2013

ANNUAL REPORT

top technology
creates confidence

RATH

KEY FIGURES

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	2013 *EUR'000*	2012 *EUR'000*	2011 *EUR'000*	2010 *EUR'000*
Sales	**79,410**	86,671	81,678	74,867
Change in %	**-8.4**	6.1	9.1	-3.6
EBIT	**1,353**	2,233	4,026	2,722
EBIT margin in %	**1.7**	2.6	4.9	3.6
EBT	**-248**	818	2,987	1,464
Operative Cash flow	**1,158**	-916	5,972	6,669
Capital ratio in %	**43.1**	42.5	42.7	43.7
Return on equity in %	**-0.4**	1.6	6.6	0.6
Working Capital in %	**93.8**	89.2	89.0	97.3
ROCE in %	**2.0**	4.1	8.4	7.4
WACC in %	**4.4**	6.5	8.0	7.9
Investments in property	**1,388**	2,928	5,783	2,218
Depreciations	**3,779**	3,862	3,642	3,661
Number of employees in annual average	**611**	614	575	549
Number of consolidated corporations	**11**	11	8	8

ANNUAL REPORT 2013

RATH GROUP

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CONTENT

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THE COMPANY

WE OPERATE IN OVER 50 COUNTRIES AROUND THE WORLD

With a broad range of refractory products, the Rath Group is an international company that is one of the best-known specialists in the field of refractory technologies. As a full-service provider, we not only offer our customers a broad range of refractory materials such as dense bricks, castables, monolothics, vacuum-formed products and high temperature insulating wool, but also support them with overall solutions and specific expertise – from the planning stage through to installation.

Today, the Rath Group has seven production sites and employees around 550 people in Europe and the USA. You will predominantly find our ideas in sectors that place the highest demands on materials' performance. After all, this is precisely what our technology is designed for.

Metals
The aluminum, iron and steel industries all require the use of high-performance materials. Rath uses individual solutions to play an essential role in increasing productivity or improving the cleanliness of the material. In times of rising energy costs and growing environmental awareness, our products guarantee energy savings and environmental friendliness.

Ceramics
The production of ceramics, originally from clay, is one of the oldest cultural techniques. Today, ceramic products made from the broadest range of raw materials can be found in almost all areas of life and technology. With efficient firing units and optimally customized solutions for refractory linings, we have the key success factors for modern ceramic production.

Special furnaces
We offer tailor-made solutions for special furnaces. Our specialist expertise in the refractory sector enables us to fulfill all customer requests. Often, this involves prototypes or small series production, for example of insulating elements for gas-phase chromatographs or linings for laboratory kilns.

Glass
It is hard to imagine life without glass. Yet producing it requires great expertise. The quality of the refractory material is a key factor for both technical and economic success. We offer customized refractory solutions for the many areas of glass production so as to fulfill the high quality and effectiveness standards.

Fuels & chemicals & energy
The rapidly increasing quantities of waste produced worldwide and the sharply rising demand for energy call for the increased use of sustainable raw materials. However, energy production and waste disposal plants must also be continually expanded and improved to withstand the high levels of strain. Our high-performance refractory materials ensure the productivity of every plant – from refineries through fertilizer plants to chemical complexes.

Ambiance fireplaces
Rath is a stove specialist. Based on its expertise, developments have included the biological combustion chamber burn-up system, which is characterized by high combustion temperatures, good intermixing of the flue gas and oxygen and an optimum combustion air supply. Our technology therefore ensures clean combustion with extremely low emissions values, which comply with all current legal regulations.

DEAR SIR OR MADAM,
DEAR SHAREHOLDERS,

A challenging 2013 financial year with major and far-reaching changes is now behind us and necessary strategic measures have been taken to lead our Group along the road to a successful and profitable future.

The strategy defined within the scope of the Group-wide transformation scheme introduced in mid-2013, with the overall objective 'margin over volume' clearly highlights the Rath Group's priorities for the coming years. The core element of the strategy is the focus on taking a holistic approach to enhance the efficiency of the value added chain. The hard work required in this regard was started in the broadest range of departments and the first successes were recorded.

Additional potential has also been tapped into by further strengthening the area of central strategic purchasing. The positive effects of this potential will already become evident this year. Group-wide reductions in production, material and structural expenses only had noticeably positive results in the fourth quarter of 2013. The focus on a lean cost structure is once again a priority this financial year. Organizational changes with the main focus on enhancing our engineering and application expertise result in increased production stability, accelerated product developments and the further strengthening of our range of services, which stretches from complete engineering, production and installation to installation supervision.

The tough market environment, shaped by an ailing economy and intense competition for market penetration, also made it necessary to adapt the sales structure. The Rath Group has therefore aimed its strategic sales focus at effective regional management.

This guarantees greater customer proximity so as to understand requirements more quickly and jointly develop the best solutions. Each of our regions is managed by an experienced refractory specialist with the support of sector experts and application specialists.

PREFACE BY THE EXECUTIVE BOARD

As a premium provider of cutting-edge technology in the refractory industry, we believe that it is our responsibility to constantly improve. As a result, we once again have great ambitions for the new financial year. Cutting-edge technology creates trust – a key element in helping us to retain our position as an attractive partner and expert for our customers and partners' requirements.

In this regard, we would like to thank all of our employees for their tireless work and commitment over the last financial year.

And, of course, our thanks also go out to our customers and shareholders for showing our company such trust and loyalty over many years.

Your Executive Board

Andreas Pfneiszl

Jörg Sitzenfrey

WORK/LIFE

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We are more than just a company.

We are part of a society. We are an employer, employees, supervisors, colleagues, friends, parents, children, producers and consumers – and sometimes all of these things at the same time.

JÖRG SITZENFREY
COO
Joined the Rath Group in 2012

After graduating from his degree in industrial engineering, Jörg Sitzenfrey spent more than 11 years working for an international consulting firm that specializes in production management and process and organization optimization. In 2012, he then joined Rath as Head of Operations. In January 2013, Jörg was appointed to the Executive Board as COO and is responsible for not only Production but also the Research & Development, Process Management and SAP/IT departments.

A STRONG TEAM

ANDREAS PFNEISZL
CFO, CSO
Joined the Rath Group in 1999

After qualifying as a wholesale trader, Andreas Pfneiszl worked in several positions within the Finance and Controlling departments of various companies before joining Rath in 1999 as Head of Corporate Finance and Controlling. He was appointed to the Executive Board in June 2013 and is now responsible for not only Finance/Investor Relations but also the Sales & Marketing, Purchasing and HR departments as CFO and CSO.

WE KEEP A COOL HEAD AT UP TO 1,850 DEGREES

—

In our company, safety and security are top priorities.
This not only involves operational security measures but also solid controlling. And outside the company? Refractory technologies help make everyday life that little bit safer.

BRITTA KAMITZ

CONTROLLING

Joined the company on May 5, 2008

"For me, safety and security are top priorities – both at home and at work."

WE LIVE IN THE FUTURE - AND HAVE DONE SINCE 1891

—

Progress is essential to the company's success and our ability to remain competitive.
From stoves to research vehicles on Mars, Rath high-performance materials make it possible to realize innovations that our ancestors would have thought impossible.

RICHARD JÄGER

HEAD OF THE ASSEMBLY DEPARTMENT

Joined the company on October 1, 2006

"I am fascinated by the rapid pace of technical development and new inventions. Every day, progress makes my life a little bit easier."


THARHONI CHOKRI
PRODUCTION, KRUMMNUSSBAUM
Joined the company on May 6, 2013
"For me, stability means a good balance between my job and my family."
GLASS
METALS

WE ARE CREATING A STABLE COMPANY FROM 560 TONNES OF RAW MATERIAL

Stability is key to sustainable success.
We reliably produce refractory solutions for our partners to safeguard the manufacturing of numerous products. Continuity and reliability are of tremendous importance: after all, economic success and social stability go hand in hand.

OUR BUSINESS IS ON THE MOVE AND SO ARE WE: WE TRAVEL 1.5 MILLION KILOMETERS A YEAR FOR OUR CUSTOMERS

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Mobility is the catalyst of globalization.
As refractory solution professionals we offer services to customers worldwide in the broadest range of sectors. However, our technology does more than just get us out and about: it also ensures economic and social mobility all over the world.

DR. GERNOT MEVEC

REGIONAL SALES MANAGER FOR ASIA II AND AUSTRALIA

Joined the company on June 1, 2007

"I like riding my bike as a way to balance work and life. For me, mobility primarily means freedom and independence."

THE SHARES

The Rath shares

After a good start to 2013 with a share price of EUR 8.49, the price fell by approx. 20 % to EUR 6.80 by the middle of the year (July 31, 2013). Over the remainder of the year, however, the share price remained stable and closed at EUR 6.61 at year end.

Investor relations

The aim of Rath Aktiengesellschaft's capital market communication is to provide rapid, comprehensive and regular information about market-relevant developments. We regard ourselves as a judicious point of contact for creating a fair and reasonable assessment of the Rath share.

The main focus is on always conveying a picture of the company that reflects the actual situation (a 'true and fair view').

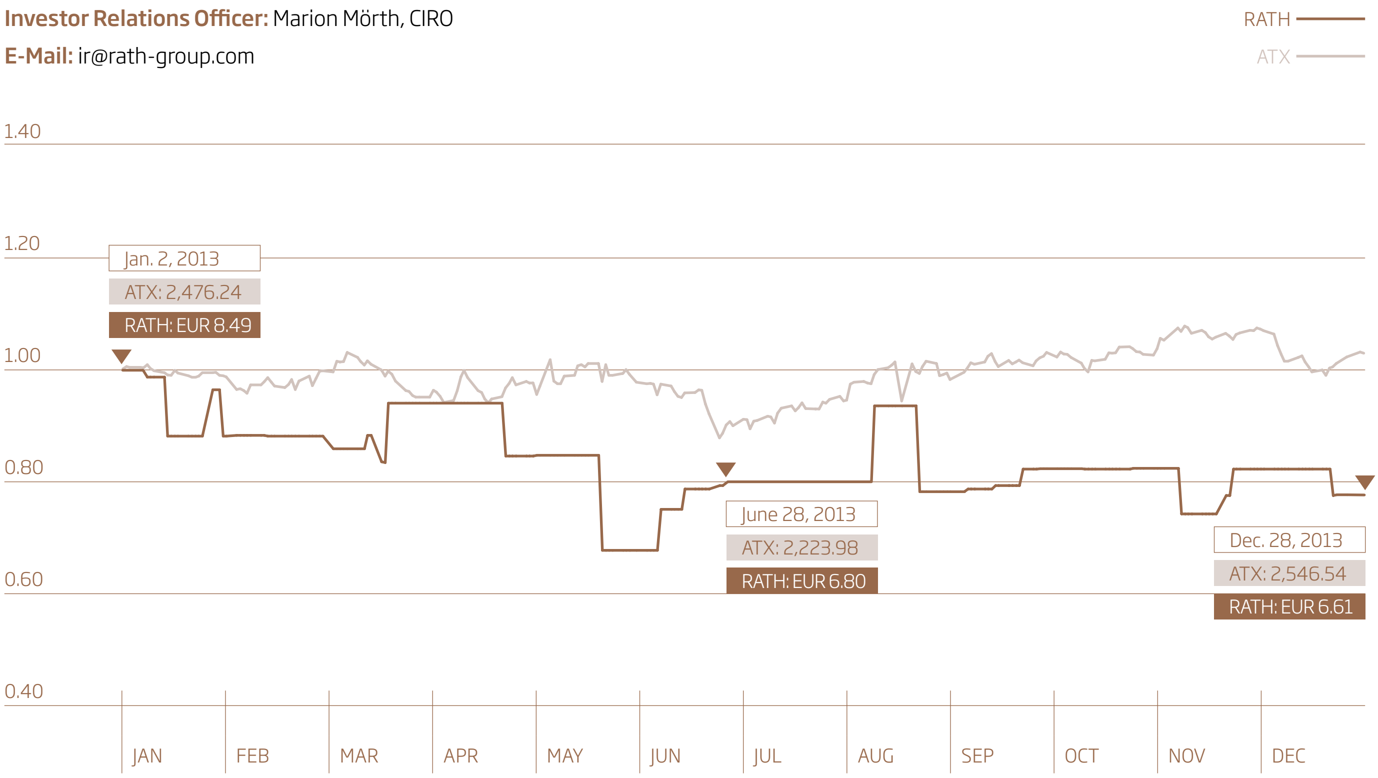
We do not regard investor relations as an obligation to inform our shareholders about the company, but rather as an opportunity to acquire new investors both in Austria and abroad.

STOCK MARKET KEY FIGURES	
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 Dec. 28, 2013	EUR 6.61
Market capitalization	EUR 9,915,000.00
Earnings/share	EUR -0.08

Capital market calendar 2014

June 23, 2014	Annual General Meeting
August 29, 2014	Half-year results 2014
November 14, 2014	3rd quarter results 2014

Investor Relations Officer: Marion Mörth, CIRO
E-Mail: ir@rath-group.com



CORPORATE GOVERNANCE REPORT IN ACCORDANCE WITH SECTION 243B UGB (AUSTRIAN COMMERCIAL CODE)

By implementing the Austrian Code of Corporate Governance, the Rath Group follows the regulatory framework with standards for responsible leadership and company management. This contains the conventional international standards for good corporate governance (OECD regulations, EU transparency directive) but also the regulations established in Austrian corporation law (Börsegesetz [Stock Exchange Act], Gesellschaftsrechtsänderungsgesetz 2013 [Company Law Reform Act 2013] and Unternehmensrechtsänderungsgesetz 2008 [Company Law Reform Act 2008]) that are of significance in this context. High transparency is therefore achieved for all company stakeholders. The Code is publicly accessible on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

To prevent insider trading, a regulation has existed since 2002 on the basis of the Compliance Decree for Issuers from the Austrian Financial Market Authority. The Code of Conduct updated in 2010 applies to all employees. It contains all rules on conduct and provides guidance on Rath employees' basic ethical and legal obligations.

Following the two revisions to the Code of Corporate Governance in 2012, the latest version now applies. The main focus points of the Code revision in 2012 were the further development of the rule on diversity and new rules for improving cooperation between the Supervisory Board and auditors. Further changes relate to measures for combating corruption and the restriction on the transfer from the Management Board to the position of Chairman of the Supervisory Board.

The Code includes three rule categories:

1. Legal requirements ('L') are mandatory laws.
2. C' rules (Comply or Explain) should be followed; any deviation must be explained and justified so as to achieve code-compliant conduct.
3. Recommendations ('R') are advisable but not mandatory.

Rath applies the full scope of the July 2012 version of the Code of Corporate Governance with the following further explanations:

Make-up, period of tenure and responsibilities of the Executive Board (point 16 ACCG)

The Executive Board is made up of Jörg Sitzenfrey, born 1976, who, as Production Director, has been responsible for the Production, Research & Development, SAP, Information Technology and Process Management departments since January 1, 2013, and Andreas Pfneiszl, born 1969, who, as Sales and Finance Director, has been responsible for commercial operations since June 10, 2013. Both board members are appointed until December 31, 2015. The organizational structure enables great flexibility and an efficient work process in the Executive Board.

Stepped down on June 10, 2013

Georg Rath, born 1970
Member of the Executive Board; areas of responsibility:
Marketing and Sales, Finance and Accounting, Investor Relations and Quality Management
Dr. Matthias Rath, born 1968
Member of the Executive Board; areas of responsibility:
Research and Development, HR, Purchasing

Report on the remuneration of Executive Board members (points 30 and 31 ACCG)

The remuneration of the Executive Board members is based on the scope of their duties, their responsibilities and their personal performance as well as the achievement of company targets and the size and financial situation of the company. Performance-related remuneration at Rath Aktiengesellschaft is not provided via share options but instead depends on variable performance criteria. These include meeting predefined targets with regard to the business results as well as qualitative and quantitative targets.

Of the total remuneration of the Executive Board in 2013, 86.2 % was fixed and 13.8 % was performance related. The upper limit for the variable remuneration has been set at 50 % of the basic remuneration.

		2013 EUR'000	2012 EUR'000
Jörg Sitzenfrey	Fixed remuneration	157	0
	Variable	19	0
		176	**0**
Andreas Pfneiszl	Fixed remuneration	80	0
	Variable	5	0
		85	**0**
Georg Rath	Fixed remuneration	139	159
	Variable	35	46
		174	**205**
Dr. Matthias Rath	Fixed remuneration	163	159
	Variable	29	49
		192	**208**
Total Executive Board remuneration		**626**	**413**

Should the role of Executive Board members be terminated, these shall have no special claims or entitlements over and above statutory requirements. A valid liability insurance policy (D&O Versicherung) exists for the Rath Group management.

The duties of the remuneration committee are performed by the entire Supervisory Board. Stefan Ehrlich-Adám has particular expertise and experience in the field of remuneration policy.

Make-up of the Supervisory Board

The Supervisory Board is currently made up of the six of members elected by the General Meeting. These are all qualified to hold such positions because of their excellent business and legal expertise, personal qualifications and years of experience. All members are Austrian citizens.

Independence of the Supervisory Board (points 53 and 54 ACCG)

According to the general clause of point 53, a member of the Supervisory Board shall be deemed 'independent' if said member does not have any business or personal relations to Rath Aktiengesellschaft or its Executive Board that constitute a material conflict of interests and are therefore suited to influence the behavior of the members. The criteria established in Annex 1 of the Code of Corporate Governance are used as guidelines.

Committees and activity of the Supervisory Board (points 36 and 39 ACCG)

The Rath Aktiengesellschaft Supervisory Board is made up of experts who specialize in various disciplines and holds meetings at regular intervals to deal with multiple matters including both strategic and balance-sheet-related company matters. To this effect, the Rath Ak-

MEMBER OF THE SUPERVISORY BOARD	DEPENDENT OR INDEPENDENT	BORN	SB MANDATE OR COMPARABLE FUNCTIONS	INITIAL APPOINTMENT	END OF CURRENT PERIOD OF TENURE
Stefan Ehrlich-Adám (Chairman)	Independent	1964	Managing Director of EVVA Sicherheitstechnologie GmbH	June 25, 2013	2018
Philipp Rath (Vice Chairman)	Dependent	1966	Auditor and partner at Grant Thornton Unitreu GmbH	July 17, 2003	2018
Paul Rath	Dependent	1934	Managing Director of Rath Holding GmbH	Sept. 14, 1989	2018
Christian B. Maier	Independent	1966	Chief Financial Officer of Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft	June 27, 2008	2018
Roula Millauer	Independent	1964	Roula Millauer Consulting	June 25, 2013	2018
Dieter Hermann	Independent	1966	Managing Director/Chairman of Treibacher Schleifmittel GmbH	June 25, 2013	2018
Stepped down on June 25, 2013 (GM 2013)					
Dr. Heinz Kessler (Chairman)	Independent	1938	Vice Chairman of the Supervisory Board of Erste Bank AG	July 28, 1999	2013
Dr. Ernst Rath (Vice Chairman)	Dependent	1938	Managing Director of Rath Holding GmbH	June 27, 2008	2013
Dr. Gerd Unterburg	Independent	1940	Vice Chairman of the Board of Directors of Hoerbiger Holding AG	July 12, 2005	2013

tiengesellschaft Supervisory Board is also involved in all of the basic decisions by the Executive Board as an advisory body.

Aside from the Audit and Strategy Committees, the Rath Aktiengesellschaft has not established any further committees. The Audit Committee is made up of the following Supervisory Board members: Roula Millauer as Chairperson, Philipp Rath, Christian B. Maier and Dieter Hermann. The Audit Committee held two meetings in 2013, which dealt with the preparation and analysis of the financial statements and the internal control, revision and risk systems. The auditor attended both meetings.

The Strategy Committee is made up of the following Supervisory Board members: Stefan Ehrlich-Adám, Philipp Rath, Paul Rath and Dieter Hermann. The Strategy Committee met once in 2013 to discuss the new regional sales strategy.

In 2013, the Supervisory Board held seven ordinary meetings with a 100 % attendance rate. Further details of the main focus points of the Supervisory Board's activities in the year under review can be found in the report of the Supervisory Board.

Report on the remuneration of Supervisory Board (point 51 ACCG)
The remuneration of the Supervisory Board members for the 2013 financial year was set at the General Meeting on June 25, 2013. For their activities in 2013, the Supervisory Board received total remuneration of EUR 50,100 (2012: EUR 44,000) plus pension payments of EUR 134,000 (previous year: EUR 179,000).

Internal audit
The internal audit tasks are conducted by Process Management. The Executive Board receives regular reports on the key results of this work. Up-to-date information on the implementation of the Code and amendments as a result of statutory changes can be found on the Rath Group website (www.rath-group.com). Corresponding inquiries will be answered by the Executive Board member responsible for Investor Relations during the year or the Chairman of the Supervisory Board at the General Meeting.

Vienna, April 25, 2014

Executive Board

Andreas Pfneiszl

Jörg Sitzenfrey

DECLARATION BY ALL LEGAL REPRESENTATIVES IN ACCORDANCE WITH SECTION 82 (4) Z 3 BÖRSEGESETZ [STOCK EXCHANGE ACT]

We confirm to the best of our knowledge that the consolidated financial statements established according to the authoritative accounting standards give as accurate a representation as possible of the Group's assets, finances and income, and that the consolidated annual report presents the activities, results and position of the Group so as to give as accurate a representation as possible of the Group's assets, finances and income, and that the consolidated annual report describes the main risks and uncertainties faced by the Group. We confirm to the best of our knowledge that the parent company's financial statements, established according to the appropriate accounting standards, give as accurate a representation as possible of the company's assets, finances and income, and that the management report presents the activities, results and position of the Group so as to give as accurate a representation as possible of the Group's assets, finances and income, 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, 2013 are not necessarily indicative of future results.

Vienna, April 25, 2014

Executive Board

Andreas Pfneiszl

Jörg Sitzenfrey

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

For the Rath Group, 2013 was dominated by our group-wide restructuring and optimization scheme. Intensive exchanges continually took place between ourselves and the Executive Board, during which risks and opportunities were regularly discussed.

The Executive Board immediately informed the Supervisory Board of notable incidents and outlined the options for action. 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. In 2013, we carried out an evaluation of the Supervisory Board's activities during the previous year, 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.

In 2013, one extraordinary and seven ordinary (including a constituent meeting) Supervisory Board meetings were held. All members attended all meetings in person with few exception.

At the meeting on March 14, 2013, the new rules of procedure were presented and agreed upon and a report was presented on the preceding financial year. The activity report regarding the Issuer Compliance Directive was taken note of and the Supervisory Board's activity during the previous year was discussed. At the meeting on April 25, 2013, the 2012 financial statements and management report as well as the 2012 consolidated financial statements and management report were reviewed, the 2012 financial statements were assessed as recommended by the Audit Committee and the proposal for the distribution of profits from the financial year 2012 was approved. Moreover, the proposal for the election of the financial auditor was also adopted, preparations were made for the General Meeting and a report was presented on the current business situation. At the extraordinary meeting on June 10, 2013, Andreas Pfneiszl was appointed to the Executive Board. The meeting on June 25, 2013 was mainly used for the preliminary discussion regarding the General Meeting. During the constituent Supervisory Board meeting, held after the General Meeting but on the same day, the Chairman and Vice Chairman of the Supervisory Board were elected and the committee members were appointed. At the meeting held on July 1, 2013, the half-yearly financial report was discussed, deliberations were held on the current business situation and the rules of procedure for the new Executive Board were adopted. Reports were also presented on the sales companies in Argentina and Brazil. On September 16,

2013 discussions were held about the production status and the strategy in South America and a decision was taken on the procuration of Manfred Salinger. At the final meeting of the year on December 13, 2013, the 2014 budget, including investments, was approved.

Committees

The Supervisory Board has set up two committees. The Audit Committee met twice in 2013. On April 25, 2013, the Audit Committee held its concluding meeting for the 2012 financial year. The annual financial statements and management report as well as the consolidated financial statements and management report were reviewed and the Supervisory Board was recommended to approve the financial statements and the selection of the financial auditor. At the meeting on December 13, 2013, the auditors provided an update on the status of the preliminary audit of the financial statements and consolidated financial statements.

The Strategy Committee met once in 2013. The meeting on October 21, 2013 focused on an overview of the Rath Group strategy as well the sales and production strategy.

Financial statements

The financial statements of Rath Aktiengesellschaft as of December 31, 2013 and the management report of the Executive Board as well as the consolidated financial reports as of December 31, 2013 and the consolidated annual report of the Executive Board were audited with the help of the books of accounts, and certified by the financial auditors elected at the General Meeting held on June 25, 2013, PwC Wirtschaftsprüfung GmbH, Erdbergstraße 200, 1030 Vienna.

Together with the auditors, the Audit Committee of the Supervisory Board analyzed the findings of the audit of the annual accounts on April 22, 2014 and recommended the approval of the financial statements and consolidated financial statements to the Supervisory Board.

The Supervisory Board reviewed and approved the financial statements of Rath Aktiengesellschaft as of December 31, 2013 and the management report of the Executive Board as well as the consolidated financial reports as of December 31, 2013, the consolidated annual 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 Section 96 (4) AktG (Stock Corporation Act).

Vienna, April 28, 2014

Stefan Ehrlich-Adám
Chairman of the Supervisory Board

CONSOLIDATED ANNUAL REPORT

CONSOLIDATED ANNUAL REPORT 2013

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ECONOMIC CLIMATE

Following the end of the recession in around mid-2013, moderate economic upturn was seen in Europe with very different starting points and continuing diverging trends in individual countries. An improvement in economic development was recorded in Central and Eastern Europe as well as in Asia. In the Euro Zone, according to preliminary estimates, the real economic performance in 2013, measured by means of GDP growth, increased by 0.1 % as in the previous year. Germany recorded moderate growth of approximately 0.4 % (2012: +0.7 %). GDP growth in Austria weakened slightly in 2013 to approximately 0.4 % (compared to +0.9 % in the previous year). Italy (-1.9 %; 2012: -2.4 %) remained solidly in a period of recession. Switzerland recorded a solid +2.0 % (2012: +1.0 %).

In 2012, the USA surprised economists with GDP growth of 2.8 % and was able to record further growth of 1.9 % in 2013. In China, the economic growth rate in 2013 remained unchanged at 7.7 % (2012: 7.7 %). In 2013, the European Central Bank (ECB) reduced the main refinancing operations rate in two stages to 0.25 % as at the end of December.

	REAL GDP CHANGE *AS A PERCENTAGE*			
	2011	2012	2013	2014
Austria	+2.8	+0.9	+0.4	+1.7
Germany [1]	+3.3	+0.7	+0.4	+1.9
Italy [1]	+0.4	-2.4	-1.9	+0.3
Switzerland [1]	+1.8	+1.0	+2.0	+2.2
Japan	-0.5	+1.4	+1.5	+1.4
China	+9.3	+7.7	+7.7	+7.6
USA	+1.8	+2.8	+1.9	+2.7
EU 27/28	+1.7	-0.4	+0.1	+1.5

[1] According to IHS forecast, Germany from 2011
Source: WKO – Economic Situation and Outlook, version: March 2014

SECTOR ENVIRONMENT

After the situation in the European financial markets further calmed down at the start of the year, the fragile combinations of strained public finances in Europe and a tarnished banking sector brought uncertainties back to the fore.

The reform efforts of the peripheral Euro Zone countries bore their first fruits in the second half of the year. For example, the labormarket reforms gave rise to further progress in terms of reducing unit labor costs. As a result of the increased competitiveness, the Euro crisis states were able to show clear export growth in some areas. The positive development of economic leading indicators led to an improvement in the economic climate in Europe in the second half of the year. According to the Markit purchasing managers index, the Euro Zone therefore recorded its strongest growth for over two years, giving rise to expectations of gradual economic recovery.

BUSINESS PERFORMANCE 2013

The Rath Group looks back at an extremely eventful financial year with far-reaching changes. In the preceding financial year, there were major changes to the senior management team. The Executive Board members Georg Rath and Dr. Matthias Rath did not extend their mandates and instead left the Rath Group in June on mutual agreement with the Supervisory Board. The Supervisory Board appointed Andreas Pfneiszl as an Executive Board member. Together with Jörg Sitzenfrey, he makes up the Rath Group management team.

When looking at the four preceding quarters of 2013, an improvement can be seen in the key performance indicators:

	Q1 *EUR'000*	Q2 *EUR'000*	Q3 *EUR'000*	Q4 *EUR'000*	YEAR AS A WHOLE *EUR'000*
Sales	18,141	20,302	19,229	21,739	79,410
EBIT	-543	58	72	1,765	1,353
EBIT without non-recurring effects	-543	558	772	1,765	2,553
Employees Ø	625	622	619	578	611

Sales development

Low or negative economic growth in most major sales markets and a highly competitive environment have negatively affected the Rath Group's sales development.

The consolidated sales therefore fell to EUR 79,410,000, a reduction of 8.4 % or EUR 7,261,000 compared to the previous year, 2012. The fall in sales can be largely attributed to the EUR 5,987,000 decline in project business. On the European market, the Rath Group is strongly focused on project business and was unable to win the planned project contracts for the 2013 financial year. Our American companies with twosites (Newark, Delaware and Milledgeville, Georgia), also had to lower their sales forecasts and closed the financial year with their sales down EUR 1,335,000. Worthy of note is the positive development of our Hungarian subsidiary, Rath Hungaria Kft, Budapest, which ended the year with a EUR 766,000 increase in sales. Further details can be found in the segment report on page 54.

Development of earnings

The EBIT shrank by EUR 881,000 to EUR 1,353,000 compared to the comparative period in 2012 with an EBIT of EUR 2,233,000. In this context, it is necessary to mention the non-recurring effects of approx. EUR 700,000 from the social plan (personnel costs) for the closure of our castables plant in Wirges, Germany, and the one-time expenditure for the accruals and provisions (personnel costs) of the two outgoing members of the Executive Board in the amount of EUR 500,000. An EBIT adjusted by these non-recurring effects shows an improvement to EUR 2,553,000.

As a result of the Euro becoming stronger than the US Dollar and the Hungarian Forint in the preceding financial year, the Rath Group had to post exchange rate losses of approximately EUR 700,000 in the financial result. In the comparative period in the previous year, the currency losses were less than EUR 100,000.

The cash flow from operating activities was improved to EUR 1,158 (previous year: EUR -916,000); the debt ratio (net financial liabilities compared to stockholders' equity) deteriorated from 76.7 % to 78.6 %. The capital ratio improved from 42.5 % in 2012 to 43.1 % in the year under review.

The cost of materials and purchased services including stock changes in relation to the sales fell from 46.2 % to 43.7 % compared to the previous year. The positive development can be attributed to optimized production processes and the initial successes of the purchasing offensive that was introduced. The aforementioned effects will continue to be seen this financial year and thus positively affect the development of earnings.

Personnel expenses rose from EUR 25,724,000 to EUR 27,191,000 (+5.7 %). This was caused firstly by increased pay rates in our European companies and secondly by the inclusion of the aforementioned non-recurring effects of EUR 1,200,000 in the personnel expenses.

The personnel expenses adjusted by the non-recurring effects therefore amount to EUR 25,991,000.

The other operating expenses sank by 16.3 % from EUR 15,213,000 in the previous year to EUR 12,731,000. This can be predominantly attributed to the saving policy implemented in the second half of 2013 and the lower sales in the freight sector. Among other areas, notable savings were made in relation to maintenance work.

Compared to the previous year, the financial result deteriorated by EUR 186,000 to EUR -1,601,000. The currency exchange situation between USD/EUR and HUF/EUR led to negative changes to the valuation. The currency losses amounted to EUR 699,000, or EUR 611,000 more than in the comparative period. At the same time, a positive trend reversal could be seen via the assessment of an interest rate swap. This positively affects the financial result with EUR 202,000. In the previous year, we still had to bear a debt of EUR 162,000.

The consolidated result is EUR -119,000 (previous year: EUR 561,000). As a result of the negative consolidated result, the Executive Board will not recommend a dividend payout at the upcoming General Meeting.

Development of the assets and financial position

The assets and financial position of the Rath Group remained solid at the end of the 2013 financial year. On the asset side, the non-current assets fell by EUR 2,380,000 to EUR 40,335,000. The change can be primarily attributed to the ongoing depreciation of the property, plant and equipment and the increase in deferred taxes. At the same time, the current assets increased by EUR 267,000 to EUR 37,744,000, particularly in the receivables area. The capital ratio could be improved from 42.5 % in 2012 to 43.1 % in the year under review. The debt ratio (net financial liabilities compared to stockholders' equity) deteriorated from 76.7 % to 78.6 %. The balance sheet total fell by 2.6 % to EUR 78,079,000 (previous year: EUR 80,192,000).

Sustainable finance strategy

For many years, the process of financing the Group has been based on the principles of maintaining ensured liquidity and the highest possible level of stockholders' equity. The increase in the capital ratio to 43.1 % (previous year: 42.5 %) with a lower balance sheet total is largely attributable to lower liabilities. One of the main objectives of our strategy is to keep the capital ratio above 40 %. We not only achieved this aim in 2013 but exceeded it.

The Group's net debt (the balance of interest-bearing liabilities minus cash and financial assets/securities) in the current financial year increased by EUR 292,000 to EUR 25,762,000.

Net cash flow

In the preceding year, the net cash flow from operating activities improved to EUR 1,158,000 (previous year: EUR -916,000).

Employees

Employees are the key to the Rath Group's success. This success is firstly attributable to the enthusiasm for innovative refractory solutions, which we use in our products and technologies, and secondly to our employees' high levels of commitment and solidarity.

From developers and process engineers through production workers and mechanics, from supervisors to backoffice employees and staff in service departments or on the sales team, we offer people with technical and commercial training highly diverse work in the broadest range of areas. Rath has a lean management structure, which facilitates direct, personal communication.

As at December 31, 2013, the Rath Group employed a total of 527.3 people (previous year: 552.8) on a full-time equivalent (FTE) basis. The reduction is predominantly attributable to the closure of our plant in Wirges, Germany, as well as to specific personnel-related optimizations.

The Rath Group does not have a share options scheme. Management members, sales representatives and other key senior members of personnel are integrated into various regional bonus models.

The personnel management tasks are conducted in line with the central specifications of the parent company and transferred to the subsidiaries. The strategic duties in Human Resources are under the direction of the CFO. In 2013, the Rath Group spent a total of EUR 139,000 (previous year: EUR 136,000) on employee development.
Our employees are characterized by their qualifications, hard-working attitude, responsible nature, discipline, loyalty and mutual appreciation of an informal working environment. They are an important part of the further positive and sustainable development of our company. The Executive Board would like to take this opportunity to express its utmost gratitude to all Rath employees for their help in developing our group of companies, something which is only possible thanks to the above-average commitment of many Rath employees.

Sustainability (Corporate Social Responsibility)

The Rath Group managers in the individual functional areas and the Executive Board hold the main responsibility for implementation.

The Investor Relations department is the CSR coordination body and responsible for developing proposals to put to the management.

The most important Group-wide sustainability strategies include the Rath brand and product development strategy, innovation and production procedures for optimizing economic and ecological aspects of the manufacturing process and products. The recording of key basic data on the Group companies was continued in the 2013 financial year.

Research and Development

The Rath Group is a group of companies with a strong tradition of research, especially with regard to procedures, products and materials.

Research and development are integral parts of our growth strategy. We want to live up to our slogan 'Cutting-edge technology creates trust' with new and innovative products, procedures and materials.

In the 2013 financial year, we succeeded in setting a further milestone in the development of precious stones for the most mechanically and chemically aggressive processes with a need for clear thermal cycle conditions, such as the production of titanium chloride or aluminum chloride. We call this precious stone HD 45 or HD 48. In achieving this milestone, the Rath Group has succeeded in extending the service life of our customer's systems by more than twelve months.

We were also able to make major developments in the field of high-temperature wools – ultra-light insulating materials with properties that make them the most efficient type of thermal insulation in industrial furnace construction. These developments are currently in the final test phases and will be actively offered to our customers in the second half of 2014.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

The internal control system (ICS) defines all processes for ensuring the cost-effectiveness and compliance of accounting practices. It reduces the susceptibility of transactions to errors, protects assets against losses caused by damage or fraud and ensures the compliance of the company workflows with the Articles of Association, the Group policies and the applicable laws. The control environment for the accounting process is characterized by a clear organizational and operational structure, with clear people assigned to the individual roles (e.g. in Financial Accounting and Controlling). The employees involved in the accounting process fulfill the professional requirements. Most software used in accounting is standard software.

The Rath Group's policies are based on the Rath management manual, the compliance policy and the rules of procedure and signature policy for the management teams and senior employees in all Rath Group companies. Where required, these provisions are revised in line with the compliance provisions and the respective management team is demonstrably notified of the revision. The local management team is responsible for compliance with the policies in its Rath subsidiary. The rules of procedure include reference to the mandatory compliance with the provisions established in the management manual and provide a list of business cases that require approval from the Group management. The Rath Group management manual contains details such as the information and regulations required for the accounting process, such as the consolidation manual (reporting policies, accounting and valuation rules) or the IT policies.

The Group results are consolidated quarterly in line with UGB (Austrian Commercial Code) provisions in preparation for reporting to the Supervisory Board and the shareholders. Six-monthly consolidation also occurs in line with IFRS provisions. In close cooperation with the Supervisory Board and the Audit Committee, the financial statements are thoroughly externally audited by a Group auditor whose international network guarantees standardized auditing standards. Standardized monthly management reporting covers all the individual companies consolidated into the Rath Group.

At its meetings, the Rath Aktiengesellschaft Supervisory Board regularly obtains information about the internal control system. The Audit Committee is responsible for monitoring the effectiveness of the control system. The control environment has a clear organizational structure.

Risk management

During its global business activities, the Rath Group is subjected to various risks and opportunities. The continual identification, evaluation and management of risks is a fundamental part of the management, planning and controlling process. The risk management process uses the organizational, reporting and management structures that exist within the Group. These processes are continually evaluated by the central process management team. From a content perspective, the main focus areas are the documentation of all processes within a company as well as the documented behavior in the event of deviations so as to learn from mistakes and continually improve. This way of thinking about processes is anchored in ISO 9001:2008.

The risk management system ensures that risks are regularly analyzed and assessed. This makes sure that they can be detected at an early stage and countermeasures can be implemented quickly should a risk arise.

Main risks

The risks that could negatively affect the Rath Group's assets, finances and income remain largely the same is in the previous periods and include:

Procurement

A significant procurement-related topic is the prevention of dependencies on individual suppliers. Our central Purchasing department combats this and creates the necessary conditions for a balanced supplier network under consideration of expedient purchasing quantities and prices. To obtain better prices from our suppliers, it is often necessary to buy in bulk. However, this has the disadvantage of tying up capital.

Production

The main stages of the Rath Group's value chain lie in the production of our products. The potential risk of operational disruptions that directly influence the company result is covered by our Group-wide business interruption insurance policy. As a precautionary measure, we proactively manage this by means of continual analyses of the individual systems in the form of 'preventative maintenance'. Despite this, it is not possible to completely exclude the risks arising from product liabilities. In the event of quality defects, these are rectified to the benefit of our customers. Any external costs that arise from such activities are covered by our Group-wide product liability insurance. Damage to the Group's image is, however, always a considerable risk.

Sales

Global product and project sales are also associated with risks. Our complete solutions are now implemented in countries that are not as economically or politically stable as those in the European Union or the USA. Our regional managers continually provide us with information from the sales countries, which helps us to identify and counteract potential bad debt losses at an early stage. With regard to payment conditions, outside the European Union and the USA, the Rath Group largely uses credit transactions. This ensures that our sales are secured by an international bank.

For the sales that we do not secure with letters of credit, we have established an internal receivables management system with credit limits. The receivables management system assesses the credit risk that is arising on the basis of external information from credit bureaus and our experience with the respective customers and/or in the customer's country. The information collated is used to establish a credit limit.

The Rath Group does not have credit loss insurance; the bad debt losses within the Rath Group in the 2013 financial year amounted to EUR 65,000, which equates to 0.08 % of the sales revenue.

Liquidity

The credit limits and refinancing cost rates determined by financial institutes depend on how they assess the Rath Group's future prospects. We therefore treat our contacts at banks as partners to ensure that they always retain a clear and up-to-date picture of our Group's financial situation.

Foreign currencies and interest

The Rath Group mainly provides products and services to its customers in the currency of the respective company. The pure operational business therefore only has a minor influence on the result. The ongoing evaluation of the currency pairs USD/EUR and HUF/EUR can, however, lead to both negative and positive changes to the financial result of the individual companies and thus of the Group.

The Rath Group's increased need for financing also increases the influence of interest changes on the financial result. The Rath Group currently has an interest rate swap, which will remain valid until 2018. The low interest level that currently prevails means that hedging is negatively assessed.

Total risk

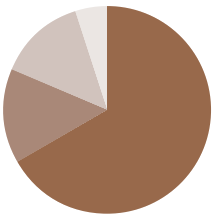
The Rath Group's risks are monitored as closely as possible through the means and measures described above. The company's ability to remain a going concern is not currently regarded as at risk.

DETAILS IN ACCORDANCE WITH SECTION 243A UGB (AUSTRIAN COMMERCIAL CODE)

The authorized capital is made up of 1,500,000 individual shares (previous year: 1,500,000 individual shares), with each individual share accounting for the same proportion of the authorized capital.

The Executive Board is not aware of any restrictions that affect the voting rights or transfer of shares.

SHAREHOLDER STRUCTURE
DECEMBER 31, 2013



- 66.7 % Rath Holding GmbH
- 14.7 % Freefloat
- 13.8 % Rath family members
- 4.8 % Pioneer Investments Austria GmbH

As at December 31, 2013, Rath Aktiengesellschaft acquired a total of 0 own shares within the scope of its repurchase scheme. The free float is held by Austrian and international investors. The shares are listed on the Vienna stock exchange in the 'Standard Market Auction' segment under ISI number AT0000767306.
There are no known major shareholdings by Rath Group employees. As with all other shareholders, employees who hold shares are entitled to vote at General Meetings.

There are no provisions not directly derived from the law on the appointment and removal of members of the Executive and Supervisory Boards or on changes to the company Articles of Association.

The decision taken in the General Meetings held on June 21, 2011 and June 25, 2013 entitled the Executive Board to repurchase and (with the permission of the Supervisory Board) resell own shares, including by means other than the stock exchange or a public offering, as well as under the exclusion of the preemptive rights of shareholders. The Executive Board did not make use of the repurchase right in 2013.

The Executive Board is not aware of any important agreements in which the company is involved and that will become effective in the event of a change of management within the company as a result of a takeover bid.

Furthermore, no compensation agreements have been entered into between the company and its Executive or Supervisory Board members or its employees for the event of a public takeover bid.

OUTLOOK

The transformation scheme initiated in the 2013 financial year will also be consistently implemented this year. The strategy defined last fall with a focus on a holistic approach for more efficiently structuring the value added chain clearly indicates the road that we will collectively and cohesively head down this year.

When looking at the individual, thoroughly optimistic forecasts for 2014, there are clear signs of slight recovery. Europe is once again achieving minor growth. However, there is still no talk of a real upturn. This means that things will not get much easier in 2014. The IMF is forecasting monetary union growth of just less than 1 % in 2014 (following a 0.4 % decline in economic performance in 2013).

This is all the more reason that the Rath Group will consistently place its business focus on boosting profitability – true to our internal motto 'margin over volume'. Further savings through purchasing optimization, sensitive cost structure management, an offensive in relation to product developments and new sales procedures form the basis for the Rath Group's future economic success. The Rath Group's unchanged solid balance sheet structure with a good stockholders' equity ratio and, above all, the proximity to customers in the refractory sector are creating the basis for successful market development for Rath Aktiengesellschaft and its subsidiaries.

In summary, in view of the slightly improved macroeconomic environment and under consideration of an unchanged foreign currency exchange rate, for 2014, we expect sales growth of approximately 8.0 % on 2013 as well as a satisfactory operating result, so as to make it possible to make a further dividend payout in 2014.

No reportable events occurred after the financial reporting date.

Vienna, April 25, 2014

Executive Board

Andreas Pfneiszl

Jörg Sitzenfrey

FINANCIAL STATEMENTS 2013

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CONSOLIDATED BALANCE SHEET

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	NOTES	DEC. 31 , 2013 EUR'000	DEC. 31, 2012 EUR'000 (adjusted)	DEC. 31, 2012 EUR'000 (as reported)
ASSETS				
Non-current assets				
Property, plant and equipment	(1)	34,495	37,394	37,394
Intangible assets	(2)	354	261	261
Financial assets	(3)	681	666	666
Deferred tax assets	(12)*	4,805	4,393	4,281
		40,335	**42,715**	**42,603**
Current assets				
Inventory	(4)	20,048	20,139	20,139
Trade and other receivables	(5)	14,178	13,508	13,508
Other assets	(6)	283	20	20
Cash and cash equivalents	(7)	3,234	3,810	3,810
		37,744	**37,477**	**37,477**
Total assets		**78,079**	**80,192**	**80,079**
LIABILITIES AND EQUITY				
Stockholders' equity	(8)*			
Authorized capital		10,905	10,905	10,905
Capital reserves		1,118	1,118	1,118
Other reserves	*	-403	-305	
Available reserves	*	23,857	23,972	24,004
Currency differences		-1,816	-1,597	-1,597
		33,661	**34,093**	**34,430**
Non-controlling interests		1	3	3
		33,662	**34,096**	**34,433**
Non-current liabilities				
Employee benefits	(9)*	2,914	2,869	2,420
Financial liabilities	(10)	4,255	4,768	4,768
Trade and other payables	(13)	0	71	71
Derivative financial instruments	(14)	120	120	120
Accruals and provisions	(11)	275	235	235
Deferred tax liabilities	(12)	286	297	297
		7,851	**8,360**	**7,911**
Current liabilities				
Financial liabilities	(10)	25,422	25,178	25,178
Trade and other payables	(13)	7,802	9,910	9,910
Accruals from current income tax	(12)	1,101	391	391
Accruals and provisions	(11)	1,685	1,501	1,501
Derivative financial instruments	(14)	555	756	756
		36,564	**37,736**	**37,736**
Total liabilities and equity		**78,079**	**80,192**	**80,079**

* Adjustment in accordance with IAS 19 and IAS 1

CONSOLIDATED INCOME STATEMENT

	NOTES	2013 EUR'000	2012 EUR'000 (adjusted)	2012 EUR'000 (as reported)
Current liabilities	(15)	79,410	86,671	86,671
Change in inventory		623	32	32
Other operating income	(21)	341	412	412
Cost of material and purchased services	(16)	-35,321	-40,084	-40,084
Personnel expenses	(17)	-27,191	-25,724	-25,724
Depreciation and amortization	(1), (2)	-3,779	-3,862	-3,862
Other operating expenses	(19)	-12,731	-15,213	-15,213
Ordinary operating result (EBIT)		**1,353**	**2,233**	**2,233**
Financial income	(20)*	1,887	353	395
Financial expenses	(21)	-3,488	-1,768	-1,768
Financial result		**-1,601**	**-1,415**	**-1,373**
Earnings before tax (EBT)		**-248**	**818**	**860**
Taxes on income	(12)*	130	-257	-268
Consolidated result		**-119**	**561**	**593**
Attributable to the stockholders of the parent company	*	-117	559	591
Non-controlling interests		-2	2	2
Consolidated result		**-119**	**561**	**593**
Basic earnings per share (in EUR)	(4.5)*	-0.08	0.37	0.39
Diluted earnings per share (in EUR)	(4.5)*	-0.08	0.37	0.39

* Adjustment in accordance with IAS 19 and IAS 1

STATEMENT OF COMPREHENSIVE INCOME

	2013 EUR'000	2012 EUR'000 (adjusted)	2012 EUR'000 (as reported)
Consolidated result after income tax*	-119	561	593
Other result			
Posts that are not subsequently assigned to the income statement			
Re-evaluation of the non-current employee benefits in accordance with IAS 19*	-144	-298	
Applicable taxes*	36	75	
	-108	**-224**	**0**
Posts that are subsequently assigned to the income statement			
Evaluation of financial assets 'available for sale' in accordance with IAS 39*	15	42	
Applicable taxes*	-4	-11	
Currency conversion	-219	-459	-459
	-207	-428	-459
Total of the other result	**-315**	**-651**	**-459**
Total comprehensive income after tax	**-434**	**-90**	**134**
Attributable to stockholders of the parent company	-432	-92	131
Non-controlling interests	-2	2	2
Total comprehensive income	**-434**	**-90**	**134**
Earnings per share	**-0.08**	**0.37**	**0.39**

* Adjustment in accordance with IAS 19 and IAS 1

CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

	AUTHORIZED CAPITAL EUR'000	CAPITAL RESERVES EUR'000	CURRENCY CONVERSION DIFFERENCES EUR'000	OTHER RESERVES EUR'000	AVAILABLE RESERVES EUR'000	TOTAL EUR'000	NON-CONTROLLING INTERESTS EUR'000	TOTAL STOCKHOLDERS' EQUITY EUR'000
As of Jan. 1, 2012 (as reported)	**10,905**	**1,118**	**-1,138**	**0**	**23,862**	**34,747**	**2**	**34,749**
Effects of the adjustment of the accounting and valuation principles	0	0	0	-113	0	-113	0	-113
As of Jan. 1, 2012 (adjusted)	**10,905**	**1,118**	**-1,138**	**-113**	**23,862**	**34,634**	**2**	**34,636**
Consolidated result 2012	0	0	0	0	559	559	2	561
Other result 2012	0	0	-459	-192	0	-651	0	-651
Consolidated comprehensive income	0	0	-459	-192	591	-92	2	-90
Dividends	0	0	0	0	-450	-450	0	-450
As of Dec. 31, 2012 (adjusted)	**10,905**	**1,118**	**-1,597**	**-305**	**23,972**	**34,093**	**3**	**34,096**
Consolidated result 2013	0	0	0	0	-117	-117	-2	-119
Other result 2013	0	0	-219	-97	0	-315	0	-315
Consolidated comprehensive income	0	0	-219	-97	-117	-432	-2	-434
As of Dec. 31, 2013	**10,905**	**1,118**	**-1,816**	**-403**	**23,857**	**33,661**	**1**	**33,663**

CONSOLIDATED CASH FLOW STATEMENT

	NOTES	2013 EUR'000	2012 EUR'000 (adjusted)	2012 EUR'000 (as reported)
Consolidated result before taxes	*	-248	818	860
Depreciations	(1), (2)	3,779	3,862	3,862
Derivative financial instruments		-201	162	162
Appreciations/depreciations of financial assets	*	15	42	0
Change in accruals and non-current provisions		86	-249	-249
Interest income	(20)	-10	-68	-68
Interest expenses	(21)	1,114	1,192	1,192
		4,534	**5,760**	**5,760**
Changes in net working capital				
Inventory		90	-1,006	-1,006
Trade and other receivables		-670	-1,598	-1,598
Other assets		-263	297	297
Trade and other payables		-2,179	-752	-752
Accruals and provisions		184	34	34
Change depending on currency conversion		-219	-459	-459
Cash flows from operating activities		**1,477**	**2,276**	**2,275**
Interest received		10	68	68
Interest paid		-1,114	-1,192	-1,192
Income tax paid		786	-2,066	-2,066
Net cash inflows/outflows from operating activities		**1,158**	**-916**	**-916**
Purchase of property, plant and equipment	(1)	-1,388	-2,928	-2,928
Purchase of intangible assets	(2)	-181	-43	-43
Proceeds from the sale of property, plant and equipment		0	0	0
Cash flows from investing activities		**-1,569**	**-2,971**	**-2,971**
Repayment of financial debts		-3,349	-5,075	-5,075
Proceeds from financial debts		3,228	6,800	6,800
Dividend payout		0	-450	-450
Cash flows from financing activities		**-122**	**1,275**	**1,275**
Non-cash currency differences				
from the conversion of cash and cash equivalents in other currencies		-42	-227	-227
Net decrease in cash and cash equivalents		**-575**	**-2,839**	**-2,839**
Cash and cash equivalents at the beginning of the year	(7)	3,810	6,649	6,649
Cash and cash equivalents at the end of the year	(7)	3,234	3,810	3,810

* Adjustment in accordance with IAS 19 and IAS 1

GROUP NOTES

1. THE COMPANY

Rath Aktiengesellschaft, Walfischgasse 14, 1010 Vienna, and its subsidiaries (hereafter referred to as the 'Rath Group') manufacture and sell 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 sites are located in Austria, Germany, Hungary and the USA. There are also sales companies in France, Czech Republic, Poland, Ukraine, Mexico, Argentina and Brazil.

As the 'parent company', Rath Aktiengesellschaft shares are listed on the Vienna stock exchange in the 'standard market auction' segment.

2. ACCOUNTING PRINCIPLES AND VALUATION METHODS

2.1. ACCOUNTING PRINCIPLES

The consolidated financial statements of the Rath Group as of December 31, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the supplementary provisions of Section 245a (1) UGB (Austrian Commercial Code).

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 principles, which apply uniformly across the Rath Group.

The consolidated financial statements are compiled in units of 1,000 EUR (EUR'000, 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.

These consolidated financial statements were approved for publication by the Executive Board on April 25, 2014. The parent company financial statements, which shall also be incorporated into the consolidated financial statements after the adoption of the applicable accounting standards, shall be presented to the Supervisory Board for review on April 28, 2014.

2.2. CHANGES AND AMENDMENTS OF IFRS

New and amended standards adopted by the company for the first time
In the 2013 financial year, the company adopted IAS 19 'Employee benefits', IAS 1 'Presentation of Financial Statements: Changes in the presentation of the other result' and IFRS 13 'Fair value measurement' for the first time. Amendments that have resulted from IAS 19 are described under section 2.3.

New standards, amendments and interpretations not yet adopted by the European Union and not applied in advance of their adoption date

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

	STANDARD/INTERPRETATION/CHANGE	DATE OF ENTRY INTO FORCE	EXPECTED IMPACTS
IFRS 9	Financial instruments: classification and valuation	January 1, 2015	Change in the balance sheet treatment of changes in the fair value of financial instruments previously classified as 'available for sale'.
IFRS 10	Consolidated financial statements	January 1, 2014	None
IFRS 12	Information on shares held in other companies	January 1, 2014	No significant impacts
IFRS 11	Joint agreements	January 1, 2014	None

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. AMENDMENTS OF ESTIMATES AND ACCOUNTING AND VALUATION PRINCIPLES

In evaluating the employee benefits, the rate of interest was reduced from 3.50 % to 3.00 %. For pension and severance-pay liabilities, the total actuarial losses of EUR 593,000 from the rescission of the corridor method were appropriately considered in the consolidated statement of comprehensive income as part of the other result.

2.4. CONSOLIDATION SCOPE AND METHODS

The parent company is Rath Aktiengesellschaft, 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 the acquisition costs, Rath Aktiengesellschaft, after a further critical assessment of the applicability and evaluation of the assets and liabilities taken over, will record the excess amount in the income statement. Acquisition-related costs are expressed as incurred.

The company recognizes any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree'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 the fair value of any consideration paid and the corresponding share acquired of the carrying value of net assets of the subsidiary is recorded in stockholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in stockholders' 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 TOB, Ukraine	100	Full consolidation
Rath Group srl., Mexico	100	Full consolidation
Rath Group srl., Argentina	100	Full consolidation
Rath Group srl., Brazil	100	Full consolidation

*) rounded up from 99.98 %

2.5. CURRENCY CONVERSION

Transactions in foreign currency

The items included in the financial statements of any Group company are valued on the basis of the currency of the primary economic environment in which the company operates. The consolidated financial statements are compiled in Euros, the reporting currency of Rath Aktiengesellschaft.

Individual Group companies record business transactions in a foreign currency using the average exchange rate on the relevant transaction date. The conversion into Euros 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 financial statements in foreign currency

The functional currency of Rath Aktiengesellschaft is the Euro. The functional currency of subsidiaries outside the Euro Zone is the respective local currency. The conversion into Euros of all assets and liabilities in these companies' financial statements, including goodwill and value adjustments 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 recognized as separate entries in other comprehensive income ('Currency conversion' as part of the other result).

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 conversion differences'.

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

	RATE ON REPORTING DATE DECEMBER 31, 2013	RATE ON REPORTING DATE DECEMBER 31, 2012	AVERAGE RATE 1-12 2013	AVERAGE RATE 1-12 2012
USD	1.379	1.319	1.328	1.289
HUF	297.040	292.300	296.873	294.474
CZK	27.427	25.151	25.980	25.217
PLN	4.154	4.074	4.197	4.245

Equals 1 Euro.

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

2.6. 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 cumulative amortization. Amortization occurs using a straight-line method over an estimated utilization period of three 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 recognized in the item 'Other operating income' or 'Other operating expenses' in the income statement.

Development expenses are not considered as the criteria for activating the development costs in accordance with IAS 38.57 have not been met.

b) Property, plant and 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 systems 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 measured reliably.

Amortization of intangible assets and depreciable assets occurs using a straight-line method over the expected useful life of such assets. The residual carrying values and useful lives are reviewed on every reporting date and adjusted if required. The following values for useful life were used to determine the depreciation rates and are unchanged from the previous year:

	UTILIZATION PERIOD IN YEARS	
Buildings	from 10	to 35
Machinery	from 10	to 20
Business equipment	from 5	to 15

Profits and losses from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized 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), 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.

In the case of finance leases, from the lessee's perspective, the fair value or lower cash value of the minimum lease payments for the leased item 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. Every leasing rate is divided into an interest and a redemption element so as to give constant interest for the leasing liability. The interest element of the leasing rate is expressed as incurred in the income statement.

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 upon initial recognition.

All securities are classified as 'available for sale'. They are valued at the fair value on the acquisition date under consideration of the transaction costs and in later periods at the current fair value. Changes in value are recorded in other comprehensive income and only shown in the income statement on sale of the security or if there is objective evidence of impairment. Any recoveries in the value for debt instruments are recorded in the income statement up to the cost of acquisition. As soon as the fair value exceeds the acquisition cost, these changes are recorded in the other result. 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 the acquisition or production cost and the net realizable value as of the reporting date.

Acquisition and production costs include all costs of purchasing, working and processing as well as other costs that have been incurred to keep the inventories 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 production and sales costs.

Where the provisions of IAS 11 apply, production orders are recognized using the percentage of completion method. According to this method, costs incurred plus a profit margin based on the degree of completion will be recognized as receivables under manufacturing orders as well as sales revenue. The degree of completion will generally be calculated according to the ratio of incurred costs to anticipated total costs. Anticipated contract losses are covered by accruals and 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 and other receivables and other assets

Trade and other receivables are recorded at amortized cost less impairment costs for any anticipated irrecoverable elements. The valuation of other assets is made at acquisition cost less provision for impairment.

Since January 1, 2005, the Rath Group has been part of the European Emissions Trading Scheme. Under this 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, the required number of additional certificates must be purchased.

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

With the exception of deferred tax assets and financial assets, non-current 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. This is the higher of the asset's value in use and its fair value less costs to sell. 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, the 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 the 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 the income statement at the lower of the amortized original acquisition or production costs and the recoverable amount.

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 pension payments to a total of two recipients/senior employees in Austria after their retirement.

This obligation is reported in accordance with IAS 19 by determining the value of the defined benefit obligation (DBO). The DBO is calculated using the projected unit credit (PUC) method. According to this method, future payments are calculated using realistic assumptions over the period of benefit entitlement.

The calculation of the required obligation is made as of the reporting date using actuarial reports.

Any difference between the provisions amount determined in advance on the basis of the assumptions used and the actual value ('actuarial profit/loss' or 'revaluation effect') will be directly posted in the consolidated statement of comprehensive income as part of the other result (see section 2.3 and consolidated statement of comprehensive income).

Calculations as of December 31, 2013, and December 31, 2012, are based on the following assumptions:

	2013	2012
Interest rate	3.00 %	3.50 %
Pension increase	2.25 %	2.25 %
Pension age for men	65 years	65 years
Expected mortality	AVÖ 2008-P	AVÖ 2008-P

Severance payment obligations

Pursuant to statutory regulations, the Rath Group is obliged to make a severance payment to all employees in Austria whose employment commenced before January 1, 2003 if they are dismissed by the employer or when they retire. The amount depends on the number of years of service and the salary at the time of termination, and amounts to between two 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 using 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 provisions amount determined in advance on the basis of the assumptions used and the actual value ('actuarial profit/loss' or 'revaluation effect') will be directly posted in the consolidated statement of comprehensive income.

Calculations as of December 31, 2013, and December 31, 2012, are based on the following assumptions:

	2013	2012
Interest rate	3.00 %	3.50 %
Salary increase	2.75 %	2.75 %
Pension age for women	56.5 years	56.5 years
Pension age for men	61.5 to 65 years	61.5 to 65 years
Expected mortality	AVÖ 2008-P	AVÖ 2008-P

For all valid Austrian employment contracts after December 31, 2002, from the second month of employment, the Rath Group pays 1.53 % of the 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.

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, 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, 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 stockholders' 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 IFRS consolidated financial statements and the tax amounts of the individual companies. Furthermore, any tax advantage likely to accrue from any losses carried forward is included in the calculation. Exceptions to this comprehensive deferred tax establish temporary differences associated with participation with non-tax-deductible company values.

Deferred tax assets are not established if it is unlikely that the inherent tax advantage can be realized. The determination of the deferred tax was based on a tax rate of 25 % in Austria, 31 % in Germany, 10 % in Hungary and 41.5 % in the USA.

m) Financial liabilities

Financial liabilities are recorded at the amounts actually received minus transaction costs. 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

Trade payables are valued when the payables are incurred at the amount of the fair value of the services received. They are subsequently valued as amortized costs. Other non-trade payables 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. The IAS 39 provisions on hedge accounting are not applied.

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 a production order 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 sales revenue 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 include 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 the 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. With respect to liabilities, sureties, guarantees and other contingent liabilities not recorded in the balance sheet, regular estimates are made as to whether recognition is required in the consolidated financial statements. The estimates and assumptions on which these are based are continually reviewed. The actual values may differ from the assumptions and estimates made if the specified framework conditions develop contrary to expectations on the reporting date. Amendments are made in the income statement when dictated by the facts, and premises are adapted accordingly.

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

› For the valuation of existing pension and severance payment liabilities, assumptions are used regarding interest rates, retirement age, life expectancy, fluctuation and future salary increases. The group determines the reasonable discount rate at the end of each year. When determining the discount rate, the group uses the interest rate for industrial borrowings with maximum solvency in the currencies in which the payments are made and with terms that match those specified in the retirement and severance publications (sensitivities, see point 3 (9)).

› 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 (sensitivities, see point 3 (12)).

› Value corrections for inventories are conducted after a storage period. Inventories that have not been sold within a year are subjected to a value correction (up to 100 %) (see point 3 (4)).

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 January 1, 2012	22,856	75,926	11,138	4,112	114,030
Additions	1,157	953	264	553	2,928
Disposals	-107	-141	-64	0	-312
Transfers	394	2,831	332	-3,556	0
Exchange rate changes	185	311	52	-125	423
As of December 31, 2012	**24,485**	**79,880**	**11,721**	**984**	**117,070**
Additions	82	1,112	122	72	1,388
Disposals	-3	-191	-46	0	-239
Transfers	13	221	113	-410	-63
Exchange rate changes	-207	-733	-51	-2	-993
As of December 31, 2013	**24,370**	**80,289**	**11,862**	**641**	**117,164**
Cumulative depreciation					
As of January 1, 2012	11,784	57,597	6,548	0	75,929
Depreciations	647	2,754	279	0	3,686
Disposals	0	-141	-68	0	-209
Transfers	0	0	0	0	0
Exchange rate changes	44	176	57	0	271
As of December 31, 2012	**12,476**	**60,387**	**6,816**	**0**	**79,676**
Depreciations	584	2,814	294	0	3,693
Disposals	-2	-225	-43	0	-270
Transfers	0	0	-4	0	-4
Exchange rate changes	-40	-369	-21	0	-430
As of December 31, 2013	**13,017**	**62,608**	**7,041**	**0**	**82,664**
Carrying value as of January 1, 2012	**11,072**	**18,329**	**4,590**	**4,112**	**38,104**
Carrying value as of December 31, 2012	**12,009**	**19,493**	**4,906**	**984**	**37,395**
Carrying value as of December 31, 2013	**11,353**	**17,681**	**4,821**	**641**	**34,495**

Included under the items buildings, machinery and business equipment are leased assembly units and production systems with a carrying value of EUR 1,999,000 (December 31, 2012: EUR 2,349,000).

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 one and five years to run.

Depreciation does not contain any impairments in the year under review.

(2) Intangible assets

	COMPUTER SOFTWARE AND LICENSES EUR'000	CUSTOMER STOCK EUR'000	TOTAL EUR'000
Acquisition costs			
As of January 1, 2012	2,523	500	3,023
Additions	43	0	43
Exchange rate changes	10	0	10
As of December 31, 2012	**2,577**	**500**	**3,077**
Additions	181	0	181
Transfers	0	0	0
Exchange rate changes	-10	0	-10
As of December 31, 2013	**2,747**	**500**	**3,247**
Cumulative amortization			
As of January 1, 2012	2,132	500	2,632
Depreciations	176	0	176
Exchange rate changes	9	0	9
As of December 31, 2012	**2,316**	**500**	**2,817**
Depreciations	86	0	86
Transfers	0	0	0
Exchange rate changes	-9	0	-9
As of December 31, 2013	**2,393**	**500**	**2,893**
Carrying value as of January 1, 2012	**391**	**0**	**391**
Carrying value as of December 31, 2012	**261**	**0**	**261**
Carrying value as of December 31, 2013	**354**	**0**	**354**

(3) Financial assets

	ACQUISITION COSTS DEC. 31, 2012 EUR'000	(+) ADDITIONS (–) DISPOSALS DEC. 31, 2013 EUR'000	ACQUISITION COSTS DEC. 31, 2013 EUR'000	CARRYING VALUE DEC. 31, 2013 EUR'000	CARRYING VALUE DEC. 31, 2012 EUR'000
Investments	5	0	5	5	5
Financial assets available for sale	753	0	753	676	661
	758	**0**	**758**	**681**	**666**

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' as defined by IAS 39. They include shares in three investment funds and are used to cover pension obligations in accordance with Sections 14 and 116 öEStG (Austrian Income Tax Act).

(4) Inventories

	DEC. 31, 2013 [EUR'000]	DEC. 31, 2012 [EUR'000]
Raw materials, consumables and fuel	**5,420**	**6,896**
Unfinished and finished products and trading goods, gross	15,659	14,317
Value adjustment on products and trading goods	-1,031	-1,074
Unfinished and finished products and trading goods, net	**14,628**	**13,241**
	20,048	**20,139**

(5) Trade and other receivables

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Trade receivables	12,967	12,294
Receivables from tax authorities	735	950
Other	476	263
	14,178	**13,508**

Value adjustments of EUR 183,000 (December 31, 2012: EUR 209,000) were made from trade receivables.

(6) Other assets

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Prepaid accruals and deferrals	283	20

(7) Cash and cash equivalents

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Bank balances	3,221	3,790
Cash in hand	13	20
	3,234	**3,810**

Bank balances are freely available.

(8) Stockholders' equity

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

The appropriated capital reserves recorded in the parent company's financial statements (December 31, 2013: EUR 1,118,000; December 31, 2012: EUR 1,118,000) can only be released to balance out a loss that would otherwise be reported in the parent company's financial statements. The available reserves are the result of carried forward profits and losses generated within the Group. The other reserves include the other result generated excluding the currency conversion differences, which are shown in a separate reserve (currency differences).

Dividends are determined according to the balance sheet profit reported in the financial statements of the parent company in accordance with company law. As of December 31, 2013, the parent company reports a balance sheet profit of EUR 1,263,000. Rath Aktiengesellschaft's balance sheet profit reported will be carried forward in order to further strengthen the stockholders' equity. Accordingly, the Executive Board shall not propose any dividends at the Annual General Meeting.

As in the previous year, as of December 31, 2013, Rath Aktiengesellschaft does not hold any of its own shares. No shares (December 31, 2012: none) are being held back for issue in connection with options or sale contracts.

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

(9) Employee benefits

	DEC. 31, 13 *EUR'000*	DEC. 31, 12 *EUR'000 (adjusted)*	DEC. 31, 12 *EUR'000 (as reported)*
Provisions for pensions	2,242	2,253	1.879
Provisions for severance payments	672	616	541
	2,914	**2,869**	**2,420**

	PENSIONS 2013 *EUR'000*	PENSIONS 2012 *EUR'000*	SEVERANCE PAYMENTS 2013 *EUR'000*	SEVERANCE PAY-MENTS 2012 *EUR'000*
Reconciliation of employee benefits				
Cash value provision (DBO) as of January 1	2,253	2,165	616	661
Current service time and interest expenses	76	93	37	46
Payments during the financial year	-179	-179	-34	-215
Actuarial profits/losses in the consolidated statement of comprehensive income	93	174	52	124
Cash value provision (DBO) as of December 31	**2,242**	**2,253**	**672**	**616**

	2013 *EUR'000*	2012 *EUR'000*	2011 *EUR'000*	2010 *EUR'000*	2009 *EUR'000*
Information – pension adjustments based on experience					
Expected DBO at the end of the period	2,148	2,078	2,042	1,867	1,928
Experience-based adjustments to the actuarial profits/losses	-5	0	-148	-80	15
Information – severance payment adjustments based on experience					
Expected DBO at the end of the period	638	689	634	602	669
Experience-based adjustments to the actuarial profits/losses	-21	-66	-20	-32	49

During the financial year, pension payments to beneficiaries amounted to EUR 179,000 (December 31, 2012: EUR 179,000).

A 0.5 % change to the return interest rate to 3.5 % results in a provision requirement of EUR 2,153,000 for pensions and EUR 640,000 for severance payments. A -0.5 % change to the return interest rate to 2.5 % results in a provision requirement of EUR 2,335,000 for pensions and EUR 706,000 for severance payments.

As a result of the initial use of the amendment to IAS 19, rev. 2011, the presentation form and scope of the employee benefits information in the Notes have changed in the Rath consolidated financial statements 2013. In creating the Notes information, the Rath Group has applied the transitional regulations and retrospectively adjusted the comparative figures from the previous year.

The following effects arise as a result of the initial use of IAS 19, rev. 2011 due to the omission of the corridor method: Adjustments for the 2012 financial year and the 2013 year under review can be found on page 20 of the consolidated statement of comprehensive income and page 34 of the changes in consolidated stockholders' equity.

(10) Financial liabilities

	DEC. 31, 2013			DEC. 31, 2012		
	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	17,796	17,796	0	15,047	15,047
Export loans	0	3,963	3,963	0	2,963	2,963
Investment loans	2,471	3,441	5,911	2,843	6,744	9,587
Liabilities to other creditors						
Finance leases	1,784	115	1,900	1,925	424	2,349
	4,255	**25,422**	**29,677**	**4,768**	**25,178**	**29,946**

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

2013	*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	17,903	17,903	0	0
Export loans	3,963	3,963	0	0
Investment loans	5,911	3,441	2,471	0
Liabilities to other creditors				
Finance leases	1,900	115	1,784	0
	29,677	**25,422**	**4,255**	**0**

2012	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	15,047	15,047	0	0
Export loans	2,963	2,963	0	0
Investment loans	9,587	6,744	2,843	0
Liabilities to other creditors				
Finance leases	2,349	424	1,925	0
	29,946	**25,178**	**4,768**	**0**

The main conditions of financial liabilities are as follows:

TYPE OF FINANCING	CURRENCY	CARRYING VALUE AS OF DEC. 31, 2013 EUR'000	EFFECTIVE INTEREST 2013 %	CARRYING VALUE AS OF DEC. 31, 2012 EUR'000	EFFECTIVE INTEREST 2012 %	INTEREST FIXED/ VARIABLE	DUE
Short-term loans	EUR	16,748	1.6 - 3.798	13,926	1.5 - 2.89	Variable	< 1 year
Short-term loans	USD	1,154	1.75	1,121	1.95	Variable	< 1 year
Export loans	EUR	3,963	2.6	2,963	2.6	Variable	< 1 year
Investment loans	EUR	4,136	2.25 - 4.5	7,240	2.5 - 4.85	Variable	> 1 year
Investment loans	USD	1,775	1.83	2,347	1.83	Variable	> 1 year
Finance leases	EUR	1,142	2.9	1,249	2.9	Variable	> 1 year
Finance leases	USD	757	6.4 - 8.0	1,100	6.4 - 8.0	Fixed	> 1 year
		29,677		**29,946**			

For part of the variable loans there is an interest rate swap, details of which are provided in section 3 (14) and section 4.1.

The fair values of the variable-rate financial liabilities do not vary significantly from the carrying values. The fixed-rate financial liabilities have a fair value of EUR 757,000 (December 31, 2012: EUR 1,100,000).

A blanket assignment to Erste Bank AG, Austria, exists for the export loan shown in the amount of EUR 3,963,000 (December 31, 2012: EUR 2,963,000).

(11) Accruals and provisions

	WARRANTY EUR'000	PERSONNEL EUR'000	OTHER EUR'000	TOTAL EUR'000
As of January 1, 2012	**122**	**337**	**1.237**	**1,696**
Used	0	-337	-700	-1,037
Created	14	747	316	1,077
As of December 31, 2012	**136**	**747**	**853**	**1,736**
Used	-136	-288	-157	-580
Created	0	573	232	805
As of December 31, 2013	**0**	**1,033**	**928**	**1,960**
Non-current		275		275
Current		757	928	1,685
	0	**1,033**	**928**	**1,960**

The personnel provisions include provisions for former Executive Board members in the amount of EUR 393,000; the other provisions include EUR 235,000 for the decommissioning of the Wirges plant.

The payments will be made during the 2014 financial year.

(12) Income taxes

Income taxes break down as follows:

	2013 EUR'000	2012 EUR'000
Corporation tax for the financial year (actual tax liability)	214	1,178
Deferred taxes	-344	-921
	-130	**257**

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, 2013 EUR'000	DEC. 31, 2012 EUR'000
Deferred tax assets		
Liabilities from leasing transactions	285	297
Personnel provisions	-69	-193
Personnel provision IAS 19	36	112
Other	-138	-161
Loss carry forwards	4,691	4,338
	4,805	**4,393**

	DEC. 31, 2013 *EUR'000*	DEC. 31, 2012 *EUR'000*
Deferred tax liabilities		
Property, plant and equipment	286	297
	286	**297**
Deferred taxes (net)	**4,519**	**4,096**
Non-current	**4,630**	**4,231**

Due to current 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 13,094,000 (December 31, 2012: EUR 12,710,000) 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 8,013,000 (December 31, 2012: EUR 9,771,000) 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.

In the area of deferred taxes, a +/– change to the future results has the following effects: +10 % (EUR 8,814,000); -10 % (EUR 7,211,000)

A tax allocation contract in accordance with Section 9 paragraph 8 KStG (Corporation Tax Law) 1988 (Group provider Rath Aktiengesellschaft – Group member Chamottewaren- und Thonöfenfabrik 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:

	2013 *EUR'000*	2012 *EUR'000*
Earnings before tax	-248	860
Expected tax burden	25 %	25 %
	-62	**215**
Tax burden reduction by:		
Higher tax rates on losses at foreign subsidiaries	-60	-152
Tax burden increase by:		
Non-deductible expenditures	89	148
Other	-96	57
Tax charge	**-130**	**268**

(13) Trade payables and other liabilities

	DEC. 31, 2013 *EUR'000*	DEC. 31, 2012 *EUR'000*
Trade payables	5,507	7,977
Other liabilities	2,297	2,004
	7,802	**9,981**
Non-current	0	71

Other liabilities break down as follows:

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Tax authorities	406	473
Health insurance	212	100
Unused leave	415	509
Other	1,262	922
	2,295	**2,004**

(14) Derivative financial instruments

Derivative financial instruments break down as follows:

	DEC. 31, 2013			DEC. 31, 2012		
	NOMINAL VALUE EUR'000	REFERENCE VALUE %	FAIR ALUE EUR'000	NOMINAL VALUE EUR'000	REFERENCE VALUE %	FAIR VALUE EUR'000
Interest rate swap	4,500	4.35	-675	4,500	4.35	-876
Of which non-current			-120			-120

(15) Sales revenue and segment reporting

Business segments are shown by region. Segmentation by region corresponds with the Group's own internal reporting method, which is regularly presented to the main decision making body, the Rath Aktiengesellschaft Executive Board.

Assets and liabilities as well as revenues and costs are allocated to the individual business segments only if they are attributable to the respective business segments directly or on the basis of a reasonable methodology.

Allocations between individual segments are performed using the arm's length principle.

Business segment information is subject to the same accounting and valuation principles as the consolidated financial statements.

Segmentation includes the following regions:

Austria:	Rath Aktiengesellschaft, Aug. Rath jun. GmbH
Germany:	Rath GmbH
Hungary:	Rath Hungaria Kft.
Rest of world:	Rath Zarotechnika, Rath Polska, Rath SAS, Rath Ukranjia TOW Rath Group srl, Mexico, Argentina, Brazil
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

2013	AUSTRIA EUR'000	GERMANY EUR'000	HUNGARY EUR'000	USA EUR'000	REST OF WORLD EUR'000	CONSOLIDATED EUR'000	TOTAL EUR'000
Product sales	21,140	16,418	6,357	10,577	2,756	0	57,248
Projects	5,882	10,705	1,650	1,229	2,696	0	22,163
Inter-segment sales	8,550	8,513	5,637	24	213	-22,937	0
Total	**35,572**	**35,636**	**13,644**	**11,830**	**5,665**	**-22,937**	**79,410**
Segment result (EBIT)	**-309**	**1,165**	**390**	**310**	**-23**	**-180**	**1,353**
Financial income	493	4	1,324	277	23	-234	1,887
Financial expenses	-587	-115	-1,712	-1,155	-196	275	-3,488
Financial result	**-94**	**-111**	**-388**	**-878**	**-172**	**41**	**-1,601**
Earnings before tax (EBT)	**-403**	**1,055**	**2**	**-568**	**-195**	**-139**	**-248**
Income taxes	96	-180	-20	236	-37	35	130
Result of the year	**-307**	**875**	**-18**	**-332**	**-232**	**-104**	**-119**
Segment assets	40,301	31,108	11,770	18,695	4,595	-28,391	78,079
Segment liabilities	35,407	6,936	8,422	17,418	3,402	-27,171	44,414
Investments	390	494	248	372	65	0	1,570
Depreciations	1,023	1,480	326	888	63	0	3,779

2012 *(adjusted)*	AUSTRIA EUR'000	GERMANY EUR'000	HUNGARY EUR'000	USA EUR'000	REST OF WORLD EUR'000	CONSOLIDATED EUR'000	TOTAL EUR'000
Product sales	19,750	19,421	5,772	10,643	2,936	0	58,522
Projects	8,563	11,670	1,469	2,498	3,949	0	28,149
Inter-segment sales	9,755	9,428	5,236	59	0	-24,479	0
Total	**38,069**	**40,519**	**12,477**	**13,200**	**6,885**	**-24,479**	**86,671**
Segment result (EBIT)	**-1,355**	**3,370**	**523**	**-1,013**	**210**	**499**	**2,234**
Financial income	422	0	1	1	2	-73	353
Financial expenses	-951	-176	-161	-343	0	-138	-1,768
Financial result	**-529**	**-176**	**-160**	**-342**	**2**	**-210**	**-1,415**
Earnings before tax (EBT)	**-1,884**	**3,194**	**363**	**-1,355**	**212**	**289**	**819**
Income taxes	451	-1,092	-68	562	-38	-72	-257
Result of the year	**-1,433**	**2,102**	**295**	**-793**	**174**	**217**	**562**
Segment assets	48,836	32,380	12,544	19,272	3,247	-36,089	80,190
Segment liabilities	44,439	8,582	9,124	17,604	1,767	-35,420	46,096
Investments	704	974	236	1,057	0	0	2,971
Depreciations	1,156	1,383	317	951	55	0	3,862

(16) Cost of materials and purchased services

	2013 EUR'000	2012 EUR'000
Cost of materials	23,901	26,488
Cost of purchased services	11,420	13,595
	35,321	**40,084**

(17) Personnel expenses

	2013 EUR'000	2012 EUR'000
Wages and salaries	21,231	20,231
Expenses for statutory taxes and contributions	4,333	4,426
Contribution to staff provision funds	111	109
Expenses for severance and long-service payments	778	265
Other personnel expenses	739	692
	27,191	**25,724**
Average workforce		
White collar	223	211
Blue collar	387	403
	611	**614**
Number of employees as of the reporting date		
White collar	210	217
Blue collar	362	408
	572	**625**

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

(18) Other operating income

	2013 EUR'000	2012 EUR'000
Income from previous periods	47	26
Release of provisions and value correction of receivables	24	18
Rental income	37	52
Funding/subsidies	49	58
Damage, insurance payments	6	4
Other	178	254
	341	**412**

(19) Other operating expenses

	2013 EUR'000	2012 EUR'000
Maintenance	2,176	3,117
Freight and own vehicle expenses	2,993	3,487
Rental and leasing expenses	1,124	1,076
Travel expenses	836	868
Legal, auditing and consultancy expenses	1,005	915
Insurance	449	440
Commissions to third parties	249	268
Advertising and representation	388	602
R&D consultancy, technical audit costs	302	368
IT and communications expenses	828	796
Operating costs, building	414	433
Disposal costs	259	195
Other, non-profit-related taxes	349	225
Protective and general work clothing	193	217
Other expenses	1,166	2,204
	12,731	**15,213**

As in the previous year, the other expenses predominantly include the cost of bank charges, personnel training and development, head-hunting, office equipment, expenses for professional associations, value adjustments and bad debts, expenses from previous periods, etc.

(20) Financial income

	2013 EUR'000	2012 EUR'000
Interest and similar income	10	26
Interest rate swap valuation	202	0
Exchange rate differences	1,676	327
	1,887	**353**

(21) Financial expenses

	2013 EUR'000	2012 EUR'000
Interest and similar expenses	1,114	1,192
Interest rate swap valuation	0	162
Exchange rate differences	2,375	415
	3,488	**1,768**

(22) Research and development expenses

Expenses include the following research and development expenses:

	2013 EUR'000	2012 EUR'000
Personnel costs	650	706
Technical audit costs	349	222
	999	**928**

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, bank credits, financial liabilities and trade payables.

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 in a separate item.

Market risk

The main market risks for the Rath Group are the 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 by 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 tables that follow.

	CARRYING VALUE	
	2013 EUR'000	2012 EUR'000
Fixed rate instruments		
Financial liabilities	757	1.100
	757	**1.100**
Variable rate instruments		
Financial liabilities	28,920	28,847
	28,920	**28,847**

The Rath Group does not report any fixed rate financial assets or liabilities 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 income statement.

The following sensitivity analysis shows the impact of interest rate changes regarding variable rate instruments on the result for the period and the Rath Group stockholders' 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 2012.

December 31, 2013	PROFIT/LOSS 1% INCREASE [EUR'000]	PROFIT/LOSS 1% DECREASE [EUR'000]	STOCKHOLDERS' EQUITY 1% INCREASE [EUR'000]	STOCKHOLDERS' EQUITY 1% DECREASE [EUR'000]
Variable rate instruments	-289	289	-289	289
Interest rate swaps	45	-45	45	-45
Net cash flow sensitivity	**-244**	**244**	**-244**	**244**

December 31, 2012	PROFIT/LOSS 1% INCREASE [EUR'000]	PROFIT/LOSS 1% DECREASE [EUR'000]	STOCKHOLDERS' EQUITY 1% INCREASE [EUR'000]	STOCKHOLDERS' EQUITY 1% DECREASE [EUR'000]
Variable rate instruments	-288	288	-288	288
Interest rate swaps	45	-45	45	-45
Net cash flow sensitivity	**-243**	**243**	**-243**	**243**

Foreign exchange risk

The Rath Group operates internationally and is therefore increasingly exposed to foreign exchange 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.

	DEC. 31, 2013				DEC. 31, 2012			
	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	5,797	3,048	1,943	2,179	7,077	3,115	981	2,334
Financial liabilities								
Bank borrowings	-23,511	-1,416	-2,850	0	-23,479	-1,121	-2,997	0
Finance lease liabilities	-1,142	-757	0	0	-1,249	-1,100	0	0
Trade and other payables	-5,643	-327	-1,118	-712	-7,058	-784	-1,215	-924
Net exposure	**-24,499**	**548**	**-2,025**	**1,467**	**-24,709**	**110**	**-3,231**	**1,410**

Conversion rates are given in section 2.4.

The following sensitivity analysis shows the effects of exchange fluctuations on the Rath Group result 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 2012 financial year, although the actual trend deviates from the assumptions made at the time.

December 31, 2013	USD EUR'000	HUF EUR'000	OTHER EUR'000	TOTAL EUR'000
10 % strengthening of the EUR				
Effect on result for the period	33	2	62	97
Effect on equity	-127	-335	-117	-579
10 % weakening of the EUR				
Effect on result for the period	-33	-2	-62	-97
Effect on equity	127	335	117	579

December 31, 2012	USD EUR'000	HUF EUR'000	OTHER EUR'000	TOTAL EUR'000
10 % strengthening of the EUR				
Effect on result for the period	79	-30	14	64
Effect on equity	-167	-342	-142	-650
10 % weakening of the EUR				
Effect on result for the period	-79	30	-14	-64
Effect on equity	167	342	142	650

Credit risk

On the asset side, reported amounts represent both the maximum solvency and loss risk, given the absence of offset agreements. The risk in relation to 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 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.

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Receivables from third parties	12,967	12,294
Other	476	263
Cash and cash equivalents	3,234	3,810
Securities	681	666
	17,358	**17,034**

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

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Receivables with large customers, gross	3,545	3,168
Receivables with others, gross	10,173	9,390
Total of trade and other receivables, gross	**13,718**	**12,558**
Adjustments	-275	-209
Total of trade and other receivables, net	**13,443**	**12,349**

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

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

	DEC. 31, 2013 GROSS EUR'000	DEC. 31, 2013 PROVISION EUR'000	DEC. 31, 2012 GROSS EUR'000	DEC. 31, 2012 PROVISION EUR'000
Not yet due	5,213	0	3,916	0
Overdue 0 – 90 days	6,310	0	6,447	0
Overdue 91 – 180 days	1,715	-247	1,646	-188
Overdue 181 – 360 days	480	-27	549	-21
	13,718	**-275**	**12,558**	**-209**

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				
December 31, 2013	CARRYING 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	27,777	29,906	18,386	4,066	3,534	3,920	0
Finance lease liabilities	1,900	2,071	101	101	199	1,669	0
Trade and other payables	7,802	7,802	7,802	0	0	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	675	883	88	88	177	530	0
	38,153	**40,662**	**26,378**	**4,256**	**3,909**	**6,119**	**0**

December 31, 2012	CARRYING VALUE EUR'000	TOTAL CONTRACTUAL CASH FLOWS EUR'000	CONTRACTUAL CASH FLOWS < 6 MONTHS EUR'000	6 - 12 MONTHS EUR'000	1 - 2 YEARS EUR'000	2 - 5 YEARS EUR'000	> 5 YEARS EUR'000
Non-derivative financial liabilities							
Bank borrowings	27,597	28,046	15,107	3,044	6,267	3,627	0
Finance lease liabilities	2,349	2,554	270	270	514	1,500	0
Trade and other payables	9,981	9,981	9,910	0	71	0	0
Derivative financial liabilities							
Liabilities from interest rate swaps	876	593	49	49	99	296	99
	40,803	**41,174**	**25,337**	**3,364**	**6,951**	**5,424**	**99**

Fair values

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

	DEC. 31, 2013		DEC. 31, 2012	
	CARRYING VALUE EUR'000	FAIR VALUE EUR'000	CARRYING VALUE EUR'000	FAIR VALUE EUR'000
Assets measured at fair value				
Financial assets available for sale	681	681	666	666
	681	**681**	**666**	**666**
Assets valued at amortized cost				
Receivables	13,443	13,443	12,528	12,528
Liquid assets	3,234	3,234	3,810	3,810
	16,677	**16.677**	**16,338**	**16,338**
Liabilities measured at fair value				
Interest rate swaps	-675	-675	-876	-876
	-675	**-675**	**-876**	**-876**
Liabilities measured at amortized cost				
Bank borrowings	-27,776	-27,776	-27,597	-27,597
Finance lease liabilities	-1,900	-3,767	-2,349	-3,126
Trade payables	-7,801	-7,801	-9,981	-9,981
	-37,477	**-39,344**	**-39,927**	**-40,704**

The fair values of the financial assets and liabilities do not deviate significantly from their respective carrying 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 carrying 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.

December 31, 2013	LEVEL 1 EUR'000	LEVEL 2 EUR'000	LEVEL 3 EUR'000	TOTAL EUR'000
Financial assets				
Financial assets available for sale	681	0	0	681
	681	**0**	**0**	**681**
Financial liabilities				
Derivative financial liabilities	0	-675	0	-675
	0	-675	0	-675
Total	**681**	**-675**	**0**	**6**

December 31, 2012	LEVEL 1 TEUR	LEVEL 2 TEUR	LEVEL 3 TEUR	TOTAL TEUR
Financial assets				
Financial assets available for sale	661	0	5	666
	661	**0**	**5**	**666**
Financial liabilities				
Derivative financial liabilities	0	-876	0	-876
	0	**-876**	**0**	**-876**
Total	**661**	**-876**	**5**	**-210**

Capital management

The goal of management is to structure capital in accordance with the requirements of shareholders, banks and creditors so as to ensure the 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 the optimization of equity and debt capital. Capital structure comprises financial debt, cash and stockholders' equity that is attributable to the parent company's stockholders and authorized 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 changed from that of 2012. The central factor of the monitoring process is the capital ratio; this is reviewed continuously by the management and is defined as stockholders' equity according to the consolidated balance sheet in relation to the balance sheet total. The target ratio is over 40 %.

4.2. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

The Rath Group has taken on the following contingent liabilities:

	DEC. 31, 2013 EUR'000	DEC. 31, 2012 EUR'000
Retentions for business partners	**1,925**	**1,824**

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

As in the previous year, 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 standard market conditions. Related parties conducting transactions with the Rath Group include:

- Hausinhabung Walfischgasse, Dr. Ernst Rath and co-owner
  Rental expenses including service charges: 2013 EUR 151,000; 2012 EUR 146,000

- Dr. Ernst Rath Gesellschaft mbH
  Consulting services: 2013 EUR 0; 2012 EUR 0

- Rath Holding GmbH
  No transactions in the years 2013 and 2012, receivables: 2013 EUR 1,000; 2012 EUR 1,000

Executive Board of Rath Aktiengesellschaft, Vienna

Georg Rath until June 10, 2013
Dr. Matthias Rath until June 10, 2013
Jörg Sitzenfrey since January 1, 2013
Andreas Pfneiszl since June 10, 2013

Supervisory Board of Rath Aktiengesellschaft, Vienna

Dr. Heinz Kessler (Chairman) until June. 25, 2013
Dr. Ernst Rath (Deputy Chairman) until June 25, 2013
Stefan Ehrlich-Adám (Chairman) since June 25, 2013
Christian B. Maier since June 27, 2008
Paul Rath since September 14, 1989
Philipp Rath until June 25, 2013
Philipp Rath (Deputy Chairman) until June 25, 2013
Dr. Gerd Unterburg until June 25, 2013
Roula Millauer since June 25, 2013
Dieter Hermann since June 25, 2013

In 2013, members of the Executive Board received gross salaries totaling EUR 626,000 (December 31, 2012: EUR 413,000), of which EUR 88,000 (December 31, 2012: EUR 95) profit-related.

		2013 EUR'000	2012 EUR'000
Jörg Sitzenfrey	Fixed remuneration	157	0
	Variable	19	0
		176	**0**
Andreas Pfneiszl	Fixed remuneration	80	0
	Variable	5	0
		85	**0**
Georg Rath	Fixed remuneration	139	159
	Variable	35	46
		174	**205**
Dr. Matthias Rath	Fixed remuneration	163	159
	Variable	29	49
		192	**207**
Total Executive Board remuneration		**626**	**413**

Neither credits nor advances were made to corporate management bodies. Salaries for members of the Supervisory Board during the financial year amounted to EUR 50,100 (previous year: EUR 44,000), and EUR 134,000 for pension payments (previous year: EUR 179,000).

4.4. AUDITING FEES

Fees incurred for the financial year in favor of the auditor PwC Wirtschaftsprüfung GmbH amounted to EUR 50,000 (previous year: EUR 50,000), of which EUR 22,000 (previous year: 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 are calculated by dividing the proportion of consolidated result attributable to parent company stockholders by the weighted number of ordinary shares in circulation during the year.

	2013	2012
Proportion of consolidated result attributable to parent company stockholders in thousand EUR	-121	559
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in EUR	-0.08	0.37
Dividend payout per share for the financial year in EUR	0.00	0.30

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 consolidated financial statements were prepared on April 25, 2014 by the company's Executive Board and have been submitted to the Supervisory Board on April 28, 2014 for review and approval.

Vienna, April 25, 2014

Executive Board

Andreas Pfneiszl

Jörg Sitzenfrey

AUDITOR'S CERTIFICATE

—

Report on the Consolidated Financial Statements

We have audited the annexed consolidated financial statements of Rath Aktiengesellschaft, Vienna, for the business year from January 1 to December 31, 2013. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2013, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the statement of changes in equity for the business year ending on December 31, 2013, and the explanatory notes to the consolidated financial statements.

Responsibility of the Legal Representatives for the Consolidated Financial Statements and Accounting

The legal representatives of the company are responsible for the group accounting system and for the preparation of consolidated financial statements, that present a true and fair view of the assets and of the financial and earnings position of the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the additional requirements of § 245a I of the Austrian Commercial Code (UGB). This responsibility includes: design, implementation and maintenance of an internal control system, as far as relevant to the preparation of the consolidated financial statements, and the presentation of a true and fair view of the assets, as well as the financial and earnings situation of the Group, so that the same is free from any material misrepresentation, whether intentional or not; selection and application of appropriate accounting and valuation policies; and making of estimates that appear reasonable under the given 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 have conducted our audit in accordance with the statutory provisions and principles of proper auditing applicable in Austria, as well as with the International Standards on Auditing (ISA) as issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards mandate compliance with ethical and professional requirements and planning and performance of the audit in such a manner that we can form an opinion with reasonable certainty as to whether the consolidated financial statements are free of any material misrepresentation.

An audit involves application of auditing procedures to obtain audit evidence with regard to the amounts and other disclosures in the consolidated financial statements. The selection of the auditing procedures is at the professional discretion of the auditors, taking into account their assessment of the risk of material misrepresentation, whether intentional or not. In making those risk assessments, the auditors consider the internal control system as far as relevant to the preparation of the consolidated financial statements and the presentation of a true and fair view of the assets and of the financial and earnings situation of the Group in order to define auditing procedures that are appropriate under the given circumstances, but not to deliver an opinion on the effectiveness of the internal controls of the Group. The audit also includes evaluation of the appropriateness of the accounting and valuation methods applied by the legal representatives and of the material estimates made by the legal representatives, as well as an appraisal of the essence of the consolidated financial statements.

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

Opinion

Our audit has not led to any objections. Based on the findings of our audit, the consolidated financial statements, in our opinion, comply with the legal requirements and give a true and fair view of the assets and the financial position of the Group as per December 31, 2013, as well as of the Group's results of operations and cash flows for the business year from January 1 to December 31, 2013, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU.

Comments on the consolidated management report

The consolidated management report shall be audited based on the statutory provisions as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures in the former do not suggest incorrect ideas of the situation of the Group. The auditor's certificate shall also comprise a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to § 243a of the Austrian Commercial Code are correct.

The consolidated management report is in our opinion consistent with the consolidated financial statements. The disclosures pursuant to § 243a of the Austrian Commercial Code are correct.

Vienna, April 25, 2014

PwC Wirtschaftsprüfung GmbH
Auditors and Tax Accountants

signed:
Mag. Gerhard Prachner
Auditor

Any disclosure, publication or reproduction within the meaning of § 281 II of the Austrian Commercial Code, contrary to the statutory provisions, in a form that deviates from the audited version with inclusion of our Certificate is prohibited. In the case of mere reference to our audit, this requires our prior written consent.

GLOSSARY

Business Management Terms and Key Figures

AGIO	Premium
ACTUARIAL PROFIT/LOSS	Current profit/loss
AVAILABLE FOR SALE	Available for disposal
AVÖ	Aktuarvereinigung Österreichs (Actual Association of Austria); a lobby of Austrian actuaries and actuarial experts. The AVÖ publishes the annuity valuation 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 Code of Corporate Governance. The content represents a voluntary body of rules and regulations.
DBO (DEFINED BENEFIT OBLIGATION)	Cash value of all forfeitable and non-forfeitable entitlements earned on the basis of the estimated salary level at pension age. The sole actuarial procedure that can be used to calculate the DBO is the projected unit credit method. The DBO corresponds to the PBO (projected benefit obligation).
DISAGIO	The difference between the issue and repayment amount of a liability.
EBIT	Earnings before interest and tax; operating result
EBIT MARGIN	Percentage share of the EBIT in turnover
EBT	Earnings before tax
CAPITAL 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 base lease period. During the base lease period, the agreement cannot be terminated. The lessee must bear the object-related risks, including the risks of destruction and theft. For finance leasing, a down-payment or an increased first leasing rate is usually agreed. Based on the contract design, a differentiation is made between full and partial amortization agreements.

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 the interpretation of accounting standards
IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)	International accounting standards (formerly IAS)
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)	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; inventories plus short-term receivables and other assets minus short-term tax reserves minus other short-term reserves minus accounts payable minus other current liabilities.
INTEREST RATE 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.

THE TERM 'EMPLOYEE' IS USED IN GENDER-NEUTRAL FORM FOR THE PURPOSE OF READABILITY.

IMPRESSUM

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