

2016

FINANCIAL STATEMENTS OF THE
RATH AKTIENGESELLSCHAFT

2016 FINANCIAL STATEMENTS

OF THE RATH AKTIENGESELLSCHAFT

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MANAGEMENT REPORT

MANAGEMENT REPORT / ECONOMIC REPORT

Business and General Conditions

The Rath Aktiengesellschaft is a company quoted on the stock exchange in Vienna in standard market auctions. The Rath Aktiengesellschaft, which is a holding company of the Rath Group, provides central control of the reporting system of its separate daughter companies as well as strategic development of our product portfolio, application solutions and our output markets. Furthermore, central financing is an important pillar of the company. There are no branch offices or business premises.

BUSINESS PERFORMANCE

Sales trend and earnings situation

The listed revenues in the amount of 4,687 KEUR (previous year: 4,537 KEUR) originate from license and intercompany pricing for services by the Marketing, R & D, Financing and Controlling, IT as well as Process Management departments. Personnel costs of 2,533 KEUR (previous year: 1,794 KEUR) increased by 739 KEUR. On the one hand, the increase resulted from the new admission of employees in the marketing, controlling and research and development areas, as well as in the support of subsidiaries, but on the other hand from to the annual collective agreement and inflation adjustment. The management contracts were also raised on 1/1/2016. Expenses in the area of "other corporate expenses" were at 2,575 KEUR (previous year: 2,344 KEUR). These are basically costs in connection with the provision of services for group subsidiaries in the Rath Aktiengesellschaft.

The operating result (EBIT) decreased to -124 KEUR (previous year: 715 KEUR). The number from the previous year includes a supplementary debit of the license costs in the amount of 856, while the adjusted previous year EBIT amounts to -141 KEUR, which means EBIT is at the level of the previous year. For the 2016 financial year, dividends from subsidiaries in the amount of 750 KEUR (previous year: 1,250 KEUR) were paid to the parent company. The financial result without revenues from financial interests amounted to 1,227 KEUR (previous year: 2,397 KEUR). Through the conversion of trade receivables for a group subsidiary into an interest-bearing group loan, the interest earnings increased. The evaluation of the interest swap was positive; we refer to point 7 of the annex regarding the financial instruments used (interest swap). The company closes the books at an annual surplus of 3,745 KEUR (previous year: 4,192 KEUR).

Assets and financial position

Total assets of Rath Aktiengesellschaft increased from 36,263 KEUR to 45,440 KEUR. At the same time, Rath Aktiengesellschaft accounts for an equity quota of 52% at the end of the year 2016 (previous year: 57%) The debt quota (net financial liabilities in proportion to equity capital) has increased from 57% to 65%. Due to the stable annual results of 3,745 KEUR, the executive board will announce at the Annual General Meeting a dividend of 0.50 EUR per share plus a bonus dividend of 0.25 EUR per share to be paid and the remainder to be carried forward onto new accounts (2,620 KEUR).

MANAGEMENT REPORT

The stock market price of the previous year increased from 13.76 EUR (12/31/2015) to 16.40 KEUR on 12/30/2016. The year-end market capitalization is therefore EUR 24.6 million (previous year: EUR 20.6 million).

Supplementary report

There were no reportable events in 2016 which are of special importance to the development of the asset, financial and revenue situation.

OUTLOOK REPORT

As a pure holding company, the performance of the company is solely reliable on revenues of its daughter companies and their billable services. The Rath Group will continue on its current path and is expecting a successful business year in 2017. The solid structure of the balance sheet and strong equity base of the Rath Aktiengesellschaft and its daughter companies presents the necessary basis for further developments, whether provided by the market, customer or products. The Rath Group feels well prepared for the 2017 financial year in that aspect, despite the likely lack of significant global economic growth, as economics experts suggest. While forecasts for Europe remain cautious, experts forecast solid growth for the USA. Regarding the expected overall economic parameters, no substantial changes compared to 2016 are to be expected for the markets served by the Rath Group. Internally, the Rath Group will further push ahead the already successfully implemented process optimizations and measures for increases in efficiency, while keeping an eye on cost discipline.

On this basis and under consideration of consistent foreign exchange rates as well as interest rate levels, the company group is expecting a slight increase in revenues and the group result for the financial year of 2017.

RISK REPORT

The internal control system will be secured via an integral process management. Signature regulations based on a "four-eye principle" as well as separations of critical functions in all business areas are stored therein. The risk management system ensures that risks are regularly analyzed and assessed. This is the only way to be sure that they can be detected at an early stage and countermeasures can be implemented quickly should a risk arise. Special risks can arise due to the financing functions of the holding company. For that reason, exchange rates and the development of interest rates are supervised. Further information pursuant to Section 243 (3) No. 5 UGB (Austrian Commercial Code) is explained in the Notes.

RESEARCH REPORT

The Rath Aktiengesellschaft takes on a central function in the field of research and development. Here the separate projects are planned, coordinated and accompanied during implementation. The holding company also provides testing devices for group-wide activities.

MANAGEMENT REPORT

IMPORTANT CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

The internal control system (IKS) defines all processes for securing economic efficiency and correctness of accounting. It reduces the error rate of transactions, protects assets from losses by damages and fraud and guarantees conformity of business procedures regarding statutes and current legislation. The control environment of the accounting process is marked by a clear structural and process organization, with people specifically assigned to individual functions (e.g. in Financial Accounting and Controlling). Staff involved in the accounting process fulfill the professional requirements. Mostly standard software is used in accounting.

Internal regulations refer to i.a. the mandatory compliance with terms of the management handbook and defines a list of business cases which require company management's approval. The Rath Aktiengesellschaft's management handbook contains i.a. information and terms necessary for the accounting process such as reporting guidelines, accounting and valuation rules or IT guidelines. A standardized monthly management reporting system includes all consolidated individual companies of the Rath Group.

The Rath AG's Supervisory Board regularly informs itself about the internal control system during its meetings. The Audit Committee's task is to supervise the control system's efficiency.

CORPORATE SOCIAL RESPONSIBILITY

The Supervisory Board and Management of the Rath Group place a high value on sustainable company leadership. Thus, strategic decision-making as well as operational leadership are influenced equally by ecological, economic and social factors.

The most important cross-group strategies for sustainability include Rath brand and product development strategies, innovation and production procedures to optimize the economy and ecology during the production process as well as in the product. Entering of the most important basic data of the Group's companies had been continued in the 2016 financial year.

Our colleagues are the most important key for a positive, sustainable development of our company's success. Open, appreciative social interaction among colleagues in all sectors, beyond function level, is the foundation of our company. During the 2016 business year, Rath AG had an average of 19 (previous year: 17) employees on our payroll. The percentage of employed women in the Rath Aktiengesellschaft is around 51.5% (previous year: 56%), the percentage in the Supervisory Board is at 17% (previous year: 17%).

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

Capital composition is explained in greater detail in the Notes. The Articles of Association do not include any restrictions regarding the exercise of the voting rights by Rath Aktiengesellschaft. The Company is unaware of any restrictions on the transfer of voting rights.

AS OF 12/31/2016

66.7%	Rath Holding GmbH
18.8%	Rath family members
14.5%	Diversified holdings

SHAREHOLDER STRUCTURE <

Rath Aktiengesellschaft does not operate an employee stock options scheme. Regarding the Supervisory Board, Executive Board and the company's Articles of Association there are no regulations that deviate from the law. The company does not own any of its shares as of the reporting date. There are no existing agreements that become effective in the event of control changing hands. In the event of a public takeover bid, there are no provisions for compensation.

THE EXECUTIVE BOARD

VIENNA, APRIL 21, 2017

Andreas Pfneiszl (personal signature)

Member of the Executive Board

DI Joerg Sitzenfrey (personal signature)

Member of the Executive Board

BALANCE SHEET

	12/31/2016 EUR	12/31/2015 KEUR
ASSETS		
A. Capital Assets		
I. Intangible fixed assets		
Industrial property rights and similar rights and advantages as well as licenses derived thereof	77,922	41
II. Tangible assets		
1) other assets, company and business equipment	227,068	258
2. made down payments and shares in construction	1,363	0
	228,431	258
III. Financial assets		
1. shares of affiliated companies	20,747,787	19,754
2. Asset exposures to affiliated companies	17,186,649	8,411
3. Securities of capital assets	446,456	446
	38,380,892	28,611
B. Current assets	38,687,245	28,910
I. Receivables and other assets		
1. Receivables towards affiliated companies, thereof 750,000 EUR from dividends (previous year: 1,250 KEUR thereof with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	4,456,271	6,702
2. Receivables towards a company with an ownership structure thereof with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	0	26
3. Other receivables and assets thereof with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	101,530	8
	4,557,802	6,735
II. Bank balance, balance at financial institutions	128,713	490
	4,686,515	7,226
C. Accruals and Deferrals		
Other accruals and deferrals	65,766	127
D. Deferred tax assets		
Deferred tax assets	2,000,764	0
	45,440,290	36,263

BALANCE SHEET

	12/31/2016 EUR	12/31/2015 KEUR
LIABILITIES AND EQUITY		
A. Equity Capital		
I. Capital Stock	10,905,000	10,905
II. Capital reserves		
fixed	1,118,067	1,118
III. Retained earnings		
other reserves (free reserves)	2,972,839	2,973
IV. Net profit	8,754,813	5,759
(retained earnings thereof 2,317,264 EUR; previous year: retained earnings 1,263 KEUR)	23,750,719	20,755
B. Provisions		
1. Provisions for severance payments	24,816	15
2. Provisions for pensions	2,034,099	1,851
3. Provisions for taxes	166,993	117
4. Other reserves	722,814	779
	2,948,722	2,762
C. Liabilities		
1. Bank borrowings		
of which with a remaining term < 1 year 9,566,706.16 EUR; previous year 10,094 KEUR and with a remaining term > 1 year 6,000,000.00 EUR; previous year 2,200 KEUR	15,566,706	12,294
2. Liabilities from deliveries and services		
of which with a remaining term < 1 year 238,073.61 EUR; previous year 241 KEUR and with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	238,074	241
3. Liabilities to affiliated companies		
of which with a remaining term < 1 year 2,883,946.33 EUR; previous year 0.00 KEUR and with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	2,883,946	-
4. Liabilities towards a company with an ownership structure		
of which with a remaining term < 1 year 2,227.09 EUR; previous year 0.00 KEUR and with a remaining term > 1 year 0.00 EUR; previous year 0.00 KEUR	2,227	0
(5) Other assets		
from taxes 3,623 EUR; previous year: 123 KEUR from within the scope of social security 34,881 EUR; previous year 28 KEUR of which with a remaining term < 1 year 49,895.65 EUR; previous year 210 KEUR and with a remaining term > 1 year 0.00 EUR previous year 0.00 KEUR	49,896	210
	18,740,849	12,745
	45,440,290	36,263
Contingent liabilities	6,657,143	6,657

INCOME AND LOSS STATEMENT

	2016 EUR	2015 KEUR
1. Sales revenues	4,686,910	4,537
2. Other income	398,904	404
	5,085,814	4,941
3. Personnel expenses		
a) Salaries	-1,754,047	(1,297)
b) social expenses, of which expenses for retirement provisions 362,455 EUR	-369,322	(170)
c) Expenses for processing and services to operational pension fund of employees	-35,466	(22)
d) Expenses for statutory social contributions as well as taxes and statutory deductions depending on salary payment	-374,296	(304)
	-2,533,131	(1,794)
4. Depreciations on intangible assets of capital assets and tangible assets	-101,601	(88)
(5) Other operating expenses		
Taxes	-21,415	(18)
Other	-2,553,810	(2,326)
6. Subtotal from Z 1 to 5 (operating results)	-124,143	715
7. Revenues from shares, of which from affiliated companies 750,000 EUR; previous year: 1,250 KEUR	750,000	1,250
8. Revenues from other securities and loans of investment assets (of which from affiliated companies: 391,127 EUR; previous year: 297 KEUR)	399,800	308
9. Other interest and similar income	192,999	152
10. Income from the disposal of and the appreciation to financial assets and securities from current assets	943,835	2,540
11. Expenses from financial assets and from securities from current assets of which a) Depreciations: 0 EUR; previous year: 90 KEUR of which b) Expenses from affiliated companies EUR; previous year: 90 KEUR	0	(90)
12. Interest and similar expenses of which affect affiliated companies 0 EUR; previous year: 0 KEUR	-309,403	(512)
13. Subtotal from Z 7 to 12 (financial result)	1,977,231	3,647
14. Earnings before tax	1,853,088	4,362
15. Earnings from income of which deferred taxes 2,000,763.71 EUR; previous year: 0 KEUR	1,892,317	(170)
16. Earnings after tax	3,745,404	4,192
17. Dividend Distribution	-750,000	-750
18. Retained earnings from the previous year	5,759,409	2,317
19. Net profit	8,754,813	5,759

GROUP RELATIONSHIPS

SHARES OF AFFILIATED COMPANIES OF THE FULLY CONSOLIDATED GROUP	SHARE %	COMPANY EQUITY CAPITAL AS OF 12/31/2016 EUR	COMPANY DISCLAIMER ANNUAL RESULT 2016 EUR
Rath GmbH, Meißen, Germany	100.00	25,671,620	1,339,168
<i>PREVIOUS YEAR</i>	100.00	25,332,451	1,223,066
Rath Hungaria Kft., Budapest, Hungary	100.00	4,142,040	569,702
<i>PREVIOUS YEAR</i>	100.00	3,750,512	571,580
Rath USA Inc. Newark, USA	100.00	1,868,284	-383,272
<i>PREVIOUS YEAR</i>	100.00	2,198,589	227,784
Chamottewaren- und Thonöfenfabrik Aug. Rath jun. GmbH, Krummnußbaum	99.98	7,238,387	1,929,450
<i>PREVIOUS YEAR</i>	99.98	5,297,757	1,709,022
Rath žárotechnika spol. s r.o., Dvůr Králové, Czech Republic	100.00	1,232,992	73,674
<i>PREVIOUS YEAR</i>	100.00	1,159,204	115,357
Rath Polska Sp. z o.o., Dabrowa Gornicza, Poland	100.00	21,029	82,537
<i>PREVIOUS YEAR</i>	100.00	-65,678	-7,537
Rath SAS, Gennevilliers, France	0.00	0	0
<i>PREVIOUS YEAR</i>	95.00	20,004	-11,456
Rath Ukrajina TOW, Donezk, Ukraine	100.00	105,831	35,471
<i>PREVIOUS YEAR</i>	100.00	76,421	-22,609
Rath Group S. de R.L. de C.V., Monterrey, Mexico	100.00	-19,918	10,395
<i>PREVIOUS YEAR</i>	100.00	-34,285	-9,966
Rath Filtration GmbH, Vienna, Austria	100.00	-53,692	-103,692
<i>PREVIOUS YEAR</i>	0.00	0	0

ANNEX

ACCOUNTING AND EVALUATION PRINCIPLES

1. GENERAL PRINCIPLES

The valid version of the annual accounts was created under consideration of the Commercial Code (UGB) and the principles of proper bookkeeping as well as the general standard of conveying a true image of the asset, financial and revenue situation of the company.

The company is to be classified as a large corporation according to Section 221 UGB. The principle of completeness was adhered to during creation of these annual accounts. The income and loss statement was created according to the total cost method. The previously applied valuation methods were maintained with the exception of changes due to the initial application of RÄG 2014; these changes affect the following in particular: The deferred taxes are entered in accordance with the changed legal regulations starting on 1/1/2016. The balance of deferred assets on 1/1/2016 was activated completely.

The evaluation of the severance, pension and anniversary bonus reserves is carried out in accordance with IAS 19 (according to the projected unit credit method – PUC) under the basis of the “Accounting principles for pension insurance” AVÖ 2008-P.

For the evaluation of individual assets and debts, the principle of individual assessment and a continuation of the company were assumed.

Thus, the precautionary principle took into account that only revenues realized on the closing date were accounted. All foreseeable risks and looming losses were taken into consideration.

2. FIXED ASSETS

a) Intangible assets

Intangible assets acquired will be measured at acquisition costs less depreciation. The orderly depreciation takes place linearly. The following operational life will be taken as a basis for the orderly depreciation:

Software and licenses 3-4 years

b) Tangible assets

> TANGIBLE ASSETS

	FROM	TO
Buildings	3%	10%
technical installations and machines	10%	20%
other assets, company and business equipment	10%	25%

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Tangible assets will be measured at acquisition costs less depreciation. Orderly depreciation will be performed on the basis of the following depreciation rates:

Accruals of the first half of the financial year will be depreciated at the full annual depreciation rate, accruals of the second half will be depreciated at half the annual depreciation rate. Low-value assets (individual purchases of up to 400 EUR) will be fully depreciated in the acquisition year. In the development of capital assets they are represented as turnover. Non-scheduled depreciations take place if value reductions are expected to be permanent. No non-scheduled depreciations took place during the financial year. Investment allowances are depreciated directly from acquisition and production costs.

c) Financial assets

Shares of affiliated companies will always be measured at costs, possibly less depreciation in consideration of value reductions. Asset exposures and securities of capital assets are measured at acquisition costs. Non-scheduled depreciations take place if value reductions took place or if the value on the balance sheet date is lower than their carrying value. No non-scheduled depreciations took place during the financial year (previous year 90 KEUR) Appreciation values of 944 KEUR were made (previous year: 2,431 KEUR). From which are for appreciations to shares of affiliated companies 650 KEUR (Rath Hungary), 258 KEUR (Rath Poland) and 36 KEUR (Rath Mexico).

3. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are named as nominal value if, in case of foreseeable individual risks, the lower applicable value is not recognized.

4. PROVISIONS

a) Provisions for claims of services

Provisions for severance payments are calculated according to principles of actuarial mathematics including the interest rate of 1.8% (previous year: 2%) and the legal pension age according to the pension reform's transitional agreement. Through the legal change in the calculation of provisions from financial to actuarial mathematics, there is an additional provision of 3,792.00 EUR this year. The change at an amount of 9,814.00 EUR (previous year 2 KEUR) is included in the salary expenses.

b) Pension reserves

Reserves for pensions are calculated according to recognized actuarial principles of the IFRS, based on an actuarial interest rate of 1.8% (previous year: 2%) under consideration of the accounting principles for the pension insurance AVÖ 2008-P. Through the legal change in the calculation of provisions (up to 2015, financial mathematics; starting in 2016, actuarial mathematics), there is a provision increase of 182,988.64 EUR, which is included in the salary expenses. In the previous year, the expenses in an amount of 16 KEUR were liquidated against the provision.

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c) Anniversary bonus provisions

Provisions for anniversaries are calculated according to principles of actuarial mathematics including the interest rate of 1.8% (previous year: 2%), legal pension age according to the pension reform's transitional agreement and fluctuation of 5%. The change in the anniversary bonus provision in an amount of 5,150.00 EUR (previous year 6 KEUR) is included in the salary expenses.

d) Other provisions

All foreseeable risks and uncertain liabilities were taken into account according to the precautionary principle in the amount of other provisions that are required according to reasonable entrepreneurial judgment.

5. LIABILITIES

Liabilities are measured at the fulfillment amount, taking into account the precautionary principle.

6. CURRENCY CONVERSION IN INDIVIDUAL FINANCIAL STATEMENT

The foreign currency requirements, as in the previous year, will be evaluated with the rate applying on the day of the transaction or the lower currency buying rate on the balance sheet date. The foreign currency obligations, as in the previous year, will be evaluated with the rate applying on the day of the transaction or the higher currency selling rate on the balance sheet date.

B. NOTES ON BALANCE SHEET AND INCOME AND LOSS STATEMENT OF RATH AG

NOTES ON BALANCE SHEET

1. Capital assets

The development of individual capital asset items is shown on the asset analysis (annex 1).

2. Receivables and other assets

All receivables and other assets are given a remaining term of up to one year, as in the previous year. The posts from the other receivables and assets contain amounts from tax receivables in an amount of 91,587 EUR previous year 3 KEUR, which are first due for payment after the balance sheet date.

3. Deferred tax assets

Deferred taxes are formed in accordance with § 198 section 9 and 10 UGB according to the balance sheet-oriented concept and without discounting on the basis of the current corporate tax rate of 25%.

Deferred taxes here were considered for losses carried forward for tax groups amounting to 6,984,893.93 EUR, which will probably be used in the next year. The approach of deferred tax assets on

ANNEX

tax losses carried forward is justified in accordance with § 198 section 9 sentence 3 UGB. The deferred taxes in an amount of 2,000,763.71 EUR on the balance sheet date were formed for temporary differences between the fiscal and corporate valuation for the following posts:

12/31/15 IN THOUSAND EUR	12/31/16 IN EUR		DEFERRED TAX ASSETS <
0	1,400.81	Tangible assets	
0	32,571.43	Financial assets	
431	673,285.00	long-term personnel reserves	
99	310,903.67	other long-term provisions	
530	1,018,160.91	Amount of total differences	
0	6,984,893.93	Loss carried forward Group - after investment 2016	
133	2,000,763.71	resulting deferred tax assets on 12/31 (25%)	

4. Capital

The demanded and paid nominal capital amounts to 10,905,000 EUR and is composed of 1,500,000 shares.

5. Other provisions

The remaining provisions contain primarily the provision for the imminent losses from an interest swap derivative at an amount of 310,904 EUR (previous year 496 KEUR) as well as premiums in an amount of 200,000 EUR (previous year 116 KEUR).

12/31/15 IN EUR	12/31/16 IN EUR		OTHER PROVISIONS <
46,625	48,941	Unused leave	
790,760	673,873	Other	
837,385	722,814		

6. Liabilities

Other liabilities basically include salary-dependent taxes that only become cash-effective after the reporting date.

7. Contingent liabilities, liabilities from using tangible assets

a) Contingent liabilities

The company has submitted a letter of comfort in the name of Rath USA Inc., Newark, Delaware, USA, to GE Capital Public Finance, Inc. For Aug. Rath jun. GmbH, letters of comfort were submitted in an amount of 1,000,000 EUR in favor of the Bank Austria AG and issued in an amount of 2,000,000 EUR for the Raiffeisenlandesbank Niederösterreich-Wien AG. For Rath Hungaria Kft., a letter of comfort was submitted in the amount of 3,657,143 EUR in favor of the UniCredit Bank Hungary Zrt.

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b) Liabilities from using assets not listed in the balance sheet.

> OBLIGATIONS	OF THE FOLLOWING BUSINESS YEAR <i>IN EUR</i>	OF THE FOLLOWING FIVE BUSINESS YEARS <i>IN EUR</i>
Liabilities from rental and leasing agreements	282,520 (previous year 261 KEUR)	550,901 (previous year 685 KEUR)

8. Explanatory notes for financial instruments**Interest rate hedging:**

For hedging the interest security risk, a derivative financial instrument in the form of an interest rate swap (4.35% fixed interest rate) with a nominal value of 4.5m EUR and a term until June 2018 has been concluded. The negative market value as of 12/31/2016 is at 310,904 EUR (previous year: 496 KEUR).

NOTES ON INCOME AND LOSS STATEMENT

1. Sales revenues

The sales revenues consist of group contribution and license payments.

2. Other income

The other income is from the offsetting of fleet expenses for Aug. Rath jun. GmbH as well as the offsetting of insurance expenses and other third-party expenses.

3. Personnel expenses

In the 2016 business year, we had an average of 19 (previous year: 17) employees on our payroll. The expenses for services include payments to operational employee pension funds in the amount of 25,652 EUR (previous year: 20 KEUR).

4. Taxes on income

The company is a parent company that is required to be consolidated according to Section 244 UGB. A tax allocation contract in accordance with Section 9 paragraph 8 KStG (Corporation Tax Law) 1988 (Group parent Rath Aktiengesellschaft - Group member Aug. Rath jun. GmbH and Rath Filtration GmbH) was completed for the purpose of group taxation.

The financial year's tax expenses result from tax allocations.

The active deferred tax amount of 2,000,764 EUR was balanced. In the previous year, the deferred taxes of 133 KEUR were not balanced.

5. Other information

All legal and economic relations to affiliated companies as of the reporting date can be obtained from annex 2.

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The expenses for the auditor are listed in the consolidated financial statement. It will be proposed to pay a dividend of 0.75 EUR per share from the balance profit of 8,754,813 EUR; this would be a total of 1,125,000 EUR and the remaining amount should be carried forward.

No significant events occurred after the balance sheet date.

ORGANS OF THE CORPORATION

DI Joerg Sitzenfrey, born 1976, has been, as of 1/1/2013 (initial order), a member of the Executive Board for Production and Research and Development departments. Andreas Pfneiszl, born 1969, has been, as of 06/10/2013 (initial order), a member of the Executive Board for Distribution and Finances.

Both management contracts are valid until December 31, 2020.

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

2015 IN THOUSAND EUR	2016 IN EUR		EXECUTIVE REMUNERATION<
162	200	fixed	DI Jörg Sitzenfrey
56	80	variable	
217	280		
164	200	fixed	Andreas Pfneiszl
56	80	variable	
220	280		
437	560		Total sum

Former members received pension payments of 179 KEUR (previous year: 179 KEUR).

ANNEX

Structure of the Supervisory Board:

The Supervisory Board currently consists of six selected members of the shareholder's meeting, who are characterized by strong business economic and legal expertise, personal qualifications and long-standing experience. All members are Austrian citizens.

> SUPERVISORY BOARD MEMBERS	YEAR OF BIRTH	AR MANDATES OR SIMILAR POSITIONS	INITIAL ORDER	END OF CURRENT TERM OF OFFICE
Mag. Stefan Ehrlich-Adám (Chairman) > independent	1964	Managing Director EVVA Sicherheitstechnologie GmbH	25.6.2013	in 2018
WP Mag. Philipp Rath (Vice Chairman) > dependent	1966	Auditor and partner at Rödl & Partner GmbH	17.7.2003	in 2018
Mag. Karin Bauer-Rath > dependent	1961	T1 ABW Abschleppdienst GmbH	1.6.2016	in 2018
Mag. Dieter Hermann > independent	1966	Supervisory Board Silgan Holdings Austria GmbH	25.6.2013	in 2018
MMag. Christian B. Maier > independent	1966	Chief Financial Officer of the Allgemeine Baugesellschaft - A. Porr AG	6/27/2008	in 2018
Dr. Andreas Meier > independent	1962	Chairman of the Executive Board/CEO H.C. Starck Group	6/1/2016	in 2018
Dkfm. Paul Rath > dependent	1934	Managing Director of Rath Holding GmbH	9/14/1989	10/10/2016

Mr. Dkfm. Paul Rath voluntarily left the Supervisory Board on 10/10/2016. The Supervisory Board remuneration (including attendance fees) for the financial year 2016, conditioned on the approval of the shareholder's meeting, amounts to a total of 76 KEUR (2015: 60 KEUR) and is distributed among the individual Members of the Supervisory Board as follows:

> SUPERVISORY BOARD MEMBERS	REMUNERATION (INCL. ATTENDANCE FEES)
Mag. Stefan Ehrlich-Adám (Chairman)	16,600
Mag. Philipp Rath (Deputy Chairman)	14,600
Mag. Dieter Hermann	12,600
MMag. Christian B. Maier	12,000
Dkfm. Paul Rath	7,867
Dr. Andreas Meier	6,400
Mag. Karin Bauer-Rath	5,800

ANNEX

The remuneration for Members of the Supervisory Board are made up of fixed and attendance-dependent components. The fixed components consist of a total amount. The second component consists of an attendance fee which is determined by a fixed amount per meeting a member participates in.

THE EXECUTIVE BOARD

VIENNA, APRIL 21, 2017

Andreas Pfneiszl (personal signature)
DI Joerg Sitzenfrey (personal signature)

ASSETS ANALYSIS

ACQUISITION AND MANUFACTURING COSTS

	AS OF 01/01/2016 <i>EUR</i>	ADDITIONS <i>EUR</i>	DISPOSALS <i>EUR</i>	AS OF 12/31/2016 <i>EUR</i>
I. Intangible fixed assets				
Industrial property rights and similar rights and advantages as well as licenses derived thereof	550,626.28	68,544.80	0.00	619,171.08
	550,626.28	68,544.80	0.00	619,171.08
II. Tangible assets				
1) other assets, company and business equipment*	736,801.34	39,263.45	-1,935.11	774,129.68
2. made down payments and shares in construction	0.00	1,363.41	0.00	1,363.41
	736,801.34	40,626.86	-1,935.11	775,493.09
III. Financial assets				
1. shares of affiliated companies	30,518,402.57	50,000.00	-38,000.00	30,530,402.57
2. Asset exposures to affiliated companies	8,411,041.20	17,644,747.06	-8,869,139.28	17,186,648.98
3. Securities of capital assets	446,455.71	0.00	0.00	446,455.71
	39,375,899.48	17,694,747.06	-8,907,139.28	48,163,507.26
	40,663,327.10	17,803,918.72	-8,909,074.39	49,558,171.43
* low-value assets thereof		1,947.06		

ANALYSIS OF LIABILITIES

	BALANCE SHEET VALUE <i>EUR</i>	PREVIOUS YEAR'S FIGURE <i>EUR</i>	REMAINING TERM UP TO 1 YEAR <i>EUR</i>
Bank borrowings	15,566,706	12,294	9,566,706
Liabilities from deliveries and services	238,074	241	238,074
Liabilities towards affiliated companies	2,883,946	0	2,883,946
Liabilities towards a company with an ownership structure	2,227	0	2,227
Other liabilities	49,896	210	49,896
Total	18,740,849	12,745	12,740,849

ASSETS ANALYSIS

CUMULATIVE DEPRECIATION					NET CARRYING VALUES		
AS OF 01/01/2016 EUR	ADDITIONS EUR	APPRECIATIONS EUR	DISPOSALS EUR	AS ON 12/31/2016 EUR	BOOK VALUE 01/01/2016 EUR	BOOK VALUE 12/31/2016 EUR	
509,828.28	31,420.80	0.00	0.00	541,249.08	40,798.00	77,922.00	
509,828.28	31,420.80	0.00	0.00	541,249.08	40,798.00	77,922.00	
478,784.34	70,180.45	0.00	1,903.11	547,061.68	258,017.00	227,068.00	
0.00	0.00	0.00	0.00	0.00	0.00	1,363.41	
478,784.34	70,180.45	0.00	1,903.11	547,061.68	258,017.00	228,431.41	
10,764,450.18	0.00	943,834.91	38,000.00	9,782,615.27	19,753,952.39	20,747,787.30	
0.00	0.00	0.00	0.00	0.00	8,411,041.20	17,186,648.98	
0.00	0.00	0.00	0.00	0.00	446,455.71	446,455.71	
10,764,450.18	0.00	943,834.91	38,000.00	9,782,615.27	28,611,449.30	38,380,891.99	
11,753,062.80	101,601.25	943,834.91	39,903.11	10,870,926.03	28,910,264.30	38,687,245.40	
	1,947.06						

ANALYSIS OF LIABILITIES

PREVIOUS YEAR'S FIGURE EUR	REMAINING TERM OF 1 TO 5 YEARS EUR	PREVIOUS YEAR'S FIGURE EUR	REMAINING TERM OF MORE THAN 5 YEARS EUR	PREVIOUS YEAR'S FIGURE EUR
10,094	6,000,000	2,200	0	0
241	0	0	0	0
0	0	0	0	0
0				
210	0	0	0	0
10,545	6,000,000	2,200	0	0

AUDITOR'S CERTIFICATE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements from the Rath Aktiengesellschaft, Vienna, consisting of the balance sheet on December 31, 2016, the income and loss statements for the business year ending on this balance sheet date and the annex.

According to our evaluation, the financial statement corresponds to the legal provisions and gives a true and fair view of the assets and the financial position of the company for the business year ending on this balance sheet date in agreement with the Austrian Corporate provisions.

Basis for the opinion

We executed our statutory audit in agreement with the Austrian principles of proper auditing. These principles require the application of the International Standards on Accounting (ISA). According to these provisions and standards, our responsibilities are described further in the section of our auditor's certificate entitled "Responsibilities of the auditor for the auditing of financial statements." We are independent of the company in agreement with the Austrian corporate and professional provisions and we have fulfilled our other professional obligations in agreement with these requirements. We believe that the records we obtained for auditing are sufficient and appropriate to serve as a basis for our opinion.

Particularly important audit circumstances

Particularly important audit circumstances are circumstances that were most important for our audit of the financial statement from the business year at our required discretion. These circumstances were considered in connection with our audit of the financial statement as a whole and during the formation of our opinion and we do not provide a separate opinion on these circumstances.

Impairment of shares in affiliated companies, loans to affiliated companies as well as receivables towards affiliated companies

See annex supplement I/4, as well as section 1 of the annex.

The risk for the statement

Once a year and as needed, shares in affiliated companies, loans to affiliated companies as well as receivables towards affiliated companies in this connection are subject to an impairment check of the company. In the first step, the static surplus or shortage is determined through the comparison of the share approach with the proportionate equity on the balance sheet date. In a further step, provided this is required for a shortage, an assessment is executed on the basis of discounted net cash flows that are dependent on future sales and margin expectations as well as on the basis of derived discounted interest rates. This assessment is subject to significant predictive uncertainty.

AUDITOR'S CERTIFICATE

Our procedure in the audit

We have gained an understanding of how the Rath AG monitors the existence of signs of a lasting depreciation.

During the company evaluations, we evaluated the appropriateness of the significant future-related estimations and assumptions as well as the applied valuation methods through involvement of our valuation specialists. We compared the turnover and margin developments expected according to the calculations with the current company plan and discussed the basic planning assumptions with the management. We also validated the plausibility based on information about the current and expected development of the respective unit. We evaluated the adherence to the plan by comparing the plans made in the previous periods with the actual values that occurred.

The assumptions used to determine the discounting interest rates were examined by comparing their appropriateness with market and industry-specific guidelines and assessment methods and the calculation scheme was understood.

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

The legal representatives are responsible for the creation of the financial statement and for making sure that this provides a true and fair representation of the company's assets, financial and profit situation in agreement with the Austrian corporate provisions. Furthermore, the legal representatives are responsible for internal controls that they deem necessary to allow for the creation of a financial statement free of significant – intended or unintended – incorrect representations.

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

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

Responsibilities of the auditor for the auditing of the financial statement

Our goals are to obtain sufficient certainty as to whether the financial statement as a whole is free of significant – intended or unintended – incorrect representations and to provide an Auditor's Certificate that contains our opinion. Sufficient certainty is a high level of certainty, but not a guarantee that an audit executed in agreement with the Austrian principles of proper auditing requiring the usage of the ISA will always discover a significant, incorrect representation if such exists. Incorrect representations may result from fraudulent acts or mistakes and are viewed as significant if it can be expected that they – individually or altogether – will influence the economic decisions of users made on the basis of this financial statement.

AUDITOR'S CERTIFICATE

As a part of an audit in agreement with the Austrian principles of proper auditing, which require the application of the ISA; we exercise the required discretion during the entire audit and maintain a critical approach.

Furthermore, the following applies:

- We identify and evaluate risks of significant - intended or unintended - incorrect representations in the statement, plan auditing measures as a response to these risks, execute them and obtain proof that is sufficient and suitable to serve as a basis for our opinion. The risk that significant incorrect representations resulting from fraudulent actions not being discovered is greater than one resulting from mistakes because fraudulent actions may contain fraudulent collaborations, falsifications, intended incompleteness, misleading representations or the disabling of internal controls.
- We gain an understanding of the internal control system relevant for the statement audit in order to plan auditing actions that are appropriate under the specified circumstances, however, not with the goal of submitting an opinion regarding the effectiveness of the internal control system of the company.
- We assess the appropriateness of the accounting methods applied by the legal representatives as well as the acceptance of the estimated values in the accounting illustrated by the legal representatives and therefore connecting specifications.
- We draw conclusions about the appropriateness of the application of the accounting principles for the continuation of company activities by the legal representatives as well as on the basis of the obtained audit records as to whether there is a significant discrepancy in connection with events or circumstances that may cause significant doubt in the ability of the company to continue its business activities. If we come to the conclusion that a significant uncertainty exists, we are obligated to make note of this in our Auditor's Certificate for the affiliated specifications in the financial statement or, if these specifications are inappropriate, to modify our opinion. We draw our conclusion on the basis of the audit records that we have obtained up to the date of our Auditor's Certificate. Future events or circumstances may nevertheless result in the company being unable to continue its company activities.
- We evaluate the entire representation, the structure and the content of the financial statement, including the specifications, as well as if the financial statement represents the business transactions and events in a manner that creates a fair and true representation.
- We speak with the Audit Committee about the planned scope and the planned time needed for the financial statement as well as about important determinations in the audit, including any important deficiencies in the internal control system that we recognize during our audit.
- We also provide the Audit Committee with a statement that we complied with the relevant professional behavior requirements regarding independence and we inform them of all relation-

AUDITOR'S CERTIFICATE

ships and other circumstances from which it can be reasonably assumed that they have an effect on our independence and – if relevant – any affiliated protective measures.

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

OTHER LEGAL AND OTHER STATUTORY REQUIREMENTS

Report on the management report

Due to the Austrian corporate legal provisions, the management report must be examined to see if it is in agreement with the financial statement and if it was issued according to the valid legal requirements.

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

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

JUDGMENT

According to our assessment, the management report was created according to the applicable legal requirements, contains the applicable specifications according to § 243a UGB and is in agreement with the financial statement.

DECLARATION

In light of the knowledge and understanding about the company and its environment gained during the audit of the financial statement, we did not determine any significant, incorrect specifications in the management report.

Other information

The legal representatives are responsible for the other information. The other information contains all information in the business report, not including the financial statement, the management report and the Auditor's Certificate regarding this.

Our opinion on the financial statement does not cover this other information and we do not provide any type of guarantee about this.

AUDITOR'S CERTIFICATE

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

Order Officer Auditor

The auditor responsible for the final audit is Mr. Mag. Yann-Georg Hansa.

Vienna, April 21, 2017

KPMG Austria GmbH
Auditing and Tax Consulting Company

Signed:
Mag. Yann-Georg Hansa
Auditor

The publication or disclosure of this annual report with our audit certificate may only be done after our approval. This audit certificate is only valid for the complete annual report in the German language, including the status report. For differing versions, the regulations of Sec. 281 paragraph 2 UGB apply.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During the 2016 business year, the Supervisory Board of the Rath AG intensively followed the work of the Executive Board according to the tasks transferred to them by law and the articles of association. The Supervisory Board initially dealt with the situation and the development of the company. The Supervisory Board was informed by the Executive Board on a regular basis through oral reports in meetings, complemented by documents regarding agenda items, along with regular written reports. The Supervisory Board was included in all decisions of significant importance. In the 2016 business year, the Executive Board and the Supervisory Board exchanged information during six meetings (five regular meetings, one inaugural meeting), consulting on the economic situation and the strategic development of our company Group as well as on important events, investments and actions.

During all meetings, the Supervisory Board has been, in the course of regular reporting, informed about the most important matters of the management, the course of business and the economic situation of the company. Thus, the Supervisory Board was given great opportunity to comply with its obligation to inform and supervise. We have thereby fulfilled our legal obligations and those laid out in our statutes. We have advised the Executive Board regarding the management of the company and supervised the activities of its Directors.

There were no grounds for objecting to the economic activity of the Executive Board.

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 potential investment and acquisition projects. Special events were reported separately. Supervisory Board committees reported on their activities at the Board's meetings. Six General Meetings (incl. inaugural Supervisory Board's meetings) were held during the 2016 financial year. All but a few members personally participated in all meetings. The meeting of Monday, February 29, 2016, dealt with reports of the last business year. The area of activity about the Regulation on Compliance for Issuers has been noted. At the meeting on Monday, April 18, 2016, the 2015 financial statements and management report as well as the 2015 consolidated financial statements and management report were reviewed, the 2015 financial statements were assessed as recommended by the Audit Committee and the proposal for the distribution of profits from the 2015 financial year was approved. Furthermore, the suggestion of voting an annual auditor was agreed upon, the Annual General Meeting was prepared and the current state of business was reported on.

The meeting on Wednesday, June 1, 2016 was mainly used for the preliminary discussion regarding the Annual General Meeting. During the inaugural meeting, which took place on the same day after the Annual General Meeting, the meeting dates for 2016/2017 were finalized. In the meeting held on Tuesday,

REPORT OF THE SUPERVISORY BOARD

September 6, 2016, the half-yearly financial report was discussed and deliberations were also held on the current business situation. In the final meeting of the year on Wednesday, November 30, 2016, the budget incl. investments for 2017 as well as the medium-term plan until 2020 were approved.

Committees

The Supervisory Board installed three committees during the year under review. The Audit Committee met twice in 2016. On Wednesday, April 6, 2016, the Audit Committee has carried out the final meeting for the 2015 business year in the presence of the annual auditor. 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. In the meeting on Wednesday, November 30, 2016, the auditors reported on the status of the preliminary audit of the financial statements and consolidated financial statements.

The Strategy Committee met once in 2016. The focus of the meeting on September 6, 2016 was on the introduction of the managing director from Rath Inc., as well as an overview of the market potentials and possibilities for the Rath Group in the American market. The compensation committee met for the first time on March 24, 2017. The focus was on the determination of the target achievement of the executive board in 2016 as the basis for the variable compensation share.

Financial statements

The annual accounts of the Rath Aktiengesellschaft as of Saturday, December 31, 2016 and the status report of the Executive Board as well as the consolidated financial report as of Saturday, December 31, 2016 according to IFRS, and the consolidated status report of the Executive Board were audited with regard to accounting and provided with an unqualified audit certificate by KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (auditing and tax consultancy firm), Vienna. This company was chosen by the General Meeting of Wednesday, June 1, 2016. The Audit Committee of the Supervisory Board analyzed the findings of the audit in cooperation with the auditors during the meeting on Friday, April 21, 2017, and recommended the approval of the financial statements and consolidated financial statements to the Supervisory Board.

The Supervisory Board has reviewed the documents according to Section 96 AktG (Stock Corporation Act) as well as the Corporate Governance report, and approved the annual accounts which are therefore determined according to Section 96 no.4 AktG. The Supervisory Board has also reviewed and approved the proposed distribution of profits given by the Executive Board. The audits gave no grounds for objections after their final result.

Mag. Stefan Ehrlich-Adám
Chairman of the Supervisory Board

VIENNA, APRIL 21, 2017

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

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

We confirm to the best of our knowledge that the parent company'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 Saturday, December 31, 2016 are not necessarily indicative of future results.

VIENNA, APRIL 21, 2017

Andreas Pfneiszl

Member of the Executive Board

DI Joerg Sitzenfrey (personal signature)

Member of the Executive Board

