2016

ANNUAL REPORT

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RATH

KEY FIGURES

	2016 KEUR	2015 KEUR	2014 KEUR	2013 KEUR
Turnover	**80,306**	81,924	77,441	79,410
Change in %	**-2.0**	5.8	-2.5	-8.4
EBIT	**5,016**	5,627	4,612	1,353
EBIT margin in %	**6.2**	6.9	6.0	1.7
EBT	**4,705**	6,499	5,022	-248
Operating cash flow	**5.903**	6,155	5,513	1,377
Capital ratio in %	**50.7**	49.2	46.9	43.1
Return on equity in %	**9.2**	10.3	7.9	-0.4
Working Capital in %	**40.4**	38.2	37.2	34.6
ROCE in %	**6.3**	5.1	11.0	2.0
WACC in %	**6.0**	7.5	8.1	6.9
Investments in tangible assets	**5,629**	3,799	2,805	1,388
Depreciations	**4,124**	4,159	3,905	3,779
Number of employees in annual average	**542**	551	549	611
Number of consolidated corporations	**10**	9	11	11

ANNUAL REPORT 2016

RATH GROUP

CONTENTS

2016

RATH WITH SOLID RESULTS – SIGNIFICANT INDICATORS AT PREVIOUS YEAR'S HIGH LEVEL DESPITE DIFFICULT MARKET CONDITIONS.

PREFACE BY THE EXECUTIVE BOARD

Andreas Pfneiszl (CFO, CSO), DI Jörg Sitzenfrey (COO)

DEAR SHAREHOLDERS,

Founded in 1891 in Krummnussbaum (Lower Austria), the Rath Group has become a world-leading provider of refractory products for customer-specific special solutions and in 2016, we celebrated 125 successful years since the company was founded.

But 2016 was also a very exciting year for other reasons. On the social level, the political level and on the important economic level. Our daily processes are changing due to the progress of digitalization and this represents more and more of an opportunity, but also a necessity. The elections were held in the United States of America, the home market of Rath USA Incorporated, and the resulting international consequences are not yet predictable. In a historic vote, Great Britain decided to withdraw from the European Union and the global prospects of growth were further dampened throughout the year.

PREFACE BY THE EXECUTIVE BOARD

Despite this and other turbulence, we were able to report a successful year for the Rath Group. Group revenues decreased by 2 percent with a stable operating income (EBITDA). We were able to hold the EBIT margin above the 6 percent target level and our new distribution subsidiary, Rath Filtration GmbH, achieved a positive balance in its first year and shows a great deal of potential for promising growth.

For the current 2017 financial year, we expect Group revenues to reach a level of up to + 5 percent. With the operating result (EBITDA), we expect an increase of up to 6 percent. Always under consideration of the possible currency-adjusted effects. A dividend distribution with a return of at least 3 percent to 3.5 percent is our goal.

For this reason, we are sticking to our reliable dividend distribution without any restrictions. The Executive Board and Supervisory Board will suggest to the General Meeting on June 1, 2017 to pay out a dividend of 0.50 EUR per share and a special dividend of 0.25 EUR, therefore 0.75 EUR per share (previous year: 0.50 EUR per share). The dividends would then be increased disproportionately to the operational consolidated results by 7.8 percent. This is a positive signal for you, our shareholders, and reflects our belief to also guarantee a stable and profitable business development in the future.

From the current point of view, the global economy and therefore also the economic performance in the industrial countries will grow again in the years to come. In addition to this positive signal, however, we see ourselves confronted with a cost pressure that is higher than ever before and we must be able to survive with aggressive competition.

However, we are well equipped for this! Basing our business model on a broad, high-quality and powerful product portfolio represents a fundamental strategic pillar. Additionally, we offer competitive solutions from engineering, product management, assembly through to after-sales service. This enables us to hold on a stable position in the global market with a focus on sustainability.

Finally, we would like to thank all of our employees for their daily efforts and great work. We strongly believe that despite the challenging market environment, we will be able to further expand our success. We want to thank you, our cherished shareholders, for the years of trust and your loyalty to our company.

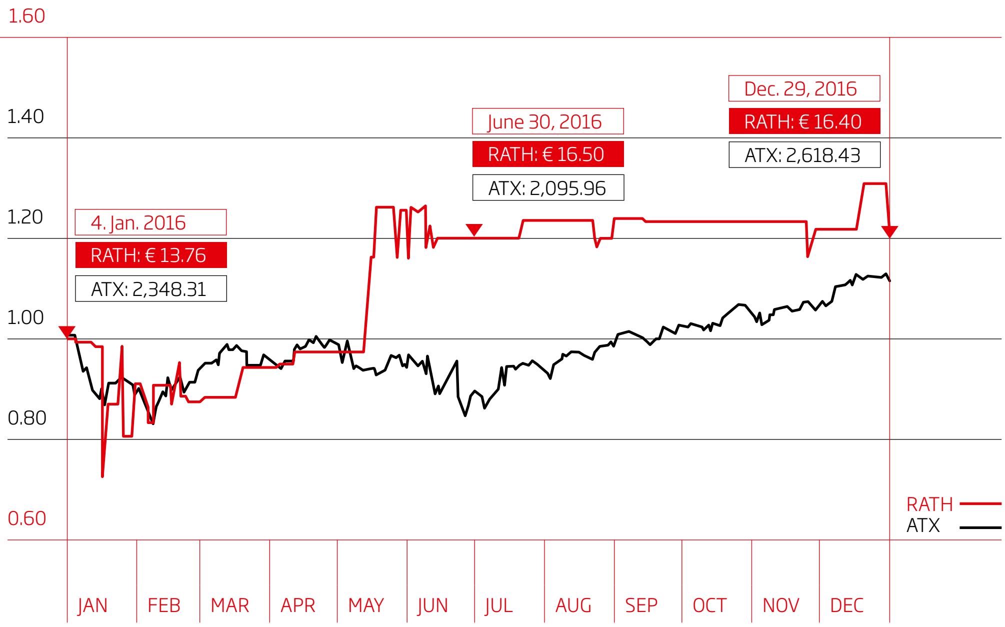
Your Board

Andreas Pfneiszl

DI Jörg Sitzenfrey

THE STOCK

› STOCK DEVELOPMENT



› STOCK MARKET INDICATORS

ISIN	AT0000767306
Securities abbreviation	RAT
Market segment	Standard Market Auction
Trading segment	Official trading
Class of shares	No-par value shares entitled to vote
Number of shares	1,500,000
Total number of stocks	1,500,000
Stock price on 12/30/2016	€ 16.40
Market capitalization	€ 24,600,000
Earnings/share	2.63

› CAPITAL MARKET CALENDAR 2017

June 1, 2017	Annual General Meeting
June 7, 2017	Ex-dividend day
June 9, 2017	Dividend pay day
August 31, 2017	Half-year results 2017
November 10, 2017	Result 3rd Quarter Report 2017

THE STOCK

STOCK

The Rath stock

After a price of € 13.76 at the beginning of 2016, the stock gradually increased until the end of the year. In mid-year (Wednesday, June 29, 2016), the price was at € 16.50, an increase of 20%. Throughout the course of the year, the stock price remained stable and ended the year at € 16.40.

Investor Relations

The aim of the capital market communication by Rath AG is to inform the Financial Community about market-relevant developments promptly, extensively and regularly. As a reasonable contact, we are capable of creating a fair and appropriate evaluation of the Rath stock. Our constant focus is to convey an image representing the company's actual situation according to the true and fair view.

Investor Relations involves not only an obligation to us to inform our shareholders about the company, but also a chance to win new investors domestically and abroad.

Investor Relations Officer
Klemens Anderl
E-mail: ir@rath-group.com
Internet: www.rath-group.com

CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 243B UGB

With the Austrian Corporate Governance Code, Rath Group follows the regulatory framework of standards for a company's responsible management and leadership. It includes the internationally recognized standards of good company management (OECD guidelines, EU Transparency Directive) but also the significant regulations of the Austrian Stock Exchange Act.

A high level of transparency is created for all companies in the Group. The valid Austrian Code of Corporate Governance (ÖCGK) (version January 2015) can be retrieved from the Austrian Working Group for Corporate Governance's website (www.corporate-governance.at) but also at Rath Aktiengesellschaft's website (www.rath-group.com > Investor Relations >Corporate Governance > Corporate Governance Code).

In order to avoid insider trading, there has been a policy in place since 2002 which is based on the Regulation on Compliance for Issuers of the Austrian Financial Market Authority. The Code of Conduct updated in 2010 is intended for all employees, includes all principles of conduct and offers information about the basic ethical and legal obligations of Rath employees.

Deviations

Rath Aktiengesellschaft complies with the regulations of the Austrian Corporate Governance Code including the R-rules in full, with one exception. In the 2015 business year, there was divergent handling of a C-rule from the total 83 rules of the code, which will be explained and justified in the following based on the principle of "comply or explain":

C Rule 62

Rath Aktiengesellschaft must have the compliance of the C-Rule 62 of the Corporate Governance Code evaluated by an eternal institution on a regular basis, at least every three years, and report on the results in the Corporate Governance Report.

Rath Aktiengesellschaft did not have an evaluation executed by an external institution for the 2016 business year. The next external evaluation will occur within the three-year period in accordance with the Corporate Governance Code.

The code includes three categories of rules:

1. Legal Requirement ("L") - mandatory legislation is included.
2. The "C" rules (Comply or Explain) must be observed; a deviation must be explained and justified in order to achieve behavior compliant with the code.

3 Recommendation rules ("R") must be recommended.

Rath uses the Code of Corporate Governance of January 2015 to its full extent -- with the following detailed explanations:

CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 243B UGB

Composition, term of office and responsibilities of the Executive Board (Section 16 ÖCGK)
The Executive Board consists of:
DI Joerg Sitzenfrey, born 1976, has been, as of 1/1/2013 (initial order), a member of the Executive Board for Production, Research and Development departments.

Andreas Pfneiszl, born 1969, has been, as of 6/10/2013 (initial order), a member of the Executive Board for Distribution and Finances.

The Members of the Executive Board did not hold any Supervisory Board mandates or similar functions within domestic and foreign companies not incorporated in the consolidated accounts in the 2016 business year.

Both management contracts are valid until December 31, 2020.

Report on Executive Board Remuneration (Section 30/31 ÖCGK)
Remuneration of the Executive Board depends on the scope of functions, the responsibility and personal achievement by the Member as well as on the achievement of company goals, size and economic situation of the company. At Rath Aktiengesellschaft, remunerations dependent on success are not made via stock options but are dependent on varying success criteria. Part of this is a predefined target achievement regarding the business result of qualitative and quantitative goals.

Some parts of the total remuneration of the Executive Board in 2016 were fixed, others were dependent on success. The variable limit was set at a value of 50 % of the basic salary. In case of a function termination by the Executive Board, no claims or entitlements beyond the statutory requirements can be made or requested. Rath Group's Management is covered by valid liability insurance (D&O Versicherung [Insurance]).

The entire Supervisory Board fulfills the tasks of the compensation committee until 2016. Starting in 2017, an independent committee was created. Knowledge and experience in the field of compensation politics are offered especially by Mr. Mag. Ehrlich-Adám.

REMUNERATIONS OF EXECUTIVE BOARD

2015 *KEUR*	2016 *KEUR*		
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**

CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 243B UGB

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	INITAL ORDER	END OF CURRENT TERM OF OFFICE
Mag. Stefan Ehrlich-Adám (Chairman) › *independent*	1964	Managing Director EVVA Sicherheitstechnologie GmbH Vice President in the Steering Committee of the ASI Austrian Standards Institute (ASI)	6/25/2013	in 2018
WP Mag. Philipp Rath (Vice Chairman) › *dependent*	1966	Auditor and partner at Rödl & Partner GmbH	7/17/2003	in 2018
Dkfm. Paul Rath › *dependent*	1934	Managing Director of Rath Holding GmbH	9/14/1989	10/10/2016
MMag. Christian B. Maier › *independent*	1966	Financial Officer of the Porr Aktiengesellschaft, AR Mandate UBM Development AG, Austria	6/27/2008	in 2018
Mag. Dieter Hermann › *independent*	1966	Supervisory Board Silgan Holdings Austria GmbH	6/25/2013	in 2018
Mag. Karin Bauer-Rath › *dependent*	1961	T1 ABW Abschleppdienst GmbH	6/1/2016	in 2018
Dr. Andreas Meier › *independent*	1962	Chairman of the Executive Board/CEO H.C.Starck Group	6/1/2016	in 2018

Report of the Supervisory Board Remuneration (Section 50/51 ÖCGK)

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: 65 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 (Vice 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

CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 243B UGB

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, and the second component consists of an attendance fee which is determined by a fixed amount per meeting that a member participates in.

Independence of Supervisory Board (Section 53, 54 ÖCGK)
All Members of the Supervisory Board who are not in a business or personal relationship with the Rath Aktiengesellschaft or its Executive Board, that would justify a material conflict of interest, and, thus, be able to influence the Member's behavior, are regarded as "independent" in the sense of the general clause of regulation 53. Criteria of the Code of Corporate Governance Exhibit 1 are used as a benchmark. According to these criteria, two Members of Rath Aktiengesellschaft's Supervisory Board are to be considered dependent.

Committees and functions of the Supervisory Board (Section 36, 39 ÖCGK)
Rath Aktiengesellschaft's Supervisory Board is comprised of experts of different specialist fields, and conducts regular meetings dealing with strategic and balance sheet matters, among other things. Within this framework, Rath Aktiengesellschaft's Supervisory Board is involved as an advising body in all basic decisions of the Executive Board.

Rath Aktiengesellschaft has an auditing, strategy and compensation committee. Other committees have not been established. The following members of the Supervisory Board are part of the audit committee: Mr. Mag. Ehrlich-Adám as Chairman, Mr. Mag. Philipp Rath, Mr. MMag. Christian B.Maier and Mr. Mag. Dieter Hermann. In 2016, the audit committee held two meetings in which the preparation and analysis of the annual accounts and the internal control, revision and risk systems were discussed. Furthermore, the results were corrected and discussed by the OePR. The annual auditor participated in both meetings.

The following members of the Supervisory Board are part of the strategy committee:
Mr. Mag. Ehrlich-Adám, Mr. Mag. Philipp Rath, Mr.Dkfm. Paul Rath (until October 2016), Mr. Mag. Dieter Hermann, Dr. Andreas Meier. In 2016, the strategy committee held one meeting discussing sales potentials in the USA. During the second half of 2016, a compensation committee was set up, which consists of the following individuals from the Supervisory Board: Mr. Mag. Ehrlich-Adám, Mr. Mag. Philipp Rath, Dr. Andreas Meier. The committee met for the first time in March 2017.

In 2016, the Supervisory Board held 6 regular meetings (including the constituting Supervisory Board meeting). The attendance rate was 96 %. The Supervisory Board's focus of activities during the financial year is shown in more detail in the Supervisory Board's report.

Actions for increasing the share of female employees in the Executive Board, Supervisory Board and leading positions
There are no women on the Executive Board of the Rath Aktiengesellschaft. Since 2016, one woman has

CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 243B UGB

been on the Supervisory Board, thereby resulting in a percentage of women of around 17 % starting in June 2016. Women hold leading positions in numerous departments of the first and second reporting level. The share of female employees of the overall staff level as of Saturday, December 31, 2016 was 19.0 % (2015: 17.9 %). The Rath Group supports and promotes the hiring of women in all departments. Rath also takes measures and makes investments which promote the compatibility of career and family. Furthermore, the recruiting process is highly focused on a strict equal treatment of both genders.

Internal revision

A typical department for internal revision does not exist due to the company's size. The tasks of internal revision are performed by the department of Process Management which regularly notifies the Executive Board about important results . 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 during the year or by the Chairman of the Supervisory Board during the Shareholders' Meeting.

VIENNA, APRIL 21, 2017

The Executive Board

Andreas Pfneiszl

DI Jörg Sitzenfrey

DECLARATION BY THE LEGAL REPRESENTATIVES ACCORDING TO SECTION 82 (4) Z 3 BÖRSEGESETZ (AUSTRIAN 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 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 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.

The Executive Board

VIENNA, APRIL 21, 2017

Andreas Pfneiszl

DI Jörg Sitzenfrey

REPORT OF THE SUPERVISORY BOARD

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

DEAR SHAREHOLDERS,

During the 2016 business year, the Supervisory Board of Rath AG strongly supported the work of the Executive Board with the tasks transfered to it 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, supplemented 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 Articles of Association. 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 detailed reports on the business and financial position of the group, the personnel situation and the potential investment and acquisition projects. Special events were reported separately. 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, September 6, 2016, the half-yearly financial report was discussed and deliberations were also held on the current

REPORT OF THE SUPERVISORY BOARD

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 established three committees during the year under review. The Audit Committee met twice in 2016. On Wednesday, April 6, 2016, the Audit Committee 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 Executive Board provided information about the determination of errors from the OePR. The Strategy Committee met once in 2016. The concentration of the meeting on September 6, 2016 was on the introduction of the managing director from the Rath Inc., as well as an overview of the market potentials and possibilities for the Rath Group in the America 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 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.

VIENNA, APRIL 21, 2017

Mag. Stefan Ehrlich-Adám
Chairman of the Supervisory Board

CONSOLIDATED ANNUAL REPORT

CONSOLIDATED ANNUAL REPORT 2016

ECONOMIC ENVIRONMENT

The development of the worldwide economic situation remained under expectations in 2016. The worldwide Gross Domestic Product (GDP) grew by 2.3 percent according to estimates by the World Bank (Global Outlook, January 2017). Thus, the worldwide growth of economic performance slowed down by 0.4 percentage points when compared to the previous year. With a growth of 1.5 percent, worldwide industry production also remained under the value of the previous year (+1.8 percent).

However, the economic indicators differ greatly from each other depending on the region. As in past years, primarily emerging markets in Asia are providing for dynamic growth numbers, while the classic industrial nations show clearly lower growth. The aggregate growth for the Europe, North America and Japan regions amounted to 1.6 percent. This represents a clear deceleration compared to the previous year (2.1 percent in 2015).

In Europe alone, the growth in 2016 was 1.6 percent and was therefore 0.4 percentage points below the previous year. The Europe-wide growth was driven primarily through consumption expenses and the expansive monetary policies of the European central banks.

Austria (+ 1.5 percent), Germany (+ 1.8 percent) and Great Britain (+2.0 percent) achieved robust growth rates. However, low growth was experience in France (+1.1 percent) and Italy (+ 0.9 percent).

There was also a deceleration of the economy in Eastern Europe. Poland increased its Gross Domestic Product by 2.5 percent. This means a clear decline compared to 2015 of -1.4 percentage points. Low raw material prices caused a further reduction of the economic performance in Russia. After -3.7 percent in 2015, the decline of the Gross Domestic Product, however, was dampened to -0.6 percent in 2016.

The economic growth in the USA developed significantly slower than expected in the second half of 2016. A total growth of 1.6 percent was achieved for the entire year of 2016. This is a decline of 1.0 percentage points compared to the previous year.

The growth in the USA also remained driven by consumption. A deceleration of growth was also experienced in other economically important countries on the American continent. Mexico's growth amounted to 2.0 percent and therefore represents a reduction of 0.6 percentage points. Brazil was subject to economic turbulence due to the decline of raw material prices and political instability. The Brazilian Gross Domestic Product declined by -3.4 percent.

INDUSTRY ENVIRONMENT

The refractory industry is still in a stagnating sales market; in addition to this, consolidations are taking place with various market participants. In an economic environment that is primarily distinguished by

CONSOLIDATED ANNUAL REPORT 2016

market displacement and is extremely competitive, around 2,000 companies throughout the world produce nearly 15 million tons of refractory material; approximately 6 million tons per year in the EU.

The Rath Group is globally successful in the most important industries for refractory products and solutions.

METALS

The most important share of revenues in the steel industry is generated in the "Metals" business line. Here in particular the area of so-called "second heat," in the area of further processing and refinement. While we were able to achieve a low growth of 1 percent in this area in the past economic year of 2015, the share on 12/ 31/ 2016 moved back to 33 percent (previous year: 34 percent).

The most important products that are used in this segment are high temperature wools, rolls, mats, combination modules as well as light-weight refractory bricks and dense bricks and concrete.

The stagnating growth in the "Metals" business line reflects the ongoing weak development of the steel industry. Just as before, the clear excess capacity in the steel industry will not improve noticeably in 2017.

We support our customers throughout the world, however, above all from the European Union, followed by Asia and the USA. The Rath Group is an established partner in this segment and is known for offering technically complex and innovative total solutions to its customers.

Our expectation for the new business year in this business line is neutral. We assume that we will hold our share.

FC&E

Regarding total revenues, the "Fuels, Chemicals & Energy" business line experienced an increase of 2 percent to 22 percent (previous year: 20 percent). The growth is primarily due to increased demand from the USA, but also our new product group of nitride-bound SIC protective pipe plates for domestic waste incineration.

We also offer high-quality dense bricks, as well as high-quality lightweight refractory bricks, combination modules and vacuum formed shapes for the business line.

Our customers come from the USA and the European Union, as well as Asia. The Rath Group is seen as a provider with the highest reliability and above average lifespan in this business field.

Due to customer responses from the USA, but also from the European Union, we assume that the "Fuels, Chemicals & Energy" business line will continue to grow in 2017 as well.

CONSOLIDATED ANNUAL REPORT 2016

SECTOR SHARES OVERALL YEAR 2016

- 33 % Metals
- 22 % FC & Energy
- 16 % Special Furnaces
- 15 % Ceramics
- 10 % Domestic Fireplaces
- 4 % Glass

SECTOR SHARES OVERALL YEAR 2015

- 34 % Metals
- 20 % FC & Energy
- 16 % Special Furnaces
- 15 % Ceramics
- 10 % Domestic Fireplaces
- 5 % Glass

SPECIAL FURNACES

Our customers in the "Special Furnaces" business line are mainly manufactures of special ovens for industrial usage. E.g., manufacturers of analysis and measuring devices in the laboratory industry as well as manufacturers of special ovens in the dental industry. The share of total turnover was at 16 percent (previous year: 16 percent). The Rath Group delivers primarily products from ceramic vacuum formed parts on the basis of high-temperature wools.

Our customers here come from the European Union and the USA. We are one of the TOP 3 providers on the market in this business field. Due to our innovative engineering and production team as well as our close cooperation with the manufacturers of special ovens, we expect a slight increase in revenues for 2017.

CERAMIC

In the "Ceramic"business line, the Rath Group has a sales share of 15 percent of total revenues (previous year: 15 percent). Our customers are primarily from the automobile industry and manufacturers of ceramic products, who are mostly situated in the European Union. The product portfolio includes high-quality dense bricks, high-quality lightweight refractory bricks, combination modules and vacuum formed parts as well as special concrete.

We expect a recovery and slight increase in sales for 2017.

DOMESTIC FIREPLACES

The "Domestic Fireplaces" business line is the most traditional field of business for the Rath Group. We have been delivering products for this industry for the past 125 years and are still the market leader in Central Europe. With 10 percent (previous year: 10 percent), the business line is an important part of total Rath Group revenues.

The classic firebrick in different formats as well as the fireclay plates including glue and mortar are included in the product portfolio we offer.

Our customers come primarily from the European Union, mostly from Austria, Germany, Hungary and the East countries. From our current point of view, we expect stable revenues in 2017.

GLASS

The "Glass" business line contributes to total revenues at 4 percent (previous year: 5 percent).

Our products for the glass industry include dense bricks and concrete as well as concrete formed parts. The main sales markets are in North America and East Asia, but also in the European Union. We see a significant driver for growth for the Rath Group in the "Glass" business line and therefore expect a positive development in 2017.

CONSOLIDATED ANNUAL REPORT 2016

BUSINESS PERFORMANCE 2016

The 2016 business year was a successful one for the Rath Group. We were also able to achieve good results in 2016 in the earnings indicators.

In the following, you will find a representation of the four quarters from the 2016 economic year.

KEY FIGURES ‹

2015	WHOLE YEAR	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER	
81,924	80,306	22,420	20,719	20,796	16,371	Revenues in KEUR
9,785	9,140	1,274	3,758	2,561	1,547	EBITDA in KEUR
11.9 %	**11.4 %**	**5.7 %**	**18.1 %**	**12.3 %**	**9.4 %**	**EBITDA margin**
5,627	5,016	1,224	1,690	1,551	551	EBIT in KEUR
6.9 %	**6.2 %**	**5.5 %**	**8.2 %**	**7.5 %**	**3.4 %**	**EBIT margin**
551	542	542	547	550	551	Employees in Ø
13.76	16.40	16.40	17.00	16.50	13.40	Stock price in EUR

Sales development

Corresponding to the economic environment and the current industry-related market consolidation, the Rath Group was not able to exceed the sales level of the past year.

Group revenue decreased by 2 % to 80,306 KEUR (previous year: 81,924 KEUR). This is distributed over our individual companies, which represent our primary segmentation, as follows:

The Austrian company Aug. Rath jun. GmbH, Krummnußbaum was not able to maintain its sales increase (6 %) of the previous year and experienced a decrease in revenues of 6 % to 26,063 KEUR (previous year: 27,773 KEUR). The significant change is a result of the project business. This is very volatile and is constantly subject to stronger fluctuation.

Our German company, Rath GmbH, with three locations (Meißen, Bennewitz and Mönchengladbch) achieved growth in revenue in the project business. Here the growth was significantly higher at 7 % to 27,965 KEUR (previous year: 26,199 KEUR).

In our Hungarian company, Rath Hungaria Kft., Budapest, the revenue decreased by a noticeable 13 % to 7,521 KEUR (previous year: 8,645 KEUR). The reason for this is that we offer a comprehensive product portfolio for the steel industry in our Hungarian company and this sector was very strongly sales-oriented. After an increase in revenue in the previous year, the American subsidiary, Rath USA Inc., Newark, was able to once again increase its growth by 4 % to 13,638 KEUR (previous year: 13,146 KEUR). The sales drivers were the customers from the FC&E business line.

CONSOLIDATED ANNUAL REPORT 2016

Our sales companies in Europe and Mexico were not able to further increase their revenue. With revenues of 5,093 KEUR (previous year: 6,118 KEUR), the companies showed a revenue decline of 17 %. Further details can be found in the segment report.

Earnings development

The gross profits were able to remain stable at 59 % when compared to the previous year (previous year: 58 %). The operating income before interest, taxes, depreciation and amortization (EBITDA) may have decreased by 645 KEUR to 9,140 KEUR (previous year: 9,785 KEUR), however, it is still stable at 11 % when compared to revenue.

The earnings before interest and taxes (EBIT) declined by 611 KEUR to 5,016 KEUR (previous year: 5,627 KEUR). The EBIT margin was therefore at 6 %.

The personnel costs compared to sales amounted to 32 % (previous year: 31 %). The personnel costs increased absolutely by 2 % to 25,557 KEUR (previous year: 24,992 KEUR). Other operating expenses increased slightly to 13,508 KEUR (previous year: 13,231 KEUR). At the end of the period under review, the financial result was at -311 KEUR (previous year: 873 KEUR). Currency exchange gains of 1,767 KEUR were achieved here in the previous year; these resulted primarily from the USD/EUR change in the assessment. It is 300 KEUR for the year under review. The interest expenses decreased by 112 KEUR due to the lower interest rates. The evaluation of the interest swap had a positive effect on the financial result with 185 KEUR (previous year: 158 KEUR).

The Group's result is therefore at 3,945 KEUR (previous year: 4,109 KEUR).

Based on the good group earnings in 2016 and the anniversary year – 125 years of RATH – as well as the continued ongoing positive development of the Group, the Executive Board will propose a dividend distribution of EUR 0.75 per share during the upcoming Annual General Meeting. This is composed of a dividend in the amount of 0.50 EUR per share as well as a special dividend in the amount of 0.25 EUR per share.

Development of the asset and financial situation

The asset and financial situation of the Rath Group looks as follows at the end of the 2016 business year: On the assets side, short term assets, especially in the area of inventory and bank balances, increased by 2,479 KEUR to 44,956 KEUR. The most significant position here consists of the billed trade receivables from the last quarter of 2016 (+2,016 KEUR compared to the previous year). Simultaneously, the long-term assets increased by 1,482 KEUR to 40,106 KEUR. The change can basically be attributed to the increase in fixed assets. Investments made in 2016 amounted to 5,627 KEUR (previous year: 3,551 KEUR).

The balance sheet total therefore increased by around 3,960 KEUR; at the end of the 2016 reporting year, the value was at 85,062 KEUR (previous year: 81,102 KEUR).

CONSOLIDATED ANNUAL REPORT 2016

By the reporting date of 12/ 31/ 2016, the Group shows equity capital of 43,091 KEUR (previous year: 39,879 KEUR). Despite dividend payouts of 750 KEUR in June 2016, the equity capital rate increased due to the good results compared to the balance sheet date of the previous year by 2 percentage points to 51 % (previous year: 49 %).

The amount of borrowed capital as of 12/ 31/ 2016 was 49 % (previous year 51 %), of which 28 % (previous year: 27 %) was for long-term and 72 % (previous year: 73 %) was for short-term borrowed capital.

The debt quota (net financial liabilities in proportion to equity capital) decreased again by 4 % to 54 % (previous year: 58 %).

Sustainable financing strategy
For years, the Group's financing has been following the principles of preserving secured liquidity as well as a capital base that is as high as possible. The rise of the equity quota to 51 % (previous year: 49 %) can be assigned to the annual result in the reporting year. A significant goal of the company is to maintain the equity quota at over 40 %.

The Group's net debt (the balance of interest-bearing liabilities less monies and financial assets/ securities) increased in the current business year by 399 KEUR to 23,466 KEUR (previous year: 23,067 KEUR).

Net cash flow
With 5,903 KEUR, the operative cash flow at the end of the year was on the same level as the previous year (previous year: 6,155 KEUR). Due to the large investments in our installations, particularly in Germany, the cash flow from investments increased by 2,076 KEUR to 5,627 KEUR (previous year: 3,551 KEUR).

The repayment in the area of financing activities is at 299 KEUR (previous year: 3,017 KEUR) and can be seen in the cash outflow of financing.

Free Cashflow improved compared to the previous year by 425 KEUR to 11 KEUR (previous year: -414 KEUR). The inventory of cash on 12/ 31/ 2016 amounted to 3,527 KEUR, which increased by 2 % compared to the previous year.

With the letter from May 23, 2016, the Rath Aktiengesellschaft was informed that the Austrian Inspection Body for Accounting (OePR) will execute a random inspection for the group statement and group management report for December 31, 2015 as well as the semi-annual financial report for June 30, 2015 and June 30, 2016. With the letter from October 3, 2016, the Rath Aktiengesellschaft was informed about the results of the inspection in the form of an error in the cash flow area. The financing cash flow was too low by 500

CONSOLIDATED ANNUAL REPORT 2016

KEUR due to a consolidation mistake, while the operating cash flow was too high by 1,700 KEUR due to unrealistic exchange rate differences, and therefore was a total of 2,200 KEUR too high. Due to the determination, all numbers from the previous year were adjusted in the 2016 business report.

Employees

Motivated employees represent the key factor in the success of the Rath Group. Through their high technical and social expertise, they guarantee excellent product quality and are an important motor for the future.

On the one hand, success is due to the dedication to innovative refractory solutions that we implement in our products and technologies. On the other hand, it is due to the huge commitment and loyalty of our employees.

As of 12/ 31/ 2016, the Rath Group employed a total of 485 people on an "FTE" basis ("full-time equivalent") (previous year: 505). The Rath Group does not have a stock option program. Management, leading employees and other key employees are included in locally differing premium models.

Staff management tasks are carried out according to the parent company's central requirements and then transferred to the subsidiary companies. Strategic tasks in the sector of Human Resources are the responsibility of the CFO.

In 2016, the Rath Group spent a total of 145 KEUR on employee training (previous year: 129 KEUR). Our employees stand out due to their qualifications, commitment, responsibility, discipline, loyalty and mutual appreciation in a familiar work environment.

At this point, the Executive Board would like to thank all Rath colleagues for their efforts and the constructive cooperation during the past business year.

Sustainability (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.

Since January 1, 2005, the Rath Group has been part of the European Emissions Trading Scheme. Under this scheme, the companies involved (currently Aug.Rath jun.GmbH, Austria) receive emissions certificates that must be returned to the relevant authority within four months at the end of the calendar year in respect of that year's actual emissions.

If actual yearly emissions exceed those allocated on the certificates, the required number of additional certificates must be purchased. The Rath Group has a sufficient number of free certificates.

CONSOLIDATED ANNUAL REPORT 2016

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.

Research & Development

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

Many projects were implemented in 2016. Particularly noteworthy is the start of our extensive investment in hot gas filter elements and systems, as well as the product portfolio optimization of our refractory concretes.

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

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, Group guidelines and current legislation (Compliance). 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.

The Rath Group's guidelines are based on the Rath management handbook, the Compliance guidelines as well as internal regulations and signature rules for the company's management and leading employees of all Rath Group companies. These terms will be revised according to the Compliance terms, if necessary, and verifiable given to the respective Management. Local Management is responsible for adhering to the guidelines of the respective Rath subsidiary. Internal regulations refer to i.a. mandatory compliance with the terms of the management handbook and define a list of business cases that require Group management's approval. The Rath Group's management handbook contains i.a. information and terms necessary for the accounting process as well as the consolidation handbook (reporting guidelines, accounting and valuation rules) or IT guidelines.

CONSOLIDATED ANNUAL REPORT 2016

Every quarter group results are consolidated according to UGB regulations and reported to the Supervisory Board and shareholders, or every six months according to IFRS regulations. The group financial statement is comprehensively inspected by a group auditor, who guarantees uniform auditing standards with its international network, in close cooperation with the Supervisory Board and the Audit Committee. A standardized monthly management reporting system includes all consolidated individual companies of the Rath Group.

Rath AG's Supervisory Board regularly discusses information regarding the internal control system during its meetings. The Audit Committee's task is to supervise the control system's efficiency.

Risk Management

The Rath Group is exposed to different opportunities and risks in its global entrepreneurial trade. The constant identification, evaluation and management of risks is an essential part of the management, planning and controlling process. Risk Management uses the organizational, reporting and management structures available in the Group.

These processes are continually evaluated by the central Processing Management team. The contents are about documenting all processes within the company as well as the documented behavior in case of deviations in order to learn from mistakes and make constant improvements. 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 ensures that they can be detected at an early stage and countermeasures can be implemented quickly should a risk arise.

Essential risks

Risks that might have negative affects on the Rath Group's asset, financial or profit situation, are basically unchanged compared to previous time periods and are as follows:

Acquisition

The main topic regarding acquisition is avoidance of being dependent on individual suppliers. Our central Purchasing department actively counteracts this and creates requirements for a balanced portfolio of suppliers in consideration of reasonable purchase volumes and prices. In order to receive better prices for our suppliers, it is often necessary to place bulk orders. However, this brings along the disadvantage of capital commitment.

Production

The essential value-added levels of the Rath Group lie within the manufacturing of our products. A possible risk of a business interruption with direct impact on the company's result is covered by our business interruption insurance across the entire Group. The Group proactively counteracts this in a

CONSOLIDATED ANNUAL REPORT 2016

preventive way via continuous analyses of individual assets and precautionary maintenance. Nonetheless, risks arising from product liabilities cannot be fully excluded. In case of quality flaws, they will be corrected according to the customer. Costs arising from this are covered by our product liability insurance across the entire group. Reputation damage resulting from this, however, is always a risk for the company Group.

Sales

The global product or project sale also harbors risks. Our overall solutions are nowadays going to countries that are not always economically and politically stable. Information about our sales manager is continuously retrieved from the respective sales markets and countries, helping us recognize possible defaults of receivables and initiate counteractive measures. Outside the European Union and the USA, the Rath Group mostly relies on credit operations in regard to payment conditions. Thus, it is guaranteed that our sales are secured by an international bank.

For those sales not secured with letters of credit, we have set up an internal Receivables Management with credit limits. Receivables Management evaluates the resulting credit risk with the help of external information from credit agencies and our experience with the respective customer or the customer's country. On the basis of information collected a credit limit is set.

The Rath Group has no credit loss insurance.The defaults of receivables in the 2016 business year amounted to 402 TEUR within the Rath Group, 0.5 % of all sales revenues.

Liquidity

The stipulation of credit limits and the amount of refinancing costs at financial institutes are dependent on their evaluation of the Rath Group's future prospects. Therefore, bank contacts are well maintained to ensure that our bank partners always have a clear and current idea of the economic situation of our Group.

Foreign currencies and interest

For the most part, the Rath Group provides deliveries to its customers in the respective currency of the company. Due to the ongoing assessment of the currency pairs USD/EUR or HUF/EUR, positive as well as negative changes can take place in the financial result of the individual companies, therefore in the Group as well.

The Rath Group currently has an interest rate swap contract valid until 2018. Due to the currently prevailing low interest level, hedging has been assessed negatively.

Total risk

The Rath Group's risks are supervised with the described means and measures in the best possible way. The continued existence of the company is not at risk from the vantage point at present.

CONSOLIDATED ANNUAL REPORT 2016

SHAREHOLDER'S STRUCTURE
SATURDAY, DECEMBER 31, 2016

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

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

The capital stock is comprised of 1,500,000 no-par-value stocks (previous year: 1,500,000 no-par-value stocks), with each no-par-value stock having an equal share of the capital stock.

The Executive Board is not aware of any limits regarding voting rights or transfers of stocks.

Rath AG does not own any of its own stocks. Diversified holdings are with Austrian and international investors. The stock is quoted at the "Standard Market Auction" of the Vienna Stock Exchange under the ISI number AT0000767306.

No significant investments from Rath Group employees are known. As is within each shareholder's discretion to exercise their voting rights in General Meetings, this is also granted to employees holding stocks.

There are no terms not immediately derived from the law regarding the naming and dismissal of Execute Board and Supervisory Board Members as well as the change of the company's statutes.

The Executive Board is not aware of any significant agreements the company is involved in and that take effect at a change of control in the company following a takeover bid.

There are also no compensation agreements in place between the company and their Executive Board and Supervisory Board Members or employees in the case of a public takeover bid.

OUTLOOK

In a challenging world economy, the Rath Group expects a solid business year in 2017.

The solid structure of the balance sheet and strong equity base of Rath Aktiengesellschaft and its subsidiaries presents the necessary basis for further developments, whether provided by the market, customers or products. The Rath Group feels well prepared for the 2017 financial year in that aspect, despite the likely lack of a significant global economic growth, as economics experts suggest. While forecasts for Europe remain cautious, experts forecast 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.

The Rath Group will continue to place its internal attention on cost discipline, increasing efficiency and innovations.

CONSOLIDATED ANNUAL REPORT 2016

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

There were no reportable events after the reporting date.

The Executive Board

VIENNA, APRIL 21, 2017

Andreas Pfneiszl

DI Jörg Sitzenfrey

FINANCIAL STATEMENTS
RATH GROUP 2016

CONSOLIDATED BALANCE SHEET

	ATTACHMENT NOTES	12/31/16 KEUR	12/31/15 KEUR ADJUSTED *	01/01/15 KEUR ADJUSTED *
Means of payment and payment equivalents	(7)	3,527	3,450	3,864
Trade receivables	(5)	17,758	15,742	12,763
Other receivables and accruals	(6)	2,289	2,355	1,840
Inventory	(4)	21,382	20,930	20,906
Receivables from income tax		0	0	9
Short-term assets		**44,956**	**42,478**	**39,382**
Financial assets	(3)	735	702	698
Intangible assets	(2)	398	426	488
Tangible assets	(1)	36,988	35,053	34,189
Deferred tax assets	(12)	1,984	2,442	2,945
Long-term assets		**40,106**	**38,624**	**38,319**
TOTAL ASSETS		**85,062**	**81,102**	**77,702**
Short-term financial liabilities	(10)	20,295	21,002	25,169
Liabilities from deliveries and services	(13)	6,681	5,346	4,833
Other short-term liabilities	(14)	2,390	2,740 *	2,521 *
Short-term reserves	(11)	750	833	614
Short-term income tax debts	(12)	194	153	449
Current liabilities		**30,309**	**30,074**	**33,587**
Long-term financial liabilities and bonds	(10)	6,189	4,713	2,203
Liabilities from leasing obligations	(10)	1,244	1,504	1,453
Employee benefits	(9)	3,155	3,117	3,075
Other long-term financial liabilities	(14)	311	496 *	655 *
Other long-term liabilities and deferred income	(14)	192	208	230
Deferred tax liabilities	(12)	570	1,110	19
Long-term liabilities		**11,662**	**11,149**	**7,634**
Nominal capital		10,905	10,905	10,905
Capital reserves		1,118	1,118	1,118
Net profit and free reserves		33,278	30,084	26,719
Reserves from currency conversion		-1,591	-1,723	-1,895
Other reserves		-621	-507	-374
Non-controlling interests		2	2	8
TOTAL EQUITY CAPITAL	(8)	**43,091**	**39,879**	**36,481**
TOTAL LIABILITIES		**85,062**	**81,102**	**77,702**

* Comparative values from the previous year were adjusted, see exhibit information (2.5 r), (14)

GROUP'S INCOME AND LOSS STATEMENT

	EXHIBIT INFORMATION	2016 KEUR	2015 KEUR ADJUSTED *
Sales revenue	(16)	80,306	81,924 *
Other operating income	(19)	1,023	599 *
		81,329	**82,523**
Cost of materials and purchased services	(17)	-33,124	-34,515
Personnel costs, including social security benefits and taxes	(18)	-25,557	-24,992
Other operating expenses	(20)	-13,508	-13,231
EBITDA		**9,140**	**9,785**
Depreciations on intangible assets	(2)	-100	-112
Depreciations on tangible assets	(1)	-4,024	-4,046
EBIT		**5,016**	**5,627**
Interest income	(21)	17	21
Interest expenses	(21)	-824	-936
Other financial income	(21)	894	3,539 *
Other financial expenses	(21)	-397	-1,751 *
Earnings before tax (EBT)		**4,705**	**6,499**
Taxes on income	(12)	-760	-2,391
Consolidated result		**3,945**	**4,109**
stockholders of the parent company		3,944	4,116
Shares of non-controlling shareholders		1	4
Consolidated result		**3,945**	**4,109**
Basic (undiluted) result per stock (in EUR)	4.6.	2.63	2.74
Diluted result per stock (in EUR)	4.6.	2.63	2.74

* Comparative values from the previous year were adjusted, see exhibit information (16), (19) and (21)

GROUP'S STATEMENT OF COMPREHENSIVE INCOME

	2016 KEUR	2015 KEUR
Consolidated result after income tax	3,945	4,109
Other results		
Items that will not be reclassified in the income and loss statement afterwards:		
Reevaluation of longterm liabilities towards employees according to IAS 19	-88	-181
Apportionable to tax	22	45
	-66	**-136**
Items that will be reclassified in the income and loss statement afterwards:		
for the sale of available financial assets net change carried at net value	33	4
Apportionable to tax	-8	-1
for the sale of available financial assets Division into profit or loss	-97	0
Apportionable to tax	24	0
Currency conversion differences	132	173
	83	**176**
Total other comprehensive income	**17**	**40**
Total result attributable to the stockholders of the parent company	17	40
attributable to non-controlling shares	0	0
Consolidated revenues after tax	**3,962**	**4,149**
Total result attributable to the stockholders of the parent company	3,962	4,144
attributable to non-controlling shares	1	4
Consolidated revenues	**3,962**	**4,149**
undiluted result per stock (in EUR)	**2.63**	**2.74**
diluted result per stock (in EUR)	**2.63**	**2.74**

CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

	NOMINAL CAPITAL KEUR	CAPITAL RESERVES KEUR	CURRENCY CURRENCY CONVERSION KEUR	OTHER RESERVES KEUR	NET PROFIT AND FREE RESERVES KEUR	TOTAL STOCK-HOLDERS' EQUITY SHAREHOLDERS KEUR	NON-CONTROLLING SHARES KEUR	TOTAL EQUITY KEUR
As of 1/1/2015	**10,905**	**1,118**	**-1,895**	**-374**	**26,719**	**36,473**	**8**	**36,481**
Group earnings 2015	0	0	0	0	4,115	4,115	-6	4,109
Other comprehensive income 2015	0	0	173	-133	0	40	0	40
Consolidated revenues	0	0	173	-133	4,115	4,155	-6	4,149
Payout	0	0	0	0	-750	-750	0	-750
As of December 31, 2015	**10,905**	**1,118**	**-1,723**	**-507**	**30,084**	**39,877**	**2**	**39,879**
Group earnings 2016	0	0	0	0	3,944	3,944	1	3,945
Other comprehensive income 2016	0	0	132	-114	0	17	0	17
Consolidated revenues	0	0	132	-114	3,944	3,962	1	3,962
Disposal	0	0	0	0	0	0	-1	-1
Payout	0	0	0	0	-750	-750	0	-750
As of December 31, 2016	**10,905**	**1,118**	**-1,591**	**-621**	**33,278**	**43,089**	**1**	**43,091**

CONSOLIDATED CASH FLOW STATEMENT

	EXHIBIT INFORMATION	2016 KEUR	2015 KEUR ADJUSTED *	2015 KEUR AS REPORTED
Group results after tax		**3,944**	**4,109**	**4,109**
Adjustments to Group results				
Depreciation	(1), (2)	4,124	4,159	4,159
Appreciations/Depreciations on financial assets		-97	0	0
Changes to personnel reserves		-50	-139	-139
Changes to value adjustments		-496	147	147
Change to deferred taxes		-52	1,630	1,630
Exchange rate differences		-515	-1,629 *	0
Interest expenses	(21)	824	936	936
Interest income	(21)	-17	-21	-21
Income tax	(12)	812	761	761
Valuation of miscellaneous liabilities		-185	-10	-10
Income/loss from from the disposal of shares		21	93	93
Income/loss from from the disposal of assets		-13	83	83
		8,301	**10,119**	**11,747**
Changes in net working capital				
Trade receivables		-2,178	-2,649	-2,649
Other receivables		63	-613 *	-78
Inventory		409	430	430
Liabilities from deliveries and services		1,320	475	475
Accruals and provisions		-121	296	296
Other liabilities		-333	56	56
		-839	**-2,005**	**-1,470**
Interest paid		-805	-932	-932
Interest received		17	21	21
Income tax paid		-771	-1,049	-1,049
Net cash inflow and outflow from operational activity		**5,903**	**6,155**	**8,318**
Acquisition of tangible assets and intangible assets	(1)	-5,627	-3,551	-3,551
Proceeds from the sale of tangible assets and intangible assets		34	0	0
Net cash used in investing activities		**-5,593**	**-3,551**	**-3,551**
Proceeds from financial debts		3,473	5,324	5,324
Repayment of loans		-2,754	-7,240 *	-7,775
Payouts for financing of leasing liabilities		-268	-351	-351
Dividend payout		-750	-750	-750
Net cash generated from financing activities		**-299**	**-3,017**	**-3,552**
Cash and cash equivalents at the beginning of the year		**3,450**	**3,864**	**3,864**
Net change of means of payment and equivalents		**11**	**-414**	**1,215**
Non-cash currency differences		**66**	**0 ***	**-1,629**
Cash and cash equivalents at the end of the year		**3,527**	**3,450**	**3,450**

* Comparative values from the previous year were adjusted, see explanations 2.5 s

GROUP NOTES

1. THE COMPANY

Rath Aktiengesellschaft (hereinafter referred to as Rath AG), Walfischgasse 14, 1010 Vienna, and its daughter companies (hereafter referred to as the 'Rath Group') manufacture and distribute 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 Austria, the Czech Republic, Poland, Ukraine as well as Mexico (and France until Nov. 2016).

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

2. PRINCIPLES OF ACCOUNTING AND ACCOUNTING AND VALUATION METHODS

2.1. ACCOUNTING STANDARDS

The consolidated financial result of the Rath Group of December 31, 2016 was created in accordance with the International Financial Reporting Standards ("IFRS") as applicable in the European Union, and the additional regulations of Sec. 245a paragraph 2 UGB.

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. Deferred taxes are established according to the liability method for all temporary differences between value of the assets and liabilities in the consolidated financial statements and the tax amounts of the individual companies.

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

The consolidated financial statements are compiled in units of 1,000 EUR ("KEUR", 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 Friday, April 21, 2017. The financial statement from the Rath AG will be presented to the Supervisory Board for inspection on April 21, 2017.

2.2. CHANGES AND AMENDMENTS OF IFRS

New and amended standards adopted by the company

The Rath Group reviewed the impacts of the following, newly applied standards and has come to the conclusion that they have no or no significant impacts on the Group earnings as of 12/31/2016.

	STANDARD/INTERPRETATION/ AMENDMENT	TIME OF APPLICATION	EFFECTS IN THE YEAR UNDER REVIEW
Miscellaneous	Improvements of the IFRS 2010-2012 (annual adjustment process)	1/1/16	none
IAS 19	Changes to IAS 19 "Employee Benefits"	1/1/16	none
IAS 16 and IAS 41	IAS 16 "assets" and IAS 41 "Agriculture" – produced plants	1/1/16	none
IFRS 11	Changes to IFRS 11 "Mutual agreements" – Acquisition of stocks of a joint operation.	1/1/16	none
IAS 16 and IAS 38	Changes to IAS 16 "Assets" and IAS 38 "Intangible assets" – Clarification of acceptable depreciation methods	1/1/16	none
IAS 27	IAS 27 "Individual financial statements" – Application of equity method	1/1/16	none
IAS 1	Changes to IAS 1 "Presentation of financial statements"	1/1/16	none
Miscellaneous	Improvements of the IFRS 2012-2014 (annual adjustment process)	1/1/16	none
IFRS 10, 12, IAS 28	Investment Entities – Application of exceptions to consolidation	1/1/16	none

New standards, amendments and interpretations that have already been adopted and that have not yet been 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 and are not yet obligatory for the financial year and have not been applied early.

Standard to be used in the future:

	STANDARD/INTERPRETATION/ AMENDMENT	TIME OF ITS COMING INTO EFFECT	EXPECTED EFFECTS
IFRS 15	IFRS 15 "Revenues from customer contracts"	1/1/18	Are currently under review
IFRS 9	IFRS 9 "Financial instruments"	1/1/18	Are currently under review

Standards not yet adopted by the European Union:

	STANDARD/INTERPRETATION/ AMENDMENT	TIME OF ITS COMING INTO EFFECT *
IFRS 16	Leasing	1/1/19
IAS 7	Changes to the cash flow statement – specification initiative	1/1/17
IAS 12	Income tax – approach of active deferred taxes on unrealized losses	1/1/17
IFRS 2	Changes to share-based compensation	1/1/18
IFRS 4	IFRS 4 application of IFRS 9 with IFRS 4 Insurance contracts	1/1/18
All IFRSs	Annual improvements 2014-2016	1/1/2017/ 1/1/2018
IFRIC 22	Currency conversion for deposits	1/1/18
IAS 40	Classification of incomplete real estate	1/1/18

* Time of application designated by the IASB

IFRS 15 contains a five-step model that must be applied to sales revenue from contracts with customers (with few exceptions). The type of transaction or the company's industry do not play a role. IFRS 15 contains additional qualitative and quantitative disclosure requirements. These should make it possible for the recipients of the statement to be able to understand the type, amount, time and uncertainty of sales revenue and resulting cash flows from contracts with customers. The effects of IFRS 15 in the group are currently being evaluated for the individual revenue groups. Possible deviations from the previous profit realization are expected mainly in the production orders (project business). A quantification of the effects of the initial application of IFRS 15, however, is not yet possible.

IFRS 9 deals with the classification and evaluation of financial assets and financial liabilities, the balancing of hedging relationships as well as the depreciation of financial assets. The application of the updates from IFRS 9 will have effects on the classification and evaluation of financial assets as well as the balancing of hedging relationships. However, it will have no effects on the classification and evaluation of financial liabilities of the Group. The company model is designed for "holding" or "holding and selling" financial instruments and only a minimal amount of derivative financial instruments are held. The contractual cash flows from the original financial instruments consist primarily of amortization and interest. Even if no great changes in the evaluation of financial instruments are expected, a quantification of the effects of the initial application of IFRS 9 is still not possible.

The future standard IFRS 16 - Leasing, which replaces the previous provisions of the IAS 17, regulates in particular the accounting for leasing contracts with the lessee. In accordance with IFRS 16, lessees will have to have an asset (usage right) and a liability for most leasing contracts. The effects of IFRS 16 in the Group are currently being evaluated. Throughout the 2017 business year, the Rath Group intends to create uniform directives to illustrate and evaluate leasing contracts and to estimate the future effects based on these guidelines.

2.3. CONSOLIDATION SCOPE AND METHODS

The parent company is Rath AG, Vienna. The consolidated financial statement of the Group includes all companies governed by the parent company through full consolidation. An investor is in command of an associated company when he or she has the power of disposition over the associated company, when he or she is exposed to risks by or rights to fluctuating returns from his or her commitment in the associated company, and when he or she uses his or her power of disposition over the associated company in such a way that the amount of returns of the associated company is influenced. 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. For each company acquisition, the Rath Group decides on an individual basis whether the non-controlling interest in the acquired company is recorded at fair value or on the basis of the proportional share of the net assets of the acquired company.

There were no company acquisitions in the 2016 and 2015 business years.

Group-internal transactions, receivables, liabilities and significant unrealized profits and/or losses (interim results) are eliminated. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the corresponding share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

In addition to Rath AG, the scope of consolidation includes the following companies:

	GROUP SHARE IN %		CONSOLIDATION METHOD
	2016	2015	
Aug. Rath jun. GmbH, Austria	99.98%	99.98%	Full consolidation
Rath GmbH, Germany	100%	100%	Full consolidation
Rath Hungaria Kft., Hungary	100%	100%	Full consolidation
Rath USA Inc. Newark, USA	100%	100%	Full consolidation
Rath Zarotechnika spol. s r.o., Czech Republic	100%	100%	Full consolidation
Rath Polska Sp. z o.o., Poland	100%	100%	Full consolidation
Rath Ukrajina TOW, Ukraine	100%	100%	Full consolidation
Rath Group srl., Mexico	100%	100%	Full consolidation
Rath Filtration GmbH, Austria	100%	0%	Full consolidation
Rath SAS, France	0%	95%	Deconsolidation

Rath Filtration GmbH, Austria was established in the 2016 business year and included in the consolidated financial statement for the first time. Rath SAS, France was liquidated and then deconsolidated.

2.4. CURRENCY CONVERSION

Transactions in foreign currency
The functional currencies of the financial statements of the individual group companies correspond with the local currencies.*

Individual Group companies record business transactions in a foreign currency using the average exchange rate on the relevant transaction date. The conversion of existing monetary assets and liabilities denominated in a foreign currency on the reporting date takes place using the valid exchange rate of that 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 consolidated financial statements are compiled in Euros, the reporting currency of Rath Aktiengesellschaft. The functional currency of subsidiaries outside the Euro Zone is the respective local currency. The conversion into Euros of all assets in these companies' financial statements, including goodwill and debt, 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 items in the comprehensive income statement ("differences in currency conversion" as part of other results).

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

	RATE ON REPORTING DATE 12/31/16	RATE ON REPORTING DATE 12/31/15	AVERAGE RATE 1-12/2016	AVERAGE RATE 1-12/2015
USD	1.054	1.089	1.107	1.110
HUF	309.830	315.980	311.438	309.996
CZK	27.021	27.023	27.034	27.279
PLN	4.410	4.264	4.363	4.184

equals 1 euro.

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

2.5. ACCOUNTING AND EVALUATION 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 evaluation, intangible assets are stated at acquisition or production cost less cumulative depreciations and value reductions. Amortization occurs using a straight-line method over an estimated utilization period of 3 to 15 years. There are no intangible assets with an indefinite useful life.

Profits and losses from the 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 will only then be activated if the development costs can be evaluated reliably, if the product or the procedure is suitable technically and commercially, if a future economic use is likely and if the Group intends to and has sufficient resources to finish the development and use or sell the asset. Activated development expenses will be stated as acquisition or production costs less cumulative depreciations and cumulated impairments. There were no development costs activated in the 2016 and 2015 business years.

b) Tangible assets

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. The production costs of self-constructed plants contain the expenses attributable directly to the production. Borrowing costs are stated if they can be attributed to a qualifying asset. During the year under review, there were no borrowed capital costs, because there were also no qualified assets.

Costs incurred in subsequent periods for an asset are considered only when it is probable that future economic benefits will flow to the Rath 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 book 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	of 10	up to 35
Machinery	of 10	up to 20
Business equipment	of 5	up 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

Leasing terms in which the Rath Group as a tenant has essentially all the risks and rewards of an asset associated with the property transferred to it are classified as financing leases. Otherwise this represents an operating-leasing relationship. Tangible assets that are acquired through financing leasing contracts will be recorded at the amount of the time value or the lower cash value of the minimum leasing payments at the start of the leasing relationship minus write-offs and depreciation expenses.

If the Rath Group as landlord is subject to risks and rewards affiliated with ownership, the leasing object will be recorded by the Rath Group. The leasing object will be recorded according to the rules applicable to the asset in agreement with IAS 16. The leasing payments will be made throughout the duration of the leasing contract. Leases where the Rath Group transfers all of the risks and rewards of an asset connected with ownership as a landlord must be classified as financing leases. Leasing claims are recorded at the amount of the net investment value from the leasing relationship.

Capitalized asset values are set against the respective present value of the liability from outstanding lease payments as of the reporting date. Each leasing installment will be separated into an interest and an amortization share. The interest part of the leasing rate is stated in the income and loss statement as expenses.

d) Government grants

Government grants for 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 systems 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 value up to the cost of acquisition are recorded in the income and loss statement with debt instruments.

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 and production cost and the net realizable value as of the reporting date.

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

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

g) Trade receivables and other receivables and assets

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

Impairments are recorded if the provision of the claims is no longer expected due to customer-specific circumstances. If there is doubt in the provision of claims, the customer requests will be recorded with the lower realizable amount and the required individual value corrections will be determined on the basis of recognizable risks. Reasons for this may be clear, significant financial difficulties of the contract partner, insolvency proceedings opened regarding the debtor, unsuccessful dunning and execution attempts, a contract violation (for example, default or failure to make payments) or other information that causes doubt in the debtor's ability to pay. When determining the amount of impairments, the debtor's creditworthiness must be considered correspondingly. As soon as the non-provision of the claim is ultimately determined, the claim will be booked. The value corrections will be considered an individual correction accounts.

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 turnover. The degree of completion will generally be calculated according to the ratio of incurred costs to anticipated total costs. Anticipated contract losses are to be covered by provisions, calculated in light of the recognized risk. Payments received are deducted from production order receivables. Any resulting negative balance for a production order is capitalized as a liability from production orders.

h) Cash and cash equivalents

Means of payment and equivalents include cash and readily available assets with credit institutes with a remaining term of up to three months. The item "means of payment and equivalents" corresponds with the cash and cash equivalents of the cash flow statement.

i) Impairment of non-financial assets

In case of long-term assets, except for deferred tax claims and financial assets, a review of whether or not there are indications of a reduction in value is carried out on the respective reporting date or in case of a triggering event.

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, 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 cash flows that are separate from other assets cannot be determined for an individual asset, the value in use is calculated using the next largest asset to which this asset belongs and cash flows are generated that are largely independent of the inflows from other assets (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 leads to an impairment loss that affects the net income on the income statement up to the lower value of the amortized cost of acquisition or production and the recoverable amount.

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

j) Employee benefits

In the case of contribution-based pension plans, the company performs payments to private or public pension systems and employee and employee pension funds due to statutory or contractual obligations. There are no further obligations besides the payment of contributions. The regular payments of contributions are stated as expenses of the respective period.

All other obligations result from uncovered performance-oriented pension schemes and are reset respectively. 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 provision for the respective reporting date is done via a report of an actuary.

Future obligations will be assessed according to actuarial principles and are based on a proper assumption of the discount factor, salary increase factor and the pension increase factor. Reevaluations, dependent on assessment, of the net debt from performance-oriented pension plans, which are exclusively represented by actuarial profits in the Rath Group, are stated in its full amount of the other results in equity capital (see "consolidated income statement") Thus, the provisions usually correspond to the actual obligation on the respective reporting date. Any past service costs are immediately recorded with effect on the results. Regarding the anniversary bonus provisions, actuarial profits and losses are immediately recorded with effect on the results. Actuarial profits and losses are immediately recorded in other results regarding provisions for severance payments and pensions.

With respect to provisions for severance payments, the service costs are distributed over the time frame in which the maximum entitlement to compensation is reached.

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 the equity capital or other results, the income tax related thereto will be recorded, without affecting results, in the equity capital or in other results. Actual taxes for individual companies within the Rath Group are calculated from the income tax liability of the company and the applicable tax rate in the country.

Deferred taxes are established according to the liability method for all temporary differences between value of the assets and liabilities in the consolidated financial statements and the tax amounts of the individual companies. Furthermore, any tax advantage likely to accrue from any existing losses 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 40 % in the USA.

m) Financial liabilities

Financial liabilities are recorded at the amounts actually received minus transaction costs. Premiums, discounts and other differences bet¬ween the amount received and the amount of repayment are realized over the term of the finance arrangement according to the effective interest method and recorded in the financial result (continued acquisition costs).

n) Trade and other payables

Liabilities from deliveries and services are valued when the liabilities are incurred at the amount of the fair value of the services received. As a result, these liabilities are evaluated at continued acquisition costs. Other liabilities not resulting from service relationships are recorded at cost.

o) Derivative financial instruments

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

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

Regulations of IAS 39 about accounting of hedging relationships 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, the revenues and order costs are recorded in line with the progress of service on the reporting date as revenues 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 and impairments not recorded in the balance sheet and arising from sureties, guarantees and other contingent liabilities, 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:

› The calculation of deferred taxes is based on the assumption that sufficient taxable income will be generated in the future to utilize losses carried forward (Sensitivities see point 3 (12)).

› 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 pension and severance obligations (Sensitivity see point 3 (9))

› Value corrections for inventories are conducted based on a storage period. Inventories that probably cannot be sold within a year are subjected to a value correction (up to 100 %) (see point 3 (4)).

› When assessing the useful lives of assets of property, plant and equipment, estimates are made regarding the economic useful life (remaining period of use). During the annual inspection of useful lives, reductions or extensions may also be made.

s) Changes to accounting-related estimates and errors
Errors from earlier periods are changed retroactively. The consolidated financial statement is presented with all numbers from the previous year as if the error from the earlier periods would never have occurred. Changes to accounting-related estimated must be executed prospectively.

Due to a random audit by the Austrian Inspection Body for Accounting (OePR), the consolidated financial statement from 12/ 31/ 2015 as well as the semi-annual financial report from 6/ 30/ 2015 and 6/ 30/ 2016 of the Rath AG were inspected. The inspection was completed with the letter from 10/ 3/ 2016 and showed that the financing cash flow in the 2015 business year was too low by EUR 0.5 million due to a consolidation mistake, and the operating cash flow was too high by EUR 1.7 million due to unrealistic exchange rate differences and therefore was a total of EUR 2.2 million too high. In the cash flow on 6/ 30/ 2016, the unrealized profits and losses from currency exchange changes were incorrectly entered in the balancing of the inventory of currencies and payment equivalents. The retrospective change has no effects on the information in the balance sheet at the beginning of the prior period (1/1/2015). The cash flow on the balance sheet date of 6/30/2015 had no errors.

Furthermore, for a better comparison with the balance sheet from 2015, there was a reclassification of the interest swaps classified as long-term in the 2016 business year in the amount of 316 KEUR from other short-term liabilities compared to other long-term financial liabilities in the comparative values as of 12/31/2015.

3. EXPLANATORY NOTES TO BALANCE SHEET AND INCOME STATEMENT

(1) Tangible assets

	LAND AND KEUR	BUILDINGS (INCL. BUILDINGS ON FOREIGN GROUND) KEUR	TECHNICAL ASSETS KEUR	OTHER ASSETS AND BUSINESS EQUIPMENT KEUR	ASSETS FROM FINANCIAL LEASING KEUR	ADVANCE PAY-MENTS/ASSETS IN BUILDINGS KEUR	TOTAL KEUR
Acquisition costs							
As of 1/1/2015	459	22,969	73,897	16,962	4,497	274	119,058
Additions	0	408	1,958	612	277	544	3,799
Disposals	0	-8	-44	-405	0	-62	-520
Transfers	0	69	68	20	0	-157	0
Exchange rate changes	8	379	1,326	207	315	1	2,235
As of 12/31/2015	**467**	**23,816**	**77,205**	**17,396**	**5,089**	**600**	**124,572**
Additions	0	173	2,362	661	0	2,433	5,629
Disposals	0	0	-55	-172	0	-18	-244
Transfers	0	0	586	93	-284	-444	-50
Exchange rate changes	9	174	559	86	109	8	944
As of 12//2016	**475**	**24,164**	**80,657**	**18,064**	**4,913**	**2,578**	**130,852**
Cumulative depreciation							
As of 1/1/2015	-1	-12,896	-59,688	-10,351	-1,933	0	-84,869
Additions	0	-603	-2,775	-505	-164	0	-4,046
Disposals	0	4	42	391	0	0	437
Exchange rate changes	0	-73	-811	-16	-141	0	-1,041
As of 12/31/2015	**-1**	**-13,568**	**-63,233**	**-10,480**	**-2,237**	**0**	**-89,519**
Additions	0	-632	-2,689	-586	-117	0	-4,024
Disposals	0	0	55	169	0	0	224
Exchange rate changes	0	-51	-418	-25	-49	0	-543
As of 12/31/2016	**-1**	**-14,251**	**-66,286**	**-10,922**	**-2,404**	**0**	**-93,863**
Asset value on 1/1/2015	**458**	**10,073**	**14,209**	**6,611**	**2,564**	**274**	**34,189**
Asset value on 12/31/2015	**466**	**10,248**	**13,972**	**6,916**	**2,851**	**600**	**35,053**
Asset value on 12/31/2016	**474**	**9,913**	**14,372**	**7,142**	**2,510**	**2,578**	**36,988**

There were no impairments in the depreciations posts in 2016 or 2015.

On 12/31/2016, the purchase commitment regarding tangible assets was at 416 KEUR (previous year: 302 KEUR).

(2) Intangible assets

	SOFTWARE *KEUR*	OTHER RIGHTS *KEUR*	SELF-DEVELOPED SOFTWARE *KEUR*	TOTAL *KEUR*
Acquisition costs				
As of 1/1/2015	1,733	174	249	2,156
Additions	39	0	0	39
Exchange rate changes	32	0	0	32
As of 12/31/2015	**1,804**	**174**	**249**	**2,227**
Additions	69	0	-50	19
Disposals	-74	0	0	-74
Transfers	-151	0	201	50
Exchange rate changes	15	0	0	15
As of 12/31/2016	**1,663**	**174**	**399**	**2,237**
Cumulative depreciation				
As of 1/1/2015	-1,437	-171	-60	-1,668
Additions	-76	-3	-34	-112
Exchange rate changes	-20	0	0	-20
As of 12/31/2015	**-1,533**	**-173**	**-94**	**-1,800**
Additions	-60	0	-41	-100
Disposals	74	0	0	74
Transfers	75	0	-75	0
Exchange rate changes	-11	0	0	-11
As of 12/31/2016	**-1,455**	**-173**	**-210**	**-1,838**
Asset value on 1/1/2015	**296**	**3**	**189**	**488**
Asset value on 12/31/2015	**271**	**0**	**155**	**426**
Asset value on 12/31/2016	**208**	**0**	**190**	**398**

(3) Other financial assets

The financial assets concern securities that have been classified "available for sale" according to the 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). Evaluation takes place for the fair value. Value changes of the fair value are recorded in other results.

	BOOK VALUE 12/31/16 KEUR	BOOK VALUE 12/31/15 KEUR
Securities available for sale	735	702
	735	**702**

(4) Inventories

	12/31/16 KEUR	12/31/15 KEUR
Raw materials, consumables and fuel	2,942	3,406
Finished goods	11,357	12,409
Other inventories	5,260	4,693
Trading goods	2,413	1,770
Value corrections for inventories	-589	-1,348
	21,382	**20,930**

During 2015, the Group reviewed a product line for impairments. In this connection, the affiliated inventories were written off at their net sale value, which led to a loss of 495 KEUR. In 2016, 21 KEUR was booked for depreciation on the net sale value.

(5) Receivables from deliveries and services

	12/31/16 KEUR	12/31/15 KEUR
Trade receivables	17,578	15,696
Receivables from order completion	879	488
Adjustments	-699	-442
	17,758	**15,742**
of which non-current	**0**	**0**

The value adjustments are developing as follows.

	12/31/16 KEUR	12/31/15 KEUR
As of 1/1/	442	284
Use	0	-116
Liquidation	-32	-10
Remuneration	292	273
Currency conversion	0	11
Effect from deconsolidation	-3	0
As of 12/31	**699**	**442**

As of the balance sheet date, there were non-current orders that had to be valued according to the Percentage of Completion Method (PoC) with revenues of 879 KEUR (previous year 488 KEUR). The order costs amounted to 579 KEUR (previous year 132 KEUR).

(6) Other receivables and accruals and deferrals

	12/31/16 KEUR	12/31/15 KEUR
Other receivables	502	277
Receivables to companies with an ownership structure	0	26
Financial assets	**502**	**302**
Receivables tax office and social security contributions	1,223	1,164
Miscellaneous other receivables	215	322
Other non-financial receivables	**1,438**	**1,486**
Accruals and deferrals	349	567
Total	**2,289**	**2,355**

(7) Cash and cash equivalents

	12/31/16 KEUR	12/31/15 KEUR
Cash in hand	20	22
Bank balances	3,507	3,428
	3,527	**3,450**

Bank balances are freely available.

(8) Equity

Unchanged to the previous year, the share capital is identified as Rath AG's nominal capital of 10,905 KEUR. It consists of 1,500,000 non-par value shares. The shares are fully paid up.

The bonded capital reserves recorded in Rath AG's financial statements (12/31/2016: 1,118 KEUR; 12/31/2015: 1,118 TEUR) 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. All other reserves include the generated other results less currency conversion differences which are recorded in a separate reserve (differences in currency conversions).

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, 2016, Rath AG reports a balance sheet profit of 8,755 KEUR. Due to the solid Group result of 2016 and the stable outlook on the 2017 business year, the Executive Board will suggest a dividend payout of 0.50 EUR per no-par-value stock and a special dividend of 0.25 EUR per no-par-value stock at the upcoming Annual General Meeting.

The shares of non-controlling shareholders in equity relate to the Charmottewaren- und Thonöfenfabrik Aug.Rath jun. GmbH, Austria and up to the 2015 business year, also Rath SAS, France, and are not important.

(9) Employee benefits

Pension obligations

The pension obligation is based on individual contractual promises, to be paid to a total of two pensioners/leading employees in Austria after reaching retirement.

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. Effective on 12/ 31/ 2002, the option to freeze all existing severance-pension entitlements was made use of and all employees transferred to the new Employee Pension Fund system. A provision was established for these frozen obligations.

For all valid Austrian employment contracts after December 31, 2002, from the second month of the employment contract the Rath Group pays 1.53 % of salary into the Employee Pension Fund each month, where the contributions are invested in an employee account and are either paid or transferred as entitlement to the employee on the termination of the employment contract. The only commitment on the part of the Rath Group is to pay the contributions (see exhibition 18). For this contribution-based pension model, therefore, no provision needs to be established.

Anniversary bonus reserves

Due to statutory regulations, the Rath Group is required to pay anniversary bonuses of 1-3 monthly salaries to all employees in Austria who have exceeded a certain employment period.

Calculation parameters for obligations owed to employees

Calculations for obligations due to employees as of December 31, 2016, and December 31, 2015, are based on the following parameters:

	2016	2015
Interest rate	1.80 %	2.00 %
Salary increase	2.00 %	2.00 %
Pension increase	1.75 %	1.75 %
Probability of dying	AVÖ 2008-P	AVÖ 2008-P

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

	2016 *KEUR*	2015 *KEUR*
Provisions for severance payments	783	712
Provisions for pensions	2,096	2,189
Provisions for anniversary bonuses	277	215
	3,155	**3,117**

Development of reserves (DBO) recorded in the annual report	SEVERANCE PAYMENT RESERVE 2016 KEUR	SEVERANCE PAYMENT RESERVE 2015 KEUR	PENSION RESERVE 2016 KEUR	PENSION RESERVE 2015 KEUR	ANNIVERSARY BONUS RESERVE 2016 KEUR	ANNIVERSARY BONUS RESERVE 2015 KEUR
Cash value reserve (DBO) on 1/1	**712**	**652**	**2,189**	**2,214**	**215**	**209**
Service costs	27	25	0	0	56	1
Interest expenses	14	16	42	51	0	0
Recorded in income and loss statement	**41**	**41**	**42**	**51**	**56**	**1**
Actuarial profits/losses						
from experience-related adjustments	16	-12	29	25	0	0
from changes in demographic assumptions	0	0	0	0	0	0
from changes in financial assumptions	13	31	30	79	0	0
recorded in other results	**29**	**19**	**59**	**104**	**0**	**0**
Payments	-13	0	-195	-180	0	0
Other changes	13	0	0	0	5	6
Cash value reserve (DBO) on 12/31/	**783**	**712**	**2,096**	**2,189**	**277**	**215**

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

Impact change return interest rate	INCREASE BY 0.5 PERCENTAGE POINTS KEUR	REDUCTION BY 0.5 PERCENTAGE POINTS KEUR
Change of reserves for severance indemnities	-31	33
Changes to pension reserves	-74	79
Changes to reserves for anniversary payments	-16	18

Impact change wage increase	INCREASE BY 0.5 PERCENTAGE POINTS KEUR	REDUCTION BY 0.5 PERCENTAGE POINTS KEUR
Change of reserves for severance indemnities	32	-31
Changes to pension reserves	78	-74
Changes to reserves for anniversary payments	18	-16

Pension payments to beneficiaries amounted to 195 KEUR during the business year (previous year 180 KEUR).

The weighted duration of the pension obligation amounts to 6.68 years (previous year: 10), that of the severance payment obligations 9.75 years (previous year: 9.32), that of the anniversary payments 13.32 years.

(10) Financial liabilities

	12/31/16			12/31/15		
	LONG-TERM KEUR	CURRENT KEUR	TOTAL KEUR	NON-CURRENT KEUR	CURRENT KEUR	TOTAL KEUR
Bank borrowings						
Short-term loans	6,000	15,517	21,517	4,000	15,292	19,292
Export loans	0	3,963	3,963	0	3,963	3,963
Investment loans	189	524	713	713	1,475	2,188
Liabilities to other creditors						
Financial leasing	1,244	290	1,534	1,504	271	1,775
	7,433	**20,295**	**27,728**	**6,217**	**21,002**	**27,219**

For better illustration, in the 2016 business year, 6,000 KEUR (previous year: 4,000 KEUR) were changed from non-current investment loans to short-term loans. The maturities of financial liabilities are displayed in section 4.1. Liquidity risk.

The main conditions of financial liabilities are as follows:

TYPE OF FINANCING	CURRENCY	BOOK VALUE AS OF 12/31/16 KEUR	EFFECTIVE EFFECTIVE 2016 %	CURRENCY	BOOK VALUE AS OF 12/31/15* KEUR	EFFECTIVE EFFECTIVE 2015 %	INTEREST FIXED/ VARIABLE	DUE
Short-term loans	EUR	14,125	1.5-2.4	EUR	13,252	1.9-3.2	variable	< 1 year
Short-term loans	USD	1,392	3.8	USD	2,040	3.5-4.5	variable	< 1 year
Short-term loans	EUR	6,000	1.5-1.9	EUR	4,000	1.9-3.2	variable	> 1 year
Export loans	EUR	3,963	0.5	EUR	3,963	0.6	variable	< 1 year
Investment loans	EUR	714	1,3-4,5	EUR	1,495	1.5-5.0	fixed/variable	> 1 year
Investment loans	USD	0	0	USD	694	1.2	variable	> 1 year
Financing leasing	EUR	898	3.2	EUR	972	3.2	variable	> 1 year
Financing leasing	USD	636	3.7-6.7	USD	804	3.9-6.7	fixed	> 1 year
		27,728			**27,219**			

* Comparative values from the previous year were adjusted

For part of the variable loans there is an interest rate swap, details of which are provided under point 3 (15) in section 4.1.

In regard to the fair values, we refer to the "fair values" table with the special information under 4.1 Financial liabilities. The fair values are determined as cash value of the anticipated cash flow. The calculation is based on a risk-adequate discount factor.

For a credit line of 750 TUSD (previous year 250 TUSD), securities in the same amount were provided in the form of tangible assets. The credit line was not used as of 12/31/2016 (previous year 747 TUSD).

(11) Accruals and provisions

	PERSONNEL *KEUR*	OTHER *KEUR*	TOTAL *KEUR*
As of 1/1/2016	**431**	**402**	**833**
Accruals	563	181	744
Used	-431	-337	-768
Liquidation	0	-26	-26
Effect from deconsolidation	0	-35	-35
Currency conversion	2	0	2
As of 12/31/2016	**565**	**185**	**750**

The employee benefits contain premium provisions as well as provisions for incidental wage costs. The other reserves are composed of provisions for legal and consultation costs, provisions for supervisory board payments as well as uncertain liabilities.

All reserves listed in the above table are short-term.

(12) Income taxes

Income tax breaks down as follows:

	2016 *KEUR*	2015 *KEUR*
Corporation tax for the financial year (actual tax liability)	812	791
Deferred taxes	-52	1,600
	760	**2,391**

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:

	2016 *KEUR*	2015 *KEUR*
Reported in the annual report:		
Deferred tax assets	1,984	2,442
Deferred tax liabilities	-570	-1,110
Deferred taxes (net)	**1,413**	**1,332**

	12/31/16 KEUR	12/31/15 KEUR
Holdings of deferred tax assets and liabilities:		
Deferred tax assets		
Liabilities from leasing transactions	225	225
Personnel reserves IAS 19	861	773
Stock value	395	209
Other	154	40
Loss carried forward	4,082	5,449
Subtotal deferred tax assets	**5,716**	**6,696**
Balancing	-3,733	-4,254
Deferred tax assets	**1,984**	**2,442**
Deferred tax liabilities		
Temporary differences from order completion	220	0
Temporary differences in capital assets	3,252	3,446
Temporary differences in the foreign currency valuation	217	1,371
Employee benefits	615	547
Subtotal deferred tax liabilities	**4,303**	**5,364**
Balancing	-3,733	-4,254
Deferred tax liabilities	**570**	**1,110**
Deferred taxes (net)	**1,413**	**1,332**

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

On December 31, 2016, there were temporary differences in connection with shares in subsidiaries from 3,440 KEUR (previous year: 1,324 KEUR). For this difference, no deferred tax liabilities were estimated because the group can control the liquidation of temporary differences.

A tax allocation contract in accordance with Section 9 paragraph 8 KStG (Corporation Tax Law) 1988 (Group provider Rath AG – Group member Chamottewaren- und Thonöfenfabrik Aug. Rath jun. GmbH and Rath Filtration GmbH) was completed for the purpose of group taxation.

Deferred taxes on the loss carried forward of 13,317 KEUR (12/31/2015: 17,498 KEUR) have been classified, as on the basis of existing plans it is probable their use will be offset with future fiscal profits. Regarding the loss carried forward of 13,600 KEUR (12/31/2015: 9,838 KEUR), no deferred taxes have been classified, as it is unlikely from the current perspective that they will be offset on the reporting date with future fiscal profits from individual companies. Losses carried forward can be carried forward without restriction.

A change of future tax results of 10% or -10% will have the following impacts regarding deferred taxes:

	+10%	-10%
Deferred tax liabilities	1,878	948

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:

	2016 KEUR	2015 KEUR
Pre-tax earnings	4,705	6,499
Expected tax burden	25 %	25 %
	1,176	**1,625**
Tax rate differences	-136	-89
Effect due to future changed tax rates	-3	0
Non-deductible expenses	161	323
Tax relief and tax-free earnings	-242	62
Tax corrections from prior periods	-33	-145
First and non-estimated active deferred taxes on loss carried forward	-163	615
Effective tax charge	**760**	**2,391**

(13) Liabilities from deliveries and services

	12/31/16 KEUR	12/31/15 KEUR
Liabilities from deliveries and services	6,681	5,346
	6,681	**5,346**

No non-current items are included in the liabilities from deliveries and services.

(14) Other liabilities

Other liabilities break down as follows:

	12/31/16 KEUR	12/31/15 KEUR
Other liabilities	943	648
Derivatives	311	496
Other financial liabilities	**1,254**	**1,144**
of which non-current	311	496 *
Liabilities Tax	336	718
Liabilities Social Security Contributions	370	368
Advance payments	353	573
Miscellaneous other liabilities	192	208
Other liabilities	**1,251**	**1,867**
of which non-current	192	208
Accruals	**388**	**433**
from vacation entitlements	387	400
from overtime hours	1	33
	2,893	**3,445**
of which non-current	**503**	**705 ***

* The derivatives were classified altogether as non-current. The value from the previous year was adjusted correspondingly.

(15) Derivative financial instruments

The derivative financial instruments involve an interest swap serving the hedging of a variable-interest liability economically to which Hedge Accounting according to IAS 39 is not applied. The swap is in effect until 2018.

	12/31/16			12 31/15		
	NOMINAL VALUE *KEUR*	REFERENCE VALUE *%*	FAIR V ALUE *KEUR*	NOMINAL VALUE *KEUR*	REFERENCE VALUE *%*	FAIR VALUE *KEUR*
Interest rate swap	4,500	4.35	-311	4,500	4.35	-496
of which non-current			-311			-496 *

* see exhibit 14

(16) Sales revenue and segment reporting

After an evaluation of the other operating results, it turned out that certain profits are identified in the other sales revenue because this leads to an applicable representation of the profit situation. In order to establish a better comparison, the value from the previous year of the sales revenue was increased by around 43 KEUR and the other operating revenue was decreased by the same amount (see exhibition 19).

Business segments are shown by region. The business segmentation by regions corresponds to the Group's internal reporting system, which is regularly presented to the chief operating decision-maker, Rath Aktiengesellschaft's 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 evaluation methods as the annual report and carried out according to regions.

Segmentation includes the following regions:

Austria:	Rath AG, Aug. Rath jun. GmbH, Rath Filtration GmbH
Germany:	Rath GmbH
Hungary:	Rath Hungaria Kft.
USA:	Rath USA Inc.
Rest of world:	Rath Zarotechnika, Rath Polska, Rath Ukraina TOW, Rath Group srl., Mexico; Rath SAS, France until 11/30/2016

The segment assets according to geographic markets corresponds to that of the business segmentation.

Segmentation by region

	AUSTRIA KEUR	GERMANY KEUR	HUNGARY KEUR	USA KEUR	REST OF WORLD KEUR	CONSOLIDATED KEUR	TOTAL KEUR
2016							
Product orders	21,777	15,663	6,644	13,554	658	0	58,296
Project orders	4,811	12,302	877	84	3,910	0	21,985
Intra-group sales	10,625	8,790	4,007	56	60	-23,538	0
Other sales	0	26	0	0	0	0	26
Total	**37,213**	**36,781**	**11,528**	**13,693**	**4,628**	**-23,538**	**80,306**
Segment result (EBIT)	**2,463**	**1,680**	**645**	**25**	**278**	**-75**	**5,016**
Financial income	2,841	11	91	320	19	-2,372	910
Financial expenses	-704	-83	-155	-1,244	-109	1,074	-1,221
Financial result	**2,137**	**-72**	**-64**	**-924**	**-90**	**-1,299**	**-311**
Earnings before tax (EBT)	**4,600**	**1,609**	**581**	**-899**	**189**	**-1,374**	**4,705**
Income tax	-475	-552	-56	516	-47	-146	-760
Annual income	**4,126**	**1,056**	**524**	**-383**	**142**	**-1,520**	**3,945**
Segment assets	47,573	31,443	10,391	23,798	3,830	-31,973	85,062
Segment liabilities	37,142	5,754	6,211	21,930	2,441	-31,506	41,971
Investments	1,137	3,523	608	350	9	0	5,627
Depreciation	1,285	1,392	351	1,052	45	0	4,124

	AUSTRIA KEUR	GERMANY KEUR	HUNGARY KEUR	USA KEUR	REST OF WORLD KEUR	CONSOLIDATED KEUR	TOTAL KEUR
2015							
Product orders	21,247	18,824	6,990	12,954	664	0	60,679
Project orders	6,526	7,375	1,655	192	5,455	0	21,202
Intra-group sales	8,825	9,286	4,638	34	114	-22,897	0
Other sales	0	43	0	0	0	0	43
Total	**36,597**	**35,528**	**13,283**	**13,180**	**6,232**	**-22,897**	**81,924**
Segment result (EBIT)	**2,875**	**2,213**	**731**	**-104**	**-9**	**-80**	**5,627**
Financial income	-24	7	693	2,493	47	293	3,509
Financial expenses	-948	-95	-839	-997	-124	367	-2,636
Financial result	**-971**	**-88**	**-146**	**1,496**	**-77**	**659**	**873**
Earnings before tax (EBT)	**1,904**	**2,125**	**584**	**1,392**	**-86**	**580**	**6,499**
Income tax	-577	-601	-64	-1,164	12	4	-2,391
Annual income	**1,327**	**1,524**	**520**	**228**	**-74**	**584**	**4,109**
Segment assets	38,249	32,730	9,825	24,232	3,825	-27,760	81,102
Segment liabilities	31,118	7,097	5,993	22,033	2,558	-27,576	41,222
Investments	1,351	1,271	486	717	8	0	3,834
Depreciation	1,238	1,485	331	1,060	44	0	4,159

(17) Cost of materials and purchased services

	2016 KEUR	2015 KEUR
Cost of materials	23,928	24,706
Cost of purchased services	9,196	9,808
	33,124	**34,515**

(18) Personnel expenses

	2016 KEUR	2015 KEUR
Wages and salaries	20,388	19,960
Expenses for statutory taxes and contributions	4,208	4,090
Contribution to staff provision funds	122	113
Expenses for severance and long-service payments	76	63
Other personnel expenses	763	765
	25,557	**24,992**
Average workforce		
White collar	204	202
Blue collar	337	349
	542	**551**
Staff count on reporting date		
White collar	204	201
Blue collar	319	352
	522	**553**

(19) Other operating income

	2016 KEUR	2015 * KEUR
Insurance claims/insurance compensation	88	28
Earnings from sale of capital assets, excluding financial assets	16	24
Expenses charged to third parties	27	6
Capitalized services	668	109
Other	224	432
	1,023	**599**

* In regards to the adjustment of the previous year value, please see exhibit 16.

(20) Other operating expenses

	2016 KEUR	2015 KEUR
Transportation by third parties	2,489	2,728
Maintenance and service	1,731	1,874
Legal counseling and other consultations	1,406	1,166
Rent and lease	1,104	1,050
Advertisement and marketing	939	486
Travel expenses	918	899
Other taxes	632	633
IT expenses	561	527
Insurance	521	503
Expenses for corrections and write-downs of receivables	402	201
Vehicle and truck expenses	337	353
Commissions	303	471
Operational expenses and room costs	271	290
Costs for monetary transactions	213	195
Disposal costs	194	134
Expenses for work safety	193	274
Education and training	180	130
Message expenses	175	177
Energy	102	60
Contributions for occupational representations	94	87
Office supplies	87	89
Supervisory board payments	76	65
License fees	57	149
Postage	34	39
Losses from the disposal of tangible assets	3	67
Other expenses	486	585
	13,508	**13,231**

Other expenses mainly include, as in the previous year, costs for Research and Development, expenses for complaints, expenses from prior periods etc.

(21) Financial result

The financial result categorized according to individual financial instruments and divided into interest rate result, profits and losses from valuations, results from disposal and others is composed as follows:

Reductions in value and appreciations in value for loans and receivables involve receivables from deliveries and services and are recorded in the operational result.

		EVALUATION RESULTS IN KEUR FROM					
		INTEREST INCOME AND INTEREST EXPENSES	FINANCIAL INSTRUMENTS, VALUATED ON FAIR VALUE	CURRENCY CONVERSION	REDUCTIONS IN VALUE AND APPRECIATIONS IN VALUE	OTHER PROFITS AND LOSSES	NET FINANCIAL EARNINGS
Earnings +/Expenses -							
Loans and receivables	**2016**	**-531**	**0**	**300**	**-260**	**-64**	**-554**
	2015	-638	0	1,767	-147	-735	248
Available for disposal Available assets	**2016**	**12**	**0**	**0**	**97**	**0**	**109**
	2015	16	0	0	0	0	16
Financial instruments: Which have been evaluated on the Fair value, affecting net income	**2016**	**0**	**185**	**0**	**0**	**0**	**185**
	2015	0	158	0	0	0	158
Financial liabilities at amortized cost	**2016**	**-203**	**0**	**0**	**0**	**0**	**-203**
	2015	-194	0	0	0	0	-194
Means of payment and equivalents	**2016**	**-1**	**0**	**0**	**0**	**-1**	**-2**
	2015	0	0	0	0	0	0
Other liabilities	**2016**	**-85**	**0**	**0**	**0**	**-22**	**-107**
	2015	-99	0	0	0	597	498
Total	**2016**	**-807**	**185**	**300**	**-163**	**-87**	**-571**
	2015	-915	158	1,767	-147	-138	726

The other profit and loss contains credit and liability provision, as well as results from the disposal of Rath SAS, France (previous year: costs from the disposal of credits as well as profit from the deconsolidation of Rath Group srl., Argentina and Rath Group srl. Brazil).

(22) Research and development expenses

Expenses include the following research and development expenses:

	2016 KEUR	2015 KEUR
Personnel costs	589	467
Technical audit costs	97	161
	686	628

4. OTHER INFORMATION

4.1. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative and derivative financial instruments.

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

Derivative financial instruments 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 list of all important interest-bearing assets and liabilities as well as impacts of an interest rate change are included in the following table.

The following sensitivity analysis shows the impact of interest rate changes regarding interest-bearing instruments on the Rath Group's period result. The analysis assumes that all other variables, especially exchange rates, remain constant.

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.

			FINANCIAL INSTRUMENTS THEREOF			PROFIT/LOSS	
		BOOK VALUE *KEUR*	NOT INTEREST-BEARING *KEUR*	FIXED INTEREST PAID ON *KEUR*	VARIABLE INTEREST PAID ON *KEUR*	PLUS 100 BASIC POINTS *KEUR*	MINUS 100 BASIC POINTS *KEUR*
Interest-bearing liabilities							
Liabilities from Deliveries and services	**2016**	**6,681**	**6,681**	**0**	**0**	**0**	**0**
	2015	5,346	5,346	0	0	0	0
Other financial liabilities	**2016**	**1,254**	**1,254**	**0**	**0**	**0**	**0**
	2015	1,144	1,144	0	0	0	0
Short-term bank liabilities	**2016**	**20,005**	**0**	**352**	**19,653**	**197**	**-197**
	2015	20,731	0	1,852	18,879	189	-189
Long-term bank liabilities	**2016**	**6,189**	**0**	**189**	**6,000**	**60**	**-60**
	2015	4,713	0	741	3,972	40	-40
Leasing liabilities	**2016**	**1,534**	**0**	**636**	**898**	**9**	**-9**
	2015	1,775	0	804	972	10	-10

			FINANCIAL INSTRUMENTS THEREOF			PROFIT/LOSS	
		BOOK VALUE *KEUR*	NOT INTEREST-BEARING *KEUR*	FIXED INTEREST PAID ON *KEUR*	VARIABLE INTEREST PAID ON *KEUR*	PLUS 100 BASIC POINTS *KEUR*	MINUS 100 BASIC POINTS *KEUR*
Interest-bearing assets							
Means of payment and payment equivalents	**2016**	**3,527**	**10**	**0**	**3,517**	**35**	**0**
	2015	3,450	15	0	3,435	34	-1
Trade receivables	**2016**	**17,758**	**17,758**	**0**	**0**	**0**	**0**
	2015	15,742	15,742	0	0	0	0
Other short-term financial receivables	**2016**	**502**	**502**	**0**	**0**	**0**	**0**
	2015	302	302	0	0	0	0
Long-term financial assets	**2016**	**735**	**735**	**0**	**0**	**0**	**0**
	2015	702	702	0	0	0	0

Foreign exchange risk

The Rath Group operates internationally and is therefore 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.

		TOTAL	IN LOCAL CURRENCY	IN EUR	IN USD	IN OTHER CURRENCIES
Financial assets						
Means of payment and payment equivalents	**2016**	**3,527**	**3,300**	**221**	**6**	**0**
	2015	3,450	3,215	231	4	0
Trade receivables	**2016**	**18,457**	**17,436**	**1,016**	**6**	**0**
	2015	16,184	15,534	646	4	0
Other financial receivables	**2016**	**502**	**502**	**0**	**0**	**0**
	2015	302	302	0	0	0
Financial liabilities						
Liabilities from deliveries and services	**2016**	**-6,681**	**-6,146**	**-373**	**-163**	**0**
	2015	-5,346	-4,970	-304	-70	-1
Other financial liabilities	**2016**	**-1,254**	**-1,254**	**0**	**0**	**0**
	2015	-1,144	-1,144	0	0	0
Short-term bank liabilities	**2016**	**-20,295**	**-18,181**	**-2,113**	**0**	**0**
	2015	-21,002	-18,071	-2,171	-760	0
Long-term bank liabilities	**2016**	**-6,189**	**-6,189**	**0**	**0**	**0**
	2015	-4,713	-4,713	0	0	0
Net exposure	**2016**	**-11,932**	**-10,532**	**-1,249**	**-151**	**0**
	2015	-12,268	-9,847	-1,598	-822	-1

Conversion rates are given in section 2.5. The following sensitivity analysis shows the effects of exchange fluctuations on the Rath Group results for the period. The analysis assumes that all other variables, especially interest rates, remain constant. The analysis was prepared on the same basis for the financial year 2015, although the actual trend deviates from the assumptions made at the time.

	USD *KEUR*	HUF *KEUR*	OTHER *KEUR*	TOTAL *KEUR*
12/31/16				
10 % strengthening of the EUR				
Effect on result for the period	35	-48	-13	-26
Effect on equity	-170	-380	-126	-676
10 % weakening of the EUR				
Effect on result for the period	-43	58	16	31
Effect on equity	208	464	154	826

	USD KEUR	HUF KEUR	OTHER KEUR	TOTAL KEUR
12/31/15 *				
10 % strengthening of the EUR				
Effect on result for the period	-21	-47	5	-63
Effect on equity	-200	-348	-113	-662
10 % weakening of the EUR				
Effect on result for the period	25	58	-7	77
Effect on equity	244	426	139	809

* The calculation method for sensitivities was changed during the business year and adjusted corresponding to the information from the previous year.

Credit risk

Given the absence of offset agreements, reported amounts on the asset side represent both the maximum solvency risk and the maximum loss risk. 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 book value of financial assets also represents the maximum credit risk. Financial assets include the following as of the reporting date:

Financial assets	BOOK VALUE KEUR	MEANS OF PAYMENT AND PAYMENT EQUIVALENTS KEUR	LOANS AND RECEIVABLES KEUR	FINANCIAL ASSETS AVAILABLE FOR SALE AT ACQUISITION COSTS KEUR
Means of payment and equivalents 12/2016	**3,527**	**3,527**	**0**	**0**
Means of payment and equivalents 12/2015	3,450	3,450	0	0
Receivables from deliveries and services 12/31/2016	**17,758**	**0**	**17,758**	**0**
Receivables from Deliveries and services 12/31/2015	15,742	0	15,742	0
Other financial receivables 12/31/2016	**502**	**0**	**502**	**0**
Other financial receivables 12/31/2015	302	0	302	0
Long-term financial assets 12/31/2016	**735**	**0**	**0**	**735**
Long-term financial assets 12/31/2015	702	0	0	702

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

	12/31/16 KEUR	12/31/15 KEUR
Receivables with large customers, gross	4,108	2,987
Receivables towards others, gross	14,349	13,198
Total receivables from deliveries and services, gross	**18,457**	**16,184**
Adjustments	-699	-442
Total receivables from deliveries and services, net	**17,758**	**15,742**

Approximately 23 % (previous year 19 %) of trade receivables over the past financial year result from business relationships with 10 large customers.

There is no risk concentration regarding other financial assets beyond this scope.

The age structure of the financial assets and the recorded value adjustments are presented as follows:

	31.12.16 TEUR	31.12.15 TEUR
Trade receivables	17,758	15,742
Other short-term financial assets	0	0
Other financial receivables	502	302
Other long-term financial assets	735	702
	18,996	**16,747**
Amount before value adjustment	19,695	17,189
thereof		
Not due and not reduced in value	13,110	10,419
Not due and reduced in value	0	0
Overdue up to 90 days	3,411	2,570
Overdue 91 to 180 days	1,205	1,705
Overdue 181 to 360 days	871	950
Overdue more than 360 days	1,097	1,545
Thereof value-reduced	699	442
Individual value adjustment	699	425
Portfolio value adjustment	0	17

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 availability 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 by multiple banks.

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

	BOOK VALUE KEUR	DUE IN 6 MONTHS INTEREST KEUR	DUE IN 6 MONTHS AMORTIZATION KEUR	DUE IN 6-12 MONTHS INTEREST KEUR	DUE IN 6-12 MONTHS AMORTIZATION KEUR	DUE IN 1-2 YEARS INTEREST KEUR	DUE IN 1-2 YEARS AMORTIZATION KEUR
Liabilities from deliveries and services 12/31/2016	**6,681**	**0**	**6,681**	**0**	**0**	**0**	**0**
Liabilities from deliveries and services 12/31/2015	5,346	0	5,346	0	0	0	0
Other financial liabilities 12/31/2016	**943**	**0**	**943**	**0**	**0**	**0**	**0**
Other financial liabilities 12/31/2015	648	0	648	0	0	0	0
Short-term bank liabilities 12/31/2016	**20,005**	**135**	**2,991**	**104**	**17,014**	**0**	**0**
Short-term bank liabilities 12/31/2015	20,731	130	12,038	88	8,693	0	0
Long-term bank liabilities 12/31/2016	**6,189**	**50**	**0**	**50**	**0**	**105**	**152**
Long-term bank liabilities 12/31/2015	4,713	39	0	39	0	73	2,524
Leasing liabilities 12/31/2016	**1,534**	**30**	**144**	**26**	**146**	**47**	**296**
Leasing liabilities 12/31/2015	1,775	34	127	32	145	55	283
Derivative financial instruments 12/31/2016	**311**	**98**	**0**	**98**	**0**	**196**	**311**
Derivative financial instruments 12/31/2015	496	95	0	99	316	194	180

	BOOK VALUE KEUR	DUE IN 2-5 YEARS INTEREST KEUR	DUE IN 2-5 YEARS AMORTIZATION KEUR	DUE AFTER 5 YEARS INTEREST KEUR	DUE AFTER 5 YEARS AMORTIZATION KEUR
Trade Liabilities from deliveries and services 12/31/2016	**6,681**	**0**	**0**	**0**	**0**
Trade Liabilities from deliveries and services 12/31/2015	5,346	0	0	0	0
Other financial liabilities 12/31/2016	**943**	**0**	**0**	**0**	**0**
Other financial liabilities 12/31/2015	648	0	0	0	0
Short-term bank liabilities 12/31/2016	**20,005**	**0**	**0**	**0**	**0**
Short-term bank liabilities 12/31/2015	20,731	0	0	0	0
Long-term bank liabilities 12/31/2016	**6,189**	**131**	**6,038**	**0**	**0**
Long-term bank liabilities 12/31/2015	4,713	120	2,189	0	0
Leasing liabilities 12/31/2016	**1,534**	**36**	**949**	**0**	**0**
Leasing liabilities 12/31/2015	1,775	74	1,129	4	92
Derivative financial instruments 12/31/2016	**311**	**0**	**0**	**0**	**0**
Derivative financial instruments 12/31/2015	496	0	0	0	0

Fair values

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

	12/31/16		12/31/15	
	BOOK VALUE KEUR	FAIR VALUE KEUR	BOOK VALUE KEUR	FAIR VALUE KEUR
Means of payment and payment equivalents	3,527	3,527	3,450	3,450
Trade receivables	17,758	17,758	15,742	15,742
Other financial receivables	502	502	302	302
Long-term financial assets	735	735	702	702
Liabilities from deliveries and services	6,681	6,681	5,346	5,346
Other financial liabilities	1,254	1,254	1,144	1,144
Short-term bank liabilities	20,005	20,005	20,731	20,731
Long-term bank liabilities	6,189	6,130	4,713	4,731
Leasing liabilities	1,534	1,442	1,775	1,828

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

Hierarchy for fair value determination

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. The market prices listed on the balance sheet date are used to determine the fair value.

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.

	LEVEL 1 KEUR	LEVEL 2 KEUR	LEVEL 3 KEUR	TOTAL KEUR
12/31/16				
Financial assets				
Financial assets available for sale	735	0	0	735
Financial liabilities				
Derivative financial liabilities	0	311	0	311
Total	**735**	**311**	**0**	**1,046**

	LEVEL 1 KEUR	LEVEL 2 KEUR	LEVEL 3 KEUR	TOTAL KEUR
12/31/15				
Financial assets				
Financial assets available for sale	702	0	0	702
Financial liabilities				
Derivative financial liabilities	0	496	0	496
Total	**702**	**496**	**0**	**1,198**

4.2. RENT AND LEASING OBLIGATIONS

The obligations from operating lease relationships affect in particular rent expenses as well as operating lease contracts for vehicles and machines. Obligations from non-terminable rent and leasing obligations according to maturity:

	2016 KEUR	2015 KEUR
up to 1 year	1,112	1,139
up to 5 years	1,771	2,076
more than 5 years	0	0
	2,883	**3,215**

During the year under review, 1,104 KEUR (previous year 1,050 KEUR) were recorded as rent and leasing expenses.

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 equity that is attributable to the Rath AG stockholders and nominal capital, capital reserves and retained income. The capital structure is monitored continuously. To this end, capital costs and risks, which are an integral part of all types of capital, are taken into consideration. The central factor of the monitoring process is the equity quota; this is continually reviewed by the management and is defined as equity capital in the balance sum according to the balance sheet. The target quota is above 40 %.

4.3. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

The Rath Group has taken on the following contingent liabilities:

	12/31/16 KEUR	12/331/15 KEUR
Retentions for business partners	1,361	1,912
	1,361	**1,912**

The retained amounts for business partners affect in particular the project business and will be provided in favor of customers to secure our service obligation. There are no return obligations that go beyond industry-standard guarantees. The management is currently not aware of any other off-balance sheet opportunities and risks.

Outstanding legal disputes
As in the previous year, there are no major unsettled legal disputes pending as of the reporting date.

4.4. 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:

› House owner Walfischgasse, Dr.Ernst Rath and co-owner
Rental expenses incl.Operating costs: 2016 149 KEUR; 2015 147 KEUR

› Rath Holding GmbH
Liability: 2016 2 KEUR; Previous year: Loan 26 KEUR

Executive Board of Rath AG, Vienna
DI Jörg Sitzenfrey, as of 1/1/2013

Andreas Pfneiszl as of 6/10/2013

Executive Board remunerations amounted to 560 KEUR in 2016 (12/31/2015: 437 KEUR), thereof 160 KEUR (12/31/2015: 112 KEUR) as parts dependent on the result.

Executive Board remunerations:

		2016 KEUR	2015 KEUR
DI Jörg Sitzenfrey	fixed	200	162
	variable	80	56
		280	**217**
Andreas Pfneiszl	fixed	200	164
	variable	80	56
		280	**220**
Total sum Executive Board remuneration		**560**	**437**

Supervisory board of Rath AG, Vienna
Mag. Stefan Ehrlich-Adám (Chairman) as of 6/25/2013
Mag. Philipp Rath (Vice Chairman) as of 7/17/2003
Mag. Karin Bauer-Rath since 6/1/2016
Mag. Dieter Hermann as of 6/25/2013
MMag. Christian B.Maier as of 6/27/2008
Dr. Andreas Meier since 6/1/2016
Dkfm. Paul Rath as of 9/14/1989 to 10/10/2016

Neither credits nor advances were made to corporate management bodies. Former members received pension payments of 179 KEUR (previous year: 179 KEUR). Salaries for members of the Supervisory Board during the business year amounted to 76 KEUR (previous year: 65 KEUR).

4.5. AUDITING FEES

The expenses due for the business year for the corporate auditor KPMG Austria GmbH Auditing and Tax Consultation Company amounted to a total of 45 KEUR (previous year 45), of which 22 KEUR (previous year 22 KEUR) for the inspection of the financial statement (including statements from individual affiliated companies).

4.6. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the proportion of consolidated net profit attributable to Rath AG shareholders by the weighted number of ordinary shares in circulation during the year.

	2016	2015
The proportion of corporate earnings attributable to parent company shareholders in KEUR	3,944	4,116
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in EUR	2.63	2.74
Dividend payout per stock for the financial year in EUR	0.50	0.50

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

5. EVENTS AFTER THE BALANCE SHEET DATE

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

These financial statements were prepared on April 21, 2017 by the company's Executive Board and were submitted to the Supervisory Board on April 21, 2017 for review and approval.

VIENNA, APRIL 21, 2017

The Executive Board

Andreas Pfneiszl

DI Jörg Sitzenfrey

AUDITOR'S CERTIFICATE

AUDITOR'S CERTIFICATE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We examined the financial statement from the Rath Aktiengesellschaft, Vienna, and their subsidiaries (from the group) consisting of the group balance sheet on December 31, 2016, the consolidated profit and loss statement, consolidated total results calculation, the development of the group net equity and the group cash flow statement for the business year ending on this balance sheet date and the group attachment.

According to our evaluation, the group statement corresponds to the legal provisions and provides a fair and true representation of the assets and financial situation of the group on December 31, 2016 as well as the profit situation and the cash flows from the group for the business year ending on this balance sheet date in agreement with the International Financial Reporting Standards as they are applied in the EU (IFRS) and the additional requirements from the § 245a UGB.

BASIS FOR THE OPINION

We executed out 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 titled "Responsibilities of the auditor for the auditing of group 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 group consolidated statement from the business year at our required discretion. These circumstances were considered in connection with our audit of the group consolidated statement as a whole and during the formation of our opinion and we do not provide a separate opinion on these circumstances.

CAPITALIZATION OF DEFERRED TAXES FOR LOSSES CARRIED FORWARD

See group attachment point 3.12.

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The risk for the statement
The approach of active deferred taxes on losses carried forward is dependent of significant estimates through the Executive Board regarding their future usage.

From the losses carried forward of KEUR 13,317 where the deferred taxes were activated, KEUR 5,692 or around 43% of the loss carried forward is attributed to Rath Inc., USA and KEUR 6,985 to Rath AG. The deferred taxes on losses carried forward were based on the estimate by the Executive Board that sufficient future tax results will be capitalized in Rath Inc and Rath AG against which the losses can be offset. This estimate is based on the profit prognoses from the Executive Board for Rath Inc. and Rath AG.

Due to the significant estimate and the affiliated uncertainties, these circumstances were classified as particularly important.

Our procedure in the audit
We gained understanding of the process of the creation of profit prognoses by the management and critically questioned the assumptions and estimates of the Executive Board used for the profit prognoses. We also held conversations with the Executive Board and in particular analyzed the business development, the strategic orientation of RATH Inc. and Rath AG as well as the economic conditions. We evaluated the fulfillment of the planned calculations of the past by comparing the historic plans with the actual results.

We also made sure that the model from the planned calculations is applied consistently through all areas of the Group and in the reporting to the Supervisory Board.

Furthermore, we assessed whether the required attachment information is appropriate in connection with the active deferred taxes from losses carried forward according to IAS 12.

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

The legal representatives are responsible for the creation of the consolidated group statement and that this provides an accurate image of the assets, financial and profit situation of the Group in agreement with the IFRS as applicable in the EU and the additional requirements of the § 245a UGB. Furthermore, the legal representatives are responsible for internal controls that they deem necessary to allow for the creation of a consolidated group statement free of significant - intended or unintended - incorrect representations.

During the creation of the consolidated group statement, the legal representatives are responsible for assessing the capability of the Group to continue their company activities, to specify circumstances in connection with the continuation of their company activities - if relevant - and to apply the accounting principle of the continuation of company activities; unless the legal representatives intend to either

AUDITOR'S CERTIFICATE

liquidate the Group or to stop their company activities or do not have any realistic alternatives to this.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDITING OF THE CONSOLIDATED GROUP STATEMENT

Our goals are to obtain sufficient certainty as to if the consolidated group statement in 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 from them individually or altogether that they will influence the economic decisions of users made on the basis of this consolidated group statement.

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 stick to 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 from 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 if there is a significant discrepancy in connection with events or circumstances that may cause significant doubt in the ability of the Group to continue their 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 consolidated group 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 Group not being able to continue their company activities.

- We evaluate the entire representation, the structure and the content of the consolidated group statement including the specifications as well as if the consolidated group statement represents the business transactions and events in a manner that creates a fair and true representation.

- We only gain sufficient suitable auditing records on financial information from the units or company activities within the Group in order to provide an opinion on the consolidated group statement. We are responsible for the instruction, monitoring and execution of the audit consolidated group statement. We bear the sole responsibility for our opinion.

- 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 relationships 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.

- Using the issues that we discuss with the Audit Committee, we determine which issues were most important for the audit of the consolidated group 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 consolidated annual report

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

AUDITOR'S CERTIFICATE

The legal representatives are responsible for the creation of the consolidated group statement in agreement with the Austrian corporate legal provisions.

We have executed our audit in agreement with the professional principles for the auditing of a consolidated group statement.

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

DECLARATION
In light of the knowledge and understanding about the company and its environment gained during the audit of the consolidated group statement, we did not determine any significant, incorrect specifications in the consolidated group 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 consolidated group statement does not cover this other information and we do not provide any type of guarantee about this.

In connection with our audit of the consolidated group statement, it is our responsibility to read this other information and to consider if there are significant discrepancies between the other information and the consolidated group 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
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (audit and tax consultancy firm)

signed Mag. Yann-Georg Hansa
Auditor

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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.

GLOSSARY

Business Management Terms and Key Figures

AGIO	Premium
ACTUARIAL PROFIT/LOSS	Current profit/loss
AVAILABLE FOR SALE	Available for disposal
AVÖ	Aktuarvereinigung Österreichs (AVÖ, Actuarial 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 Corporate Governance Code. The content represents a voluntary body of rules and regulations.
DBO (DEFINED BENEFIT OBLIGATION)	Cash value of all forfeitable and non-forfeitable 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).
DISCOUNT	The difference between the issue and repayment amount of a liability.
D&O VERSICHERUNG -"DIRECTORS' & OFFICERS' LIABILITY INSURANCE"	The D&O Insurance (also called directors' & officers' liability insurance or in general: Financial losses liability insurance for organs of legal entities (stock corporations, LLCs, associations, foundations, registered societies) is usually concluded as insurance to the benefit of third parties. The company (policyholder) insures its organ members (Executive Boards, Managing Directors, Supervisory Boards, Advisory Boards) against the risk of personal liability in connection with actions of the Boards.
EBITDA	Earning before interest, tax and depreciation on fixed assets and intangible assets
EBITDA MARGIN	Percentage share of the EBITDA in turnover
EBIT (EARNINGS BEFORE INTEREST AND TAX)	Earnings before interest and tax; operating result
EBIT MARGIN	Percentage share of the EBIT in turnover
EBT (EARNINGS BEFORE TAX)	Pre-tax earnings
EQUITY RATIO	Equity divided by total capital
EQUITY CAPITAL RETURN	Profit divided by equity
FAIR VALUE	Valuation of financial instruments including derivative financial instruments with the current value to be attributed

GLOSSARY

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)	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 COMMITTEE)	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 of a project
PUC (PROJECTED UNIT CREDIT METHOD)	Actuarial evaluation method
ROCE (RETURN ON CAPITAL EMPLOYED)	Interest on the capital employed. Quotient from EBIT and capital employed
SENSITIVITY ANALYSIS	The sensitivity analysis is designed to identify correlations between input data for model calculations and target values of alternatives.
WACC (WEIGHTED AVERAGE COST OF CAPITAL)	Weighted average cost of capital; refers to an approach associated with the discounted cash-flow approach of company valuation. The weighted average cost of capital is used to determine the minimum return for investment projects.
WORKING CAPITAL RATIO	Reveals which share of short-term liabilities can be financed by circulating capital. Inventories and receivables less liabilities from deliveries and services are put into perspective to revenues.
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.

DISCLAIMER

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SENTENCE AND PRINT ERRORS EXCEPTED

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

2016

FINANCIAL STATEMENTS OF THE

RATH AKTIENGESELLSCHAFT

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2016 FINANCIAL STATEMENTS

OF THE RATH AKTIENGESELLSCHAFT

CONTENTS

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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 Aktien-gesellschaft'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.

SHAREHOLDER STRUCTURE ‹

AS OF 12/31/2016

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

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

ASSETS	12/31/2016 EUR	12/31/2015 KEUR
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

LIABILITIES AND EQUITY	12/31/2016 EUR	12/31/2015 KEUR
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
PREVIOUS YEAR	100.00	25,332,451	1,223,066
Rath Hungaria Kft., Budapest, Hungary	100.00	4,142,040	569,702
PREVIOUS YEAR	100.00	3,750,512	571,580
Rath USA Inc. Newark, USA	100.00	1,868,284	-383,272
PREVIOUS YEAR	100.00	2,198,589	227,784
Chamottewaren- und Thonöfenfabrik Aug. Rath jun. GmbH, Krummnußbaum	99.98	7,238,387	1,929,450
PREVIOUS YEAR	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
PREVIOUS YEAR	100.00	1,159,204	115,357
Rath Polska Sp. z o.o., Dabrowa Gornicza, Poland	100.00	21,029	82,537
PREVIOUS YEAR	100.00	-65,678	-7,537
Rath SAS, Gennevilliers, France	0.00	0	0
PREVIOUS YEAR	95.00	20,004	-11,456
Rath Ukrajina TOW, Donezk, Ukraine	100.00	105,831	35,471
PREVIOUS YEAR	100.00	76,421	-22,609
Rath Group S. de R.L. de C.V., Monterrey, Mexico	100.00	-19,918	10,395
PREVIOUS YEAR	100.00	-34,285	-9,966
Rath Filtration GmbH, Vienna, Austria	100.00	-53,692	-103,692
PREVIOUS YEAR	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%

ANNEX

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.

ANNEX

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:

DEFERRED TAX ASSETS ‹

12/31/15 IN THOUSAND EUR	12/31/16 IN EUR	
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).

OTHER PROVISIONS ‹

12/31/15 IN EUR	12/31/16 IN EUR	
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.

ANNEX

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

› OBLIGATIONS	OF THE FOLLOWING BUSINESS YEAR *IN EUR*	OF THE FOLLOWING FIVE BUSINESS YEARS *IN EUR*
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.

ANNEX

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	INITAL 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 EUR	ADDITIONS EUR	DISPOSALS EUR	AS OF 12/31/2016 EUR
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		

ANALYIS OF LIABILITIES

	BALANCE SHEET VALUE EUR	PREVIOUS YEAR'S FIGURE EUR	REMAINING TERM UP TO 1 YEAR EUR
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					

ANALYIS 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

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 transfered 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