developments.

Once again, new investments were made in the ceramic industry. In the sector of the aluminum industry, there was a higher demand for general refurbishment of existing plants. In all these industries, we could increase our sales by more than what could be expected on the basis of the moderate increase in the sales achieved by the consumers.

After a weak start, our project business could achieve a growth in sales of EUR 2.9 million or 13.4%. The sales rose from EUR 21.6 million to EUR 24.5 million. However, there were certain changes in this segment too:

Energy and environmental engineering

The ceramic industry already mentioned earlier, particularly the manufacturers of technical ceramic products and porcelain producers experienced a boom outside Europe even with new construction projects. In Europe, this industry is stagnating since the production has been shifted to Turkey, Asia or Latin America or is still in the process of being relocated. In these regions, however, domestic refractory producers are facing rough times as a result of the particularly low prices and achieving sales merely adequate to cover their costs. The customer needs are weighted differently there, which hampers the sale of high-quality goods: Low-priced refractory claddings need to be maintained frequently. As a result, they also cause more ongoing maintenance work, which, however, on account of the low personnel costs, do not carry so much weight as in Europe. This is why the benefits of plant safety and availability cannot be communicated and understood so easily in this region. However, as far as the orders executed by us are concerned, the customers, on the one hand, appreciated the many years of competence that we have with the cost-efficient design of furnaces and, on the other hand, the wide selection of materials from our own production facilities - such as insulating materials made of light refractory bricks and high temperature insulating wool as well as dense refractory bricks and castables as a protective layer to withstand corrosive atmospheres and mechanical wear and tear.

In contrast, the project business in the chemicals industry has performed worse than expected: After we completed a large project in 2010, there were no comparable follow-up or subsequent orders in this segment. This was a project in India where the customer insisted on construction and materials from the EU despite the higher European prices. Hence, the project sales fell back to the level of the year 2009.

Profitability

The result of the customary business activity (EBT - Earnings Before Tax) of the Rath Group could be enhanced by 104% from EUR 1.5 million to EUR 3.0 million. The Executive Board thanks all employees for this success. The main cost drivers in the year gone by were the material costs. These have increased from EUR 18.6 million by almost 60% to EUR 29.7 million. This increase resulted from several components:

Factory output higher than that in the previous year by 26% required greater use of materials. The high-quality refractory materials in greater demand also led to process-related challenges, which had an unfavorable impact on the cost structure. Finally, we were confronted with higher raw material costs, which, for example, in the case of zirconium oxide, have risen by up to 73%. The development has been sometimes so volatile that annual supply contracts could no longer be concluded. Thus, cost planning has become more difficult. Personnel costs, after a reduction (-3%) in the previous year, have increased once again from EUR 21.3 million to EUR 23.4 million (+10%). New employees were recruited as a result of the higher utilization of the production facilities. Compared to the factory output, the personnel costs fall from 30% to 26% in the year 2011. Thus, the EBIT rose from EUR 2.7 million to EUR 4.0 million, which works out an increase of 47.9%. The financial result could be improved marginally, since the interest rates continued to remain favorable and, at the same time, the profits from foreign exchange rates could be increased from EUR 0.1 million to EUR 0.4 million.

Milledgeville plant with new hall

Assets and financial position

We have once again invested more in the year 2011: In order to improve the efficiency of our location in Georgia, we have installed another furnace in a newly constructed production hall. The work at site has been completed only in end January 2012, with the result that there is an increase noticed in the carrying amount, but this had no impact so far on the depreciation. The total investments made in property, plant and equipment amounted to EUR 5.8 million (Previous year: EUR 2.2 million). The stocks were increased to improve the delivery capacity. Supplies against two projects that could no longer be made based on the customer's request added to the size of the stocks. As a result, the total assets of the Rath Group increased from EUR 74.7 million to EUR 81.3 million. On the liabilities side, the liabilities have risen again as a result of investments made in America. This led to a marginal reduction in the equity ratio from 43.7% to 42.8%. Our group generated an operative cash flow of EUR 6.0 million (Previous year: EUR 6.8 million). Detailed figures are given in the consolidated cash flow statement. On account of the favorable result, the Executive Board will propose a dividend distribution of EUR 0.30 per share at the Annual General Meeting of shareholders.

The share price fell from EUR 9.00 (Dec. 31, 2010) to EUR 6.80 on December 31, 2011. Thus, the market capitalization on this reporting date was EUR 10.2 million (Previous year: EUR 13.5 million). The book value per share, on the contrary, has risen from EUR 21.79 to EUR 23.17.

Iron and steel

Events after the reporting date

Since January 1, 2012, there have been no reportable events affecting the company's assets, financial position or profitability.

Outlook report

Corporate development

The estimates for the year 2012 continue to remain highly non-uniform:

In fact, everything between marginal growth and stagnation is possible in the European zone. However, the anxieties of a recession have receded into the background. However, there will be weakness in Europe. It is difficult to arrive at an accurate preview in the light of this outlook. The steel industry is underutilized at present, but other industries keep our hopes alive: It is debatable whether the ceramics industry can repeat the success of the previous year in the year 2012. We see a stable situation in the aluminum and glass industries.

Hence, the Rath Group is making the assumption that it would marginally exceed the sales figure of 2011. The current order book position allows us to expect yet another good year. We also hope to have the initial taste of success with our new sales and marketing subsidiaries in Latin America. For this purpose, we have recruited new employees who have sound knowledge of the

Lime industry

markets and our products. As far as the costs are concerned, the energy prices, on the one hand, and raw material prices, on the other, will continue to play an important role. Their development cannot be estimated so far.

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. Risks from individual transactions are generally acceptable due to their size. The value of bad debts during the financial year was unchanged compared to the previous year, amounting to 0.2% of turnover.

Opportunities and risks

As already explained in the outlook, the largest unknown is the development of the raw material prices. The value of materials used is high when manufacturing high-quality products, and hence, the volatility on the raw materials market is significant for the company. It is a challenge to assert the levels of price and quality considering the small number of raw material suppliers. Projects concerning enhancement of energy efficiency in our factories are under implementation. These should contribute to mitigating the cost situation. It should be possible to achieve further improvement in the cost structure and competitiveness of the products manufactured at Milledgeville with the new furnace installed at the factory there. The sales potential in new markets will get tapped with the inauguration of the sales and marketing subsidiaries in Latin America. At the same time, the Rath Group can further reduce its dependence on the European region. In the year 2011, the ECHA (European Chemicals Agency) has placed two other product types of the aluminum silicate wools on the so-called candidate list (Appendix XV of the European Chemicals Regulations, REACH). There was practically no change in the existing situation for Rath as a result of this development. In the process, the handling instructions already recommended for dealing with these products remain unaffected. Nonetheless, we are continuing our efforts at finding substitute products, though no positive results have been achieved so far.

Family and Children's party in Krummnußbaum

Research report

New products are the guarantee for maintaining the lead over cheap competitors. This is why Rath explores new avenues jointly with University facilities and research institutes. There have been several product concepts that were convincing and impressive under laboratory conditions. These are now in the implementation phase in a large production facility. We know from our experience that this requires time and the fruits of success would be visible only in the next few years. It is not possible to provide a detailed description at this juncture for reasons of competition. In the meantime, we are improving our products continuously along with our customers, in order to be able to further demarcate ourselves from the competition.

The R&D expenses were EUR 0.7 million. The R&D ratio reduced marginally to 0.9% (Previous year: 1.0%).

Corporate Responsibility

Employees

On account of the improved order book position, which brought us once again to the limits of our capacity in certain divisions, our workforce strength increased once more.

Average number of employees during the year	2011	2010
Austria	161	149
Germany	228	233
Hungary	115	104
USA	52	46
Rest of the World	18	17
	575	**549**

The expansion of the workforce is particularly evident at the end of the year: Compared to the previous year, we now have 593 (Previous year: 554) employees on our rolls.

The great challenges for the future remain the same: Making the working hours model flexible and the shortage of skilled and qualified personnel. Technicians, especially women, are very difficult to come by. This involves not only research and process engineering, but also engineers in our project departments.

Advancement of women

The Rath Group has about 18% of women in its workforce, the same level as in the previous year. The share in the management remains unchanged at 12.5%. So far, there have been no women in the Supervisory Board. The next regular elections to the Supervisory Board are due in the Annual General Meeting of 2013.

It is the aim of the management at Rath to ensure a balanced distribution in all areas. This attempt, however, fails on account of the lack of interest by female applicants, primarily in technical professions.

Rath is sponsoring the tracksuits of the soccer club Krummnußbaum

Environment

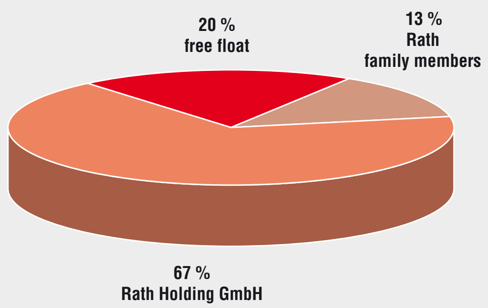
Active environmental protection is practiced at all locations of the Rath Group. This not only means complying with legal and regulatory requirements, but also setting and achieving more far-reaching targets. Alongside the mainly authority-controlled emission and emission limits, we attempt to protect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

Information in accordance with section 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, and to the best of our knowledge, shareholder structure has not changed significantly:

Shareholder structure as of Dec. 31, 2011



Rath AG does not operate an employee stock options scheme.

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

In the Annual General Meeting held on June 21, 2011, in accordance with Section 65, paragraph 1, line 8 of the AktG (Stock Corporation Act), the Executive Board was empowered to buy back shares up to 10% of the authorized share capital and to sell them thereafter. There were no transactions that took place based on this resolution in the financial year. The company does not own any of its shares as on the reporting date.

There are no existing 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 13, 2012

Georg Rath	Matthias Rath
Executive Board Member	Executive Board Member

Pre-cast blocks

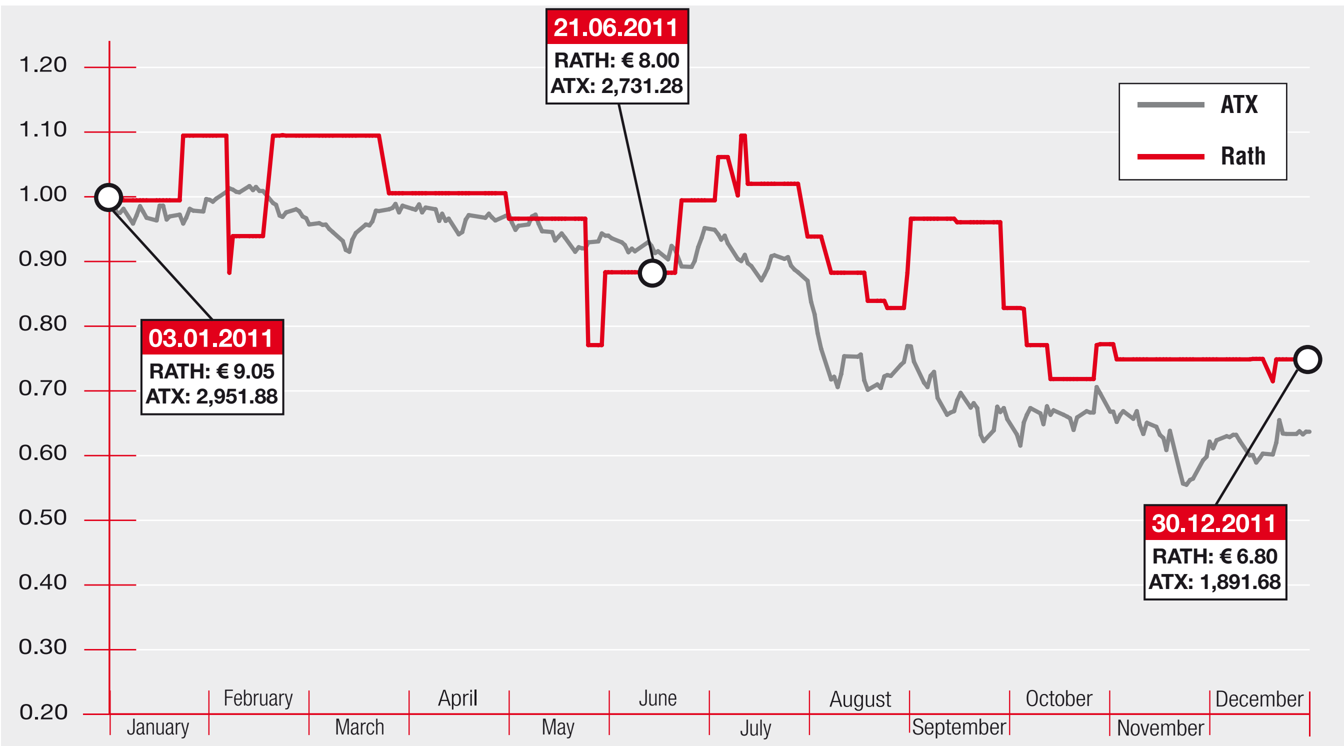
… are made out of the wide range of different castables. Such components are used when shapes are so complex, that a brick cannot be pressed properly or quantities are too little.

Stock market key figures pursuant to Section 93 (1) BörseG (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 on Dec. 30, 2011:	6,80 €
Market capitalization:	10.200.000,00 €
Earnings/share:	1,53 €

Comparison of the market trend of the Rath share and the ATX since 1.1.2011



	Notes No.	Dec. 31 2011 [EUR'000]	Dec. 31 2010 [EUR'000]
ASSETS			
Non-current assets			
Property, plant and equipment	(1)	38,104	35,885
Intangible assets	(2)	391	623
Financial assets	(3)	624	639
Deferred tax assets	(12)	4,155	4,154
		43,274	**41,301**
Current assets			
Inventory	(4)	19,132	15,808
Trade receivables	(5)	11,910	12,507
Other assets	(6)	317	161
Cash and cash equivalents	(7)	6,649	4,955
		38,008	**33,431**
Total assets		**81,282**	**74,732**
LIABILITIES AND EQUITY			
Stockholder's equity	(8)		
Authorized capital		10,905	10,905
Capital reserves		1,118	1,118
Cumulated results		23,862	21,569
Currency differences		-1,138	-913
		34,747	**32,679**
Non-controlling interests		2	1
		34,749	**32,680**
Non-current liabilities			
Employee benefits	(9)	2,675	2,729
Financial liabilities	(10)	7,310	8,213
Trade payables and other liabilities	(13)	113	52
Derivative financial instruments		120	120
Accruals and provisions	(11)	229	221
Deferred tax liabilities	(12)	1,217	1,736
		11,664	**13,071**
Current liabilities			
Financial liabilities	(10)	20,911	18,386
Trade payables and other liabilities	(13)	10,621	8,236
Accruals from current income tax	(12)	1,279	545
Accruals and provisions	(11)	1,467	1,395
Derivative financial instruments		594	419
		34,871	**28,981**
Total liabilities and equity		**81,282**	**74,732**

Consolidated income statement, statement of comprehensive income

	Notes No.	Dec. 31 2011 [EUR'000]	Dec. 31 2010 [EUR'000]
Sales revenue	(14)	81,678	74,867
Change in inventory		6,117	-5,449
Capitalized services		86	78
Other operating income	(17)	907	763
Cost of material and purchased services	(15)	-44,320	-28,988
Personnel expenses	(16)	-23,426	-21,281
Depreciation and amortization	(1) (2)	-3,642	-3,661
Other operating expenses	(18)	-13,375	-13,606
Ordinary operating result (EBIT)		**4,026**	**2,722**
Financial income	(19)	1,188	615
Financial expenses	(20)	-2,227	-1,873
Financial result		**-1,039**	**-1,259**
Earnings before tax (EBT)		**2,987**	**1,464**
Taxes on income	(12)	-693	-1,274
Consolidated result		**2,294**	**190**
Attributable to the			
stockholders of the parent company		2,293	177
Non-controlling interests		1	13
Consolidated result		**2,294**	**190**
Basic (undiluted) result per share (in EUR)	4.5	1.53	0.12
Diluted result per share (in EUR)	4.5	1.53	0.12

	2011 [EUR'000]	2010 [EUR'000]
Consolidated result	2,294	190
Currency conversion	-225	240
Total comprehensive income	**2,069**	**430**
Total result attributable to the stockholders of the parent company	2,068	417
Non-controlling interests	1	13
Total comprehensive income	**2,069**	**430**
Earnings per share	**1.53**	**0.12**

	Notes No.	Dec. 31 2011 [EUR'000]	Dec. 31 2010 [EUR'000]
Earnings before taxes		2,987	1,464
Depreciation and amortization	(1) (2)	3,642	3,661
Derivative financial instruments		175	51
Change in accruals and non-current provisions		-46	-132
Interest income	(19)	-50	-61
Interest expenses	(20)	1,491	1,371
		8,199	**6,354**
Changes in net working capital			
Inventory		-3,324	3,878
Trade and other receivables		597	80
Other assets		-156	156
Trade payables		2,446	-1,059
Accruals and provisions		72	-622
Change depending on currency conversion		-225	-448
Cash flows from operating acturties		**7,608**	**8,339**
Interest received		50	61
Interest paid		-1,315	-1,321
Income tax paid		-371	-411
Net cash inflows from operating acturties		**5,972**	**6,669**
Purchase of property, plant and equipment	(1)	-5,783	-2,218
Purchase of intangible assets	(2)	-43	-390
Proceeds from the sale of property, plant & equipment		0	65
Net cash used in investing acturties		**-5,826**	**-2,543**
Repayment of financial debts		-3,812	-4,736
Proceeds from financial debts		5,433	2,250
Net cash generated from financing acturties		**1,621**	**-2,486**
Non-cash currency differences			
from the conversion of cash and cash equivalents in other currencies		-73	-36
Net increase in cash and cash equivalents		**1,694**	**1,604**
Cash and cash equivalents at the beginning of the year	(7)	**4,955**	**3,351**
Cash and cash equivalents at the end of the year	(7)	**6,649**	**4,955**

Changes in consolidated stockholder's equity

	Authorized capital [EUR'000]	Capital reserves [EUR'000]	Differences in currency conversion [EUR'000]	Cumulated results [EUR'000]	Total [EUR'000]	Non-Controlling interests [EUR'000]	Total equity capital [EUR'000]
As of December 31, 2009	**10,905**	**1,118**	**-1,153**	**21,392**	**32,262**	**-12**	**32,250**
Profits for 2010	0	0	0	177	177	13	190
Currency conversion	0	0	240	0	240	0	240
Total comprehensive income	0	0	240	177	417	13	430
As of December 31, 2010	**10,905**	**1,118**	**-913**	**21,569**	**32,679**	**1**	**32,680**
Profits for 2011	0	0	0	2,293	2,293	1	2,294
Currency conversion	0	0	-225	0	-225	0	-225
Total comprehensive income	0	0	-225	2,293	2,068	1	2,069
As of December 31, 2011	**10,905**	**1,118**	**-1,138**	**23,862**	**34,747**	**2**	**34,749**


Krummnußbaum plant 1891


Krummnußbaum plant 1932


Krummnußbaum plant 1991


Krummnußbaum plant 2006

1. The Company

Rath AG, Walfischgasse 14, 1010 Vienna, and its subsidiaries (hereafter referred to as the “Rath Group”) manufacture refractory materials for industrial consumers and other business enterprises. The main markets are located within the European Union, Eastern Europe and the USA. The registered office of the parent company is situated in 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, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including applicable interpretations of the International Financial Reporting Interpretations Committees (IFRIC) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value evaluation of available for sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

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 (TEUR), rounded up or off by the commercial rounding method. The summation of rounded figures and percentages may give rise to calculation differences due to the use of automatic calculation systems.

Reclassification has been done for the purpose of comparability.

2.2. Changes and amendments of IFRS

New and amended standards adopted by the company

There are no IFRS or IFRIC interpretations that were mandatory for application for the first time in the financial year 2011, and for which any significant impact is expected for the company.

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

Standard/Interpretation/Amendment		Time of its coming into effect	Expected impacts
IFRS 9	Financial instruments: classification and valuation	Jan 1, 2015	Change in the balance sheet treatment of changes in the fair value attributable of financial instruments, which were earlier classified as “Available for sale”.
IFRS 10	Consolidated financial statements	Jan 1, 2013	None
IFRS 12	Information on shares held in other companies	Jan 1, 2013	The full impact is being assessed at present
IFRS 13	Assessment of the fair value	Jan 1, 2013	The full impact is being assessed at present
IAS 1	Presentation of the financial statement: Changes in the presentation of the other result	Jan 1, 2012	The full impact is being assessed at present
IAS 19	Payments to employees	Jan 1, 2013	The full impact is being assessed at present

Apart from this, there are no IFRS or IFRIC interpretations that have not yet come into effect and for which any significant impact is expected for the company.

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.

This is regularly accompanied by voting rights of more than 50%. 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 fair value of net assets is recorded as goodwill. Should the 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. Aquisition-related costs are expressed as incurred. The company recognises any non-controlling interests in the acquiree on an aquisition-by-aquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of aquiree's identifiable net assets.

Group-internal transactions, receivables, liabilities and significant unrealized profits and/or losses (interim results) are not included.

Transactions with non-controlling interests are treated as transactions with the owners of authorized capital of the Group. The difference between fair value of any consideration paid and the corresponding share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

In addition to the parent company, the scope of consolidation includes the following companies:

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. Newark, USA	100	Full consolidation
Rath zarotechnika spol. s r.o., Czech Republic	100	Full consolidation
Rath Polska Sp. z o.o., Poland	100	Full consolidation
Rath SAS, France	95	Full consolidation
Rath Ukrajina TOW, Ukraine	100	Full consolidation

*) rounded up from 99,98%

2.4. Currency conversion

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 statement 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 local currency respectively. 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 and posted at the monthly average exchange rate over the financial year in question.

All differences in conversion rates are recognised as separate entries in other comprehensive income.

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

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

	Rate on reporting date Dec.31 2011	Rate on reporting date Dec. 31. 2010	Average rate 1-12 2011	Average rate 1–12 2010
USD	1.294	1.322	1.392	1.326
HUF	314.580	277.600	279.373	275.480
CZK	25.787	25.170	24.590	25.284
PLN	4.458	3.996	4.121	3.995

equals 1 Euro.

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

2.5. Accounting and valuation principles

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 business combination reflect its 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. The amortization is done on a straight-line method over an estimated utilization period of 3 to 15 years. There are no intangible assets with an indefinite useful life.

Gains and losses from disposal of intangible assets are determined by comparing the proceeds with the carrying amount and are recognised in the item "Other operating income" or "Other operating expenses" in the income statement.

b) Property, Plant & Equipment

Items of property, plant and 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. The production costs of self-constructed plants contain the expenses attributable directly to the production. Costs of borrowing are not recognized due to non-existent qualifying assets.

Costs incurred in subsequent periods for an asset are considered only when it is probable that future economic benefits will flow to the group and the costs can be mesured reliably.

Amortization of intangible assets and depreciable assets is applied on a straight-line method over the expected useful life of such assets. The residual book values and useful lives are reviewed on every reporting date and adjusted if required. For the determination of depreciation rates the following values for useful life were used and are unchanged from those used in the previous year:

	Utilization period in years	
	from	**to**
Buildings	10	35
Machinery	10	20
Business equipment	5	15

Gains and losses from disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the item “Other operating income” or “Other operating expenses” in the income statement.

c) 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 conclusion of the contract agreement is made at the lower value of the fair value of the object at the time of contract conclusion and the present value of minimum lease payments to be made in future. At the same time, the amount considered is taken to be a financial liability.

For finance leases, from the lessee's point of view, the fair value or the lower cash value of the minimum lease payments for the leasing property is capitalized at the time of purchase and amortized over the useful life. Capitalized asset values are set against the respective present value of the liability 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 on the liability side at the time binding approval is given and recorded as income in accordance with the amortization of the plants in question.

e) Financial assets

Financial assets are divided in the following categories: Loans and receivables and financial assets available for sale. The classification depends on the purpose for which the financial assets have been acquired. The management determines the classification of the financial asset at initial recognition.

All securities are classified as "available for sale". They are initially valued at acquisition cost and in later periods at the fair value. Changes in value are recorded in other comprehensive income and shown in the profit and loss statement only on sale of the security or when its value gets impaired continuously. Any recoveries in the value are recorded in the profit and loss account up to the cost of acquisition.

When the fair value exceeds acquisition cost, these changes are recorded in equity.

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

Loans and receivables are recorded at the amortized costs using the effective interest method.

f) Inventories

Inventories are stated 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 estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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 provision for inpairment.

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 time that payment is made to the competent authority. Provisions will be made should the existing stock of certificates not cover anticipated obligations.

Certificates acquired free of charge are recorded under intangible assets with the value "zero" in the balance sheet. Proceeds from the sale of these rights are recorded in income statement.

The Rath Group has a sufficient number of free certificates.

h) Cash and cash equivalents

Cash and cash equivalents include cash and available bank credits.

i) Impairment of non-financial assets

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 recoverable amount for the asset. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Should the recoverable amount be less than the asset's carrying amount, then an impairment loss for this difference shall be recorded in income statement.

The value in use 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 value in use 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 fair value less costs to sell 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 income statement at the lower of amortized original cost of acquisition or production costs, and value in use.

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 present 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 obligation is made in accordance with actuarial reports.

Any difference between the present value determined in advance and the actual value (actuarial profit/loss) will not be recognised 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, 2011, and December 31, 2010, are based on the following assumptions:

	2011	2010
Interest rate	4.50%	4.40%
Pension increase	2.25%	2.25%
Pension age for men	65 Years	65 Years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P

High temperature insulating wool

… is produced from ceramic fibers for applications between 900 – 1600°C. High temperature insulating wools are ultra-light insulating materials whose properties provide the most effective form of heat insulation in the furnace construction industry.

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 January 1, 2003, when their employment contracts are terminated by the employer or at the time of going into retirement. This depends on the number of years of service and the salary at the time of 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 present value of future payments is 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 present 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, 2011, and December 31, 2010, are based on the following assumptions:

	2011	2010
Interest rate	4.50%	4.50%
Salary increase	2.75%	2.75%
Pension age for women	56.5 Jahre	56.5 Jahre
Pension age for men	61.5 bis 65 Jahre	61.5 bis 65 Jahre
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 needs to be 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% (Dec. 31, 2010: 4.5%) a provision was set up.

k) 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 present value of the provisions established using a standard market interest rate is significantly different from the nominal value, then the present value of the obligation shall be used.

l) Taxes

Income tax expense includes current and deferred taxes. For transactions recorded directly in equity, the associated income tax is also recorded 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 liabilities in the 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 and 41.5% 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 and other payables

Liabilities from deliveries and services are valued when the liabilities are incurred at the amount of the fair value of the services received. They are subsequently valued as amortized 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 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. Fluctuations in the value are recorded in the income statement.

p) Revenue realization

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 income

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

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

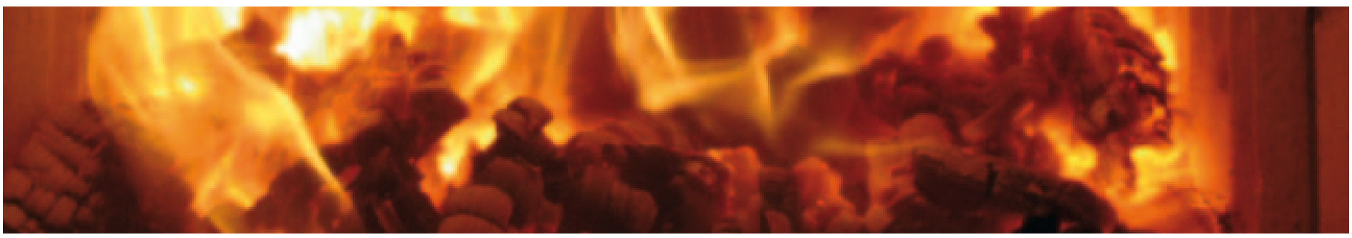
The interest is categorized on the basis of time elapsed according to the effective interest method. Dividends are recognized at the time of the resolution to make a dividend payout.

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 liabilities, 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 income statement when dictated by the facts and premises are adapted accordingly.

For the following assumptions a not inconsiderable risk exists 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 group obtains the reasonable discount rate at the end of each year. When obtaining the discount rate, the group uses the interest rate for industrial borrowings having maximum solvency on the currencies in which the payments, too, are made and whose terms match those given in the retirement and severance publications.
- 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 income statement

(1) Property, plant and equipment

	Land and buildings [EUR'000]	Machinery [EUR'000]	Business equipment [EUR'000]	Payments made and construction in progress [EUR'000]	Total [EUR'000]
Acquisition costs					
As of Jan 1, 2010	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	-10
Exchange rate changes	-382	-679	63	-2	-1,000
As of Dec 31, 2010	**22,876**	**72,829**	**10,981**	**2,662**	**109,346**
Additions	296	1,564	178	3,745	5,783
Disposals	0	-257	-33	0	-290
Transfers	23	2,208	124	-2,360	-5
Exchange rate changes	-339	-418	-112	65	-804
As of Dec 31, 2011	**22,856**	**75,926**	**11,138**	**4,112**	**114,032**
Cumulative depreciation					
As of Jan 1, 2010	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	**11,324**	**55,715**	**6,421**	**0**	**73,461**
Depreciation	532	2,545	270	0	3,347
Disposals	0	-242	-30	0	-272
Transfers	0	-2	2	0	0
Exchange rate changes	-72	-419	-115	0	-606
As of Dec 31, 2011	**11,784**	**57,597**	**6,548**	**0**	**75,929**
Book value on Jan 1, 2010	**10,922**	**18,980**	**4,779**	**1,634**	**36,315**
Book value on Dec 31, 2010	**11,552**	**17,114**	**4,560**	**2,662**	**35,885**
Book value on Dec 31, 2011	**11,072**	**18,329**	**4,589**	**4,112**	**38,104**

Included under the items buildings, machines and business equipment are leased assembly units and production plant with a book value of EUR 3,610,000 (Dec. 31, 2010: EUR 4,750,000). 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 10 years to run.

Depreciation does not contain any inpaiments.

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

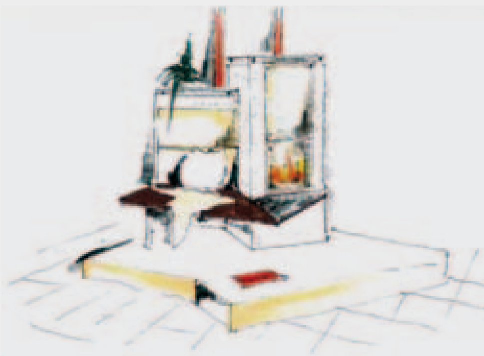
As of Dec 31, 2011		
Bank	**[EUR'000]**	**Type of security**
IKB Deutsche Industriebank	0.0	Land charge of EUR 1.790 million
Postbank Cologne	1,011.1	Security assignment of EUR 4 million
	1,011.1	
As of Dec 31, 2010		
Bank	**[EUR'000]**	**Type of security**
IKB Deutsche Industriebank	98.1	Land charge of EUR 1.790 million
Postbank Cologne	1,637.9	Security assignment of EUR 4 million
	1,736.0	

The securities granted in favor of IKB are in respect of open credits of EUR 0 (Dec. 31, 2010: EUR 98,000) and in favor of Postbank, Cologne in respect of open credits is EUR 1.011 million (Dec. 31, 2010: EUR 1.638 million). The IKB loan expired in 2011 and the loan from Postbank, Cologne, expires in 2013.

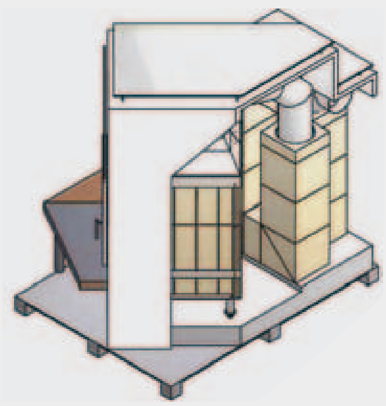
Subsidies received for investments (investment grants) are recorded in the balance sheet on the liability side.

Rath bio fireplace

From the idea …



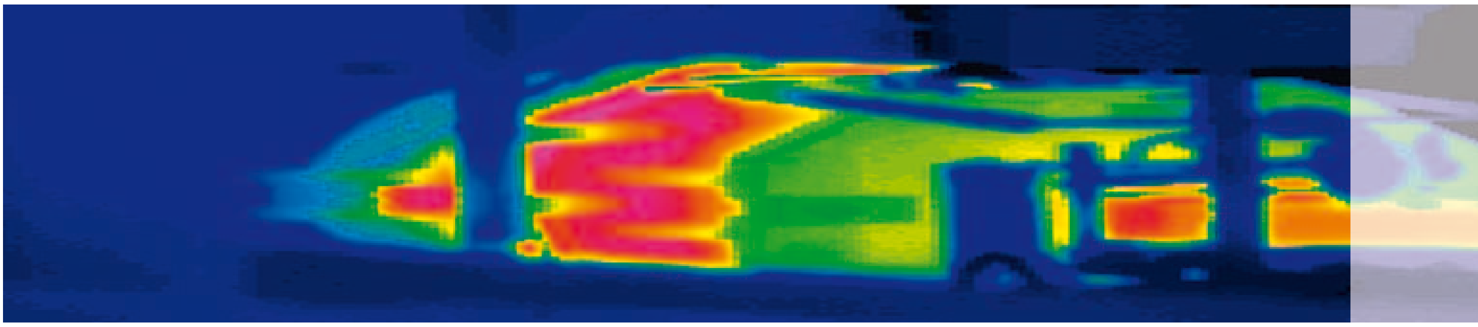
… to the planning …



… up to the implementation

(2) Intangible assets

	Computer Software and licenses [EUR'000]	Customer stock [EUR'000]	Total [EUR'000]
Acquisition costs			
As of Jan 1, 2010	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**
Additions	43	0	43
Transfers	4	0	4
Exchange rate changes	-136	0	-136
As of Dec 31, 2011	**2,523**	**500**	**3,023**
Cumulative depreciation			
As of Jan 1, 2010	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**
Depreciation	179	100	279
Exchange rate changes	-136	0	-136
As of Dec 31, 2011	**2,132**	**500**	**2,632**
Book value on Jan 1, 2010	**424**	**200**	**624**
Book value on Dec 31, 2010	**523**	**100**	**623**
Book value on Dec 31, 2011	**391**	**0**	**391**



(3) Other financial assets

	Acquisition costs Dec 31, 2010 [EUR'000]	(+) Additions (-) Disposals Dec 31, 2011 [EUR'000]	Acquisition costs Dec 31, 2011 [EUR'000]	Book value Dec 31, 2011 [EUR'000]	Book value Dec 31, 2010 [EUR'000]
Investments	5	0	5	5	5
Financial assets available for sale	753	0	753	619	634
	758	0	758	624	639

The investment 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 obligations in accordance with §§ 14 and 116 öEStG (Austrian Income Tax Act).

(4) Inventories

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Raw materials, consumables and fuel	**6,997**	**6,240**
Unfinished/finished products and trading goods, gross	13,231	10,402
Value adjustment on products and trading goods	-1,096	-834
Unfinished/finished products and trading goods, net	**12,135**	**9,568**
	19,132	**15,808**

(5) Trade and other receivables

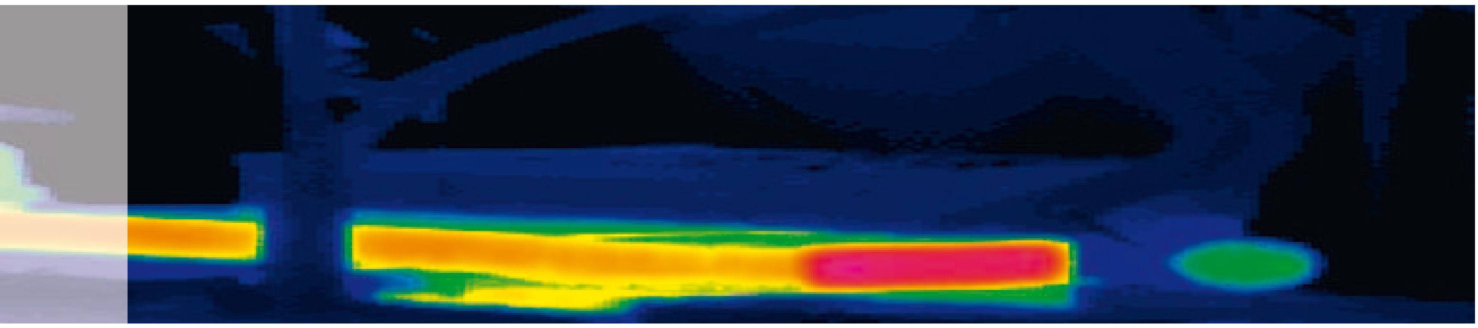
	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Receivables from third parties	11,094	11,350
Receivables from third parties according to IAS 11 (percentage of completion method)	0	413
Receivables from tax authorities	515	523
Other	301	221
	11,910	**12,507**

A deduction of EUR 268,000 (Dec 31, 2010: EUR 506,000) was made from receivables from third parties.

Costs of EUR 0 (Dec 31, 2010: EUR 315,000) are set against receivables in accordance with IAS 11.

(6) Other assets

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Deferred charges	**317**	**161**



(7) Cash and cash equivalents

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Bank balances	6,627	4,941
Cash in hand	22	14
	6,649	4,955

Bank balances are freely available.

(8) Equity

Unchanged to the previous year, share capital includes Rath AG nominal capital of EUR 10,905,000. It consists of 1,500,000 non-par value shares. The shares are fully paid up.

The appropriateded capital reserves recorded in the parent company's individual financial statements (Dec. 31, 2011: EUR 1,118,000; Dec. 31, 2010: EUR 1,118,000) can only be released to balance out a loss that would otherwise be reported in the parent company's individual financial statements.

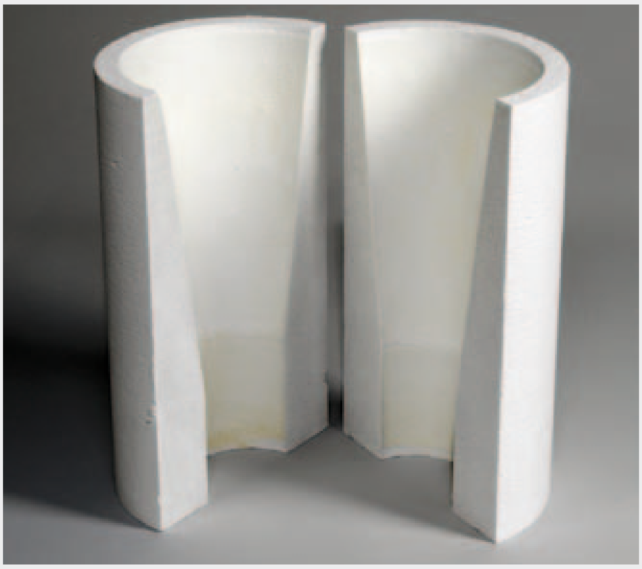
The available reserves are the result of carried forward profits and losses generated within the Group.

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, 2011, the parent company reports a balance sheet profit of EUR 698,000. Accordingly, the Executive Board shall propose a dividend of EUR 450,000 at the Annual General Meeting.

As of December 31, 2011, Rath AG does not hold any of its own shares. No shares (Dec. 31, 2010: none) are being held back for issue in connection with options or sale contracts.

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



Vacuum formed shapes

… are manufactured from mineral wools and high temperature insulating wools. Depending on the raw material these molded parts can be used at application temperatures of up to 1800°C. Since they have good thermal shock resistance, they are frequently used in special furnaces with short cycle times (laboratory furnaces).

(9) Employee benefits

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Provisions for pensions	1,965	2,053
Provisions for severance payments	710	676
	2,675	2,729

	Pensions		Severance payments	
	2011 [EUR'000]	2010 [EUR'000]	2011 [EUR'000]	2010 [EUR'000]
Defined Benefit Obligation (DBO)				
As of Jan 1	2,122	1,928	605	569
Service costs	0	0	17	17
Interest costs	90	102	27	31
Payments (benefits) during the financial year	-178	-169	-8	-100
Actuarial profit (+) or loss (-) during financial year	131	261	20	88
As of Dec 31	**2,165**	**2,122**	**661**	**605**
Defined Benefit Obligation (DBO)	2,165	2,122	661	605
Cumulative actuarial profit (+) or loss (-)	-200	-69	49	71
Provision as of Dec 31	**1,965**	**2,053**	**710**	**676**
Expenses recorded in income statement				
Service costs	0	0	17	17
Interest costs	90	102	27	31
Actuarial profit (+) or loss (-) realized	0	-14	-2	-7
Expenses recorded in income statement	90	88	42	41
Reconciliation of employee benefits				
Provision as of Jan 1	2,053	2,134	676	735
Expenses recorded in income statements	90	88	42	41
Payments (benefits) during the financial year	-178	-169	-8	-100
Provision as of Dec 31	**1,965**	**2,053**	**710**	**676**
Reconciliation of cumulative actuarial profits or losses				
Cumulative actuarial profit (+) or loss (-) as of Jan 1	-69	206	71	166
Amortization of actuarial profit / loss during the financial year	0	-14	-2	-7
Actuarial profit (+) or loss (-) during the financial year	-131	-261	-20	-88
Cumulative actuarial profit (+) / loss (-) as of Dec 31	**-200**	**-69**	**49**	**71**

	2011 [EUR'000]	2010 [EUR'000]	2009 [EUR'000]	2008 [EUR'000]	2007 [EUR'000]
Historical information - pensions					
Expected DBO at the end of the periods	2,042	1,867	1,928	1,988	2,082
Adjustments based on experience	-148	-80	15	5	5
Historical information - severance payments					
Expected DBO at the end of the periods	634	602	669	616	852
Adjustments based on experience	-20	-32	49	-97	-19

Pension payments to beneficiaries amounted to EUR 178,000 during the financial year (Dec. 31, 2010: EUR 169,000).

(10) Financial liabilities

	Dec 31, 2011			Dec 31, 2010		
	non-current [EUR'000]	current [EUR'000]	Total [EUR'000]	non-current [EUR'000]	current [EUR'000]	Total [EUR'000]
Bank borrowings						
Short-term loans	0	10,780	10,780	0	10,782	10,782
Export loans	0	2,963	2,963	0	2,963	2,963
Investment loans	5,047	5,821	10,868	4,714	3,390	8,104
Liabilities to other creditors						
Finance lease	2,263	1,347	3,610	3,499	1,251	4,750
	7,310	**20,911**	**28,221**	**8,213**	**18,386**	**26,599**

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

2011	[EUR'000]	due < 1 year [EUR'000]	due in 2 to 5 years [EUR'000]	due > 5 years [EUR'000]
Bank borrowings				
Short-term loans	10,780	10,780	0	0
Export loans	2,963	2,963	0	0
Investment loans	10,868	5,821	5,047	0
Liabilities to other creditors				
Finance lease	3,610	1,347	2,263	0
	28,221	**20,911**	**7,310**	**0**

2010	[EUR'000]	due < 1 year [EUR'000]	due in 2 to 5 years [EUR'000]	due > 5 years [EUR'000]
Bank borrowings				
Short-term loans	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	4,750	1,251	2,911	588
	26,599	**18,386**	**7,625**	**588**

The main conditions of financial liabilities are as follows:

Type of financing	Currency	Book value as of Dec 31, 2011 [EUR'000]	Effective interest 2011 %	Book value as of Dec 31, 2010 [EUR'000]	Effective interest 2010 %	Interest fixed/variable	Due
Short-term loans	EUR	9,713	2.2 - 3.59	9,765	1.88 - 2.98	variable	< 1 year
Short-term loans	USD	1,067	2.5	1,017	2.75	variable	< 1 year
Export loans	EUR	2,963	3.0	2,963	3.0	variable	< 1 year
Investment loans	EUR	7,935	3.00 - 5.85	8,104	3.00 - 5.85	variable	> 1 year
Investment loans	USD	2,933	1.83	0		variable	> 1 year
Finance lease	EUR	1,249	2.9	1,305	2.9	variable	> 1 year
Finance lease	USD	2,361	6.4 - 8.0	3,445	6.4 - 8.0	fixed	> 1 year
		28,221		26,599			

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

For part of the above variable loans there is an interest rate swap, details of which 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 EUR 3,445,000 (Dec. 31, 2010: EUR 3,873,000).

(11) Accruals and provisions

	Warranty [EUR'000]	Other [EUR'000]	Total [EUR'000]
As of January 1, 2010	**90**	**1,541**	**1,631**
Used	0	-318	-318
Created	0	303	303
As of December 31, 2010	**90**	**1,526**	**1,616**
Used	0	-298	-298
Created	32	346	378
As of December 31, 2011	**122**	**1,574**	**1,696**
non-current	0	229	229
current	122	1,345	1,467
	122	1,574	1,696

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 present value of the best estimate of these costs based on historical values.

The non-current provision relates to contractually agreed removal costs at a location. Other current provisions include significant personnel, consultancy costs.

(12) Income taxes

Income taxes break down as follows:

	2011 [EUR'000]	2010 [EUR'000]
Corporation tax for the financial year (actual tax liability)	1,086	793
Corporation tax arrears for previous years	19	0
Deferred taxes	-411	481
	693	1,274

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, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Deferred tax assets		
Liabilities from leasing transactions	312	326
Employee benefits	-115	-86
Other	-167	11
Loss carry forwards	4,125	3,903
	4,155	4,154
Deferred tax liabilities		
Property, plant and equipment	1,203	1,708
Other	14	28
	1,217	1,736
Deferred taxes (net)	2,938	2,418

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 carried forward of EUR 10,919,000 (Dec. 31, 2010: EUR 8,696,000) have been capitalized, as on the basis of existing plans it is probable they will be offset with future fiscal profits. Regarding the loss carried forward of EUR 10,689,000 (Dec. 31, 2010: EUR 8,092,000) 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. Losses carried forward can be carried forward without restriction.

A tax allocation contract in accordance with Section 9 paragraph 8 of the 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:

	2011 [EUR'000]	2010 [EUR'000]
Earnings before tax	2.987	1.464
Expected tax burden	25%	25%
	747	**366**
Tax burden reduction by:		
Research and investment sponsorships	-8	-31
Lower tax rates on profits at foreign subsidiaries	-11	-9
Higher tax rates on losses at foreign subsidiaries	-14	0
Losses carried forward not considered in previous years	-375	0
Impact of tax rate change	0	139

	2011 [EUR'000]	2010 [EUR'000]
Tax burden increase by:		
Non-deductible expenditures	89	6
Unrecognized deferred tax	0	369
Lower tax rates on losses at foreign subsidiaries	79	245
Higher tax rates on profits at foreign subsidiaries	69	61
Arrears payments for previous years	19	0
Other	99	128
Tax charge	**693**	**1,274**

(13) Trade payables and other liabilities

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Liabilities to third parties	8,553	6,199
Liabilities to participating companies	59	156
Other liabilities	2,122	1,934
	10,734	**8,289**
Of which non-current	113	52

Other liabilities break down as follows:

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Tax authorities	495	210
Health insurance	113	285
Unused leave	533	545
Other	981	894
	2,122	**1,934**

(14) Sales revenue and segment reporting

Business segments are shown by region. Segmentation by region corresponds with the Group's own internal reporting method. Assets and liabilities as well as revenues and costs are allocated to the individual business segments only if they are directly attributable or deemed to be attributable using a reasonable methodology to the respective business segments. 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.

In the table below, project sales during the financial year 2011 amounted to EUR 0 (Dec. 31, 2010: EUR 413,000) for "percentage of completion" and the costs for these projects amounted to EUR 0 (Dec. 31, 2010: EUR 315,000).

Segmentation includes the following regions:

Austria:	Rath Aktiengesellschaft, Aug. Rath jun. GmbH
Germany:	Rath GmbH
Hungary:	Rath Hungaria Kft.
Rest of Europe:	Rath zarotechnika 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 by customer location for revenue and by the location in which the items are situated for the assets.

Segmentation by region

2011	Austria [EUR'000]	Germany [EUR'000]	Hungary [EUR'000]	Rest of Europe [EUR'000]	USA [EUR'000]	Consolidated [EUR'000]	Total [EUR'000]
Product sales	19,411	19,517	6,349	1,722	10,174	0	57,174
Projects	7,289	10,632	1,005	3,734	1,845	0	24,504
Inter-segment sales	9,304	8,956	4,329	15	167	-22,771	0
Total	**36,005**	**39,106**	**11,682**	**5,470**	**12,186**	**-22,771**	**81,678**
Segment result (EBIT)	**142**	**3,237**	**218**	**271**	**-76**	**234**	**4,026**
Financial income	191	122	2	147	257	469	1,188
Financial expenses	-1,110	-216	-748	-13	-264	124	-2,227
Financial result	**-919**	**-94**	**-746**	**134**	**-7**	**592**	**-1,039**
Result before taxes	**-777**	**3,143**	**-528**	**405**	**-83**	**827**	**2,987**
Merger result	0	0	0	0	0	0	0
Income taxes	567	-994	11	-106	35	-206	-693
Result of the year	**-210**	**2,149**	**-517**	**300**	**-48**	**620**	**2,294**
Segment assets	41,600	35,069	12,176	2,927	20,461	-30,951	81,282
Segment liabilities	36,928	11,373	9,276	1,737	17,971	-30,749	46,533
Investments	1,321	1,444	218	32	2,812	0	5,826
Depreciation	1,272	1,230	336	43	761	0	3,642

2010	Austria [EUR'000]	Germany [EUR'000]	Hungary [EUR'000]	Rest of Europe [EUR'000]	USA [EUR'000]	Consolidated [EUR'000]	Total [EUR'000]
Product sales	18,719	18,577	5,541	1,478	8,976	0	53,291
Projects	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	225	-1,740
Financial result	**367**	**-1,451**	**-218**	**-19**	**-359**	**554**	**-1,126**
Result before taxes	**513**	**1,021**	**-186**	**447**	**-1,240**	**1,042**	**1,596**
Merger result	0	0	0	0	0	0	0
Income taxes	-120	-739	-162	-119	93	-227	-1,274
Result of the year	**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

(15) Cost of materials and purchased services

	2011 [EUR'000]	2010 [EUR'000]
Cost of materials	29,728	18,646
Cost of purchased services	14,592	10,342
	44,320	**28,988**

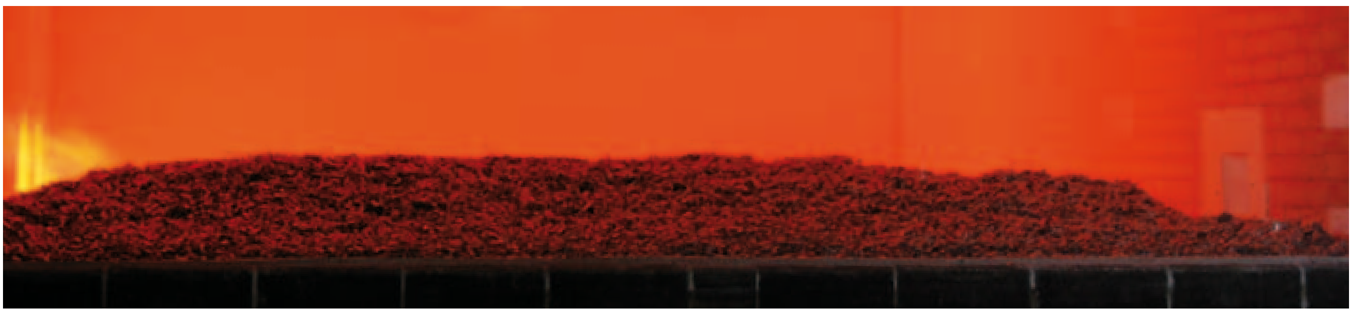
(16) Personnel expenses

	2011 [EUR'000]	2010 [EUR'000]
Wages and salaries	19,114	17,092
Expenses for statutory taxes and contributions	3,930	3,799
Contribution to staff provision funds	98	89
Expenses for severance and long-service payments	44	123
Other personnel expenses	240	179
	23,426	**21,281**
Average workforce:		
White collar	198	194
Blue collar	377	355
	575	**549**

Part-time workers are included in this breakdown pro rata temporis.

(17) Other operating income

	2011 [EUR'000]	2010 [EUR'000]
Income from previous periods	118	82
Release of provisions and value correction of receivables	347	73
Rental income	82	99
Funding/subsidies	174	119
Damage, insurance payments	7	124
Other	179	266
	907	**763**



(18) Other operating expenses

	2011 [EUR'000]	2010 [EUR'000]
Maintenance	3,012	2,131
Freight and own vehicle expenses	3,391	2,917
Rental and leasing expenses	1,033	1,071
Travel expenses	573	760
Legal, auditing and consultancy expenses	698	915
IT and communications expenses	827	752
Insurance	416	504
Commissions to third parties	396	366
Advertising and representation	406	368
R&D consultancy, technical audit costs	167	163
Other expenses	2,457	3,659
	13,375	13,606

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

(19) Financial income

	2011 [EUR'000]	2010 [EUR'000]
Interest and similar income	50	61
Exchange rate differences	1,138	554
	1,188	615

(20) Financial expenses

	2011 [EUR'000]	2010 [EUR'000]
Interest and similar expenses	1,315	1,321
Interest rate swap valuation	176	50
Exchange rate differences	736	502
	2,227	1,873

(21) Research and development expenses

Expenses include the following research and development expenses:

	2011 [EUR'000]	2010 [EUR'000]
Personnel costs	549	618
Technical audit costs	167	163
	716	781

4. Other information

4.1. Financial instruments

Financial instruments include non-derivative and derivative financial instruments.

Non-derivative financial instruments available within the Group mainly include financial investments, trade receivables and services, bank credits, financial liabilities and trade payables.

Derivative financial instruments break down as follows:

	Dec 31, 2011			Dec 31, 2010		
	Loan amount [EUR'000]	Reference value %	Fair value [EUR'000]	Loan amount [EUR'000]	Reference value %	Fair value [EUR'000]
Interest rate swap	4,500	4.35	-714	4,500	4.35	-538

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 fair value has been established on the basis of market prices and is included under Accruals and Provisions.

Market risk

The main market risks for the Rath Group are foreign currency risk, 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.

Interest rate fluctuation risk

Risks inherent to interest rate fluctuations mainly occur only in the context of long-term debt financing. A breakdown of all significant interest-bearing liabilities is given in the following table.

Foreign exchange risk

The Rath Group conducts its business internationally and is therefore also exposed to foreign 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.

Dense refractory bricks

… are shaped products with a bulk density of >1.5 kg/m³. For any application optimum durability can be achieved by a suitable combination of raw materials.

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 the maximum credit risk at the same time. Financial assets include the following as of the reporting date:

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Trade and other receivables	11,910	12,507
Cash and cash equivalents	6,649	4,955
Available for sale securities	624	634
Other assets	317	161
	19,499	18,257

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

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Receivables with large customers, gross	2,858	4,753
Receivables with others, gross	9,321	8,260
Total of trade and other receivables, gross	**12,179**	**13,013**
Adjustments	-270	-506
Total of trade and other receivables, net	**11,910**	**12,507**

Approximately 25% of trade receivables over the past financial year result from business relationships with 10 large customers.

The age structure of the receivables and the corresponding bad-debt write off provision break down as follows:

	Dec 31, 2011 Gross [EUR'000]	Dec 31, 2011 Provision [EUR'000]	Dec 31, 2010 Gross [EUR'000]	Dec 31, 2010 Provision [EUR'000]
Not yet due	4,498	0	4,815	0
Overdue 0 - 90 days	5,713	0	6,116	0
Overdue 91 - 180 days	1,459	-221	1,562	-456
Overdue 181 - 360 days	486	-25	521	-51
Overdue > 1 year	0	0	0	0
	12,156	-246	13,013	-506

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

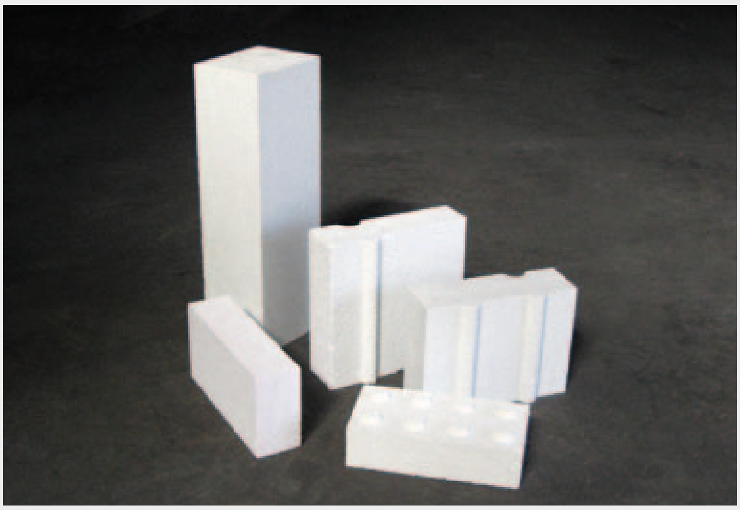
Liquidity risk

Liquidity risk is the risk of not being able to raise the required financial resources 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. Owing to the dynamic nature of the transactions in question, an effort is made to facilitate flexible raising of capital through the lines of credit provided.

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

	Total		Contractual cash flows				
Dec 31, 2011	Book value [EUR'000]	Contractual cash flows [EUR'000]	< 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							
Bank borrowings	24,611	25,074	10,855	3,044	5,344	5,830	0
Finance lease liabilities	3,610	3,930	777	777	1,461	916	0
Trade and other payables	10,734	10,734	10,622	0	113	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	714	770	64	64	128	385	128
	39,669	**40,508**	**22,317**	**3,885**	**7,046**	**7,131**	**128**

	Total		Contractual cash flows				
Dec 31, 2010	Book value [EUR'000]	Contractual cash flows [EUR'000]	< 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							
Bank borrowings	21,849	22,459	10,835	3,044	3,240	5,340	0
Finance lease liabilities	4,750	5,503	768	768	1,485	1,894	588
Trade and other payables	8,289	8,147	8,095	0	52	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	539	833	64	64	128	385	192
	35,427	**36,942**	**19,762**	**3,876**	**4,905**	**7,619**	**780**



Insulating fire bricks

… are bricks with a bulk density of 0.5 – 1.5 kg/m³. Their chemical and physical properties make it possible to meet the most demanding and varied of requirements. The bulk density is set at a level such that minimal heat conductivity can be achieved at the highest application temperature.

Currency risk

	Dec 31, 2011				Dec 31, 2010			
	EUR [EUR'000]	USD [EUR'000]	HUF [EUR'000]	Other [EUR'000]	EUR [EUR'000]	USD [EUR'000]	HUF [EUR'000]	Other [EUR'000]
Financial assets								
Trade and other receivables	7,047	2,636	857	1,370	6,996	1,956	1,785	1,027
Financial liabilities								
Bank borrowings	-17,373	-4,000	-3,238	0	-17,269	-1,017	-3,563	0
Finance lease liabilities	-1,249	-2,361	0	0	-1,305	-3,445	0	0
Trade and other payables	-7,507	-1,900	-859	-715	-6,504	-417	-849	-377
Net exposure	**-19,082**	**-5,625**	**-3,240**	**655**	**-18,082**	**-2,923**	**-4,234**	**650**

Conversion rates are given in section 2.4.

The following sensitivity analysis shows the effects of exchange fluctuations on the 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 2010, although the actual trend deviates from the assumptions made at the time.

Dec 31, 2011	USD [EUR'000]	HUF [EUR'000]	Other [EUR'000]	Total [EUR'000]
10% strengthening of the EUR				
Effect on result for the period	5	52	29	86
Effect on equity	-249	-290	-116	-655
10% weakening of the EUR				
Effect on result for the period	-5	-52	-29	-86
Effect on equity	249	290	116	655

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	-672
10% weakening of the EUR				
Effect on result for the period	-115	-35	-6	-156
Effect on equity	249	381	42	672

Interest rate fluctuation risk

	Book value 2011 [EUR'000]	Book value 2010 [EUR'000]
Fixed rate instruments		
Financial liabilities	2,361	3,445
	2,361	3,445
Variable rate instruments		
Financial liabilities	25,860	23,154
	25,860	23,154

The Rath Group does not report any fixed rate financial asset or liability in the financial statements at 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 the 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 2010.

	Gain/Loss		Equity	
Dec 31, 2011	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]	Increase by 1% [EUR'000]	Decrease by 1% [EUR'000]
Variable rate instruments	-259	259	-259	259
Interest rate swaps	45	-45	45	-45
Net cash flow sensitivity	-214	214	-214	214

	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

Monolithics

… are unshaped products in the form of concretes, castables and adhesives. Rath refractory castables offer a wide range of materials with the highest level of technical performance.

Fair values

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

	Dec 31, 2011		Dec 31, 2010	
	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	624	624	634	634
	624	**624**	**634**	**634**
Assets valued at amortized cost				
Receivables	12,227	12,227	12,668	12,668
Liquid assets	6,649	6,649	4,955	4,955
	18,875	**18,875**	**17,623**	**17,623**
Liabilities measured at fair value				
Interest rate swaps	-714	-714	-539	-539
	-714	**-714**	**-539**	**-539**
Liabilities measured at amortized cost				
Bank borrowings	-24,611	-24,611	-21,849	-21,849
Finance lease liabilities	-3,610	-5,859	-4,750	-5,915
Trade and other payables	-10,981	-10,981	-8,147	-8,147
	-39,202	**-41,451**	**-34,746**	**-35,911**

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 due to short-term maturity.

Hierarchy for fair value determination

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Dec 31, 2011	Level 1 [EUR'000]	Level 2 [EUR'000]	Level 3 [EUR'000]	Total [EUR'000]
Financial assets				
Financial assets available for sale	624	0	0	624
	624	**0**	**0**	**624**
Financial liabilities				
Derivative financial liabilities	0	-714	0	-714
	0	**-714**	**0**	**-714**
Total	**624**	**-714**	**0**	**-90**

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**

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. The 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 by 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. The capital structure is monitored continuously. 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 2010. The central factor of the monitoring process is return on equity; this is monitored continuously by the management and is defined as annual profit or loss to equity.

4.2. Contingent liabilities and other commitments

Contingent liabilities

The Rath Group has taken on the following contingent liabilities:

	Dec 31, 2011 [EUR'000]	Dec 31, 2010 [EUR'000]
Retentions for business partners	1,961	1,865

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.

Legal disputes

There are no major unsettled legal disputes pending as of the reporting date.

4.3. Business relations with related parties

All transactions with related parties are conducted under arm's lengh conditions. Related parties transactions with the Rath Group include the following:

- **Hausinhabung Walfischgasse, Dr. Ernst Rath and co-owner**
  Rental expenses including service charges: 2011 - EUR 143,000; 2010 - EUR 138,000
- **Dr. Ernst Rath Gesellschaft mbH**
  Consultation services: 2011 - EUR 0; 2010 - EUR 0
- **Dkfm. Paul Rath Gesellschaft mbH**
  Interest expenses: 2011 - EUR 3,000; 2010 - EUR 6,000
  Liabilities: 2011 - EUR 59,000; 2010 - EUR 156,000
- **Rath Holding GmbH**
  No transactions in the years 2011 and 2010
  Receivables: 2011 - EUR 1,000; 2010 - EUR 1,000

Executive Board of Rath AG, Vienna

Georg Rath
Matthias Rath

Supervisory board of Rath AG, Vienna

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

In 2011, members of the Executive Board received gross salaries totaling EUR 316,000 (Previous year: EUR 313,000), thereof EUR 0 (Previous year: EUR 0) 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 (Previous year: EUR 44,000), and EUR 178,000 for pension payments (Previous year: 169,000 Euros).

4.4. Auditing Fees

Fees incurred for the financial year in favor of the auditor PwC INTER-TREUHAND GmbH amounted to EUR 50,000, of which EUR 22,000 were for the audit of the consolidated financial statements (including financial statements of individual associated companies).

4.5. Earnings per share

The basic earnings 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.

	2011	2010
Proportion of consolidated result attributable to parent company shareholders in thousand EUR	2.293	177
Weighted number of shares in circulation	1.500.000	1.500.000
Result per share in EUR	1,53	0,12
Dividend payout per share for the financial year in EUR	0,00	0,00

The diluted earnings per share correspond to the basic earnings per share, as no financial instruments with a diluting effect are in use.

5. Events after the balance sheet date

No significant event of particular relevance for the Rath Group occurred after the balance sheet date.

These financial statements were prepared on April 11, 2012 by the company's Executive Board and have been submitted to the Supervisory Board on April 16, 2012 for review and approval.

Vienna, April 13, 2012

The Executive Board

Georg Rath

Matthias Rath

Even in 2011, instead of Christmas presents, a donation was given to **the möwe** – Child Protection Centers.

The möwe was founded nearly 23 years ago to help abused children and young people. As the first organization in Austria, **the möwe** has taken up the cause of this taboo area by providing therapeutic assistance to affected children and young people free of charge and also by working permanently with the public to raise social awareness about the problem.

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 fiscal year from January 1 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2011, and the notes to the consolidated financial statements.

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 the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 (ISAs) 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 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 are in accordance with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2011 and of its financial performance and cash flows for the fiscal year from January 1 to December 31, 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments 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, April 13, 2012

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Gerhard Prachner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

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 (HTIW)	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.
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).
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.
DBO (Defined benefit obligation)	Cash value of all forfeitable and non-forfeitable obtained entitlements
DISAGIO	The difference between issue and repayment amount of a liability.
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
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.
IAASB	International auditing and assurance standards board
IAS	International accounting standards (see IFRS)
IASB (International Accounting Standards Board)	International board for the definition of accounting standards
IFAC	International Federation of Accountants
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.
ISA	International Standards on Auditing
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
Sensitivity analysis	The sensitivity analysis is designed to identify correlations between input data for model calculations and target values of alternatives.
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.

Rath AG
Walfischgasse 14
A-1015 Vienna
Tel.: +43 (1) 513 44 27-0
Fax: +43 (1) 513 44 27-87

Rath GmbH
Ossietzkystraße 37/38
D-01662 Meißen
Tel.: +49 (3521) 46 45-0
Fax: +49 (3521) 46 45-86

Aug. Rath jun. GmbH
Hafnerstraße 3
A-3375 Krummnußbaum
Tel.: +43 (2757) 24 01-0
Fax: +43 (2757) 24 01-86

Rath žárotechnika spol. s r.o.
Vorlešska 290
CZ-544 01 Dvůr Králové nad Labem
Tel.: +420 (499) 321 577
Fax: +420 (499) 321 003

Rath Hungaria Kft.
Porcelán utca 1
H-1106 Budapest
Tel.: +36 (1) 43 300 43
Fax: +36 (1) 26 190 52

Rath Polska Sp. z o.o.
ul. Fabryczna 1
PL-42 530 Dąbrowa Górnicza
Tel.: +48 (32) 268 47 01
Fax: +48 (32) 268 47 02

Rath USA Inc.
300 Ruthar Drive, Suite 1
Newark, DE 19711
Tel.: +1 (302) 294 4446
Fax: +1 (302) 294 4451

Rath SAS
60, route principale du Port
F-92637 Gennevilliers Cedex
Tel.: +43 (1) 513 44 26-0
Fax: +43 (1) 513 44 26-86

Rath Refractories Inc.
290 Industrial Park Drive
Milledgeville, GA 31061
Tel.: +1 (478) 452 0015
Fax: +1 (478) 452 0070

Rath Ukrajina TOW
Prospekt Osvoboshdenije Donbassa 8b
Office 206
UA-83048 Donezk
Tel: +380 (62) 345 33 06
Fax: +380 (62) 345 63 26

Rath Inc.
300 Ruthar Drive, Suite 1
Newark, DE 19711
Tel.: +1 (302) 294 4446
Fax: +1 (302) 294 4451

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Rath Aktiengesellschaft, Walfischgasse 14, A-1015 Vienna
Person responsible for IR and compliance: Georg Rath

Internet: www.rath-group.com
E-mail: info@rath-group.com