2020

ANNUAL REPORT

OUTSTANDING INSIDE
Refractory Solutions

RATH

www.rath-group.com

KEY FIGURES

	2020 K€	2019 K€	2018 K€	2017 K€	2016 K€
Turnover	**86,378**	100,070	94,488	86,338	80,306
Change in %	**-13.7**	5.9	9.4	7.5	-2.0
EBITDA [1]	**8,484**	14,111	12,729	10,395	9,140
EBITDA margin in %	**9.8**	14.1	13.5	12.0	11.4
EBIT [1]	**1,587**	8,383	8,422	6,237	5,016
EBIT margin in %	**1.8**	8.4	8.9	7.2	6.2
EBT [1]	**-2,562**	7,854	8,170	2,891	4,705
Operating cash flow	**21,209**	4,354	13,758	10,148	5,903
Equity ratio in %	**44.5**	47.7	45.3	44.7	50.7
Return on shareholders' equity in %	**-5.2**	7.4	12.1	5.4	9.2
Net debt	**23,333**	35,381	14,501	20,150	23,446
Net debt / EBITDA [1]	**2.75**	2.51	1.14	1.94	2.57
Working capital in % of the turnover [2]	**28.0**	33.8	30.0	34.8	40.4
ROCE in %	**2.4**	4.9	9.7	8.8	6.3
Investments in property	**8,064**	6,914	5,479	5,788	5,629
Depreciation	**6,897**	5,728	4,306	4,157	4,124
Number of employees on annual average	**593**	577	549	536	542
Number of consolidated companies	**13**	11	10	10	10

[1] In the business year 2019 adjusted for one-time effects (see Note 7)

[2] Contract liabilities are included into the calculation of working capital from FY 2017 onwards

ANNUAL REPORT 2020

RATH GROUP

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2020

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PROFITABILITY AT A STABLE LEVEL

SIGNIFICANTLY MORE POSITIVE PERSPECTIVES FOR THE YEAR 2021

PREFACE BY THE MANAGEMENT BOARD

DEAR LADIES AND GENTLEMEN,

With this annual report, we look back on a special year that unsettled us all due to the COVID-19 pandemic and will remain in our memories for a long time to come. First and foremost, the health of the world's population, and thus also that of our employees, required and requires protection. On the other hand, there is the negative impact on our global industries – to an extent that we have never seen before.

After we were still able to report the highest turnover in the previous annual report 2019, coupled with good order backlogs and a successful acquisition, our situation changed abruptly as of March 2020. Our budget and our goals for 2020 were no longer achievable. Words like pandemic, triage, lockdown, curfews, incidences, and global economic crisis are in themselves words rarely used in our vocabulary, and yet we have had to deal with them, learn from the situation, and adapt to it!

But the most important thing: Our workforce pulled together to protect the health of our employees and limit the infection rate to the best of our abilities. What was extraordinarily impressive was the cohesion and discipline of our employees to stand up to the crisis.

We expected the economic impact from the 2nd quarter of 2020 onwards and actually felt it from the 2nd half of 2020. We were unable to maintain either turnover or operating profit (EBITDA), and the €/$ exchange rate situation reversed from 1.09 to 1.23, resulting in a negative impact on the financial result in book terms. Nevertheless, we want to propose at the upcoming Annual General Meeting a dividend payment of € 0.33 per share, as our key performance indicators continue to

Andreas Pfneiszl (CFO, CSO), DI Ingo Gruber (COO, CTO)

show decent stability and the measures we have taken and the resulting target figures provide a positive outlook for the current year 2021.

Although at the time of writing of the present annual report there is still no end in sight to the COVID-19 crisis, the rapid development of a vaccine against the virus gives us confidence that this pandemic can be contained, and we will be able to return to calmer and thus more successful waters.

All in all, the Management Board can confirm that our Group is well positioned and geared to profitable and sustainable growth. We are in a good position and we must maintain it – for the benefit of our customers, partners, employees and shareholders. We are pleased to know that you will continue to be at our side along the way.

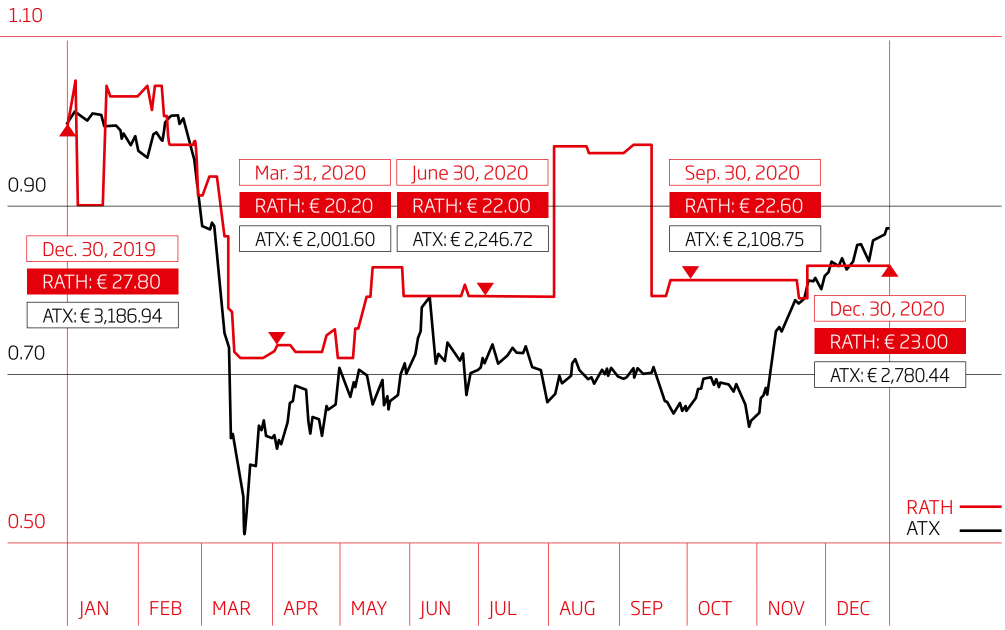
Yours, the Management Board

Andreas Pfneiszl

DI Ingo Gruber

THE STOCK

› SHARE DEVELOPMENT



› STOCK MARKET KEY FIGURES

ISIN	AT0000767306
Securities abbreviation	RAT
Market segment	Standard Market Auction
Trading segment	Official trading
Class of shares	No-par shares entitled to vote
Number of shares	1,500,000
Share price on December 30, 2020	€ 23.00
Market capitalization:	€ 34,500,000
Earnings per share	€ -1.66

› CAPITAL MARKET CALENDAR 2021

September 30, 2021	Semi-annual result 2021
June 02, 2021	Annual General Meeting

THE STOCK

STOCK

The RATH stock

The share price of the RATH Group in 2020 was significantly influenced by the uncertainties and consequences of the COVID-19 pandemic. After a price of € 27.80 at the beginning of 2020, the share price fell to the annual low of € 20.00 in the first half of 2020. After overcoming this, the share price rose to € 22.00 by mid-year. Following a recovery in the share price in the third quarter, the further development of the pandemic again had a negative impact on the Group's share price, resulting in a price of € 22.60 per share as of October 31, 2020. At the end of the year, it closed at a price of € 23.00 and thus reported a price loss for 2020 amounting to 17 %. This is around 4 % above that of the ATX.

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 judicious contact, we are capable of creating a fair and appropriate valuation of the RATH stock. The focus is always to convey an image representing the company's actual situation according to the principle of true and fair view.

For us, investor relations is not only an obligation to inform our stockholders about the company, but also an opportunity to attract new investors at home and abroad.

Investor Relations Officer
Andreas Pfneiszl
Email: ir@rath-group.com
Internet: www.rath-group.com

CORPORATE GOVERNANCE REPORT
PURSUANT TO § 243C AND § 267B
OF THE AUSTRIAN COMMERCIAL CODE (UGB)

CORPORATE GOVERNANCE REPORT DECLARATION PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

RATH is fully committed to complying with the rules of conduct laid down in the Austrian Corporate Governance Code and regards this as an essential prerequisite for responsible corporate management. The Management Board and the Supervisory Board, as well as all employees of the RATH Group, have committed themselves to upholding the Code.

The Austrian Corporate Governance Code is based on voluntary self-commitment and goes beyond the legal requirements for a stock corporation. RATH follows the rules of the Code almost entirely.

The Code comprises three categories of rules:

1. Legal Requirement ("L") – comprising mandatory legislation.
2. The "C" rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to achieve compliance with the Code.
3. Recommendation rules ("R") are recommendations by nature.

We comply with all the "L" and "C" rules. Deviating from this: C Rule 16 (RATH AG currently has no chairperson of the Management Board), C Rule 27 (currently there are no non-current targets on which the variable remuneration of the Management Board is based and no claw-back regulations), C Rule 39 (currently there is no committee that is authorized to make decisions in urgent cases, as this task is performed at the level of the entire Supervisory Board)

The Corporate Governance Report of RATH AG also corresponds to the consolidated corporate governance report of the RATH Group.

The ÖCGK valid for the business year 2020 (as of: January 2020) can be found on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) as well as on that of RATH AG (www.rath-group.com).

RATH uses the Corporate Governance Code of January 2020, accompanied by the following detailed explanations:

Composition of the Management Board

As of December 31, 2020, the Management Board of RATH AG consisted of two members. DI Ingo Gruber has been a member of the Management Board since October 01, 2019, responsible for the areas of Production as well as Research & Development and SCM.

Mr. Andreas Pfneiszl has been a member of the Management Board since his initial appointment on June 10, 2013 and is responsible for Sales, Finance, Human Resources and IT.

As in the previous year, there is no chairperson.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

› MEMBERS OF THE MANAGEMENT BOARD

TITLE	NAME	FUNCTION	DATE OF BIRTH	INITIAL APPOINTMENT	END OF TERM OF OFFICE	SUPERVISORY BOARD MANDATES AND/OR COMPARABLE FUNCTIONS IN OTHER COMPANIES NOT INCLUDED INTO THE CONSOLIDATED FINANCIAL STATEMENT
	Andreas Pfneiszl	Member of the Management Board	December 01, 1969	June 10, 2013	December 31, 2025	none
DI	Ingo Gruber	Member of the Management Board	April 19, 1962	October 01, 2019	December 31, 2022	none

ANDREAS PFNEISZL

Areas of responsibility

Management Board Member for
Sales and Finance

Assigned corporate functions

Sales, Finance, IR, HR,
Legal and IT

Group companies

Member of the Management Board of RATH AG
Member of the Management Board of
RATH Business Services GmbH
(previously RATH Filtration GmbH)

DI INGO GRUBER

Areas of responsibility

Management Board Member for
Production and Engineering

Assigned corporate functions

Research & Development,
Production and Purchasing

Group companies

Member of the Management Board of RATH AG
Member of the Management Board of
RATH Business Services GmbH
(previously RATH Filtration GmbH)

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

Composition of the Supervisory Board

The Supervisory Board of RATH AG consists of five members elected by the Annual General Meeting.

› SUPERVISORY BOARD MEMBERS

TITLE	NAME	FUNCTION	DATE OF BIRTH	INITIAL APPOINT-MENT	END OF TERM OF OFFICE	SUPERVISORY BOARD MANDATES AND/ OR COMPARABLE FUNCTIONS IN LISTED COMPANIES
Mag.	Stefan Ehrlich-Adám	Chairman of the Supervisory Board	May 19, 1964	June 25, 2013	Until the regular Annual General Meeting 2023	none
CPA Mag.	Philipp Rath	Vice Chairman	July 03, 1966	July 17, 2003	Until the regular Annual General Meeting 2023	none
Mag.	Dieter Hermann	Member of the Supervisory Board	January 10, 1966	June 25, 2013	Until the regular Annual General Meeting 2023	none
Dr.	Andreas Meier	Member of the Supervisory Board	July 10, 1962	June 01, 2016	Until the regular Annual General Meeting 2023	none
Mag. Dr.	Ulla Reisch	Member of the Supervisory Board	April 22, 1968	May 27, 2018	Until the regular Annual General Meeting 2023	none

Diversity

The members of the Supervisory Board are selected on the basis of their professional qualifications, personal competence, and long-standing experience in management positions. In addition, aspects of diversity, internationality, representation of genders and age structure of its members are taken into account as much as possible. There is one female member on the Supervisory Board, and the overall portion of women thus amounts to 20 %. All the members are Austrian citizens.

When selecting the members of the Management Board, the Supervisory Board ensures that non-current succession planning is adhered to. In the opinion of the Supervisory Board, the basic suitability criteria for

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

the screening of candidates for a position on the Management Board are their professional qualifications for the portfolio to be assumed, convincing leadership qualities, previous performance, and knowledge of the company. Setting aside these criteria, women and men have the same chances in the selection process. In the course of making its decision, the Supervisory Board contemplates the following aspects:

1. The members of the Management Board should have many years of management experience and, if possible, experience in various professions.

2. At least one member of the Management Board should have a technical background or many years of technical professional experience.

3. The Management Board as a whole should have many years of experience in the areas of production, sales, finance and personnel management.

No target figure is set for the proportion of women on the Management Board. The Supervisory Board decides on the specific filling of the Management Board positions in the interests of the company and exclusively on a case-by-case basis, taking into account professional and personal qualifications.

Currently, no member of the Management Board of RATH AG is female; one member of the Supervisory Board is. Women hold leading positions in numerous departments of the first and second reporting level. As of December 31, 2020, women accounted for 18.6 % of the total workforce across the Group (previous year: 18.4 %).

The RATH Group supports and promotes employment of women in all departments, in particular in technical areas. However, the RATH Group is very often confronted with the situation that in many countries there are still significantly fewer women than men in technical occupations or professions. The RATH Group therefore supports various initiatives to inspire women to take up a technical profession or to start studying technology. This includes regular participation in various events such as recruitment and career orientation days for young women at universities and colleges. The RATH Group also takes measures and makes investments to promote compatibility of career and family. In addition, great attention is paid to strict gender equality in the recruitment process. However, despite all efforts to promote female employees the RATH Group will refrain from anything that would lead to discrimination against men.

Independence of the Supervisory Board members

All members of the Supervisory Board who are not in a business or personal relationship with RATH AG or its Management Board that would constitute a material conflict of interest and thus have the potential to influence the respective member's behavior, are regarded as "independent" in the sense of the general clause of regulation 53. The criteria of the Corporate Governance Code Annex 1 are used as a benchmark. According to these criteria, CPA Mag. Philipp Rath, Deputy Chairman of the Supervisory Board of RATH AG, is to be classified as dependent.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

Principles of the remuneration system for the Management Board and Supervisory Board (C Rule 30 ÖCGK)

With the Stock Corporation Law Amendment Act 2019 (Federal Law Gazette I 2019/63), the provisions on the disclosure of the total remuneration of the individual members of the Management Board and the principles of the remuneration policy cease to apply.

For the first time, a separate remuneration report has been prepared for the 2020 business year, which addresses the remuneration of the Management Board and Supervisory Board and can be viewed on the website https://www.rath-group.com after it has been discussed at the Annual General Meeting.

Committees and activities of the Supervisory Board

The Supervisory Board of RATH AG consists of experts from various disciplines and conducts regular meetings dealing, among other things, with strategic matters and balance sheet affairs. Within this framework, the Supervisory Board of RATH AG is involved as an advising body in all basic decisions of the Management Board.

RATH AG has an Audit Committee, a Strategy Committee and a Remuneration Committee.

The following members of the Supervisory Board have been members of the Audit Committee since the Annual General Meeting on May 28, 2018: Mag. Stefan Ehrlich-Adám as Chairman, CPA Mag. Philipp Rath, Mag. Dieter Hermann and Mag. Dr. Ulla Reisch. The Audit Committee held two meetings.

The Audit Committee met twice in 2020. In April 2020, the Audit Committee carried out the final meeting for the business year 2019 in the presence of the annual auditor. The annual financial statement and management report as well as the consolidated financial statement and consolidated annual report were reviewed, and the Supervisory Board was given the recommendation to approve the annual financial statement and (in the absence of the annual auditor) the selection of the financial auditor. At the meeting in December 2020, the annual auditors reported on the status of the preliminary audit of the annual financial statement and consolidated financial statement.

The Strategy Committee met once in 2020. The meeting in December 2020 focused on the analysis of the current situation by the Management Board, and in particular by the COO, regarding our plants and any change measures. It was also decided to continue to focus strategically on inorganic growth in addition to organic growth.

A Remuneration Committee was held in the past business year. The meeting focused on the determination of the Management Board's target achievement in 2019 as the basis for the variable remuneration component and the setting of targets for 2021.

The duties of the Supervisory Board are governed by the Articles of Association and by applicable law. The Supervisory Board performed its duties in seven meetings (including one extraordinary meeting and

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

one inaugural meeting). At the inaugural meeting of the Supervisory Board, the members of the individual committees were elected. At the March 2020 meeting, the 2020 budget was approved with a plan through 2021, and an update was provided on the status of potential acquisitions and the internal evaluation of the C-62 Rule. At the extraordinary meeting of the Supervisory Board in April 2020, an update was provided on the COVID-19 pandemic and its impact.

At the meeting in April 2020, the annual financial statement and management report 2019 as well as the consolidated financial statement and consolidated annual report 2019 were reviewed, the annual financial statement 2019 was assessed as recommended by the Audit Committee, and the proposal for the appropriation of profits from the business year 2019 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, and the current state of business was reported on. Meetings were held in May, July and September 2020 to consider the current business situation with particular focus on the impact of COVID-19 pandemic, and to provide an update on potential acquisitions.

The meeting in October 2020 was used mainly for the preliminary discussion regarding the Annual General Meeting. During the inaugural meeting of the Supervisory Board, which took place on the same day after the Annual General Meeting, the meeting dates for 2021 were finalized. In the last meeting of the year in December 2020, primarily the outlook into the next year and the budget for 2021 were discussed and approved.

The attendance rate was 100 % (previous year: 90 %). No advances or loans were granted to members of the Supervisory Board of RATH AG. No self-evaluation of the Supervisory Board took place in the past business year.

Report on C Rule 49

Rödl & Partner New York, USA, was entrusted with the auditing of the 2019 and 2020 financial statement of the American group companies RATH, Inc. and RATH LLC. CPA Mag. Philipp Rath is a partner of the affiliated company Rödl & Partner, Vienna, Austria. Fees for auditing services to the amount of k$ 31 (previous year: k$ 31) were agreed with the same.

In the previous year, the firm was moreover entrusted with the due diligence in connection with the acquisition of the refractories division of Bucher Emhart Glass including the production facility in Owensville (Missouri, USA). Consulting expenses of k€ 0 were reported for this purpose in the business year (previous year: k€ 108).

CPA

At the 31st Annual General Meeting of RATH AG held on October 02, 2020, PwC Wirtschaftsprüfung GmbH, Vienna, was elected as the independent annual auditor for the annual financial statement and consolidated financial statement of RATH AG for the year 2020.

CORPORATE GOVERNANCE REPORT STATEMENT PURSUANT TO § 243C AND § 267B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

External evaluation

According to Rule 62 of the Austrian Corporate Governance Code, compliance with the provisions of the Code should be evaluated externally on a regular basis, i.e. at least every three years. An external evaluation was carried out by PwC Wirtschaftsprüfung GmbH, Vienna, for the reporting year 2018. The results of the evaluation are as follows:

"The evaluation did not reveal any facts that might lead to the assumption that, on the one hand, the corporate governance report of the company does not comply with the legal provisions of the Austrian Commercial Code (§ 243c of the UGB) in all material respects and, on the other hand, that the declaration of compliance of the company does not correctly represent, in all material respects, the implementation of and compliance with the relevant rules of the Austrian Corporate Governance Code in the version of January 2018."

In accordance with Rule 62 of the Austrian Corporate Governance Code, the next external evaluation is planned for the business year 2021.

Compliance

Compliance is a central component of good corporate governance and a basic prerequisite for sustainable corporate success. We have a comprehensive compliance system, which is described in our Sustainability Report.

Changes after the reporting date

There were no material changes between the reporting date and the date of preparation of the corporate governance report.

VIENNA, APRIL 26, 2021

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO §124 (1) 3 STOCK EXCHANGE ACT

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO §124 (1) 3 STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statement as of December 31, 2020, established according to the International Financial Reporting Standards (IFRS) in the European Union (EU), provides a maximally faithful representation of the Group's asset, financial and earnings position, and that the consolidated annual report as of December 31, 2020 presents the business performance, the operating results and the situation of the Group so as to give a maximally precise representation as possible of the Group's assets, financial and earnings position, and that the consolidated annual report describes the main risks and uncertainties faced by the Group.

We confirm to the best of our knowledge that the parent company's annual financial statement as of December 31, 2020, established according to the Austrian Commercial Code (UGB), provides a maximally faithful representation of the company's asset, financial and earnings position, and that the management report as of December 31, 2020 presents the business performance, the operating results and the situation of the company so as to give a maximally precise representation as possible of the assets, financial and earnings position, and that the management report describes the main risks and uncertainties faced by the company.

The results of the financial year ending on December 31, 2020, are not necessarily indicative of the development of future results.

VIENNA, APRIL 26, 2021

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

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

In the business year 2020, the Supervisory Board once more performed the tasks for which it is responsible under the law, the Articles of Association, and the rules of procedure. We supervised the work of the members of the Management Board and provided them with advice. The Management Board informed us promptly and comprehensively about the competitive environment, the business performance, and the intended business policy, as well as all important strategic and operational decisions. Major investment projects, planned Group financing measures and acquisition projects were agreed with us. As Chairman of the Supervisory Board, I was in regular contact with the Management Board to discuss current business developments on an ongoing basis. The Supervisory Board was involved into all decisions of significance. In the reporting year 2020, the Management Board and the Supervisory Board exchanged information in seven meetings, consulting on the economic situation and the strategic development of our Group, as well as on important events, investments and actions. During all meetings, the Supervisory Board was, in the context of regular reporting, informed by the Management Board about the major matters of executive management, the course of business and the economic situation of the company. The Supervisory Board was given ample 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 Management Board regarding the management of the company and supervised the activities of the executive management. There were no reasons for complaints concerning the business activities of the Management Board.

Meetings of the Supervisory Board

During the reporting year, the Supervisory Board and Management Board extensively discussed all relevant issues affecting the development of the business, including risk situation and risk management within both the company itself and its Group companies. The Management 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. The committees of the Supervisory Board reported on their activities at the Board's meetings. In the 2020 business year, seven meetings (including one extraordinary meeting and one inaugural meeting) were held. All members participated personally in all meetings. At the March 2020 meeting, the 2020 budget was approved with a plan through 2021, and an update was provided on the status of potential acquisitions and the internal evaluation of C Rule 62. At the extraordinary meeting of the Supervisory Board in April 2020, an update was provided on the COVID-19 pandemic and its impact. At the meeting in April 2020, the annual financial statement and management report 2019 as well as the consolidated financial statement and consolidated annual report 2019 were reviewed, the annual financial statement 2019 was assessed as recommended by the Audit Committee, and the proposal for the appropriation of profits from the business year 2019 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, and the current state of business was reported on. Meetings were held in May, July and September 2020 to consider the current business situation with particular focus on the impact of COVID-19 pandemic, and to provide an update on potential acquisitions. The meeting in October 2020 was used mainly for the preliminary discussion regarding the Annual General Meeting. During the inaugural meeting of the Supervisory Board, which took place on the same day after the Annual General Meeting, the meeting dates for 2021 were finalized. In the last meeting of the year in December 2020, primarily the outlook into the next year and the budget for 2021 were discussed and approved.

REPORT OF THE SUPERVISORY BOARD

Committees

The Supervisory Board established three committees during the reporting year. The Audit Committee, consisting of Stefan Ehrlich-Adám, CPA Mag. Philipp Rath, Mag. Dieter Hermann and Mag. Dr. Ulla Reisch, met twice in 2020. In April 2020, the Audit Committee carried out the final meeting for the business year 2019 in the presence of the annual auditor. The annual financial statement and management report as well as the consolidated financial statement and consolidated annual report were reviewed, and the Supervisory Board was given the recommendation to approve the annual financial statement and (in the absence of the annual auditor) the selection of the financial auditor. At the meeting in December 2020, the annual auditors reported on the status of the preliminary audit of the annual financial statement and consolidated financial statement. The Strategy Committee consists of Mr. Stefan Ehrlich-Adám, CPA Mag. Philipp Rath, Mag. Dieter Hermann and Dr. Andreas Meier and met once in 2020. The meeting in December 2020 focused on the analysis of the current situation by the Management Board, and in particular by the COO, regarding our plants and any change measures. It was also decided to continue to focus strategically on inorganic growth in addition to organic growth. In the past business year, a Remuneration Committee was held, of which Mr. Stefan Ehrlich-Adám as well as CPA Mag. Philipp Rath and Dr. Andreas Meier are members. The meeting focused on the determination of the Management Board's target achievement in 2019 as the basis for the variable remuneration component and the setting of targets for 2020.

Annual and consolidated financial statement

The annual financial statement of RATH AG as of December 31, 2020, and the consolidated financial statement as of December 31, 2020, according to the IFRS, and the consolidated annual report by the Management Board were audited with involvement of Accounting and provided with an unqualified audit opinion by PwC Wirtschaftsprüfung GmbH, Vienna, selected as annual auditor by the Annual General Meeting on October 02, 2020. The opinion on the management report and the consolidated annual report was that they are consistent with the annual financial statement and the consolidated financial statement and have been prepared in accordance with the applicable legal requirements. The Audit Committee of the Supervisory Board analyzed the findings of the audit in cooperation with the auditor during the meeting on April 26, 2021, and recommended approval of the annual financial statement including the management report and the consolidated financial statement including the consolidated annual report to the Supervisory Board. By resolution of April 26, 2021, the Supervisory Board approved the annual financial statement, including the management report, and the consolidated financial statement, including the consolidated annual report. The Supervisory Board has reviewed the documents according to § 96 of the AktG (Austrian Stock Corporation Act) as well as the consolidated corporate governance report, and approved the annual financial statement, which is thus established pursuant to § 96 (4) of the AktG; the Supervisory Board has also reviewed and approved the proposal for the appropriation of profits submitted to it by the Management Board. The final result of the audits gave no reasons for complaints.

VIENNA, APRIL 26, 2021

Mag. Stefan Ehrlich-Adám
Chairman of the Supervisory Board

CONSOLIDATED ANNUAL REPORT

CONSOLIDATED ANNUAL REPORT 2020

ECONOMIC ENVIRONMENT

The COVID-19 pandemic that broke out at the beginning of the year shaped the 2020 business year and continues to put pressure on our business environment. In the course of the year, measures taken to contain the effects of the pandemic in our main sales and procurement markets led to a partial standstill in most industrial activities. Strong deteriorations in exchange rates against the euro, particularly the US dollar, created additional challenges.

According to estimates by the International Monetary Fund (IMF), the global economy contracted by 3.5 % in 2020, with the decline in the eurozone being more pronounced at 7.2 %. In the USA, the decline in gross domestic product (GDP) amounted to 3.4 %, and in Germany to 5.4 %. In Austria, economic output decreased by 7.3 % according to estimates by the Austrian Institute of Economic Research (WIFO).

After a challenging year 2019, the business environment turned out to be more complex than ever, demanding from us a high potential for adaptation and strength in a completely changed daily work routine.

INDUSTRY ENVIRONMENT

The RATH Group is a member of the Austrian Association of the Bricks and Ceramics Industry.
This remained below the previous year's level in the past calendar year 2020, falling by 3.5 % to € 3.58 billion.

SALES UNITS

Within the RATH Group, we stratify our customers and their applications according to industries or sales units, respectively. This structure helps our customers to always get the best refractory solution. Our Engineering department designs the optimal lining, and in cooperation with our field service the solutions are discussed with the customer, produced, provided and handed over.

› SHARES OF SALES BY SALES UNIT

2020	K€	%
METALS & FCE	49,365	58 %
CERAMICS & SFU	23,639	27 %
GLASS	13,374	15 %
Total	**86,378**	**100 %**

2019	K€	%
METALS & FCE	56,760	57 %
CERAMICS & SFU	34,682	34 %
GLASS	8,628	9 %
Total	**100,070**	**100 %**

CONSOLIDATED ANNUAL REPORT 2020

METALS & FCE

In the "METALS" sector, we handle inquiries from the steel and aluminum industry, or in the non-ferrous metals segment, respectively. Here, the RATH Group provides our customers with a broad product portfolio and offers total solutions with engineering and assembly. Our customers are served worldwide. The geographical main sales markets are Europe, the Middle East, and the USA.

The "FCE (FUELS, CHEMICALS & ENERGY)" division deals with inquiries from industries such as titanium chloride pigment production, wood material production, biomass plants, as well as petrochemical plants, but also with inquiries from the stove-fitter trade. Here, the RATH Group offers a broad and very application-specific product portfolio. The geographical main sales markets are Europe and the USA, followed by Asia.

Due to the pandemic, it was not possible to implement the long-term sales strategies in all areas – such as the nonferrous metals segment. In the aluminum industry, significant investments were not realized. Thus, the positive trend of recent years could not be continued in this area.

In the METALS business area, however, good project sales were achieved with customers outside Europe.

Changes in the strategic focus of the commercial segment and repositioning of the product portfolio met the increased demand for domestic fireplaces. The increase in demand is partly due to greater willingness to invest in the private sector. From our point of view, this is a positive consequence of the pandemic.

CERAMICS & SFU

In the sales unit "CERAMICS", we handle inquiries from industries for the production of sanitary ware, tableware, construction and technical ceramic. For this purpose, the RATH Group provides customers with a broad product portfolio of high-quality refractory materials including engineering and assembly for regularly demanding applications and issues. The geographical main sales markets are essentially Europe and the USA.

In the area of "SPECIAL FURNACES" we deal with inquiries from industries in the field of dental furnace construction, laboratory furnace construction, analytical equipment manufacturers, furnaces for drying and sintering of materials for battery production and other special applications such as 3D printing.

Here, too, the RATH Group can offer our customers a wide range of materials that are nevertheless highly specialized and tailored to the customer's needs. Here, too, the offer is completed by engineering, assembly and dealing with special customer requirements. The geographical main sales markets are likewise Europe and the USA.

In both areas of the Sales Unit, we were strongly confronted with declines in turnover due to the pandemic. The reason for this is that due to the uncertain financial situation of our customers (generally consumers), investments in the automotive, transport, dental and analysis sectors were drastically reduced.

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The same applies to the porcelain and sanitary sectors. Despite the pandemic-related boom in private house construction, a decline was recorded in the sanitary ware and tile sectors as well, as in turn consumption of high-quality porcelain fell to zero virtually overnight in the important hotel and catering sector due to the closures.

In the battery sector, on the other hand, we saw a slight increase in inquiries due to the high level of investment subsidies from the public sector.

GLASS
In the sales unit "GLASS", we deal with inquiries from industries such as container glass, flat glass and special glass production. The RATH Group provides a broad and very application-specific product portfolio here, including cast moldings and wear part material for our customers. The geographical main sales markets are Europe, the USA and Asia.

The past business year started with a considerable order backlog – however, numerous customers suspended almost all major projects due to the COVID-19 pandemic. We conducted serious and difficult negotiations in order to be able to realize these projects still before the end of 2020, and in the end we succeeded in reaching agreements with all customers without exception. However, also due to the pandemic, our partners did not start any new investments or rebuilds of glass furnaces. Therefore, some 6 months of "vacuum" in sales resulted, causing low revenue recognition mainly in the first quarter of 2021.

During the year 2020, the Owensville (Missouri, USA) plant acquired from Bucher Emhart Glass in 2019 and the newly formed Rath LLC were integrated into the RATH Group. This resulted in considerable additional work for our sales team, among others, throughout 2020. In the meantime, however, we can say that the integration has been successfully completed, turnover has developed in line with expectations, prospects are good, and the newly acquired customers represent significant sales potential for the future. Overall, it can be said that 2020 was a successful year for the Sales Unit Glass despite the unexpected difficulties.

Our objective for 2021 is to maintain our global market share, keep the position we have achieved and the level of turnover, prepare for the expected upturn in demand, add further products to our product portfolio, and gain a foothold in other sectors of the glass industry in addition to the container glass sector.

BUSINESS PERFORMANCE 2020

Due to the COVID-19 pandemic, the growth ambitions of the RATH Group were slowed down for the time being. In the second quarter of 2020, the measures taken to combat the pandemic and the prevailing uncertainty led to application of short-time work in Austria. In addition, all processes had to be digitalized in the shortest possible time in order to be able to handle all customer-specific as well as internal processes predominantly on a paperless level. Our sales activities were also reconsidered, as travel was generally very much restricted.

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In some cases, our business partners are still prohibited from visiting us, and communication takes place exclusively by digital means. In addition, credit lines were upgraded at the beginning of 2020 in order to be prepared for possible liquidity bottlenecks.

The negative impact of the pandemic on our production at the Krummnußbaum site was already cushioned in the 2nd quarter of 2020 via the COVID-19 short-time working model in Austria. Thus, it was possible to get through the very challenging times of continuous change without any significant personnel changes.

From the 3rd quarter of 2020 on, the RATH Group was hit even harder by the effects of the crisis – due to suspensions and cancellations of customer orders, our production capacities had to be adjusted quickly. From the summer of 2020, the short-time work model was used in the German plants as well. In the USA, the negative consequences of the pandemic were partially cushioned by public-sector subsidies under the Paycheck Protection Program. In our production in Budapest, there was no assistance from the Hungarian government, and we had to make significant changes at this site due to the lack of orders, mainly involving temporary workers at the site.

As a counterbalance to the adverse economic consequences of the pandemic, a cost-cutting program "Olympia 2021+" was launched from the 2nd quarter. This involves merging individual product groups at a single location, as well as realigning our plants and sales operations through the reorganization/demerger in Germany in order to achieve cost savings for the future. Our purchasing processes were reorganized to optimize raw materials and supplies as well as merchandise and energy purchasing. The pandemic also led to adjustments in the RATH Group's staff.

Towards the end of the 4th quarter, despite a renewed flare-up of the COVID-19 pandemic, in the form of a number of major orders from customers signs of economic recovery were seen.

In the following, you will find an illustration of the four quarters of the past business year 2020:

KEY FIGURES ‹

Q1	Q2	Q3	Q4	FY 2020	FY 2019	
23,058	22,899	20,171	20,250	86,378	100,070	Turnover in k€
2,592	2,917	979	1,996	8,484	12,269	EBITDA in k€
11.2 %	**12.7 %**	**4.9 %**	**9.8 %**	**9.8 %**	**12.3 %**	**EBITDA margin**
928	1,237	-628	50	1,587	6,541	EBIT in k€
4.0 %	**5.4 %**	**-3.1 %**	**0.1 %**	**1.8 %**	**6.5 %**	**EBIT margin**
602	601	593	575	593	577	Employees in Ø
20.2	22.0	22.6	23.0	23.0	27.8	Share price in €

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After elimination of the one-time effects amounting to k€ 0 (previous year: k€ 1,801), the following picture emerges:

› KEY FIGURES

	FY 2019	FY 2020	Q4	Q3	Q2	Q1
Turnover in k€	100,070	86,378	20,250	20,171	22,899	23,058
EBITDA in k€	14,111	8,484	1,996	979	2,917	2,592
EBITDA margin	**14.1 %**	**9.8 %**	**9.8 %**	**4.9 %**	**12.7 %**	**11.2 %**
EBIT in k€	8,383	1,587	50	-628	1,237	928
EBIT margin	**8.4 %**	**1.8 %**	**0.1 %**	**-3.1 %**	**5.4 %**	**4.0 %**
Employees in Ø	577	593	575	593	601	602
Share price in €	27.8	23.0	23.0	22.6	22.0	20.2

SALES DEVELOPMENT

After the highest turnover in the history of the RATH Group in the previous year, we had to report a decline in sales for the first time since 2015. Consolidated turnover decreased by k€ 13,692 to k€ 86,378. The RATH Group is controlled via our national companies and our segments. The following is an analysis of the sales development at the company level:

Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH Krummnußbaum was not able to maintain the external turnover of the previous year with k€ 24,732 (previous year: k€ 27,390) due to the pandemic. Geographically, the market area, broken down by the locations of our customers, was mainly in Europe and the Middle East.

In the metal industry in particular, significant investments were not realized. Thus, the positive trend of recent years could not be continued in this area. Nevertheless, significant projects with customers outside Europe were completed in this area. In contrast to the other segments, demand in the classic stove fitter segment increased due to the increased willingness to invest in the private sector as a positive consequence of the pandemic and the withdrawal of a competitor. This was met by changes in the strategic focus of the sales unit "METALS & FCE" and by new products in this area.
The German RATH companies with their three plants in Mönchengladbach, Bennewitz and Meissen had to report a decline in turnover of 21.5 % in the past business year.

This was mainly due to lower demand from the ceramics industry and also from the dental kiln sector as a result of the pandemic. Our market area here is primarily in Europe. Our orders for the supply of goods with a service component (formerly project business) decreased by 42.6 % to M€ 10.1 due to cancellations and suspensions by our customers.

RATH Hungaria kft. reported a decrease in turnover amounting to 7.9 % and achieved sales of k€ 10,157 (previous year: k€ 11,033). The turnover originates mainly from the steel and glass industries. The sales

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markets here are in Europe and the Middle East. The main reason for the decline was the COVID-19 pandemic and the resulting major planning uncertainties among our customers, whom we serve with products from the Budapest site and also with wear parts products from the USA.

The US companies RATH Inc. and RATH LLC, with their plants in Newark (until 2020), Milledgeville and Owensville, recorded a lower decline in turnover compared with the Group of 4.1 % to k€ 18,335 (previous year: k€ 19,124), the main reason being RATH LLC, which was fully consolidated for the first time; without this, the decline in turnover would have been 38.0 %. The customers here come from the glass, chemical industry and laboratory furnace construction sectors.

Our sales companies from Europe and Mexico reported a decline in turnover by 25.5 %, to k€ 4,818 (previous year: k€ 6,468). The companies operate mainly in the project business, in particular in the steel sector and in various segments of the repair business. There was also a significant flattening of sales of filter elements compared to the previous year – triggered by the pandemic.

EARNINGS DEVELOPMENT

The operative earnings before interest, income taxes, depreciations and amortization (EBITDA), adjusted for one-off effects, decreased to k€ 8,484 (previous year: k€ 12,269). However, the EBITDA margin of 9.8 % (previous year: 12.3 %) still remained at a solid level. Earnings before interest and income taxes (EBIT) also decreased to k€ 1,587 (previous year: k€ 6,541), the EBIT margin thus amounts to 1.8 % (previous year: 6.5 %).

Personnel expenses decreased by 6 % to k€ 29,403 (previous year: k€ 31,264), in relation to turnover this corresponds to 34 % (previous year: 31 %). The miscellaneous operating expenses of k€ 9,674 (previous year: k€ 11,479) already reflect the optimization measures taken in the business year 2020.

The financial result at the end of the reporting year was k€ -4,149 (previous year: k€ -529). The main reason for the sharp decline consists in expenses from the foreign currency valuation of loans within the Group, in particular those denominated in USD. These resulted primarily from the weakening of the USD against the euro. Net interest income, which mainly results from the interest expenditures of the promissory note bonds, remained relatively constant year-on-year.

The RATH Group thus achieved earnings before tax of k€ -2,562 (previous year: k€ 6,012).
The consolidated result after taxes amounts to k€ -2,484 (previous year: k€ 3,706).

Due to the economic uncertainties and consequences triggered by the COVID-19 pandemic, in the previous year it was decided not to disburse a dividend in order to strengthen and safeguard the company's liquidity by carrying forward to new account. In view of the current positive developments on the market and our stable net assets and financial position, at the upcoming Annual General Meeting we will propose a dividend payment of € 0.33 per share, or a total of k€ 500, from the net profit.

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ASSETS AND FINANCIAL POSITION

In the business year 2020, the balance sheet total remained relatively constant with a change of k€ 1,116. The share of non-current assets in total assets also remained at the level of the previous year, at 51 % (previous year: 53 %).

Deferred tax assets amount to k€ 764 (previous year: k€ 569), which, as in the previous year, mainly relate to the capitalization of loss carry-forwards in Austria and the USA.

Working capital decreased significantly in the past year, from k€ 33,840 to k€ 24,182. In terms of turnover, this results in a ratio of 28.0 % (previous year: 33.8 %), which is significantly below the defined threshold of 40 %.

Consolidated equity dropped compared to the same period of the previous year by 5.8 % to k€ 47,329 (previous year: k€ 50,236). This change was primarily due to earnings after income taxes of k€ -2,484, which were heavily influenced by the COVID-19 pandemic and foreign currency effects (previous year: k€ 3,705). The other comprehensive income includes actuarial losses after taxes in connection with pensions and severance payments to the amount of k€ 48 (previous year: k€ 120) and currency differences. The equity ratio amounts to 44.5 % (previous year: 47.8 %).

The non-current personnel provisions decreased slightly from k€ 3,228 to k€ 3,009. Apart from the lower duration of the pension provision, this is mainly due to changed assumptions for salary and pension increases. As a partially compensatory effect, the lower interest rates of 0.32 % for pensions (previous year: 0.57 %), 0.69% – 0.91% for severance payments (previous year: 0.95 % – 1.22 %) and 1.17 % – 1.37 % for anniversary bonuses (previous year: 1.32 % – 1.6 %) are to be named.

Financial liabilities excluding liabilities from leasing obligations increased by M€ 0.6, mainly due to the raising of an export loan in the amount of k€ 2,500 and the simultaneous repayment of a current account loan in the amount of k€ 2,000. Financial liabilities are matched by cash and cash equivalents plus securities of k€ 17,471 (previous year: k€ 4,593). Primarily due to the premature termination of the office in Newark, liabilities from leases decreased by k€ 395 compared to the previous year's balance sheet date. Due to the effects described above, net debt decreased to k€ 23,333 in the business year (previous year: k€ 35,381).

The cash flow from operating business activities increased to k€ 21,209 in the past year, primarily due to the significant decline in working capital (previous year: k€ 4,354). The cash flow from investment activities changed from k€ -19,215 in 2019 to k€ -7,184 in the past business year, primarily due to the company acquisition performed in the previous year. In the financing sector, there was a decrease from k€ -6,064 in the previous year to k€ -1,448 in 2020, mainly due to the payment of the dividend from 2018 in 2019 and loan repayments in the previous year.

At the end of 2020, the debt repayment period (net debt/EBITDA) was 2.8 years (previous year: 2.5 years) The EBIT interest coverage was 2.0 (previous year: 8.5).

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SUSTAINABLE FINANCING STRATEGY

For years, the Group's financing has been following the principles of maintaining secured liquidity as well as a maximally high equity base. The Group is currently financed by the promissory note bonds issued in 2017 with a maturity of 2022 or 2024, respectively.

Additional credit lines are available for any liquidity bottlenecks that may arise.

EMPLOYEES

Highly trained and motivated employees are the key factor for the success of the RATH Group. Through their high technical and social competence, they ensure excellent product quality and high service level, and are an important driver for the future. Our success is due on the one hand to the dedication to innovative refractory solutions that we implement in our products and technologies, and on the other hand to the huge commitment and loyalty of our employees. As of December 31, 2020, the RATH Group employed a total of 532 people in full-time equivalents (previous year: 580).

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 central requirements of the parent company and then transferred to the subsidiaries. Strategic tasks in the field of Human Resources are within the responsibility of the CFO.
Further milestones were reached in the "filantHRopos" project, which aims to establish a centrally organized HR structure. For example, the roll-out of software to support HR processes was started.

In 2020, the RATH Group paid a total of k€ 92 for staff training (previous year: k€ 193). Our employees excel by qualifications, commitment, responsibility, discipline, loyalty and mutual appreciation in a familial work environment. At this point, the Management 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 attach high value to sustainable corporate governance. Thus, strategic decision-making as well as operational leadership are influenced equally by ecological, economic and social factors.

Active environmental protection is a very important factor and focus area of the RATH Group. Careful handling of resources and waste is the top priority in order to protect the environment as far as possible. Aug. RATH jun. GmbH, for example, is a member of Interseroh in Austria and Germany. The technical progress achieved in the field of environmental protection is continuously examined with regard to its applicability to operating facilities.

Since January 01, 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, and RATH Hungaria Kft.,

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Hungary) receive emission 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. As in the previous year, the RATH Group had sufficient free certificates.

The most important cross-company strategies for sustainability include RATH's brand and product development strategies, innovation and the improvement of production procedures to optimize the economy and ecology during the production process as well as in the product sector. Reporting of important basic data of the Group companies was continued in the business year 2020.

Our colleagues are the most important asset for a positive, sustainable development of our company's success. Open, appreciative dealings with colleagues of all sectors beyond function levels are the foundation of our company.

RESEARCH & DEVELOPMENT

The RATH Group is organized by a central Research and Development department with the priority areas Innovation, Development, Process Optimization, 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. Despite the difficult environment, we continued to focus and expand R&D in 2020.

In 2020, both existing products were further developed, and new products were brought to market maturity. Particularly noteworthy are the product developments in the area of wear parts for the glass industry and for titanium oxide production. In the Domestic Fireplaces business, two new product lines were developed and placed on the market.

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

The internal control system (ICS) defines all processes for securing economic efficiency and correctness of the accounting. It reduces the error rate of transactions, protects assets from losses by damages and fraud and guarantees conformity of business procedures regarding the Articles of Association, Group guidelines and current legislation (Compliance).

The control environment of the accounting process is marked by a clear structure and process organization, with persons specifically assigned to individual functions (e.g. in Financial Accounting and Controlling). The employees involved in the accounting process fulfill the professional requirements. SAP and LucaNet are used in accounting.

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The RATH Group's guidelines are based on the RATH management handbook, the compliance guidelines as well as rules of procedure and signature rules for the company's executive management and managing employees of all RATH Group companies. These terms will be revised according to the Compliance terms, if necessary, and demonstrably brought to the attention of the respective executive management. The local executive management is responsible for adhering to the guidelines and policies of the respective RATH subsidiary.

The rules of procedure refer, among other things, to the mandatory compliance with terms of the management handbook and define a list of business cases which require approval by the Group's executive management. The management handbook of the RATH Group comprises, among other things, the information and stipulations necessary for the accounting process as well as the consolidation handbook (reporting policies, accounting and valuation rules) or IT policies.

The Group's consolidated financial statement is comprehensively inspected by an auditor of the consolidated financial statement, who guarantees uniform auditing standards with his international network, in close cooperation with the Supervisory Board and the Audit Committee. A standardized monthly management reporting system comprises all individual companies consolidated in the RATH Group. The Supervisory Board of RATH AG regularly discusses information regarding the internal control system during its meetings. The task of the Audit Committee is to monitor the effectiveness of the control system.

RISK MANAGEMENT

The RATH Group is exposed to a variety of opportunities and risks in its global entrepreneurial activities. Constant identification, assessment and control of risks is an essential component of the management, planning and controlling process. The Risk Management resorts to 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 actions in case of deviations in order to learn from mistakes and make constant improvements. This thinking in processes is anchored in ISO 9001. The risk management system ensures that risks are regularly analyzed and assessed. This ensures that these are anticipated and detected early on, and that countermeasures can be initiated quickly if they occur.

ESSENTIAL RISKS

Risks that might have negative affects on the asset, financial and earnings position of the RATH Group are basically unchanged compared to previous time periods and are as follows:

Procurement

A pivotal starting point for risk mitigation in the field of procurement is avoidance of dependence on individual suppliers, as far as possible. Our central Purchasing department actively counteracts this and creates requirements for a balanced portfolio of suppliers in consideration of reasonable purchase volumes and prices. The year 2020 was used in particular to qualify further alternative raw materials and suppliers. This will have a positive effect, especially when demand increases.

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Production

The essential value-creation levels of the RATH Group lie within the manufacture 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 pro-actively counteracts this in a preventative way via constant analyses of individual assets and precautionary maintenance. In this area, digital solutions from the Industry 4.0 environment are increasingly being evaluated. Nonetheless, risks arising from product liability cannot be fully excluded. In case of quality flaws, they will be corrected according to our customer's best interests. Costs arising from this are covered by our group-wide product liability insurance. Reputation damage resulting from this, however, is always a risk for the Group.

Sales

The global product or project sale also harbors risks. Some of our overall solutions are nowadays going to countries that are not always economically and politically stable. Via our sales managers, information is continuously retrieved from the respective sales markets and countries, helping us to recognize possible losses of accounts receivable at an early stage and initiate countermeasures. 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 collateralized by an international bank. For those sales not collateralized with letters of credit, we have set up an internal Receivables Management with credit limits. Receivables Management assesses 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, respectively.

On the basis of the information collected a credit limit is set. The losses of accounts receivable of the RATH Group in the reporting year 2020 amounted to k€ 180 (previous year: k€ 651), corresponding to 0.2 % (previous year: 0.7 %) of sales revenues. The main expenditure in the previous year results from the insolvency of our key account Eisenmann.

Liquidity

The aim of liquidity management is to ensure that the Group has sufficient liquidity at all times. RATH's external financing leeway is primarily ensured by international banking groups. Within the Group, the principle of internal financing applies. This means that the financing requirements of subsidiaries are covered – as far as possible and economically feasible – by internal loan relationships. The stipulation of credit limits and the amount of refinancing costs at financial institutes are dependent on their evaluation of the future prospects of the RATH Group. 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 valuation of the currency pairs $/€ or HUF/€, positive as well as negative changes can take place in the financial result of the individual companies and hence in the Group as well. The RATH Group currently does not possess any derivative financial instruments.

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TOTAL RISK

The risks of the RATH Group are optimally supervised with the described means and measures; from today's perspective, the continued existence of the company is not at risk.

INFORMATION ACCORDING TO § 243B OF THE AUSTRIAN COMMERCIAL CODE (UGB)

The authorized capital consists of 1,500,000 no-par value shares (previous year: 1,500,000 no-par value shares), with each no-par value share having an equal share of the authorized capital. The Management Board is not aware of any limits regarding voting rights or transfers of shares. RATH AG does not own any of its own shares. Widely held stock are held by Austrian and international investors.

The share is listed in the "Standard Market Auction" of the Vienna Stock Exchange under ISIN number AT0000767306. No significant investments of RATH Group employees are known. Like every stockholder, employees who own shares are also free to exercise their voting rights at the annual general meeting.

There are no provisions not immediately derived from the law regarding the naming and dismissal of the members of the Management Board and the Supervisory Board, as well as changes to the company's Articles of Association. The Management 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 no compensation agreements in place between the company and their Management Board and Supervisory Board Members or employees in the case of a public takeover bid either.

OUTLOOK

Macroeconomic development:

The International Monetary Fund (IMF) expects global economic output to increase by 5.5 % in 2021 and by 4.2 % in 2022. Economic output in the eurozone as a whole is expected to grow by 4.2 % in 2021. The gross domestic product (GDP) is forecast to increase by 3.5 % in Germany and by 5.1 % in the USA. For Austria, the Austrian Institute of Economic Research (WIFO) expects the gross domestic product (GDP) to increase by 4.5 % in 2021. The recovery of the global economy remains vulnerable to setbacks from new drastic increases in the number of infections, setbacks in vaccine production, and waves of bankruptcies. Progress in vaccination programs will be critical to the duration of the pandemic and overall economic development. Unresolved trade conflicts, especially the one between the USA and China, continue to cause uncertainties.

Expected development of the RATH Group

We used the year 2020, despite the COVID-19 pandemic, to further transform our corporate structure. Since January 01, 2021, our group of companies has been establishing itself even more strongly on the market through three sales units and be even closer to the customer. The productions are mapped directly without Sales/Engineering/Shared Services; thus the production company of each country can focus on our products. In Shared Services, departments such as Research & Development, Customer

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STOCKHOLDER STRUCTURE
DECEMBER 31, 2020

- 66.7 % Rath Holding GmbH
- 18,8 % Rath family members
- 14.5 % Widely held stock

Service, Finance, Human Resources, Supply Chain Management, IT, Marketing and Quality Management are coordinated worldwide and thus managed more efficiently and with better cost-orientation. We are convinced that the reorganization of our internal structure will prepare us well for the coming periods.

With the start of the new business year 2021, the volume of inquiries increased significantly. As of March 31, 2021, our order backlog stood at M€ 36 (previous year: M€ 30.8). We ascribe this development to repairs to be caught up on and investments from last year. A veritable boom in inquiries ensued, which continued until the end of the 1st quarter. We expect this development to level off in the course of the year and stabilize at pre-crisis levels.

Due to the effects of the pandemic and the still uncertain framework conditions, further planning is proving to be very challenging. The entire supply chain is still planning very cautiously, and longer-term investment activities continue to be limited.

Nevertheless, the RATH Group will do its utmost to convince customers with a competitive and attractive service and product mix. Internally, the focus remains on quality, innovation and cost optimization.

We have not abandoned our paramount strategic goal of becoming the largest European producer of non-alkaline refractories – on the contrary: We will and shall continue to search for potential targets and take parallel steps for organic growth.

On this basis and taking into account constant foreign currency exchange rates and interest rates as well as raw materials that can be supplied, for the business year 2021 the RATH management expects a return to solid figures in turnover and earnings.

VIENNA, APRIL 26, 2021

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

ANNUAL FINANCIAL STATEMENT
RATH GROUP 2020

CONSOLIDATED BALANCE SHEET

	ANNEXED NOTE	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Cash and cash equivalents	(20.3)	16,863	4,593
Trade receivables	(12)	7,741	14,346
Contract assets	(12)	4,212	6,035
Other financial receivables	(20.4)	203	92
Other non-financial receivables and deferrals	(13)	2,285	1,989
Inventory	(11)	20,284	21,488
Receivables from income taxes	(18)	66	1,367
Current assets		**51,654**	**49,910**
Financial assets	(20.5)	608	0
Intangible assets and goodwill	(9)	4,303	5,139
Tangible assets (property, plant and equipment)	(8)	48,996	49,591
Deferred tax assets	(18)	764	569
Non-current assets		**54,671**	**55,299**
TOTAL ASSETS		**106,325**	**105,209**
Current financial liabilities	(16), (20.6)	2,782	2,165
Current liabilities from leasing obligations	(10)	932	1,100
Trade payables	(20.7)	5,987	5,500
Contract liabilities	(20.7)	2,074	2,529
Other current non-financial liabilities	(19)	6,283	2,000
Other current financial liabilities	(20.7)	397	174
Current accruals and provisions	(17)	421	800
Current income tax debts	(18)	243	188
Current liabilities		**19,119**	**14,456**
Non-current financial liabilities	(16), (20.6)	35,000	35,000
Non-current liabilities from leasing obligations	(10)	1,482	1,709
Personnel provisions	(15)	3,009	3,228
Other non-current non-financial liabilities	(19)	137	149
Deferred tax liabilities	(18)	249	431
Non-current liabilities		**39,877**	**40,517**
Authorized capital		10,905	10,905
Capital reserves		1,118	1,118
Net profit and available savings		38,924	41,408
Reserve from currency conversion		-2,425	-2,049
Other reserves		-1,196	-1,149
Non-controlling interests		3	3
Stockholders' equity	(14)	**47,329**	**50,236**
TOTAL LIABILITIES AND EQUITY		**106,325**	**105,209**

CONSOLIDATED INCOME STATEMENT

	ANNEXED NOTE	2020 K€	2019 K€
Sales revenue	(21)	86,378	100,070
Other operating income	(24)	1,152	637
		87,530	**100,707**
Cost of material and purchased services	(22)	-39,568	-45,044
Personnel expenses, including social security benefits and taxes	(23)	-29,403	-31,264
Impairment loss from trade receivables as well as contract assets	(12)	-401	-651
Other operating expenses	(25)	-9,674	-11,479
EBITDA		**8,484**	**12,269**
Depreciation on intangible assets	(9)	-695	-314
Depreciation on property, plant and equipment	(8)	-6,202	-5,414
EBIT		**1,587**	**6,541**
Interest income		14	20
Interest expenditures		-772	-793
Other financial income		320	1,072
Other financial expenses		-3,711	-828
Financial result	**(26)**	**-4,149**	**-529**
Earnings before tax (EBT)		**-2,562**	**6,012**
Income taxes	(18)	78	-2,306
Consolidated result		**-2,484**	**3,706**
of which attributable to non-controlling interests	(14)	0	1
of which attributable to stockholders of the parent company	(14)	-2,484	3,705
Basic undiluted result per share (in €)	**(14)**	**-1.66**	**2.47**
Diluted result per share (in €)	**(14)**	**-1.66**	**2.47**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	ANNEXED NOTE	December 31, 2020 K€	December 31, 2019 K€
Consolidated result after income tax		-2,484	3,705
Items not reclassified to the profit and loss account			
Revaluation of non-current employee benefits according to IAS 19	(15)	-64	-160
Tax thereon	(18)	16	40
		-48	**-120**
Items reclassified into the profit and loss account			
Currency conversion differences		-375	-202
		-375	**-202**
Other comprehensive income		**-423**	**-322**
attributable to stockholders of the parent company	(14)	-423	-322
attributable to non-controlling interest	(14)	0	0
Comprehensive income after taxes		**-2,907**	**3,384**
of which comprehensive income attributable to stockholders of the parent company	(14)	-2,907	3,383
thereof comprehensive income of non-controlling interests	(14)	0	1

DEVELOPMENT OF CONSOLIDATED EQUITY

	AUTHORIZED CAPITAL K€	CAPITAL RESERVES K€	DIFFERENCES CURRENCY CONVERSION K€	OTHER RESERVES K€	NET PROFIT AND AVAILABLE SAVINGS K€	TOTAL STOCKHOLDERS' EQUITY K€	SHARES OF NON-CONTROLLING STOCKHOLDERS K€	TOTAL EQUITY K€
As of January 01, 2019	**10,905**	**1,118**	**-1,848**	**-1,028**	**39,201**	**48,349**	**2**	**48,351**
Consolidated result 2019	0	0	0	0	3,705	3,705	1	3,706
Other income 2019	0	0	-202	-120	0	-322	0	-322
Total consolidated earnings	**0**	**0**	**-202**	**-120**	**3,705**	**3,383**	**1**	**3,385**
Disbursement	0	0	0	0	-1,500	-1,500	0	-1,500
As of December 31, 2019	**10,905**	**1,118**	**-2,049**	**-1,149**	**41,408**	**50,232**	**3**	**50,236**
Consolidated result 2020	0	0	0	0	-2,484	-2,484	0	-2,484
Other income 2020	0	0	-375	-47	0	-423	0	-423
Total consolidated earnings	**0**	**0**	**-375**	**-47**	**-2,484**	**-2,906**	**0**	**-2,907**
Disbursement	0	0	0	0	0	0	0	0
As of December 31, 2020	**10,905**	**1,118**	**-2,425**	**-1,196**	**38,924**	**47,326**	**3**	**47,329**

CONSOLIDATED CASH FLOW STATEMENT

	ANNEXED NOTE	2020 K€	2019 K€
Consolidated result before taxes		**-2,562**	**6,012**
Cash flow from the result			
Depreciations	(8), (9)	6,897	5,728
Value adjustments and income from the disposal of securities classified as FVTPL (fair value through profit or loss)		-11	-41
Change to personnel provisions		-282	-115
Change to value adjustment		-641	651
Exchange rate differences	(28)	3,263	-325
Interest income	(26)	689	664
Income tax paid	(18)	1,029	-1,753
Income/loss from the disposal of assets		-1	-20
Other adjustments due to IFRS 9		-8	-5
		8,373	**10,796**
Changes in net working capital			
Trade receivables		6,405	919
Other receivables and assets		-472	-370
Inventory		727	2,268
Contract assets		1,625	-6,052
Trade payables		783	-1,986
Contract liabilities		-420	1,245
Other liabilities, accruals and provisions, and deferrals		4,188	-2,466
		12,836	**-6,442**
Net cash inflow from operating activities		**21,209**	**4,354**
Disbursements for investments in property, plant and equipment	(8), (9)	-7,051	-6,208
Disbursements made for investments into intangible assets	(8), (9)	-40	-173
Proceeds from the sale of property, plant and equipment	(8), (9)	491	22
Net disbursements for mergers	(3)	0	-13,617
Proceeds from the sale of securities classified as FVTPL	(20.5)	0	747
Disbursements for investments in financial assets		-597	0
Interest received		13	14
Free cash flow		**-7,184**	**-19,215**
Proceeds from financial liabilities	(29)	2,614	-28
Repayments of financial liabilities	(29)	-2,000	-2,035
Redemption portion of lease payments	(29)	-1,363	-1,819
Dividends paid		0	-1,500
Interest paid		-699	-682
Financial cash flow		**-1,448**	**-6,064**
Cash and cash equivalents at the beginning of the year		**4,593**	**25,468**
Net change of cash and cash equivalents		**12,577**	**-20,925**
Non-cash currency differences		**-307**	**50**
Cash and cash equivalents at the end of the year		**16,863**	**4,593**

GROUP NOTES

1 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

The company:
RATH Aktiengesellschaft (hereinafter referred to as "RATH AG"), Walfischgasse 14, A-1010 Vienna, Austria, and subsidiaries (hereinafter referred to as the "RATH Group" or "Group") produce and sell refractory materials for industrial customers and commercial enterprises. The main sales markets are located within the European Union, Eastern Europe, and the USA. The registered office of the parent company is in Vienna. Production facilities are located in Austria, Germany, Hungary and the USA. In addition, there are sales companies in Austria, Germany, the Czech Republic, Poland, the Ukraine, and Mexico.

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

Accounting standards:
The consolidated financial statement of the RATH Group as of December 31, 2020 have been prepared in accordance with § 245a of the Austrian Commercial Code (UGB) and the provisions of the International Financial Reporting Standards (IFRS) applicable on the reporting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they are to be applied in the European Union (EU). All IFRS published by the International Accounting Standards Board (IASB) and adopted by the EU for the business year for which application is mandatory were applied by the companies included in the consolidated financial statement.

The accounting practices for the companies included in the consolidated financial statement are based on the uniform accounting methods of the RATH Group.

Unless otherwise indicated, all amounts in notes and tables are stated in thousands of euros ("k€"). Both individual values and totals represent the value with the smallest rounding differences. Therefore, minor rounding differences to the reported totals may occur when adding up the individual values shown.

The present consolidated financial statement was approved for publication by the Management Board on April 26, 2021. The annual financial statement of RATH AG was presented to the Supervisory Board for review on April 26, 2021.

Impact of the COVID-19 crisis on the consolidated result:
The COVID-19 pandemic that broke out at the beginning of the year shaped the 2020 business year and continues to put pressure on our business environment. In the course of the year, measures taken to contain the effects of the pandemic in our main sales and procurement markets led to a partial standstill in most industrial activities. Suspensions and cancellations of orders, temporary closures of our customers' production plants and other measures to combat the crisis brought our Group into troubled waters.

Despite these unfavorable general conditions, the RATH Group was able to achieve a better result compared to the rest of the industry. At the same time, reorganization and research projects provided targeted impetus for growth and optimization in coming periods. For the 2020 business year, grants to the amount of k€ 1,587 (previous year: k€ 0) originating from public subsidies to combat the negative economic effects of the crisis were reported. These resulted primarily from the SBA Paycheck Protection Program (PPP) in the USA and short-time working subsidies in Austria and Germany. In the opinion of the management of the RATH Group and taking into account the secured liquidity situation, a continued strong market position and the expected gradual abatement of the negative consequences of the COVID-19 crisis for the Group, there is no doubt about the preparation of the consolidated financial statement based on the going concern assumption.

More detailed information on the effects of the COVID-19 crisis and the measures taken by the RATH Group to counteract them can be found in the consolidated annual report.

2 BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Consolidation scope:

The consolidated financial statement as of December 31, 2020, excluding RATH AG, comprises 12 (previous year: 10) subsidiaries controlled by RATH AG. The increase results from the demerger of RATH GmbH, Germany into three group companies.

They are fully consolidated from the date on which control is obtained, and deconsolidated when control is no longer exercised. According to IFRS 10, control is deemed to exist if the RATH Group has power of disposal over the subsidiary, is exposed to a risk burden from fluctuating returns from its interest in the associated company, or has a right to do so, and has the ability to use its power of disposal over the controlled company to influence the level of these returns and can subsequently use this to determine the financial and business policy of the company.

In addition to RATH AG, the basis of consolidation comprises the following companies:

	GROUP SHARE		FUNCTIONAL CURRENCY	CONSOLIDATION METHOD
	2020	2019		
Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, Austria	99.98 %	99.98 %	€	Full consolidation
RATH Business Services GmbH (formerly RATH Filtration GmbH), Vienna, Austria	100 %	100 %	€	Full consolidation
RATH GmbH, Meißen, Germany	100 %	100 %	€	Full consolidation
RATH Sales GmbH & Co KG, Meißen, Germany	100 %	0 %	€	Full consolidation
RATH Sales Beteiligungs GmbH, Meißen, Germany	100 %	0 %	€	Full consolidation
RATH Hungaria Kft., Budapest, Hungary	100 %	100 %	HUF	Full consolidation
RATH Inc., Newark, DE, USA	100 %	100 %	$	Full consolidation
RATH LLC, Owensville, MO, USA	100 %	100 %	$	Full consolidation
RATH žárotechnika spol. s r.o, Dvůr Králové nad Labem, Czech Republic	100 %	100 %	CZK	Full consolidation
RATH Polska Sp. z o.o., Dąbrowa Górnicza, Poland	100 %	100 %	PLN	Full consolidation
RATH Ukrajina TOW, Dnipro, Ukraine	100 %	100 %	UAH	Full consolidation
RATH Group S. de R.L. de C.V., Guadalupe, Mexico	100 %	100 %	MXN	Full consolidation

Corporate mergers:

Mergers are accounted for using the purchase method as of the acquisition date and thus upon transfer of control to the Group.

The purchase cost of an acquisition is measured as the fair values of the assets given and liabilities incurred or assumed at the acquisition date. The acquired assets, liabilities and contingent liabilities are assessed at fair value at the acquisition date. Intangible assets are determined internally using appropriate valuation methods. They are subject to scheduled amortization or, in the case of an indefinite useful life, are tested for recoverability at least once a year in the same way as goodwill. Acquisition-related costs are recognized as expenses. Any contingent consideration is assessed at fair value at the acquisition date.

Contingent considerations are assessed at fair value at the acquisition date. If a contingent purchase price part is classified as an equity instrument, it is not re-assessed in subsequent periods, and any settlement is recognized directly in stockholders' equity. Otherwise, subsequent changes in the fair value of a contingent consideration are recognized as affecting net income in the profit and loss account of the period in which the change in value occurred.

Any remaining positive difference between the purchase costs and the re-valued pro rata stockholders' equity is recognized as goodwill and allocated to cash-generating units. Goodwill is carried forward in the respective local currency in which it was allocated at the acquisition date. The test for recoverability is carried out at the level of the cash-generating units. Negative differences are recognized immediately as affecting net income in the profit and loss account under Other income after reassessment of the suitability for recognition and valuation of the acquired assets and liabilities and taking into account transaction costs.

Transactions with non-controlling stockholders:
Transactions with non-controlling stockholders are treated as transactions with equity owners of the Group.
Any difference arising from the acquisition of a non-controlling interest between the consideration paid for the performance and the respective share in the carrying amount of the subsidiary's net assets is recognized in stockholders' equity. Profits or losses arising from disposals of non-controlling shares are also reported in stockholders' equity.

Transactions eliminated upon consolidation:
All intra-group income and expenses as well as receivables and liabilities between the fully consolidated companies are eliminated in the course of consolidation. Intermediate profits and losses arising from intra-group deliveries of goods and services in fixed and current assets are eliminated unless they are immaterial. Entries that are unilaterally recognized in the P&L account are derecognized as affecting net income, and the related deferred taxes are recognized.

3 CORPORATE MERGERS

Overview:
No company acquisition took place in the business year. There were no adjustments in the business year for the acquisition recognized as provisional in the previous year. Effective August 30, 2019 (closing), the RATH Group acquired the refractories division of Bucher Emhart Glass, including the production facility in Owensville (Missouri, USA), as well as the sales and customer base of the same, through its US subsidiary RATH, LLC, which was established in the previous year, in the course of an asset deal. The acquisition considerably strengthens the RATH Group's capacity as well as its expertise and competence in the field of refractory materials for the container glass industry.

The purchase price amounting to k$ 15,244 (equivalent to: k€ 13,617) was settled in cash. As no cash and cash equivalents were taken over, the purchase price therefore also equals the net outflow of cash and cash equivalents in the course of the company acquisition, which is shown under cash flow from investment activities.

The assets and liabilities recognized as a result of the acquisition and the calculation of goodwill are as follows:

	FAIR VALUE *K€*
Purchase price	**13,617**
Tangible assets (property, plant and equipment)	6,620
Brand and trademark rights	448
Customer relations	2,043
Purchase commitment	295
Inventory	2,367
Right-of-use assets under leases	645
Liabilities from leasing obligations	-645
Contract liabilities	-51
Other non-financial liabilities	-29
Net assets acquired	**11,693**
Goodwill at acquisition date	**1,924**

A provisional value amounting to of k€ 2,043 was determined for these customer relations, which is depreciated on a straight-line basis over a useful life of 6 years. As of December 31, 2020, the carrying amount is k€ 1,450 (previous year: k€ 1,923). For the purchase commitment, for which a value of k€ 295 was determined in the course of the purchase price allocation, the carrying amount as of the balance sheet date is k€ 0 (previous year: k€ 196). Depreciation was calculated using the straight-line method over one year.

In addition, a trademark right for "Emhart Systems" was identified and valued at k€ 448 in the course of the purchase price allocation. This is amortized on a straight-line basis over the contractually limited useful life of 5 years. As of the consolidated balance sheet date, the carrying amount is k€ 300 (previous year: k€ 417).

A right-of-use asset for two warehouses and leasing liabilities to the same amount were recognized from leases taken over.

The goodwill is fully tax-deductible and is therefore amortized over 15 years using the straight-line method. As of December 31, 2020, this amounted to k€ 1,781 (previous year: k€ 1,917), with the change compared with the acquisition date or the previous year's reporting date resulting in each case from exchange rate differences.

Costs associated with the merger:
The costs associated with the merger, amounting to k€ 0 (previous year: k€ 528), are included in the profit and loss account under other operating expenses and in the consolidated cash flow statement under net cash inflow from operating activities.

Contribution to turnover and earnings:
In the period from August 31, 2019 to December 31, 2019, the company generated sales revenues amounting to of k€ 2,022 and an accumulated deficit of k€ 638.

If the acquisition had already taken place on January 01, 2019, consolidated pro forma sales revenues of k€ 8,879 and a net result amounting to k€ -275 would have been reported for the business year 2019. These amounts were calculated from the results of the subsidiary and adjusted for:

- the differences arising from the accounting policies of the Group and the subsidiary, and
- the additional depreciations that would have been applied if and insofar as the adjustments to tangible and intangible assets to their fair values, together with the corresponding tax adjustments, had been made from January 01, 2019 on.

4 CURRENCY CONVERSION

Reporting currency:
The consolidated financial statement is prepared in €, which is the reporting currency of the RATH Group. The annual financial statement of foreign companies are translated into € in accordance with the functional currency concept. For all companies, this corresponds to the respective local currency, as the companies conduct their business independently in financial, economic and organizational terms.

All balance sheet items with the exception of stockholders' equity are translated at the mean exchange rate as of December 31, 2020. Goodwill is recognized as an asset in the local currency of its respective origin and is also translated at the mean rate of exchange on the consolidated balance sheet date. Expense and income items were converted using average annual exchange rates in the previous year and average monthly exchange rates in 2020.

Currency conversion differences between the closing rate in the balance sheet and the average rate within the profit and loss account are recognized directly in equity under the item "Currency translation differences" in the statement of comprehensive income and thus as part of other income.

The exchange rates of major currencies used for currency conversion developed as follows:

	RATE ON REPORTING DATE DECEMBER 31, 2020	RATE ON REPORTING DATE DECEMBER 31, 2019	AVERAGE RATE 1-12 2020	AVERAGE RATE 1-12 2019
$	1.227	1.123	1.217	1.119
HUF	363.890	330.530	359.016	325.297
CZK	26.242	25.408	26.311	25.670
PLN	4.560	4.257	4.479	4.298
UAH	34.607	26.452	33.816	29.214
MXN	24.416	21.220	24.291	21.557

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

Transactions in foreign currency:
Profits and losses from transactions in a currency other than the respective functional currency are immediately recognized in the profit and loss account as affecting net income.

Monetary assets and liabilities denominated in a foreign currency as of the reporting date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities assessed at fair value in a foreign currency are translated at the exchange rate applicable at the date when the fair value is determined. Non-monetary items assessed at historical purchase or production costs in a foreign currency are translated at the exchange rate at the date of the transaction.

5 EFFECTS OF NEW AND AMENDED STANDARDS

5.1 NEW AND AMENDED STANDARDS APPLICABLE IN 2020

Overview:
In the preparation of the consolidated financial statement, the following amendments or changes to existing IAS/IFRS or interpretations as well as the newly issued standards and interpretations, insofar as they had been published in the Official Journal of the European Union by the balance sheet date and had come into force by that date, were observed:

STANDARD	CONTENTS	TO BE APPLIED FROM
IFRS 3	Changes to IFRS 3: Definition of a business operation	January 2020
IFRS 7, IFRS 9	Changes to IAS 39, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 1)	January 2020
Framework	Changes to references to the Framework in IFRS	January 2020
IAS 1, IAS 8	Changes to IAS 1 and IAS 8: Definition of materiality	January 2020
IFRS 16	Amendments to IFRS 16 Leasing COVID-19-Related Rent Concessions	June 2020

Neither of these changes has a material impact on the asset, financial and earnings position of the Group.

5.2 STANDARDS, INTERPRETATIONS AND CHANGES TO PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY IN 2020 AND HAVE NOT BEEN APPLIED PREMATURELY

The following changes or revisions of standards and interpretations have not yet been fully adopted by the EU as of the balance sheet date and are not yet mandatory for the business year and have not been applied prematurely either.

Standards adopted by the European Union as of the reporting date:

STANDARD	CONTENTS	ACCEPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
IFRS 4	Amendments to IFRS 4 Insurance Contracts in relation to the first-time application of IFRS 9 Financial Instruments	January 2021	No significant effects
IFRS 16	Changes to IFRS 16: COVID-19 pandemic-related lease concessions	June 2020	No significant effects

Standards not yet adopted by the European Union as of the reporting date:

STANDARD	CONTENTS	NOT ADOPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
IFRS 17	Insurance contracts	January 2023	No significant effects
IAS 1	Amendments to IAS 1 – Classification of liabilities as current or non-current	January 2023	No significant effects
IAS 1	Amendments to IAS 1 and IFRS Guidance Document 2 – Accounting policy disclosures	January 2023	No significant effects
IFRS 3, IAS 16, IAS 37	Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment and IAS 37 Provisions and Contingent Liabilities; Annual Improvements 2018-2020	January 2022	No significant effects
IFRS 7, IFRS 9	Changes to IFRS 7 and IFRS 9: Interest Rate Benchmark Reform – Phase 2	January 2021	No significant effects
IAS 8	Changes to IAS 8: Definition of accounting estimates	January 2023	No significant effects
IFRS 16	Changes to IFRS 16: COVID-19-Related Rent Concessions beyond June 30, 2021	January 2022	No significant effects

6. ACCOUNTING AND VALUATION PRINCIPLES

6.1 PROPERTY, PLANT AND EQUIPMENT

Tangible assets (property, plant and equipment) are valued at purchase or production costs less accumulated scheduled depreciations and impairments. Purchase or production costs include all expenses incurred to bring the asset up to its current condition and location. The production costs of internally produced assets include the expenses attributable directly to the production. Borrowing costs are recognized if and insofar as they can be attributed to a qualifying asset. As in the previous year, no borrowing costs were recognized in the reporting year as there were no qualifying assets. Costs incurred for an item in later periods (subsequent purchase or production costs) are capitalized only if it is probable that the RATH Group will derive future economic benefit from it and the costs can be reliably determined.

Property, plant and equipment subject to wear is depreciated using the straight-line method over the expected useful life of the assets concerned. The depreciation is as a matter of principle recognized in profit or loss. Depreciation methods, residual values and economically useful lives are reviewed on every balance sheet date and adjusted if required. The following useful lives in years were assumed when determining the depreciation rates:

	USEFUL LIFE IN YEARS	
Building	from 10	to 35
Machinery	from 10	to 25
Business equipment	from 3	to 15

Profits and losses from disposals of property, plant and equipment are calculated as the difference between the proceeds from the disposal and the carrying amounts of the tangible asset and are recognized in the profit and loss account under "Other operating income" or "Other operating expenses".

Ordinary maintenance and minor repairs are treated as immediate expenses.

6.2 LEASES

The RATH Group applies the option for simplifications both in connection with leases with short terms (12 months or less) and with low-value assets. The Group has entered into leases (as lessee) for various electronic equipment and machinery, which are recognized as low-value assets in accordance with IFRS 16. For those leases which fall under the options, the accounting method does not change, the expenses still appear in the P&L statement.

Assets and liabilities from leases are initially recognized at present value. The leasing liabilities include the present value of the following lease payments:

- fixed payments (including de facto fixed payments, less any leasing incentives to be received)
- variable lease payments linked to an index or (interest) rate, initially valued at the index or interest (rate) on the date of provision
- expected payments from the RATH Group from the utilization of residual value guarantees
- the exercise price of a purchase option whose exercise by the Group is sufficiently certain
- penalties in connection with the termination of a lease, if and insofar as during the term it is taken into account that the Group will exercise the termination option in question.

Within the Group, contracts exist in which the Group acts as lessee and which each contain a service component in addition to a leasing component. The Group does not exercise the option to account for the entire agreement in accordance with IFRS 16 and will therefore separate the two components, if and insofar as this is possible.

The Group determines the maturity of leasing liabilities using the redemption model. Under the redemption model, the current portion corresponds to the redemption portion of the leasing liability.

Scheduled depreciation and amortization is taken into account for the right-of-use asset over the lease term. The term of the individual leases corresponds to the non-terminable basic lease term, taking into account termination, extension and purchase options to the extent that it is reasonably certain that these will be exercised. As a matter of principle, all circumstances that provide an economic incentive to exercise potential options are taken into account.

6.3 INTANGIBLE ASSETS

First-time recognition:
In accordance with IAS 38, both externally acquired and internally generated intangible assets are recognized only if

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the purchase or production costs of the asset can be measured reliably.

In order to assess the probability of future economic benefits, reasonable and justified assumptions regarding the framework conditions are included. In the case of intangible assets that were acquired separately or in the course of a merger, the probability criterion pursuant to IAS 38 is as a matter of principle considered to be met.

Individually acquired intangible assets are valued at purchase or production costs upon initial recognition. Purchase or production costs include all expenses incurred to bring the asset up to its current condition. The purchase cost of an intangible asset acquired in a merger is tantamount to its fair value at the acquisition date.

Subsequent valuation:
Following initial recognition, intangible assets are recognized at purchase or production costs less cumulative depreciations and impairment. Depreciation is calculated using the straight-line method over an estimated useful life. The following useful lives in years were assumed when determining the depreciation rates:

	USEFUL LIFE IN YEARS	
Customer relations	6	
Rights under trademark law	5	
Other intangible assets	from 1	to 15

There are no intangible assets with an indefinite useful life.

Profits and losses from disposals of intangible assets are calculated as the difference between the proceeds from the disposal and the carrying amounts of the intangible assets and are recognized in the profit and loss account under “Other operating income” or “Other operating expenses”. Development expenses are capitalized only if the development costs can be assessed reliably, if the product or the procedure is technically and commercially suitable, 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. Capitalized development expenses are assessed as purchase or production costs less cumulative depreciations and cumulated impairments.

Goodwill:
The goodwill reported in the balance sheet results from the application of the purchase method for mergers. The acquired goodwill was allocated in full to the “USA” segment (see Note (7)) on the basis of the expected synergies to which the assets not recognized in the course of the purchase price allocation are allocated.

Internally generated intangible assets:
In the case of internally generated intangible assets, the period of manufacture is divided into a research and a development phase. Development expenses are incurred in particular for new refractory technologies and significant improvements in their performance and quality.

Development expenses are capitalized only if all the conditions of IAS 38 are met cumulatively:

- The completion of the intangible asset can be technically realized to the extent that it can be used or sold.
- The intention to complete the intangible asset and use or sell it.
- The ability to complete the intangible asset and use or sell it.
- The manner in which the intangible asset is expected to generate future economic benefits can be demonstrated.
- Adequate technical, financial and other resources are available to complete development, and the intangible asset can be used or sold.
- The expenditure attributable to the intangible asset can be valued reliably.

As in the previous year, these conditions were met for individual projects in the business year (see Note (9)).

As of the balance sheet date, intangible assets not yet available for use amounted to € 561,515 (previous year: k€ 493). These are tested annually or whenever there are indications of potential impairment.

Capitalized development expenses are shown net in the respective expense items.

6.4 IMPAIRMENT OF NON-CURRENT ASSETS

General:
Intangible assets, property, plant and equipment, leasing rights of use, as well as the comprehensive cash-generating units (CGUs), are tested for impairment at each balance sheet date, or whenever a triggering event occurs, using a qualitative analysis. Capitalized development costs for projects in progress as well as goodwill are tested annually for recoverability. The basis for this analysis follows the specifications of the management of the RATH Group.

In case of indications, the RATH Group calculates the recoverable amount for the asset. This corresponds to the higher of use value and fair value minus selling costs. Should the recoverable amount be less than the carrying amount of the asset, an impairment loss for this difference is to be reported as affecting net income.

Goodwill:
According to IFRS 3 "Business Combinations", goodwill is not subject to scheduled amortization, but is to be tested for impairment annually or more frequently if there are indications that impairment may have occurred. Any impairment identified in this process is to be recognized at the amount by which the carrying amount of the respective cash-generating unit, including the goodwill allocated to this unit, exceeds the respective recoverable amount. This is the higher of use value and fair value less the selling costs.

Goodwill completely revalued unscheduled is reported in the Summary of Fixed Assets as a disposal.

Determination of the value in use:
The use value of the asset is equivalent to the present value of anticipated future cash flows from its continued use and end-of-life disposal. If no cash flow that is independent of other assets can be determined for an individual asset, the use value is calculated using the next largest unit to which this asset belongs, generating cash flows that are largely independent of the inflows from other assets (cash-generating units, CGUs). The RATH Group defines the individual group companies, grouped by countries, as CGUs.

The starting point for the cash flow forecasts on an after-tax basis to determine the fair values less costs to sell is the budget approved by the Management Board and Supervisory Board. After a detailed planning period extending over 5 years, a perpetual annuity is assumed based on the assumptions of the previous year, taking into account a sustainable long-term growth rate of 1 % (previous year: 1 %), which tends to offset general inflation. The planning and forecasting of free cash flows is based in particular on internal and external assumptions about expected future selling prices and volumes, and the costs required to achieve them (in particular energy prices, raw materials, and personnel and taxes), taking into account the expected market environment. In addition, planned capital expenditures as well as the change in working capital are taken into account. The effects of the COVID-19 crisis were taken into account in the budgets required for the cash flow forecasts as well as in the discount rates determined.

The planned or forecast future cash flows (free cash flows) before taxes are discounted to a present value using the discounted cash flow method. The discount rate used is a blended rate calculated individually using the Capital Asset Pricing Model (CAPM) based on the average interest rate on debt and the expected return on stockholders' equity employed (Weighted Average Cost of Capital/ WACC). For the most part, externally available capital market data from comparable companies was used to determine the WACCs. The following after-tax WACCs were used for the impairment tests of CGUs:

CGU	ALLOCATED GOODWILL *K€*	WACC	WACC BEFORE TAXES	GROWTH RATE PERPETUAL ANNUITY
AT	0	8.78 %	11.70 %	1.00 %
DE	0	8.04 %	11.58 %	1.00 %
HU	0	10.86 %	11.93 %	1.00 %
US	1,781	9.01 %	11.64 %	1.00 %
REST	0	10.36 %	12.79 %	1.00 %

The fair value measurement is classified in its entirety within Level 3 of the fair value hierarchy, as significant inputs (in particular cash flows) are not observable in the market.

Any subsequent non-impairment leads to an appreciation in value affecting net income up to the lower value of the amortized purchase or production costs and the recoverable amount.

As of the balance sheet date, and thus unchanged from the previous year's balance sheet date, no impairment loss or appreciation in value was recognized in relation to the CGUs.

Sensitivity of the assumptions made:
Significant macroeconomic and industry- and company-related assumptions were made in determining the use values of the individual CGUs. The recoverability test was supplemented with stress tests by changing the key parameters WACC and growth rate individually and jointly as part of a sensitivity analysis.

As part of a sensitivity analysis for all CGUs, the following parameter changes were simulated individually in each case: a relative reduction in planned EBITDA of 5 percent, an increase in WACC of 1.5 percentage points, and a reduction in the growth rate of 0.5 percentage points in the perpetual annuity were assumed. In each of these simulations, there would be no need for impairment.

6.5 GOVERNMENT GRANTS

Government grants for expenses are recognized as other operating income in the respective period, except when the payment of the grant is dependent on conditions that do not occur with sufficient probability yet.

COVID-19 related government grants:
In total, k€ 1,587 (previous year: k€ 0) in government grants were recognized in business year 2020, which were directly related to the consequences of the COVID-19 pandemic.

Investment grants:
Investment grants are recognized on the liability side from the time binding approval is given, and reported as affecting net income in accordance with the depreciation of the assets in question.

As of December 31, 2020, k€ 137 (previous year: k€ 149) in investment grants was recognized as a liability. A total of k€ 12 (previous year: k€ 31) in investment grants was recognized in other operating income.

Emission certificates:
Based on Directive 2003/87/EC of the European Parliament and of the European Council establishing a scheme for greenhouse gas emission allowance trading, emission certificates are allocated free of charge to the affected companies in the RATH Group through national allocation plans.

In addition, the companies concerned were allocated quotas for the exchange of international emission certificates for EU emission allowances free of charge.

In the business year, all existing quotas were used to purchase CER emission certificates, which were subsequently converted into EU emission certificates. Earnings of k€ 187 (previous year: k€ 0) were recognized from the sale of part of this quota in the past business year.

Emission certificates allocated free of charge and profits from the exchange of international emission allowances acquired against payment for EU allowances using the quota allocated free of charge are not recognized in the consolidated financial statement of the RATH Group.

To the extent that the certificates used exceed the certificates held, the accrual or provision is measured at the fair value of the certificates (to be replenished) at the relevant reporting date. As of December 31, 2020, sufficient emission certificates were available, as was the case on the previous year's reporting date.

6.6 FINANCIAL ASSETS AND LIABILITIES

Recognition and initial valuation:
Trade receivables and issued debentures are recognized from the date of their creation. All other financial assets and liabilities are initially recognized on the trading day when the organization becomes a party to the contract under the terms of the instrument.

A financial asset (other than a trade receivable without a significant financing component) or a financial liability is initially assessed at fair value. In the case of an item that is not valued at FVTPL, the transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added. Trade receivables without significant financing components are valued at the transaction price upon initial recognition.

Classification and subsequent valuation of financial assets:
Upon initial recognition, a financial asset is classified and valued as follows:

- *Financial assets at amortized cost:*
  These assets are subsequently measured at amortized cost using the effective interest method. The amortized purchase costs are reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. A gain or loss from the derecognition is recognized in profit or loss.

- *FVTPL:*
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

- *FVOCI debt instruments:*
  These investments into debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains or losses are recognized in other income. Upon derecognition, the accumulated other income is reclassified to profit or loss.

- *FVOCI equity investments:*
  Equity investments are assessed at fair value with changes in other income. Dividends are recognized as earnings in profit or loss unless the dividend is clearly covering part of the costs of the investment. Other net gains or losses are recognized in other income and never recycled to profit or loss.

Financial assets are reclassified after initial recognition only if the Group changes its business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is valued at amortized cost if both of the following conditions are met and it has not been designated at FVTPL:

- It is held in the context of a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and

- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

A debt instrument is designated as FVOCI (fair value through other comprehensive income) if both of the following conditions are met and it has not been designated at FVTPL:

- It is held in the context of a business model whose objective is to hold financial assets to collect the contractual cash flows as well as to sell financial assets; and

- its contractual terms result in cash flows at specified dates, which constitute exclusively payments of principal and interest on the outstanding principal.

Upon initial recognition of an equity investment that is not held for trading, the RATH Group may irrevocably elect to show consequential changes in the fair value of the investment in other income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not valued at amortized cost or at FVOCI are assessed FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably decide to designate financial assets that otherwise qualify for valuation at amortized cost or at FVOCI at FVTPL if this results in the elimination or significant reduction of accounting mismatches otherwise occurring. There are no receivables or liabilities within the Group that are measured at fair value.

Impairment of financial assets:
The Group assesses the expected credit losses associated with debt instruments measured at amortized cost or at fair value through equity on a forward-looking basis. The impairment method depends on whether there is a significant increase in credit risk.

In the case of trade receivables, the Group applies the simplified approach permitted by IFRS 9, according to which expected credit losses are to be recognized over the term of the receivables from the time of initial recognition. In order to measure the expected credit losses, trade receivables and contract assets were combined on the basis of common credit risk characteristics and days past due. Contract assets relate to work in progress that has not yet been invoiced and have essentially the same risk characteristics as trade receivables for the same types of contracts have. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of the revenues over a period of 36 months prior to December 31, 2020 or January 01, 2020, respectively, and the corresponding historical defaults in this period. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the claims. The Group has identified the country risk in relation to the respective customer domicile as the most relevant factor and adjusts the historical loss rates based on expected changes in these factors. The default risk of trade receivables and contract assets is generally classified as low. A significant increase in this is estimated from an overdue period of 90 days.

Information on developments of the value adjustment in relation to trade receivables is provided in Note (12).

Trade receivables and contract assets are derecognized when it is reasonably considered that they are no longer realizable. Indicators that, based on reasonable judgment, claims no longer appear to be recoverable include, without being limited to, a debtor's failure to commit to a repayment schedule to the Group and a failure to make contractual payments for a period of more than 120 days in arrears. In order to determine the loss ratio, i.e. the actual loss of receivables in the event of a customer default or what is likely to be uncollectible from the insolvency estate, the customer's financial situation as well as empirical values and estimates by legal experts are taken into account in addition to any collateral.

Impairment losses on trade receivables and contract assets are presented in the operating result as impairment losses, net. Amounts achieved in subsequent periods and previously written off are recognized in the same item.

Classification of financial liabilities:
Upon initial recognition, a financial liability is classified and valued as follows:

- Other financial liabilities (at amortized cost)

- FVTPL (at fair value through profit or loss)

Other financial liabilities are subsequently assessed at amortized cost using the effective interest method. Interest expenditures and foreign currency translation differences are recognized in profit or loss. Profits or losses from the derecognition are also recognized in profit or loss.

Derecognition:
The Group writes off a financial asset whenever the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred.

Derecognition takes place also if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain power of disposal over the transferred asset.

The Group writes off a financial liability when the contractual obligations are fulfilled, have been canceled, or have expired. The Group also derecognizes a financial liability if its contractual terms are changed, and the cash flows of the adjusted liability significantly differ. In this case, a new financial liability is recognized at fair value based on the revised terms. Upon derecognition of any financial liability, the difference between the book value of the repaid liability and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derivative financial instruments:
As of December 31, 2020, and thus unchanged from the previous year's balance sheet date, the RATH Group does not hold any derivative financial instruments.

6.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include ready money and readily available bank balances with a remaining time to maturity of up to three months. The item Cash and cash equivalents corresponds to the cash fund in the consolidated cash flow statement.

6.8 INVENTORY

Inventory is valued at the lower value of the purchase or production costs and the net realizable value as of the balance sheet date. The RATH Group reviews the recoverability of inventory at regular intervals and compares them with the net realizable value on the sales market (selling price less attributable selling and administrative costs).
If this is lower than the cost of acquisition or production is, a depreciation to net realizable value is recognized as affecting net income.

In addition, a marketability discount is reported if the consumption per year is less than the stock level on the key date.
Standard formats are excluded from this valuation approach.

Purchase or production costs include all costs of manufacturing, working and processing, as well as other costs that have been incurred to bring the inventory in its 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 the production facilities. Unit costs are calculated using the moving average price method.

The net realizable value is the estimated selling price in the ordinary course of business less applicable variable cost of sales and production.

6.9 EMPLOYEE BENEFITS

- *Short-term employee benefits:*
  Obligations from short-term employee benefits are recognized as an expense as soon as the related work is performed. A liability is recognized for the amount expected to be payable if the Group currently has a legal or actual obligation to pay that amount as a result of employee service, and the obligation can be estimated reliably.

- *Defined-contribution plans:*
  Obligations for contributions to defined-contribution plans are recognized as an expense as soon as the related work is performed. Prepaid contributions are recognized as assets if and insofar as a right to reimbursement or a reduction in future payments arises. In the case of defined-contribution 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 other obligations beyond the payment of contributions.

- *Defined-benefit plans:*
  All other obligations result from unfunded, defined-benefit plans and are provided for accordingly. The Group's net obligation with regard to defined-benefit plans is calculated separately for each plan by estimating the future benefits that the employees have earned in the current and prior periods. This amount is discounted, and the fair value of any scheme assets is deducted.

This obligation is reported in accordance with IAS 19. This is done by determining the present 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 that period during which the respectively entitled persons acquire these entitlements. The calculation of the required provision value is done for the respective balance sheet date by an actuarial expert's opinion.

Future obligations will be assessed according to actuarial principles and are based on a proper assumption of the discount rate, salary increase factor and the pension increase factor. Assumption-based revaluations of the net liability from defined-benefit plans are recognized directly in stockholders' equity via other income in the year in which they occur. Thus, the accrual or provision usually corresponds to the actual obligation on the respective balance sheet date. Any past service costs are immediately recognized as affecting net income. Regarding the anniversary bonus provisions, actuarial profits and losses are immediately reported as affecting net income. For severance payment provisions and pension provisions, the results from the revaluation of the net liability are recognized in the other income. With respect to severance payment provisions, the service costs are distributed over the time frame in which the maximum entitlement to compensation is reached.

6.10 ACCRUALS AND PROVISIONS

Accruals and provisions are recognized whenever 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 dismantling work needs to be carried out on a tangible asset at the end of its useful life, the associated expenses will be entered on the liabilities side in the form of an accrual or provision for costs of disposal and capitalized as part of purchase or production costs. The accruals and provisions are recognized at the value corresponding to the best possible estimate of the expenditure required to fulfill the obligation. If the present value of the accrual or provision established using a standard market interest rate is significantly different from the nominal value, the present value of the obligation is recognized.

A provision for warranties is recognized once the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible results with the related probabilities.

6.11 TAXES

Tax expenditure includes current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss. Excepted from this are those items that are associated with a merger or with an item recognized directly in stockholders’ equity or in other income.

Interest and penalties on income taxes that do not meet the definition of income taxes are accounted for in accordance with IAS 37. IFRIC 23 is taken into account for the accounting of uncertain tax items.

Current taxes
Current taxes are the expected tax payables or tax claim on taxable income or fiscal loss for the business year based on tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable for earlier years. The amount of the expected tax liability or tax claim reflects the amount that represents the best estimate, taking into account fiscal uncertainties, if and insofar as there should be any. Current tax liabilities also include all tax liabilities arising as a result of the determination of dividends.

Current taxes for individual companies within the RATH Group are calculated from the income tax liability of the company and the tax rate applicable in the respective country. Current tax assets and liabilities are netted only under certain conditions.

There is a tax sharing agreement in accordance with § 9 (8) of the Austrian Corporation Tax Act (KStG) of 1988 between RATH AG as the group head and the group companies Aug. RATH jun. GmbH and RATH Business Services GmbH (formerly RATH Filtration GmbH) as group members for the purpose of group taxation. In addition, there is a fiscal unity between the US companies and the companies in Germany.

Deferred taxes
Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for fiscal purposes and for fiscal loss carry-forwards. No deferred taxes are reported for the following items:

- temporary differences upon initial recognition of assets or liabilities in a transaction that is not a merger of companies and affects neither the balance sheet result before taxes nor the taxable result.

- temporary differences associated with investments into subsidiaries, affiliates and associates and jointly controlled entities, if and insofar as the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

- taxable temporary differences upon initial recognition of goodwill.

A deferred tax asset for unused fiscal losses, unused fiscal credits and deductible temporary differences is recognized to the extent that it is probable that future taxable results will be available against which it can be utilized. Future taxable profits are determined on the basis of the reversal of taxable temporary differences. If the amount is not sufficient to fully capitalize deferred tax assets, the future taxable profits – taking into account the reversal of temporary differences – are to be determined on the basis of the individual business plans of the subsidiaries. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; write-ups are made whenever the probability of future taxable income improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that future taxable earnings will allow the asset to be recovered.

Deferred taxes are assessed using the tax rates expected to apply to temporary differences as soon as they reverse, using tax rates in force or announced at the reporting date. As in the previous year, the calculation of deferred taxes was based on a tax rate of 25 % in Austria, 31 % in Germany, 9 % in Hungary and 23 % in the USA.

The valuation of deferred taxes reflects the fiscal consequences arising from the Group's expectations regarding the manner in which the carrying amounts of its assets and liabilities will be recovered or settled at the reporting date.

Deferred tax assets and deferred tax liabilities are to be netted if certain conditions are met.

6.12 REVENUE RECOGNITION

General:
The basis for the recognition of sales revenue within the RATH Group is the existence of a contract in which a consideration is agreed with the customer. The consideration is allocated to the individual performance obligations under the contract on the basis of their relative individual selling prices. If these are not available (e.g. for customer-specific projects), the expected costs plus a margin are used.

Variable consideration is recognized in sales revenue only to the extent that it is highly probable that there will not be a significant reduction in such amounts in the future. Sales revenue is therefore presented less any rebates, discounts, bonuses and any contractual penalties. Revenue recognition is also performed for graded price structures that define discounts in future periods. Recognition of variable considerations is mainly based on historical data.

The diversity in the product and customer portfolio is also reflected in the payment terms and is particularly pronounced in the project business. In general, the RATH Group strives for payment schedules that roughly correspond to the progress of the project or the shortest possible payment terms for pure delivery orders.

Depending on the nature of the performance obligation, it is recognized as turnover in a date-based or period-based manner, respectively.

Performance obligations within the RATH Group:
The RATH Group produces and sells refractory products. These include high-temperature insulation wool, rolls, mats, combination modules, lightweight refractory bricks and dense bricks and castables, as well as vacuum-formed shapes and filter elements. In addition to the production of standard formats, also customer-specific products are manufactured, whose production usually requires engineering (planning). In the context of projects, customers are provided with holistic refractory solutions such as furnaces. In addition to engineering, further services such as assembly, supervision or repair services are offered and also sold together with the production service.

A performance is customer-specific if:
- the design specifications are unique to a customer and reworking would be uneconomical or involve significant costs; or
- alternative use of the products is restricted by contractual restrictions.

At the beginning of the contract, independent goods or services are deferred and identified as a performance obligation. A series of independently deferrable goods or services that are essentially the same and have the same pattern of transmission to the customer are identified as a performance obligation (e.g. production of several identical bricks of standard size).

A product or a service is independently deferrable if the following two criteria are met:

- the customer derives benefits from the promised goods or services directly or in combination with other resources available to the customer; and
- the promised goods or services are separable from other promised goods or services under the same contract.

The following significant and typical performance obligations exist within the RATH Group:

- Production of products with standard format
- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

Neither in the business year nor in the previous year were there any agreements containing significant financing components or significant guarantees or warranties and associated obligations. As in the previous business year, the performance obligations have an expected original term of a maximum of one year.

Period-based revenue recognition:
The Group recognizes revenue over a period of time if any of the following criteria is met:

- The customer receives the benefit of the performance provided and consumes it at the same time
- Production or improvement of an asset over which the customer has control during the production or improvement
- Customer-specific performance: Production of an asset that cannot be used by the company for any other purpose, where there is an entitlement to receive payment for the performances rendered so far and an expectation that the contract be performed as agreed

This results in the following typical performance obligations within the RATH Group, for which period-based revenue is recognized:

- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

Date-based revenue recognition:
If the criteria for period-based revenue recognition are not met, the revenues are recognized in a date-based manner. Revenue is therefore recognized when control is transferred on a specific date. Here, the Group uses the following indicators:

- The significant risks and rewards of ownership of the asset lie with the customer in accordance with the agreed INCOTERM
- Customer acceptance (unless a mere formality)

The RATH Group has the following significant and typical performance obligations, for which date-based revenue recognition is applied:

- Production of products with standard format

Contract costs:
Costs incurred to obtain a contract with an expected term of no more than one year are recognized in accordance with IFRS 15:91–94. Significant costs incurred in obtaining a contract with a term of more than one year are capitalized as an asset and recognized over the term of the contract. As of December 31, 2020, no deferred contract costs existed (previous year: k€ 0).

6.13 FINANCIAL INCOME AND EXPENSES

The Group's financial income and expenses comprise

- Interest income
- Interest expenditures
- Income from securities
- Net gains or losses from financial assets valued at FVTPL
- Foreign currency exchange gains and losses from financial assets and liabilities
- Impairment losses (and appreciations in value) of investments into debentures valued at amortized cost

Interest income and expenses are recognized in profit or loss using the effective interest method. Income from securities is recognized in profit or loss at the time when the Group has a legal claim to payment.

The effective interest rate is the interest rate that exactly discounts the estimated future cash outflows or receipts over the expected lifetime of the financial instrument:

- to the net carrying amount of the financial asset, or
- to the residual carrying amount of the financial liability.

In the calculation of interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (if the asset's credit rating is not impaired) or to the residual carrying amount of the liability. For financial assets that are impaired in terms of credit rating after initial recognition, by contrast, interest income is calculated by applying the effective interest rate to the amortized purchase cost of the financial asset.
If the credit rating of the asset is no longer impaired, interest income is again calculated on a gross basis.

6.14 USE OF DISCRETIONARY DECISIONS AND ESTIMATES

General:
Preparation of the consolidated financial statement requires the management to make certain estimates and assumptions that affect the application of accounting and valuation methods, the recognition and measurement of assets and liabilities and contingent liabilities, the disclosure of other obligations at the balance sheet date, and the recognition of income and expenses during the reporting period.

Historical information, planning data and the business environment are taken into account when determining the estimates and assumptions. These estimates and the underlying assumptions are reviewed on an ongoing basis. The actual amounts may differ from these estimates. With respect to liabilities and impairments not reported in the balance sheet and arising from sureties, guarantees and other contingencies, regular estimates are made as to whether recognition is required in the consolidated financial statement.

The following accounting and valuation methods are most significantly associated with management's use of discretion, estimates and assumptions:

Revenue recognition:
In addition to material deliveries, there are often other performance obligation such as engineering, supervision or installation services. This gives rise to discretionary scope with regard to determining the individual distinguishable performance obligations and the allocation of the consideration to them on the basis of their individual selling prices. It is also necessary to exercise discretion as to whether in the case of orders from long-standing existing customers or in areas in which the Group has long-standing experience a customer acceptance not yet performed should be classified as a formal act and therefore revenue is recognized in a period-based manner.

In addition, the assessment of whether a material is customer-specific requires certain discretionary powers. This classification is decisive for the timing of revenue recognition. Determination of the transaction price hardly involves any discretionary decisions, as it is usually not of a variable nature.

The RATH Group provides various types of product guarantees depending on the business line and market conditions. The accounting of provisions for product warranties is as a matter of principle associated with estimates regarding the frequency and amount of the claims. These estimates are based on historical records of the frequency and amount of warranty claims as well as management's best estimate of the expected benefits from warranty claims. As there have been no significant expenses from warranty claims in the past and no significant changes are expected in the future, we did not recognize a provision for product liability in the previous year.

Recognition of deferred tax assets:
In order to determine deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of deferred tax assets. However, since future business developments are uncertain, and in some cases they cannot be influenced by the RATH Group, the valuation of deferred taxes is subject to uncertainties.

Accounting of mergers:
The accounting of mergers requires the use of discretionary judgment in assessing the identifiability of intangible assets and recognizing all identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date. In particular, the valuation of intangible assets is as a matter of principle based on the forecast of the overall expected future cash flows and is closely linked to management's assumptions regarding their future development and the underlying developments of the discounting interest rate to be applied.

Impairment of assets:
Goodwill and assets are reviewed for recoverability whenever any events or changes in circumstances indicate that the carrying amount of an asset or group of assets may exceed its recoverable amount. Goodwill and intangible assets not yet ready for use are to be tested for recoverability annually, even if there are no signs of impairment.

When assessing recoverability, the management makes estimates and future-related assumptions about the expected cash flow surpluses and cost of capital rates for the RATH Group and individual cash-generating units in the planning periods. The estimates made are made to the best of the management's knowledge and belief under the going concern assumption, are based on experience, and take the remaining uncertainty into account in an appropriate manner.

Useful lives of property, plant and equipment:
Determination of the useful lives of property, plant and equipment is based on estimates that are in turn based on experience from the operation of comparable assets. A list of the useful lives is provided in Note (6.1).

Valuation of existing obligations for pensions, severance payments and service anniversary bonuses:
The actuarial valuation of pension plans as well as of severance remuneration and service anniversary bonuses is based on assumptions concerning the expected discount rate, salary and pension increases, fluctuation rates and life expectancy. Detailed information on the parameters used as well as a sensitivity analysis is provided in Note (15).

Subsequent valuation of trade receivables and contract assets:
Value adjustments for trade receivables and contract assets are based on expected credit losses. This requires assumptions to be made to determine the weighted average loss rates.

Capitalization of development costs:
In addition to the definition of the research and development phase, the assessment of technical feasibility also involves discretionary decisions by the management. Meeting the recognition criteria for intangible assets under IAS 38 likewise necessitates assumptions about market conditions and developments, customer demand and other future developments.

(7) BUSINESS SEGMENTS

General:

The business segments are presented by region. The business segmentation by regions corresponds to the RATH Group's internal reporting system, which is regularly presented to the chief operating decision-maker, the Management Board of RATH AG. Assets and liabilities as well as yields and expenses are allocated to the individual business segments only if and insofar as they are attributable to the respective business segments directly or by way of a reasonable procedure. Allocations between the individual segments are performed using the arm's length principle.

The business segment information is subject to the same accounting and valuation methods as the consolidated financial statement is, and is presented according to the following regions:

Austria:	RATH AG, Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, RATH Business Services GmbH (formerly RATH Filtration GmbH)
Germany:	RATH GmbH, RATH Sales GmbH & Co KG, RATH Sales Beteiligungs GmbH
Hungary:	RATH Hungaria Kft.
USA:	RATH Inc., RATH LLC
Rest of world:	RATH žárotechnika spol. s r.o, RATH Polska Sp. Z o.o., RATH Ukrajina TOW, RATH Group S. de R.L. de C.V.

Reconciliation of results to "Adjusted EBITDA":

For internal reporting purposes, EBITDA is adjusted for one-off and special effects:

	REPORTING:	2020 K€	2019 K€
EBITDA before adjustments		**8,484**	**12,269**
Insolvency of key accounts Eisenmann and ENPOL	(12)	0	686
Change in the Management Board	(23)	0	588
Incidental costs of company acquisition	(3)	0	528
Other		0	40
		8,484	**14,111**

Segment reporting:

The segment "Austria" comprises the production site in Krummnußbaum, where, in addition to the production of lightweight refractory bricks and dense bricks, further focuses are on the production of vacuum-formed shapes and stove fitter products. The holding company RATH AG and the sales company for filter cartridges for hot-gas filtration are also allocated to this segment.

Filter cartridges for hot-gas filtration are produced in addition to vacuum-formed shapes at the Meißen plant, which is assigned to the "Germany" segment. The Mönchengladbach plant produces mainly high-temperature insulation wool and partially processes it into rolls and mats. The focus of the Bennewitz plant is on the production of lightweight refractory bricks and dense bricks.

The plant in Budapest belongs to the "Hungary" segment and produces mainly pre-cast blocks and lightweight refractory bricks.

In the "USA" segment, refractory products are produced and sold at the two sites in Milledgeville and Owensville, and were also at the Newark site until the fall of 2020. Until the 4th quarter of 2020, the Newark plant mainly produced-vacuum formed shapes. During the business year, production was transferred to the other plants in the USA. The Milledgeville plant mainly produces lightweight refractory bricks and dense bricks. At the Owensville site, the production focus is on refractory products for the glass industry.

In the above segments, in addition to the production of standard formats, customer-specific products are also manufactured, whose production generally requires engineering (planning). In the context of projects, customers are provided with holistic refractory solutions such as furnaces. In addition to engineering, further services such as assembly, supervision or repair services are offered and also sold together with the production service.

The segment "Rest" consists of the sales companies in the Czech Republic, Poland, Mexico and Ukraine.

	AUSTRIA K€	GERMANY K€	HUNGARY K€	USA K€	REST K€	CONSOLIDATION K€	TOTAL K€
2020							
Orders for goods	17,263	15,761	9,199	18,335	2,638	0	63,196
Delivery of materials including services	9,160	12,400	959	0	642	0	23,161
Intra-Group sales	8,614	27,271	3,662	2,209	283	-42,039	0
Other revenues	0	21	0	0	0	0	21
Total	**35,037**	**55,453**	**13,820**	**20,544**	**3,563**	**-42,039**	**86,378**
Other operating income	6,159	2,651	441	56	234	-8,389	1,152
Cost of material and purchased services	-20,523	-38,637	-9,655	-10,189	-2,349	41,785	-39,568
Personnel expenses	-10,248	-10,782	-2,364	-5,170	-839	0	-29,403
Other operating expenses and impairment loss from trade receivables and contract assets	-7,062	-6,081	-1,867	-3,010	-628	8,573	-10,075
EBITDA	**3,363**	**2,604**	**375**	**2,231**	**-19**	**-70**	**8,484**
Depreciations	-1,520	-2,258	-533	-2,505	-81	0	-6,897
Segment result (EBIT)	**1,843**	**346**	**-158**	**-274**	**-100**	**-70**	**1,587**
Financial income	1,268	-33	267	35	99	-1,302	334
Financial expenses	-3,500	-86	-789	-734	-171	797	-4,483
Financial result	**-2,232**	**-119**	**-522**	**-699**	**-72**	**-505**	**-4,149**
Earnings before tax (EBT)	**-389**	**227**	**-680**	**-973**	**-172**	**-575**	**-2,562**
Income tax	152	13	-114	10	4	13	78
Annual yield	**-237**	**240**	**-794**	**-963**	**-168**	**-562**	**-2,484**
Segment assets	88,519	48,291	12,652	31,894	3,593	-78,624	106,325
Segment liabilities	54,485	15,807	9,704	33,007	2,061	-56,068	58,996
Investments	1,393	3,920	992	1,798	2	0	8,106
Depreciations	1,520	2,258	533	2,505	81	0	6,897

	AUSTRIA	GERMANY	HUNGARY	USA	REST	CONSOLIDATION	TOTAL
	K€	K€	K€	K€	K€	K€	K€
2019							
Orders for goods	20,977	19,311	9,567	16,058	2,550	1,235	69,697
Delivery of materials including services	8,163	16,012	1,466	3,066	1,647	0	30,353
Intra-Group sales	11,278	10,707	4,648	92	372	-27,097	0
Other revenues	0	20	0	0	0	0	20
Total	**40,417**	**46,049**	**15,681**	**19,216**	**4,568**	**-25,862**	**100,070**
Other operating income	6,026	1,553	186	124	103	-7,356	636
Cost of material and purchased services	-23,500	-24,124	-10,634	-9,686	-2,968	25,869	-45,043
Personnel expenses	-10,979	-11,773	-2,530	-4,486	-956	49	-30,675
Other operating expenses and impairment loss from trade receivables and contract assets	-7,544	-5,222	-1,911	-3,284	-515	7,599	-10,877
EBITDA	**4,420**	**6,483**	**792**	**1,884**	**233**	**299**	**14,111**
Depreciations	-1,537	-2,039	-497	-1,565	-90	0	-5,728
EBIT	**2,883**	**4,444**	**295**	**319**	**143**	**299**	**8,383**
Financial income	5,821	61	222	3	64	-5,079	1,092
Financial expenses	-1,249	-77	-472	-695	-78	951	-1,620
Financial result	**4,572**	**-16**	**-250**	**-692**	**-14**	**-4,128**	**-528**
EBT	**7,455**	**4,428**	**45**	**-373**	**129**	**-3,829**	**7,855**
Income tax	-807	-1,229	-29	-157	-30	-54	-2,306
Annual yield	**6,648**	**3,199**	**16**	**-530**	**99**	**-3,883**	**5,549**
Segment assets	86,420	41,277	12,560	33,785	4,055	-72,887	105,210
Segment liabilities	51,902	14,231	8,485	33,919	2,263	-55,826	54,974
Investments	2,542	5,029	689	12,831	298	0	21,389
Depreciations	1,537	2,039	497	1,565	90	0	5,728

NOTES ON CONSOLIDATED BALANCE SHEET

8 TANGIBLE ASSETS

	REAL ESTATE	BUILDINGS *(INCLUDING BUILDINGS ON THIRD-PARTY GROUND)*	TECHNICAL SYSTEMS	OTHER ASSETS AND BUSINESS EQUIPMENT	RIGHTS OF USE FROM LEASING	INSTALLATIONS UNDER CONSTRUCTION	TOTAL
	K€	*K€*	*K€*	*K€*	*K€*	*K€*	*K€*
Purchase cost							
As of January 01, 2019	459	25,280	87,833	18,795	4,401	2,117	138,886
Additions	0	464	3,383	482	706	1,879	6,914
Disposals	0	0	-174	-334	-16	-2	-526
Repostings	0	35	6,739	-4,988	0	-1,725	61
Additions from first-time application of IFRS 16	0	0	0	0	2,349	0	2,349
Additions from company acquisition	0	1,460	4,248	16	645	883	7,252
Exchange rate change	-7	-25	-7	26	51	-9	29
As of December 31, 2019	**452**	**27,214**	**102,022**	**13,997**	**8,136**	**3,143**	**154,964**
Additions	0	768	3,453	237	1,014	2,592	8,064
Disposals	0	-218	-2,938	-656	-3,242	0	-7,054
Repostings	0	2,824	1,707	-483	-1,767	-2,606	-325
IFRS 16 Remeasurements	0	0	0	0	108	0	108
Exchange rate change	-34	-694	-2,649	-172	-334	-105	-3,988
As of December 31, 2020	**418**	**29,894**	**101,595**	**12,923**	**3,915**	**3,024**	**151,769**
Cumulated depreciations							
As of January 01, 2019	-1	-15,285	-70,862	-11,695	-2,592	0	-100,436
Additions	0	-658	-3,216	-485	-1,055	0	-5,414
Disposals	0	0	174	334	7	0	515
Exchange rate change	0	15	-30	6	-30	0	-39
As of December 31, 2019	**-1**	**-15,928**	**-73,934**	**-11,840**	**-3,670**	**0**	**-105,373**
Additions	0	-750	-3,647	-506	-1,290	0	-6,193
Disposals	0	216	3,661	643	2,165	0	6,685
Repostings	0	-1,335	-80	311	1,104	0	0
Exchange rate change	0	212	1,605	113	178	0	2,108
As of December 31, 2020	**-1**	**-17,585**	**-72,395**	**-11,279**	**-1,513**	**0**	**-102,773**
Carrying amounts							
As of January 01, 2019	**458**	**9,995**	**16,971**	**7,100**	**1,809**	**2,116**	**38,449**
As of December 31, 2019	**451**	**11,286**	**28,088**	**2,157**	**4,466**	**3,143**	**49,591**
As of December 31, 2020	**417**	**12,309**	**29,200**	**1,645**	**2,402**	**3,024**	**48,996**

Unscheduled impairment losses were recognized neither in the business year nor in the previous year.

As of December 31, 2020, purchase commitments in the area of fixed assets amounted to k€ 3,308 (previous year: k€ 917), of which k€ 2,700 relates to the acquisition of a production plant in Krummnußbaum.

9 INTANGIBLE ASSETS

	SOFTWARE	OTHER RIGHTS	CAPITALIZED DEVELOPMENT EXPENSES	RIGHTS UNDER TRADEMARK LAW	CUSTOMER RELATIONS	GOODWILL	TOTAL
	K€	K€	K€	K€	K€	K€	K€
Purchase cost							
As of January 01, 2019	1,700	174	751	0	0	0	2,625
Additions	40	0	129	1	1	2	173
Disposals	-1	0	0	0	0	0	-1
Repostings	-61	0	0	0	0	0	-61
Additions from company acquisition	0	0	0	448	2,330	1,923	4,701
Exchange rate change	1	0	0	-2	-1	-8	-10
As of December 31, 2019	**1,679**	**174**	**880**	**447**	**2,330**	**1,917**	**7,427**
Additions	89	0	-49	0	0	0	40
Disposals	-103	0	0	0	0	0	-103
Repostings	0	0	133	0	0	0	133
Exchange rate change	-36	0	1	-38	-197	-136	-406
As of December 31, 2020	**1,629**	**174**	**965**	**409**	**2,133**	**1,781**	**7,091**
Cumulated depreciations							
As of January 01, 2019	-1,523	-173	-280	0	0	0	-1,976
Additions	-55	0	-17	-30	-211	0	-313
Repostings	1	0	0	0	0	0	1
Exchange rate change	1	-1	0	0	0	0	0
As of December 31, 2019	**-1,576**	**-174**	**-297**	**-30**	**-211**	**0**	**-2,288**
Additions	-62	0	-24	-87	-533	0	-706
Disposals	103	0	0	0	0	0	103
Exchange rate change	34	0	0	8	61	0	103
As of December 31, 2020	**-1,501**	**-174**	**-321**	**-109**	**-683**	**0**	**-2,788**
Carrying amounts							
As of January 01, 2019	**177**	**0**	**471**	**0**	**0**	**0**	**649**
As of December 31, 2019	**103**	**0**	**583**	**417**	**2,119**	**1,917**	**5,139**
As of December 31, 2020	**128**	**0**	**644**	**300**	**1,450**	**1,781**	**4,303**

Information on goodwill is provided in Item (3) and (6.3) as well as (6.4) of the Annexed Notes.

As in the previous year, internally generated intangible assets comprise mainly capitalized costs for the development of a high-temperature long fiber.

10 LEASES

Right-of-use assets under leases:

The right-of-use assets under leases developed in the business year as follows:

	PRODUCTION AND WAREHOUSES, OFFICE BUILDINGS K€	EMPLOYEE VEHICLES K€	FORKLIFT TRUCKS AND OTHER COMMERCIAL VEHICLES K€	TOOLS AND OTHER EQUIPMENT K€	TOTAL K€
Purchase cost					
As of January 01, 2019	4,401	0	0	0	4,401
Additions from first-time application of IFRS 16	1,239	618	429	63	2,349
Additions	98	535	74	0	707
Disposals	0	-16	0	0	-16
Additions from company acquisition	645	0	0	0	645
Exchange rate change	52	-1	0	-1	50
As of December 31, 2019	**6,435**	**1,136**	**503**	**62**	**8,136**
IFRS 16 Remeasurements	87	0	21	0	108
Additions	207	436	333	38	1,014
Disposals	-2,905	-244	-48	-45	-3,242
Repostings	-1,767	0	0	0	-1,767
Exchange rate change	-307	-18	-4	-4	-333
As of December 31, 2020	**1,750**	**1,310**	**805**	**51**	**3,916**
Cumulated depreciations					
As of January 01, 2019	-2,592	0	0	0	-2,592
Additions	-513	-368	-139	-34	-1,054
Disposals	0	7	0	0	7
Exchange rate change	-31	0	0	0	-31
As of December 31, 2019	**-3,136**	**-361**	**-139**	**-34**	**-3,670**
Additions	-649	-387	-218	-36	-1,290
Disposals	1,897	175	48	45	2,165
Repostings	1,104	0	0	0	1,104
Exchange rate change	164	7	1	4	176
As of December 31, 2020	**-620**	**-566**	**-308**	**-21**	**-1,515**
Carrying amounts					
As of January 01, 2019	**1,809**	**0**	**0**	**0**	**1,809**
As of December 31, 2019	**3,299**	**775**	**364**	**28**	**4,466**
As of December 31, 2020	**1,130**	**744**	**497**	**30**	**2,401**

The acquisition of right-to-use assets under a lease agreement is not reflected in the cash flow statement as a non-cash transaction.

The expense recognized in the business year for short-term leases amounts to k€ 172 (previous year: k€ 286), and that for leases of low value to k€ 3 (previous year: k€ 5). Non-lease components amounted to k€ 82 (previous year: k€ 79). All 3 components are reported in the cash flow statement under the operating cash flow and summarized in other operating expenses under the item "Rental and leasing". The "Occupancy costs" presented in the same P&L statement item include office relocation expenses and, above all, cleaning expenses and thus no expenses in connection with leases.

Leasing liabilities:
As of December 31, 2020, the leasing liabilities break down as follows:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Non-current leasing liabilities	932	1,100
Current leasing liabilities	1,482	1,709
	2,414	**2,809**

Individual leases for employee vehicles are linked to the 3-month EURIBOR (not taking into account a change by 25 basis points). The effect of changes in this index was immaterial and was not included in the reconciliation.

In the business year, k€ 62 (previous year: k€ 75) was reported in interest expenditures for leases.

The redemption portion of the leasing liability contained in the lease payments is recognized in cash flow from investing activities, to which the interest portion is also allocated in accordance with the option in IAS 7.31.

11 INVENTORY

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Finished goods	10,977	10,656
Raw materials, consumables and fuel	3,782	3,918
Other inventories	3,455	4,045
Merchandise	2,514	3,690
Value adjustments for inventories	-444	-821
	20,284	**21,488**

In 2020, the inventories were reviewed for impairment, and as a result, net of foreign currency effects, a total of k€ 369 in income from the reversal for inventory value adjustments was recognized. In the previous year, k€ 31 was recognized as an expense from depreciations to net realizable value.

12 TRADE RECEIVABLES UND CONTRACT ASSETS

Trade receivables and contract assets are composed as follows:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Trade receivables	8,937	15,819
Contract assets	4,212	6,035
Value adjustments	-1,196	-1,473
	11,953	**20,381**
of which non-current	0	0

The portfolio of contract assets has developed as follows:

	2020 K€	2019 K€
Balance as of 1 January	**6,035**	**0**
Addition	4,212	6,040
Reversal	-6,030	0
Change in value adjustment	-23	-22
Currency conversion	18	17
Balance as of 31 December	**4,212**	**6,035**

If, as per the balance sheet date, performances have been provided in connection with performance obligations that meet the criteria for period-based revenue recognition and have not yet been (fully) invoiced, these services are deferred as contract assets in parallel with revenue recognition in accordance with the stage of completion. Thus, the contract assets of the RATH Group are primarily associated with uncompleted, customer-specific projects and customer-specific finished products from production orders without a service component. Raw materials and semi-finished products are not taken into account here.

Customer-specific projects not yet completed and performances rendered in connection with these and customer-specific construction contracts of a non-project nature are capitalized as contract assets. Around half of this is accounted for by three major projects. These items include k€ 1,054 for the engineering and manufacture of a tunnel kiln for the steel industry, k€ 542 for the engineering and manufacture of customer-specific refractory materials for the chemical industry, and k€ 537 for the engineering and manufacture of the furnace lining for the pigment industry.

Based on the procedure described in Note (6.5), the value adjustment with respect to trade receivables and contract assets was determined as follows as of December 31, 2020 and as of the previous year's balance sheet date:

		OVERDUE				
Value adjustments as of December 31, 2020	NOT OVERDUE	UP TO 90 DAYS	91–180 DAYS	181–360 DAYS	MORE THAN 360 DAYS	TOTAL
Expected loss ratio in %	0.59 %	0.44 %	7.85 %	5.25 %	68.37 %	
Trade receivables (gross carrying amount)	4,819	2,037	57	402	1,622	8,937
Other financial receivables (gross carrying amount)	203	0	0	0	0	203
Contract assets (gross carrying amount)	4,212	0	0	0	0	4,212
Value adjustment	-53	-9	-4	-21	-1,109	-1,196

Value adjustments as of December 31, 2019	NOT OVERDUE	OVERDUE UP TO 90 DAYS	OVERDUE 91–180 DAYS	OVERDUE 181–360 DAYS	OVERDUE MORE THAN 360 DAYS	TOTAL
Expected loss ratio in %	0.42 %	0.38 %	52.56 %	3.44 %	93.17 %	
Trade receivables (gross carrying amount)	8,965	4,729	1,298	68	759	15,819
Other financial receivables (gross carrying amount)	92	0	0	0	0	92
Contract assets (gross carrying amount)	6,035	0	0	0	0	6,035
Value adjustment	-63	-18	-682	-2	-708	-1,473

The value adjustments are developing as follows:

	2020 K€	2019 K€
Balance as of 1 January	**1,473**	**854**
Use	230	0
Reversal	-116	-140
Allocation to reserves	74	759
Currency conversion	-5	0
Balance as of 31 December	**1,196**	**1,473**

General information on credit and market risks as well as impairment of trade receivables is provided in the risk report.

13 OTHER NON-FINANCIAL RECEIVABLES AND DEFERRALS

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Receivables tax office and social security contributions	1,535	1,419
Deferrals	218	132
Emission certificates	55	0
Miscellaneous other receivables	477	438
Other non-financial receivables and deferrals	**2,285**	**1,989**

14 STOCKHOLDERS' EQUITY

Unchanged compared to the previous year, the authorized capital is reported as RATH AG's nominal capital of k€ 10,905. It consists of 1,500,000 no-par value shares, which are fully paid up. As in the previous year, there are neither preferential rights nor restrictions, nor is there any authorized capital. Nor are any shares held by the parent company or subsidiaries.

The appropriated capital reserves amounting to k€ 1,118 (previous year: k€ 1,118) may be released only to offset a net loss that would otherwise have to be reported in the annual financial statement of RATH AG.

The available savings are the result of profits and loss carry-forwards that were generated within the Group. The other reserves include other income excluding currency conversion differences, which are reported separately.

Dividends are determined according to the net profit reported in the annual financial statement of the parent company in accordance with corporate law. As of December 31, 2020, RATH AG reports a net profit to the amount of k€ 9,231 (previous year: k€ 10,420). Due to the economic uncertainties and consequences triggered by the COVID-19 pandemic, it was decided in the previous year not to disburse a dividend despite the solid asset, financial and earnings position, in order to strengthen the company's liquidity by carrying forward to new account. For the current year it is proposed to disburse a dividend to the amount of € 0.33 per share, i.e. a total of k€ 500, from the net profit, and to carry forward the remaining amount.

The shares of non-controlling stockholders in stockholders' equity relate to the Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Austria, amount to 0.02 % as in the previous year and are not material.

Capital management:
The management goal is to structure the capital in accordance with the requirements of shareholders, banks and creditors so as to ensure optimal development of the Group. The management pursues a balanced relationship between profitability, security in the form of a solid equity ratio, and operational flexibility. Neither the parent company nor subsidiaries are subject to minimum capital requirements under the Articles of Association or due to external requirements. The goal of capital management is, on the one hand, to ensure the continued existence of the Group companies ("going concern") and, on the other hand, to maximize shareholder return through the optimization of equity and debt capital.

The capital structure is continuously monitored. The cost of capital and the risks inherent in the respective type of capital are taken into account. The equity ratio is a central monitoring parameter. The target quota is above 40 %. The equity ratio at the reporting date was 44.5 % (previous year: 47.7 %).

Earnings per share:
The basic undiluted result per share is calculated by dividing the share of the consolidated result attributable to the stockholders of RATH AG by the weighted number of ordinary shares in circulation during the year.

	2020 K€	2019 K€
Proportion of consolidated result attributable to stockholders of the parent company in k€	-2,484	3,705
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in €	-1.66	2.47
Dividend payout per share for the business year in €	0.00	1.00

The diluted result per share is equivalent to the basic undiluted result per share, as no financial instruments with a diluting effect are in use.

15 EMPLOYEE BENEFITS

Pension obligations:
The pension obligation is based on individual contractual commitments to a total of two pensioners/former executives in Austria, after whose retirement pension payments are due.

Severance payment obligations:
In accordance with statutory provisions, the RATH Group is obliged to pay severance payments to all employees in Austria whose employment contracts began before January 01, 2003, as soon as their employment contracts are terminated by the employer or at the time of going into retirement. This depends on the number of years of service and the salary at the time of severance and amounts to between two and 12 monthly salaries. With effect from December 31, 2002, the option was exercised to freeze all severance payments

and to transfer all employees to the new system of a defined-contribution "employee pension fund". A provision is formed for the frozen obligation.

For all valid Austrian employment relationships that began after December 31, 2002, from the second month of the employment contract on the RATH Group pays 1.53 % of the employee's salary into the Employee Benefit Fund each month, where the contributions are invested in an employee account and are either paid or transferred as entitlement to the employee upon termination of the employment contract. The RATH Group is obliged solely to pay the contributions. For this defined-contribution pension model, therefore, no accrual or provision needs to be established.

Anniversary bonus provisions:
Based on legal regulations or collective agreements, the RATH Group is obliged to pay anniversary bonuses to the amount of one to three months' salary to all blue-collar workers who joined the company on or after May 01, 2015 and to white-collar workers in Austria who have exceeded a certain length of service.

Calculation parameters:
The calculations for employee benefits are based on the following parameters:

	2020 %	2019 %
Interest rate Pensions	0.32 %	0.57 %
Interest rate Severance payments	0.69 % – 0.91 %	0.95 % – 1.22 %
Interest rate Anniversary	1.17 % – 1.37 %	1.32 % – 1.60 %
Salary increases	1.50 %	2.00 %
Pension increases	1.60 %	1.75 %
Probability of death	AVÖ 2018-P	AVÖ 2018-P

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

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Provisions for severance payments	637	725
Provisions for pensions	2,008	2,134
Provisions for anniversary bonuses	364	369
	3,009	**3,228**

Development of the provision (DBO)	SEVERANCE PAYMENT PROVISION		PENSION PROVISION		ANNIVERSARY BONUS PROVISION	
	2020 K€	2019 K€	2020 K€	2019 K€	2020 K€	2019 K€
Present value of the provision (DBO) on 01/01	**725**	**692**	**2,134**	**2,200**	**370**	**290**
Service costs	25	23	0	0	-7	87
Interest expenses	7	10	12	22	5	6
Reported in the profit and loss account	**32**	**33**	**12**	**22**	**-2**	**94**
Actuarial profits/losses						
from experience-based adjustments	14	14	50	43	0	0
from changes in demographic assumptions	0	0	0	0	0	0
from changes in financial assumptions	-13	35	13	69	0	0
reported in other income	**1**	**49**	**63**	**111**	**0**	**0**
Disbursements	-120	-31	-200	-200	-4	-10
Other changes	0	-19	0	0	0	-4
Present value of the provision (DBO) on 12/31	**637**	**725**	**2,008**	**2,134**	**364**	**369**

The service cost of the provision for anniversary bonuses includes k€ -35 (previous year: k€ 38) in effects from changed parameters.

The expected payments (“expected benefits”) from defined employee benefit obligations for subsequent years are as follows:

	DECEMBER 31, 2020		
	PENSIONS K€	SEVERANCE PAYMENTS K€	ANNIVERSARY BONUSES K€
up to 1 year	200	5	18
1 - 5 years	686	129	84
5 - 10 years	557	367	86
more than 10 years	300	396	870
Expected payments	**1,743**	**897**	**1,057**

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

Under otherwise unchanged conditions, a change in the interest rate of return or the increase in purchases has the following effects on the accruals and provisions:

	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Impact Change Return interest rate		
Change in the provision for severance payments	-29	29
Change in the provision for pensions	-64	68
Change to the provision for anniversary bonus payments	-22	24

	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Impact Change Payment increase		
Change in the provision for severance payments	28	-28
Change in the provision for pensions	67	-64
Change to the provision for anniversary bonus payments	24	-22

Pension payments to pension recipients in the business year amounted to k€ 200 (previous year: k€ 200).

The weighted duration of the Macaulay pension obligation amounts to 5.7 years (previous year: 6.0 years), that of the severance payment obligation 9.7 years (previous year: 10.2 years) and those of the obligation from anniversary bonuses 18.4 years (previous year: 18.7 years)

16 FINANCIAL LIABILITIES

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	NON-CURRENT K€	CURRENT K€	TOTAL K€	NON-CURRENT K€	CURRENT K€	TOTAL K€
Liabilities towards banks						
Overdraft facilities	0	114	114	0	2,000	2,000
Export credit	0	2,500	2,500	0	0	0
Investment loans	35,000	168	35,168	35,000	165	35,165
	35,000	**2,782**	**37,782**	**35,000**	**2,165**	**37,165**

The maturities of financial liabilities are presented in the risk report under liquidity risk.

The main conditions of financial liabilities are as follows:

TYPE OF FINANCING	INTEREST FIXED/ VARIABLE	CURRENCY	EFFECTIVE INTEREST 2020 %	CARRYING AMOUNT AS OF 12/31/2020 K€	DUE	EFFECTIVE INTEREST 2019 %	CARRYING AMOUNT AS OF 12/31/2019 K€	DUE
Overdraft facility	variable	€	1.12	114	< 1 year	n/a	0	n/a
Overdraft facility	variable	€	n/a	0	n/a	1.50	2,000	< 1 year
Export credit	variable	€	0.63	2,500	< 1 year	n/a	0	n/a
Investment loans	variable	€	1.35 - 1.65	15,000	> 1 year	1.35 - 1.65	15,000	> 1 year
Investment loans	fixed	€	1.53 - 2.11	20,000	> 1 year	1.53 - 2.11	20,000	> 1 year
Accrued interest	n/a	€	n/a	168	< 1 year	n/a	165	< 1 year
				37,782			**37,165**	

The accrued interest of the previous year was reported under other financial liabilities. Please refer to Note (20.6) with regard to the fair values.

17 PROVISIONS AND CONTINGENT LIABILITIES

Current accruals and provisions:

	PERSONNEL K€	OTHER K€	TOTAL K€
As of January 01, 2019	**591**	**230**	**820**
Addition	825	210	1,035
Consumption	-637	-223	-860
Reversal	-169	-26	-195
As of December 31, 2019	**610**	**191**	**800**
Addition	213	130	343
Consumption	-586	-129	-715
Currency conversion	-6	-1	-7
As of December 31, 2020	**231**	**191**	**421**

The decrease in personnel provisions is mainly due to the decision not to pay out bonuses for the past business year in the following year. As in the previous year, other accruals and provisions are mainly composed of provisions for legal and consulting fees, provisions for Supervisory Board remuneration, and uncertain liabilities.

All the accruals and provisions listed in the above table are short-term.

Pending legal disputes:
As in the previous year, there are no major pending legal disputes ongoing as of the reporting date.

Contingent liabilities:
The Group has the following contingent liabilities as of the balance sheet date:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Financial retentions for business partners	2,604	3,114
	2,604	**3,114**

The financial retentions mainly relate to the project business and are granted in favor of customers to hedge our performance obligations, which are fulfilled by third parties. There are no return obligations that would exceed industry-standard guarantees. The management is currently not aware of any other significant opportunities and risks from off-balance sheet transactions.

18 INCOME TAXES

Tax expenditure consists of the following:

	2020 K€	2019 K€
Current income tax expenditure for the current business year	255	1,057
Current income tax expense for prior periods	27	58
Current income tax expense	**282**	**1,115**
Deferred tax expenditure/income	-360	1,191
Income taxes	**-78**	**2,306**

The current income tax liabilities reported on the balance sheet date are owed to the following tax authorities:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Germany	199	0
Austria	0	173
Miscellaneous	44	16
Current income tax debts	**243**	**189**
Poland	26	28
Austria	18	0
Germany	17	1,327
Czech Republic	5	12
Income tax receivables	**66**	**1,367**

Temporary differences between the amount stated in the IFRS consolidated financial statement and the respective fiscal valuation or loss carry-forwards, respectively, have the following impact on deferred taxes reported on the balance sheet:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Holdings of deferred tax assets and liabilities:		
Deferred tax assets:		
Loss carry-forwards	2,325	1,902
Inventories	1,039	1,353
Liabilities from leasing transactions	591	733
Contract liabilities and other liabilities	267	582
Personnel provisions IAS 19	246	279
Receivables	369	27
Temporary differences in the foreign currency valuation	1	1
Other	62	53
Subtotal deferred tax assets	**4,898**	**4,930**
Deferred tax liabilities:		
Fixed assets	-2,841	-2,853
Contract assets	-1,469	-1,885
Other	-72	-54
Subtotal deferred tax liabilities	**-4,382**	**-4,792**
Netting	-4,133	-4,361
Deferred tax assets	**765**	**569**
Deferred tax liabilities	**-249**	**-431**
Deferred taxes (net position)	**516**	**138**

Due to the currently applicable fiscal regulations, it can be assumed that differences from retained profits between the fiscal participation amount and the pro rata stockholders' equity of subsidiaries included into the consolidated financial statement shall mostly remain non-taxable. No tax deferral has therefore been established in this regard.

Deferred taxes on loss carry-forwards amounting to k€ 11,366 (previous year: k€ 8,445) have been capitalized, as on the basis of the existing budget statement it is probable their use will be offset with future fiscal profits.

On loss carry-forwards amounting to k€ 14,286 (previous year: k€ 15,613), no deferred taxes have been capitalized, as it is unlikely from the current perspective that they will be offset on the reporting date with future fiscal profits from individual companies. Of the non-recognized loss carry-forwards, k€ 11,829 (previous year: k€ 13,717) are non-vested to expire within the years 2021 to 2031, and k€ 2,457 (previous year: k€ 1,896) are vested.

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

	2020 K€	2019 K€
Earnings before income tax	-2,562	6,012
Income taxes at the tax rate of 25 %	**641**	**-1,503**
Deviating foreign tax rates	-149	-159
Non-deductible expenses	-164	-137
Tax relief and non-taxable income	0	0
Tax expenditure and income from previous periods	-38	46
Initially recognized and non-recognized active deferred tax assets on loss carry-forwards	0	-566
Other effects	-211	13
Effective tax burden (+) or relief (-)	**78**	**-2,306**
Effective tax burden (+) or relief (-) in %	**3.0 %**	**38.4 %**

The tax recognized in the other income is as follows:

TAXES RECOGNIZED IN THE OTHER INCOME	BEFORE TAXES K€	2020 TAX INCOME (EXPENSE) K€	AFTER TAXES K€	BEFORE TAXES K€	2019 TAX INCOME (EXPENSE) K€	AFTER TAXES K€
Items not reclassified to profit or loss						
Revaluation of net liability from defined-benefit plans	64	-16	48	160	-40	120

19 OTHER NON-FINANCIAL LIABILITIES

The other non-financial liabilities are broken down as follows:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Other personnel-related deferrals	801	782
Liabilities from taxes	3,255	409
Deferrals from vacation entitlements and overtime	338	406
Liabilities from social security contributions	1,670	322
Investment grants	137	149
Deferrals	219	0
Miscellaneous other non-financial liabilities	0	81
Other non-financial liabilities	**6,420**	**2,149**
of which non-current	137	149

The change in other non-financial liabilities is attributable to the utilization of COVID-19 relief.

20 FINANCIAL INSTRUMENTS

20.1 OVERVIEW

This disclosure comprises information on the financial instruments of the RATH Group, including

- an overview of all financial instruments held by the Group
- detailed information on each type of financial instrument
- information about the determination of the fair value of the instruments, including related discretionary decisions and estimation uncertainties.

The following financial instruments were held by the Group on the balance sheet date:

	ANNEXED NOTE	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Financial assets			
Financial assets valued at amortized cost:			
Trade receivables and contract assets	(20.2)	11,953	20,381
Cash and cash equivalents	(20.3)	16,863	4,593
Other current financial receivables	(20.4)	203	92
Financial assets assessed at fair value as affecting net income:			
Non-current financial assets	(20.5)	608	0
		29,627	**25,066**
Financial liabilities			
Liabilities valued at amortized cost:			
Trade payables and contract liabilities	(20.7)	8,061	8,029
Other financial liabilities	(20.7)	397	174
Current bank liabilities	(20.6)	2,782	2,165
Non-current bank liabilities	(20.6)	35,000	35,000
Leasing liabilities	(10)	2,414	2,809
		48,654	**48,177**

Information on the liabilities from leasing obligations is provided under Item (10).

20.2 TRADE RECEIVABLES AND CONTRACT ASSETS

General and classification:

Trade receivables are amounts owed by customers for goods sold or services rendered in the ordinary course of business. They are generally payable within 30 days and are therefore classified as current. Trade receivables are initially recognized at the amount of the non-contingent consideration. Since within the RATH Group these do not contain any significant financing components, they are not to be recognized at fair value. Details of the Group's impairment methods and the calculation of the value adjustment are disclosed in Note (6.6).

Since the end of 2020, a factoring agreement has been in place between selected subsidiaries from Austria and Germany with a domestic credit institution. Sold receivables are derecognized in accordance with the corresponding regulations of IFRS 9. As of December 31, 2020, trade receivables in the amount of k€ 2,465 (previous year: k€ 0) sold to third parties. Up to a contractually defined amount, the RATH Group continues to bear a risk from credit risk-related defaults. As of the reporting date, the resulting maximum risk of loss amounted to k€ 123 (previous year: k€ 0).

Fair values:
Due to the short-term nature of the receivables and contract assets, their carrying amount corresponds to their fair value.

Impairments and risks:
Information on impairments of trade receivables and contract assets is provided in Note (12). The default and foreign currency risks to which the Group is exposed can be found in the risk report.

20.3 CASH AND CASH EQUIVALENTS

	DECEMBER 31, 2020 *K€*	DECEMBER 31, 2019 *K€*
Cash balance	20	26
Bank balances	16,843	4,567
	16,863	**4,593**

Bank balances are freely available.

Classification:
Time deposits are reported as cash equivalents if they have a term of up to three months from the acquisition date and are repayable within 24 hours on notice without loss of interest. See Note (6.7) for the Group's other accounting policies for cash and cash equivalents.

Fair values:
Credit balances are held only with first-class, international banks. Due to the short-term nature of cash and cash equivalents, their carrying amount matches their fair value.

20.4 OTHER FINANCIAL ASSETS VALUED AT AMORTIZED COSTS

Classification:
As in the previous year, the other financial receivables primarily include receivables from creditors and current security deposits. They are to be recognized initially at the amount of the non-contingent consideration. Since within the RATH Group these do not contain any significant financing components, they are not to be recognized at fair value. Details of the Group's impairment methods and the calculation of the value adjustment are disclosed in Note (6.6).

Fair values:
Due to the short-term nature of the other receivables, their carrying amount matches their fair value.

Impairments and risks:
Information on impairment of other financial assets valued at amortized cost is provided in Note (12). The default and foreign currency risks to which the Group is exposed can be found in the risk report.

20.5 FINANCIAL ASSETS ASSESSED AT FAIR VALUE AS AFFECTING NET INCOME

The financial assets recognized by December 31, 2020, consisted of co-ownership shares in a fund acquired in the business year 2020, which serve exclusively to cover the accruals and provisions for pensions in accordance with the provisions of §§ 14 and 116 of the Austrian Income Tax Act. The investment fund shares previously held, which were assigned to this category, were sold in the previous year. As of December 31, 2019, no securities were held on a short-term basis.

Classification:

Investment fund shares may not be valued at FVOCI in accordance with IFRS 9, as they do not constitute equity instruments. However, they do not have contractual cash flows either, so the classification for debt instruments is also not applicable. They were therefore assessed at current market value with changes in fair value in the income statement.

Fair values and risks:

Information on the Group's exposure to market risks is to be found in the risk report. For information on the methods and assumptions used in determining the fair value, please refer to Note (6.6).

20.6 FINANCIAL LIABILITIES

Fair values:

Significant differences between carrying amount and fair value exist for promissory note bonds amounting to k€ 20,000 (previous year: k€ 20,000) with fixed interest rates. The fair values of the miscellaneous bank liabilities do not differ significantly from the carrying amounts, as the interest payments on these borrowings either almost match current market rates or the borrowings are short-term.

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	CARRYING AMOUNT K€	FAIR VALUE K€	CARRYING AMOUNT K€	FAIR VALUE K€
Non-current bank liabilities	35,000	36,419	35,000	36,390
Current bank liabilities	2,782	2,782	2,165	2,165
	37,782	39,201	37,165	38,555

The fair values of non-current borrowings are based on discounted cash flows using the current market interest rate for such borrowings. They are assigned, due to the use of unobservable inputs, including the Bank's own default risk, to fair values of Level 3 in the fair-value hierarchy (see Note (20.8)).

Compliance with credit conditions and risk exposure:

All covenants relating to the promissory note bonds were complied with in the business year 2020 and in the previous year. An export loan from ÖKB in the amount of k€ 2,500 was taken out in the business year. As of the balance sheet date, a contractually agreed financial covenant was not complied with. The credit institution has waived the right to call in the loan.

Further explanations and details of the risks to which the Group is exposed from short-term and non-current borrowings can be found in the risk report.

20.7 TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER FINANCIAL LIABILITIES

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Trade payables	5,987	5,500
Contract liabilities	2,074	2,529
Other financial liabilities	397	174
	8,458	**8,203**

Trade payables are uncollateralized and are usually settled within 30 days of receipt. The carrying amounts are equivalent to their fair values due to their short-term nature.

As in the previous year, the contract liabilities are mainly down payments received. The contract liabilities reported at the previous year's balance sheet date were fully recognized as sales revenue in the business year. The carrying amounts of the contract liabilities are equivalent to their fair values due to their short-term nature.

As in the previous year, the other financial liabilities are mainly from debtors with credit balances. The carrying amounts of this item are also equivalent to the fair values due to their short-term nature.

20.8 FAIR-VALUE HIERARCHY

This section explains the discretionary decisions and estimates used in determining the fair values of financial instruments. The Group classifies its financial instruments into the three levels mandated in the context of the accounting standards in order to provide guidance on the reliability of the inputs used in determining the fair value. An explanation of these levels is provided following the table below, which shows the carrying amounts of financial assets and financial liabilities including their levels in the fair-value hierarchy.

		VALUATION						
	CATEGORY	AT AMORTIZED PURCHASE COSTS K€	AT FAIR VALUE K€	TOTAL K€	LEVEL 1 K€	LEVEL 2 K€	LEVEL 3 K€	TOTAL K€
December 31, 2020								
Financial assets								
Cash and cash equivalents	at amortized cost	16,863	0	16,863	16,863	0	0	16,863
Trade receivables and contract assets	at amortized cost	11,953	0	11,953	0	0	11,953	11,953
Other financial receivables	at amortized cost	203	0	203	0	0	203	203
Non-current financial assets	Mandatory for FVTPL	0	608	608	608	0	0	608
Financial liabilities								
Trade payables and contract liabilities	at amortized cost	8,061	0	8,061	0	0	8,061	8,061
Other financial liabilities	at amortized cost	397	0	397	0	0	397	397
Current bank liabilities	at amortized cost	2,782	0	2,782	0	0	2,782	2,782
Non-current bank liabilities	at amortized cost	35,000	0	35,000	0	0	35,000	35,000
Leasing liabilities	at amortized cost	2,414	0	2,414	0	0	2,414	2,414

	CATEGORY	VALUATION AT AMORTIZED PURCHASE COSTS K€	AT FAIR VALUE K€	TOTAL K€	LEVEL 1 K€	LEVEL 2 K€	LEVEL 3 K€	TOTAL K€
December 31, 2019								
Financial assets								
Cash and cash equivalents	at amortized cost	4,593	0	4,593	4,593	0	0	4,593
Trade receivables and contract assets	at amortized cost	20,381	0	20,381	0	0	20,381	20,381
Other financial receivables	at amortized cost	92	0	92	0	0	92	92
Financial liabilities								
Trade payables and contract liabilities	at amortized cost	8,029	0	8,029	0	0	8,029	8,029
Other financial liabilities	at amortized cost	174	0	174	0	0	174	174
Current bank liabilities	at amortized cost	2,165	0	2,165	0	0	2,165	2,165
Non-current bank liabilities	at amortized cost	35,000	0	35,000	0	0	35,000	35,000
Leasing liabilities	at amortized cost	2,809	0	2,809	0	0	2,809	2,809

Level 1: The fair value of financial instruments traded on active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by the Group is the current bid price. These instruments are classified in Level 1.

Level 2: The fair value of financial instruments that are not traded on an active market (such as OTC derivatives) is determined using valuation techniques that maximize the use of observable market data and minimize the use of company-specific estimates. If all significant inputs for valuation of an instrument at fair value are observable, the instrument is classified in Level 2.

Level 3: If any of the significant inputs are not observable, the instrument is classified in Level 3. This applies to unquoted equity instruments.

No regroupings were made during the year.

In detail, the following valuation techniques are used to value financial instruments:
- Use of quoted market prices or dealer quotes for similar instruments
- for other financial instruments: an analysis of discounted cash flows (DCF analysis).

NOTES ON THE CONSOLIDATED INCOME STATEMENT

21 SALES REVENUE

The following tables show the revenue from contracts with customers according to the sales units METALS & FCE, CERAMICS & SFU and GLASS. Geographical allocation of sales revenues is based on the customer's location.

Sales by region and sales unit 2020	AFRICA & MIDDLE EAST K€	AMERICAS K€	ASIA/PACIFIC K€	EUROPE K€	TOTAL K€
METALS & FCE	685	8,002	1,977	38,701	49,365
CERAMICS & SFU	265	2,234	1,829	19,310	23,639
GLASS	294	6,880	771	5,429	13,374
Total in k€	**1,244**	**17,116**	**4,577**	**63,440**	**86,378**

Sales by region and sales unit 2019	AFRICA & MIDDLE EAST K€	AMERICAS K€	ASIA/PACIFIC K€	EUROPE K€	TOTAL K€
METALS	2,438	7,168	1,776	45,378	56,760
CERAMICS	233	6,484	2,202	25,763	34,682
FUELS, CHEMICALS & ENERGY	835	3,130	529	4,134	8,628
Total in k€	**3,506**	**16,782**	**4,507**	**75,275**	**100,070**

22 COST OF MATERIAL AND PURCHASED SERVICES

	2020 K€	2019 K€
Costs of materials	28,262	32,243
Expenses for third-party performances	11,306	12,801
	39,568	**45,044**

23 PERSONNEL EXPENSES

Personnel expenses and the number of employees have developed as follows compared to the previous year:

	2020 K€	2019 K€
Wages and salaries	23,061	24,999
Expenses for statutory taxes and contributions	4,965	4,960
Contributions to defined-contribution plans	389	299
Expenses for severance payments and service anniversary bonuses	206	777
Other personnel expenses	782	229
	29,403	**31,264**
Average number of employees		
Blue collar	359	350
White collar	234	227
	593	**577**
Staff count at balance sheet date		
Blue collar	352	364
White collar	223	230
	575	**594**

Remuneration for the Management Board and Supervisory Board:

Management Board members were remunerated as follows in the current and previous business years:

		2020 K€	2019 K€
Andreas Pfneiszl	fixed	217	215
	Life insurance	10	10
	variable	0	100
		227	**325**
DI Ingo Gruber	fixed	217	54
	Life insurance	10	3
	variable	0	25
		227	**82**
DI Jörg Sitzenfrey	fixed	0	161
	Benefits on the occasion oftermination of the employment relationship	0	588
	Life insurance	0	10
	variable	**0**	**0**
		0	**759**
Total Management Board remuneration		**454**	**1,166**

The remuneration of the Management Board depends on the scope of functions and the responsibility and personal achievements by the individual board member, as well as on the achievement of company goals, size and economic situation of the company. At RATH AG, performance-related remunerations are not granted via stock options but are dependent on variable success criteria. Part of this is a predefined target achievement regarding the operating results as well as qualitative and quantitative goals.

As in the previous year, the total remuneration of the Management Board for the business year comprises both fixed and performance-related components. As in the previous year, the upper limit of the variable remuneration was set at 40 % of the basic salary. No variable emoluments will be paid for the past business year. The members of the Management Board were granted entitlements to pension benefits in the form of a life insurance. In the event of premature termination of the employment relationships, the contributions paid up to this point in time become vested.

Upon termination of his function and provided that his employment is terminated at the same time, a member of the Management Board is entitled to a severance payment as defined in § 23 of the Angestelltengesetz (Austrian Salaried Employees Act), unless the termination is due to a justified dismissal. In this regard, it should be noted that the old severance payment claims were frozen as of December 31, 2002; the claims will change only as a result of salary adjustments and amount to k€ 25 as of December 31, 2020 (previous year: k€ 25).

As in the previous year, RATH AG has taken out directors' and officers' liability insurance (D&O insurance) for 2020. The costs of this insurance are borne by the organization. The D&O insurance covers certain personal liability risks of the responsible persons of the RATH Group. The annual costs amount to k€ 18 (previous year: k€ 17).

Expenses for the emoluments of the members of the Supervisory Board amounted to k€ 87 in the reporting year (previous year: k€ 85). In addition, in the business year k€ 29 (previous year: k€ 9) was paid in consulting fees to members of the Supervisory Board.

Pension payments were made to former executive bodies to the amount of k€ 200 (previous year: k€ 200).

24 OTHER OPERATING INCOME

	2020 K€	2019 K€
Capitalized services	510	443
Yields from reversal of value adjustments for accounts receivable	355	12
Proceeds from the sale of emission certificates	187	0
Other allowances and grants	21	35
Insurance claims or compensation	4	15
Income from the disposal of fixed assets, excluding financial assets	1	20
Miscellaneous	74	112
	1,152	**637**

25 OTHER OPERATING EXPENSES

	2020 K€	2019 K€
Legal counseling and other consulting	1,690	2,059
Maintenance and service	1,571	1,765
Marketing	730	1,052
IT expenses	686	633
Travel expenses	682	1,453
Other taxes	596	649
Insurances	537	513
Car and truck expenses	348	418
Disposal costs	331	395
Expenses for workplace safety	275	258
Occupancy costs	272	95
Rental and leasing	258	370
Communications expenses	212	259
Energy	169	162
Out-of-pocket costs for monetary transactions	163	139
Contributions for trade associations	147	127
Technical examination costs	122	161
Transportation by third parties	102	61
Continued education and training	92	193
Supervisory board remunerations	87	85
Office supplies	75	94
Losses from the disposal of property, plant and equipment	25	0
Miscellaneous other expenses	504	538
	9,674	**11,479**

The auditor's total fees in the reporting period are broken down by service type as follows:

	2020 K€	2019 K€
Year-end audit:		
Consolidated financial statement RATH AG	42	45
Annual financial statement RATH AG	13	13
Annual financial statement Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH	23	22
Other auditing services	125	51
	203	131
Other services:		
Tax consultancy	0	8
Other consulting services	113	0
	113	**8**

The other auditing services mainly concern the audit of the reporting packages and annual financial statements of RATH Hungaria Kft, RATH GmbH and RATH Sales GmbH & Co KG as well as the reporting package of Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH. Furthermore, the demerger and the interim financial statement of the company RATH Sales GmbH & Co KG were subjected to an audit. In the previous year, this item mainly relates to the audit of the reporting packages and annual financial statements of RATH Hungaria Kft. and RATH GmbH.

The other consulting services in 2020 were predominantly provided in connection with the demerger and energy tax rebate in Germany.

26 FINANCIAL RESULT

The financial result by category of the individual financial instruments is broken down as follows:

2020	VALUATION RESULTS FROM					
	INTEREST INCOME AND INTEREST EXPENSES	FINANCIAL INSTRUMENTS, VALUED AT ATTRIBUTABLE FAIR VALUE	CURRENCY CONVERSION	REDUCTIONS IN VALUE AND WRITE-UPS	OTHER PROFITS AND LOSSES	NET FINANCIAL EARNINGS
	K€	K€	K€	K€	K€	K€
EARNINGS +/EXPENSES –						
Financial receivables at amortized cost	14	0	-3,321	-401	0	-3,708
Financial liabilities at amortized cost	-749	0	9	0	-5	-745
Mandatory for FVTPL	0	11	0	0	0	11
Personnel provisions	-23	0	0	0	0	-23
Credit and liability provisions	0	0	0	0	-85	-85
Total	**-758**	**11**	**-3,312**	**-401**	**-90**	**-4,550**
of which in impairment losses on accounts receivables	0	0	0	-401	0	-401
of which included in financial result	-758	11	-3,312	0	-90	-4,149
Total	**-758**	**11**	**-3,312**	**-401**	**-90**	**-4,550**

2019	VALUATION RESULTS FROM					
	INTEREST INCOME AND INTEREST EXPENSES	FINANCIAL INSTRUMENTS, VALUED AT ATTRIBUTABLE FAIR VALUE	CURRENCY CONVERSION	REDUCTIONS IN VALUE AND WRITE-UPS	OTHER PROFITS AND LOSSES	NET FINANCIAL EARNINGS
	K€	K€	K€	K€	K€	K€
EARNINGS +/EXPENSES –						
Financial receivables at amortized cost	20	0	244	-651	-2	-389
Financial liabilities at amortized cost	-755	0	9	0	1	-745
Mandatory for FVTPL	0	41	0	0	0	41
Personnel provisions	-38	0	0	0	0	-38
Credit and liability provisions	0	0	0	0	-50	-50
Total	**-773**	**41**	**253**	**-651**	**-51**	**-1,181**
of which in impairment losses on accounts receivables	0	0	0	-651	0	-651
of which included in financial result	-773	41	253	0	-51	-530
Total	**-773**	**41**	**253**	**-651**	**-51**	**-1,181**

Impairment and write-ups in value for loans and receivables involve trade receivables and are reported in the operational result.

27 RESEARCH AND DEVELOPMENT EXPENSES

The expenses include the following research and non-capitalizable development expenditures:

	2020 K€	2019 K€
Personnel costs	613	390
Technical examination costs	122	161
	735	**551**

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

28 GENERAL NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement of the RATH Group shows how cash and cash equivalents have changed over the course of the reporting year as a result of cash inflows and outflows. Cash and cash equivalents (fund) comprise cash and bank balances.

The effects of mergers are eliminated here and shown in the item Net disbursements for mergers. Amounts taken over from foreign Group companies are as a matter of principle converted at average exchange rates for the year. In deviation from this, the cash and cash equivalents fund is recognized at the exchange rate on the balance sheet date.

The exchange rate differences reported in the cash flow from results comprise of the following:

	2020 K€	2019 K€
Change reserve currency conversion	-375	-202
Trade receivables and contract assets	663	-54
Liquid assets	307	-50
Inventory	846	-16
Other receivables and deferrals	123	-13
Property, plant and equipment, and intangible assets	2,186	19
Trade payables and contract liabilities	-98	-10
Other liabilities and deferrals	-69	-27
Other balance sheet items	-320	27
Currency conversion-related changes in cash flow from ongoing business activities	**3,263**	**-325**

The exchange rate-related changes in the individual balance sheet items do not fully offset the change in the currency conversion reserve reported in stockholders' equity, as the foreign currency effects of balance sheet items eliminated in the consolidation are shown net with these in the consolidated cash flow statement.

29 RECONCILIATION OF NET LIABILITY

The net liability of the RATH Group on the balance sheet date is as follows:

	DECEMBER 31, 2020 K€	DECEMBER 31, 2019 K€
Cash and cash equivalents	-16,863	-4,593
Financial liabilities	37,782	37,165
Leasing liabilities	2,414	2,809
Net liability	**23,333**	**35,381**

The change in net liability in the business year is made up of the following movements:

	INVESTMENT LOANS K€	EXPORT CREDITS K€	OVERDRAFTS K€	LEASES K€	SUB-TOTAL K€	CASH AND CASH EQUIVALENTS FUND K€	NET LIABILITIES K€
Net liabilities as of January 01, 2019	**35,038**	**0**	**4,000**	**931**	**39,969**	**25,468**	**14,501**
Adjustment upon adoption of IFRS 16	0	0	0	2,349	2,349	0	
Inclusion	0	0	0	1,351	1,351	0	
Redemption	-38	0	-2,000	-1,819	-3,857	0	
Company acquisition	0	0	0	0	0	-13,617	
Disposal	0	0	0	-8	-8	0	
Accrued interest (net)	165	0	0	0	165	0	
Repostings / other changes	0	0	0	0	0	-7,308	
Exchange rate change	0	0	0	5	5	50	
Net liabilities as of December 31, 2019	**35,165**	**0**	**2,000**	**2,809**	**39,974**	**4,593**	**35,381**
Inclusion	0	0	2,614	1,035	3,649	0	
Redemption	0	0	-2,000	-1,363	-3,363	0	
Remeasurements IFRS 16	0	0	0	87	87	0	
Disposal	0	0	0	-70	-70	0	
Accrued interest (net)	3	0	0	0	3	0	
Repostings / other changes	0	2,500	-2,500	-5	-5	12,577	
Exchange rate change	0	0	0	-79	-79	-307	
Net liabilities as of December 31, 2020	**35,168**	**2,500**	**114**	**2,414**	**40,196**	**16,863**	**23,333**

RISK REPORT

Risk policy principles:
The RATH Group is exposed to a large number of risks that are inseparably linked to entrepreneurial activity in the course of its multinational activities with its business divisions, assets and liabilities and planned business decisions.

The Management Board bears the responsibility for the establishment and control of the Group's risk management system. The Group's risk management guidelines were developed so as to identify and analyze risks, to introduce appropriate risk limits and controls, and to monitor the development of risks and compliance with limits. The risk management policies and the risk management system are regularly reviewed to reflect changes in market conditions and in the Group's activities. The existing training and management standards and the associated processes are intended to ensure a target-oriented control environment in which all employees understand their respective tasks and responsibilities.

The Audit Committee monitors on the one hand compliance by the Management Board with the policies and processes of Group risk management and on the other the effectiveness of the risk management system with regard to the risks to which the Group is exposed.

The Group is exposed to the following financial risks:
- Default risk
- Liquidity risk
- Market risk
- Interest rate risk

Default risk:
The default risk is the risk of financial losses that will be incurred if a customer or contracting party to a financial instrument fails to honor its contractual obligations. As a matter of principle, the default risk arises from trade receivables and from the Group's investment certificates held as financial assets.

The carrying amounts of the financial assets and contract assets are equivalent to the maximum default risk.

Trade receivables and contract assets:
The Group's default risk is influenced mainly by the individual characteristics of its customers. However, the Management Board also considers the characteristics of the entire customer base, including the default risk of the industrial sector and the countries in which the customers operate, as these factors may also affect the default risk.

For monitoring of the default risk, customers are divided into groups according to their creditworthiness. The geographical location, industrial sector, age structure and the occurrence and duration of payment problems are taken into account. The Group limits its default risk on trade receivables by setting a maximum payment term amounting to 3 months for corporate customers, which may be exceeded only in exceptional cases.

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

	DECEMBER 31, 2020 *K€*	DECEMBER 31, 2019 *K€*
Receivables from key accounts, gross	4,770	8,726
Receivables from miscellaneous customers, gross	8,532	13,128
Trade receivables and contract assets, gross	**13,302**	**21,854**
Value adjustments	**-1,349**	**-1,473**
Trade receivables and contract assets, net	**11,953**	**20,381**

Approx. 40 % (previous year: 42 %) of trade receivables and contract assets as of the reporting date result from business relationships with 10 key accounts. The RATH Group continues to see no significant concentration of risk.

Liquidity risk:

The liquidity risk is the risk that the Group may not be in a position to meet its financial liabilities by delivering cash or other financial assets in accordance with the contract. The purpose of managing the Group's liquidity is to ensure that – as far as possible – sufficient cash and cash equivalents are available at any time to meet payment obligations when they fall due, under normal as well as under problematic conditions, without suffering unacceptable losses or damaging the Group's reputation.

The Group uses activity-based cost accounting to calculate its product and service costs. This allows monitoring of cash requirements and optimization of inflows to the capital employed.

The RATH Group monitors the amount of the expected payments from trade receivables and other receivables together with the expected disbursements from trade payables and other liabilities.

The following table shows the contractual residual terms of the financial liabilities as of the reporting date, including estimated interest payments. These are non-discounted gross amounts including contractual interest payments, but excluding the effect of netting.

		DUE IN 6 MONTHS		DUE IN 6-12 MONTHS		DUE IN 1-5 YEARS		DUE >5 YEARS	
December 31, 2020	CARRYING AMOUNT K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€
Trade payables	5,987	0	5,987	0	0	0	0	0	0
Contract liabilities	2,074	0	2,074	0	0	0	0	0	0
Other financial liabilities	397	0	397	0	0	0	0	0	0
Current bank liabilities	2,782	2,782	0	0	0	0	0	0	0
Non-current bank liabilities	35,000	121	0	497	0	1,383	37,500	0	0
Leasing liabilities	2,414	26	479	27	461	84	1,474	0	0

		DUE IN 6 MONTHS		DUE IN 6-12 MONTHS		DUE IN 1-5 YEARS		DUE >5 YEARS	
December 31, 2019	CARRYING AMOUNT K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€	INTER-EST K€	REDEMP-TION K€
Trade payables	5,500	0	5,500	0	0	0	0	0	0
Contract liabilities	2,529	0	2,529	0	0	0	0	0	0
Other financial liabilities	174	0	174	0	0	0	0	0	0
Current bank liabilities	2,165	210	2,000	0	0	0	0	0	0
Non-current bank liabilities	35,000	0	0	442	0	2,588	35,000	0	0
Leasing liabilities	2,809	32	601	27	582	75	1,626	0	0

The RATH Group's refinancing options are determined by numerous financial, macroeconomic and other factors. These factors include credit terms (covenants) in current and future credit agreements and the maintenance of the current credit rating.

All covenants relating to the promissory note bonds were complied with in the business year 2020 and in the previous year. An export loan from ÖKB in the amount of k€ 2,500 was taken out in the business year. As of the balance sheet date, a contractually agreed financial covenant was not complied with. The credit institution has waived the right to call in the loan. However, as this did not occur until after the balance sheet date, the loan is presented as current in this consolidated financial statement.

Market risk:

The most significant market risks for the RATH Group are price risks for raw materials and energy, foreign currencies and interest rates. The objective of risk management is to monitor and control risks in order to minimize potential losses due to price fluctuations.

Price risks:

Significant price risks for the RATH Group exist in the area of energy and raw material costs. Energy costs, which are mainly incurred in the firing and also in the shaping of refractory materials, account for a significant part of the Group's total costs.
In 2020, the Group's electricity and gas costs amounted to k€ 4,981 (previous year: k€ 5,228) or 5.8 % (previous year: 5.2 %) of the turnover. Energy prices depend on the development of international and local markets and are subject to fluctuations. The RATH Group minimizes the risk from energy price fluctuations by closely monitoring and, as a rule, negotiating prices annually.

The most important raw materials for the RATH Group include alumina, aluminum, silicon, andalusite or flint clay chamotte. Due to the diversified product portfolio, there is no significant cluster risk in raw material prices. The prices are usually negotiated annually, and their development is closely monitored. In the case of raw materials, in addition to the price risk, there is also a risk regarding the security of supply. A disruption of supply inevitably leads to production problems. With few, insignificant exceptions, there are alternative supplier options for the supply of raw materials in order to minimize the supply risk.

Currency risk:

The Group is exposed to transactional foreign currency risks to the extent that the rates of currencies in which sales and purchase transactions as well as receivables and credit transactions take place do not match the functional currency of the Group companies. The above transactions are conducted mainly based on euros (€) and US dollars ($).

In addition, the translation of foreign individual financial statements into the Group currency, the €, results in currency conversion differences (translation risk), which are recognized in the currency conversion difference in other comprehensive income. Revenues, earnings and balance sheet values of the companies not located in the eurozone are therefore dependent on the respective € exchange rate.

The summarized quantitative information on the Group's foreign exchange risk reported to the Group's management is as follows.

	DECEMBER 31, 2020		DECEMBER 31, 2019	
Net exposure	*K€*	*K$*	*K€*	*K$*
Financial assets:				
Cash and cash equivalents	2,178	1,966	240	286
Trade receivables and contract assets	1,769	135	526	17
Financial liabilities:				
Trade payables	-556	-248	-475	-277
Net exposure	**3,391**	**1,853**	**291**	**26**

A strengthening/weakening of the € or $ as of December 31 would have the following effects on the consolidated result and stockholders' equity if the general conditions remained unchanged:

Effect on result for the period in case of	AS OF DECEMBER 31, 2020 IN THE RESPECTIVE CURRENCY			
	9 % STRENGTHENING OF THE €	11 % WEAKENING OF THE €	10 % STRENGTHENING OF THE $	10 % WEAKENING OF THE $
Financial assets:				
Cash and cash equivalents	196	-216	218	-197
Trade receivables and contract assets	159	-15	177	-14
Financial liabilities:				
Trade payables	-50	27	-56	25
Total	**305**	**-204**	**339**	**-185**

Effect on result for the period in case of	AS OF DECEMBER 31, 2019 IN THE RESPECTIVE CURRENCY			
	9 % STRENGTHENING OF THE €	11 % WEAKENING OF THE €	10 % STRENGTHENING OF THE $	10 % WEAKENING OF THE $
Financial assets:				
Cash and cash equivalents	22	-31	24	-29
Trade receivables and contract assets	47	-2	53	-2
Financial liabilities:				
Trade payables	-43	30	-48	28
Total	**26**	**-3**	**29**	**-3**

If liabilities or receivables within the Group in different currencies compared to the functional currency of the respective subsidiary are also included, the effects increase. A 9 % strengthening or 11 % weakening of the €, respectively, would have an additional negative effect on the net result for the period amounting to k€ 711 (previous year: k€ 409) or a positive effect, respectively, amounting to k€ 869 (previous year: k€ 500). While a 10 % strengthening of the $ would have an additional positive impact on the consolidated result to the amount of k$ 3,580 (previous year: k$ 3,557), a 10 % devaluation of the $ would lead to a negative effect on earnings of the same amount.

Interest rate risk:
Risks from interest rate changes essentially consist of non-current debt financing. The following sensitivity analysis shows the impact of interest rate changes regarding interest-bearing instruments on the period result of the RATH Group. The analysis assumes that all other variables, especially exchange rates, remain constant.

The RATH Group does not assess any fixed-rate financial assets or liabilities in the financial statements at fair value as affecting net income, and, as of the reporting date (and thus unchanged from the previous year), has no derivatives as hedging instruments for fair-value hedges. A change to the interest rate regarding fixed rate instruments would have no effect on the consolidated income statement.

As of December 31, 2020	CARRYING AMOUNT K€	INTEREST PROFILE NOT INTER-EST-BEARING K€	FIXED INTER-EST-BEARING K€	VARIABLY INTER-EST-BEARING K€	PROFIT/LOSS PLUS 100 BASIS POINTS K€	MINUS 100 BASIS POINTS K€
Interest-bearing liabilities:						
Trade payables and contract liabilities	8,061	8,061	0	0	0	0
Other financial liabilities	397	397	0	0	0	0
Current financial liabilities	2,782	168	2,500	114	-1	0
Non-current financial liabilities	35,000	0	20,000	15,000	-90	0
Leasing liabilities	2,414	0	2,414	0	0	0
Total	**48,654**	**8,626**	**24,914**	**15,114**	**-91**	**0**
Interest-bearing assets:						
Cash and cash equivalents	16,863	21	0	16,842	168	-168
Trade receivables and contract assets	11,953	11,953	0	0	0	0
Other current financial receivables	203	203	0	0	0	0
Non-current financial assets	608	0	0	608	6	-6
Total	**29,627**	**12,177**	**0**	**17,450**	**175**	**-175**

As of December 31, 2019	CARRYING AMOUNT K€	INTEREST PROFILE NOT INTER-EST-BEARING K€	FIXED INTER-EST-BEARING K€	VARIABLY INTER-EST-BEARING K€	PROFIT/LOSS PLUS 100 BASIS POINTS K€	MINUS 100 BASIS POINTS K€
Interest-bearing liabilities:						
Trade payables and contract liabilities	8,029	8,029	0	0	0	0
Other financial liabilities	174	174	0	0	0	0
Current financial liabilities	2,165	165	0	2,000	-20	0
Non-current financial liabilities	35,000	0	20,000	15,000	-105	0
Leasing liabilities	2,809	0	2,809	0	0	0
Total	**48,177**	**8,368**	**22,809**	**17,000**	**-125**	**0**
Interest-bearing assets:						
Cash and cash equivalents	4,593	26	0	4,567	46	0
Trade receivables and contract assets	20,381	20,381	0	0	0	0
Other current financial receivables	92	92	0	0	0	0
Non-current financial assets	0	0	0	0	0	0
Total	**25,066**	**20,499**	**0**	**4,567**	**46**	**0**

OTHER INFORMATION

30 BUSINESS RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

All transactions with related parties are conducted at arm's length Related parties conducting transactions with the RATH Group include:
- Rath Holding GmbH

Rath Holding GmbH, Vienna, as the ultimate parent company of RATH AG, holds 66.67 % of the shares in RATH AG, as on the previous year's balance sheet date. At Rath Holding GmbH, FN 195558k, Dr. Ernst Rath, Mag. Karin Bauer-Rath, and Mag. Philipp Rath are registered managing directors. The following companies are listed in the commercial register as shareholders: Dr. Ernst Rath Gesellschaft m.b.H., Vienna, and Dkfm. Paul Rath Gesellschaft m.b.H., Vienna. At Dr. Ernst Rath Gesellschaft m.b.H., FN 102608w, Dr. Ernst Rath and DI Dr. Matthias Rath are registered managing directors. The following are listed as stockholders in the commercial register: Dr. Ernst Rath, CPA/Tax Consultant Mag. Philipp Rath and DI Dr. Matthias Rath.

At Dkfm. Paul Rath Gesellschaft m.b.H., FN 101540z, Mag. Karin Bauer-Rath is registered as managing director. The following are listed as stockholders in the commercial register: Mag. Karin Bauer-Rath, Dkfm. Paul Rath and Andrea Vladarski.

As in the previous year, there were no significant transactions with the companies listed above during the business year.

- House ownership Walfischgasse, Dr. Ernst Rath and co-owners
  The rental expenses charged, including operating costs, amounted to k€ 164 in the business year (previous year: k€ 158), whereby there were no outstanding liabilities at the reporting date and thus unchanged from the previous year.

- Members of the Supervisory Board and Management Board, and their close family members
  The business relationships with members of the Management Board and of the Supervisory Board of RATH AG are listed in Note (23) insofar as payments from Management Board contracts and Supervisory Board mandates are concerned. In addition, Dr. Andreas Meier, member of the Supervisory Board, received fees for consulting and placement services amounting to k€ 29 in the business year (previous year: k€ 9).

Pension payments made to related parties are disclosed in Note (15).

Management Board of RATH AG, Vienna:
As in the previous year, on December 31, 2020 the Management Board of RATH AG consisted of two members. Mr. Andreas Pfneiszl, born in 1969, has been a member of the Management Board since June 10, 2013 (initial appointment) and responsible for Sales, Finance, Human Resources and IT since October 01, 2019. DI Ingo Gruber, born in 1962, has been a member of the Management Board since October 01, 2019 (initial appointment) and is responsible for Production and Research & Development. His predecessor, DI Jörg Sitzenfrey, born in 1976, was a member of the Management Board from January 01, 2013 (initial appointment) to September 30, 2019, with responsibility for Production, Research & Development and IT.

As in the previous year, the members of the Management Board did not hold any Supervisory Board mandates or comparable functions in domestic or foreign companies not included into the consolidated financial statement. Andreas Pfneiszl, member of the Management Board, is also present in the management of RATH Business Services GmbH (formerly RATH Filtration GmbH), Vienna. The management contract with Mr. Pfneiszl ends on December 31, 2025. The one with Mr. Gruber has a term until December 31, 2022.

Supervisory Board of RATH AG, Vienna
Mag. Stefan Ehrlich-Adám (Chairman) since June 25, 2013
CPA Mag. Philipp Rath (Vice Chairman) since July 17, 2003
Mag. Dieter Hermann since June 25, 2013
Dr. Andreas Meier since June 01, 2016
Mag. Dr. Ulla Reisch since May 28, 2018

31 EVENTS AFTER THE BALANCE SHEET DATE

In March 2021, a right to use a new office in the USA was acquired in the amount of k$ 520.

In April 2021, we received the sad news about the passing of a former member of the Board of Management, Dkfm. Paul Rath, for whom k€ 571 was still recognized as a pension provision as of December 31, 2020.

Apart from this, no significant events of particular significance for the RATH Group have occurred since the end of the business year.

This consolidated financial statement was prepared on April 26, 2021 by the company's Management Board and presented to the Supervisory Board on April 26, 2021 for review and approval.

VIENNA, APRIL 26, 2021

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

AUDITOR'S CERTIFICATE

AUDITOR'S CERTIFICATE

Report on the Consolidated Financial Statement

AUDIT OPINION

We audited the consolidated financial statement of Rath Aktiengesellschaft, Vienna, and its subsidiaries (the Group), consisting of the consolidated balance sheet as per December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated total results calculation, the development of the consolidated equity and the consolidated cash flow statement for the business year ending on this reporting date, and the group notes.

According to our assessment, the annexed consolidated financial statement conforms to the legal provisions and provides a maximally faithful representation of the assets and financial position of the Group on December 31, 2020, as well as of the profitability and the cash flows from the group for the business year ending on this reporting date in agreement with the International Financial Reporting Standards as they are applied in the EU (IFRS) and the additional requirements of § 245a of the Austrian Commercial Code (UGB).

BASIS FOR THE AUDIT OPINION

We conducted our audit in accordance with EU Regulation No. 537/2014 (hereinafter EU-Reg) and generally accepted Austrian standards for the auditing of financial statement. These principles require application of the International Standards on Accounting (ISA). Our responsibilities under these provisions and standards are described further in the section of our Auditor's Certificate entitled "Responsibilities of the annual auditor for the auditing of the consolidated financial statement". We are independent of the Group in agreement with the provisions of Austrian corporate and professional law, and we have fulfilled our other professional obligations in agreement with these requirements. We believe that the documentary audit evidence we obtained for auditing up to the date of the auditor's certificate is sufficient and appropriate to serve as a basis for our Audit Opinion at this date.

PARTICULARLY IMPORTANT AUDITING MATTERS

Particularly important auditing matters are such that were most important for our audit of the consolidated financial statement from the financial year according to our best judgment. These circumstances were considered in connection with our auditing of the consolidated financial statement as a whole and during the formation of our Audit Opinion, and we do not provide a separate opinion on these circumstances.

We have structured our presentation of these particularly important auditing matters as follows:

- Facts
- Audit procedure and findings
- Reference to further information

AUDITOR'S CERTIFICATE

1. RECOVERABILITY OF GOODWILL

- Facts

In the consolidated balance sheet of Rath Aktiengesellschaft, Vienna, as of December 31, 2020, goodwill in the amount of k€ 1,781 (previous year: k€ 1,917) is included in "Intangible Assets and Goodwill".

Goodwill is tested for recoverability at least once a year or whenever events occur that indicate that suggest impairment of goodwill. For this purpose, Rath Aktiengesellschaft, Vienna, calculates the recoverable amount using the discounted cash flow method, which is mainly dependent on future turnover and margin expectations as well as derived discounting interest rates.

The goodwill included in the consolidated financial statement originates entirely from a company acquisition that took place in the previous business year ending December 31, 2019. The goodwill has been allocated to the segment "USA", which is a cash-generating unit ("CGU") and whose functional currency is the US dollar. Goodwill is recognized in the functional currency of the CGU to which it is allocated. The change in the carrying amount compared with the previous year is entirely attributable to exchange rate changes.

The carrying amounts of the CGUs are compared with the recoverable amount (value in use) of the valuation model. If the recoverable amount is less than the total of the carrying amounts, the carrying amounts are impaired, with the carrying amount of the goodwill allocated to the CGU being impaired first.

The assumptions underlying the valuation model are subject to significant estimation uncertainties, as assumptions regarding the discounting interest rate, profitability and growth rates are made on the basis of data from the annual planning process.

In view of the complexity of the impairment model, the estimation uncertainties associated with the derivation of the data used and the immanent discretionary decisions, the recoverability of the goodwill is regarded as a particularly important auditing matter.

- Auditing approach

We have assessed the recoverability test of the goodwill performed by the Management Board. As part of our auditing measures, we:

- established the process for determining the fair value, for analyzing recoverability, for determining the discounting interest rate, profitability and growth rates, and for the valuation model,

- ascertained whether the future cash flows used in the budget statement can be derived from the information in the planning prepared by the Management Board and brought to the attention of the Supervisory Board,

AUDITOR'S CERTIFICATE

- discussed the underlying planning assumptions with the Management Board, and validated the plausibility based on information about the current and expected development of the respective unit,

- consulted internal experts to check the plausibility of the calculations and the valuation model, who reviewed the calculations and checked that the valuation model complies with the general principles,

- used internal experts to perform sensitivity analyses to determine the impact of changes in key parameters (changes in the discount rate and cash flows) on the recoverable amount,

- consulted internal experts to reconcile the parameters used, such as the discounting interest rates or growth rates on which the calculation is based, and critically assessed the results and examined the presentation and explanations in the Notes.

Our auditing measures confirmed the tenability of the valuation model used to perform the recoverability test in accordance with IAS 36 Impairment of Assets as of December 31, 2020. The assumptions and parameters used in the valuation model are reasonable. The information mandated by the relevant standards is complete and accurate.

• Reference to further information

For further information, we refer to the group notes to the consolidated financial statement of Rath Aktiengesellschaft, Vienna, section (3) regarding the merger, section (6.3), (6.4) and (6.14) regarding the accounting methods for intangible assets, the impairment of non-current assets and the use of discretionary decisions as well as section (9) regarding the development of intangible assets.

2. FACTORING

• Facts

According to IFRS 9.3.2.6., an entity shall derecognize financial assets from its balance sheet if it has transferred substantially all the opportunities and risks of ownership of the assets to a third party. If, on the other hand, substantially all opportunities and risks are retained, derecognition is not required.

In the business year 2020, subsidiaries of Rath Aktiengesellschaft, Vienna, for the first time sold and assigned receivables with a total nominal value of k€ 2,465 in the context of factoring; the sold receivables were therefore also subject to a disposal test in accordance with IFRS 9 for the first time.

Due to the complexity of the underlying factoring agreements and the material significance of any derecognition with regard to the balance sheet total and the equity ratio of Rath Aktiengesellschaft, Vienna, this matter was classified as a particularly important audit matter.

• Audit approach and findings

AUDITOR'S CERTIFICATE

We have

- understood how Rath Aktiengesellschaft, Vienna, proceeded in its accounting assessment of this matter and understood the arguments and statements made,

- analyzed the factoring agreements concluded and the related ancillary agreements with regard to the transfer of opportunities and risks with the assistance of internal experts,

- understood and appreciated the quantitative assessment of the transfer or retention, respectively, of the significant opportunities and risks by determining the variability of the cash flows before and after the sale, and

- checked whether the accounting treatment accurately reflects the substance of the underlying transaction in accordance with IFRS 9, and whether the disclosures in the notes are appropriate and complete.

Our auditing measures have shown that the accounting treatment as a disposal of the sold receivables is appropriate and in line with the requirements of IFRS 9, as essentially all opportunities and risks associated with the sold receivables have been transferred. The information contained in the notes is appropriate and complete.

- Reference to further information

For further information, please see the group notes to the consolidated financial statement of Rath Aktiengesellschaft, Vienna, section (20.2).

FURTHER INFORMATION

The legal representatives are responsible for the further information. The further information comprises all the information in the annual report, not including the consolidated financial statement, the consolidated annual report and the Auditor's Certificate regarding this.

Our audit opinion on the consolidated financial statement does not cover such other information, and we do not express any form of assurance thereon.

In connection with our auditing of the consolidated financial statement, we have a responsibility to read this other information and, in doing so, evaluate whether the other information is materially inconsistent with the consolidated financial statement or our knowledge obtained in the course of the audit, or otherwise appears to be misstated.

If, based on our work performed on the other information obtained before the date of this Auditor's Certificate, we conclude that there has been a material misstatement of such other information, we are required to report that fact. We have nothing to report in this respect.

AUDITOR'S CERTIFICATE

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

The legal representatives are responsible for the creation of the consolidated financial statement and for the same providing a maximally faithful representation of the asset, financial and earnings position of the Group in agreement with the International Financial Reporting Standards (IFRS) as applicable in the EU and the additional requirements of the § 245a of the Austrian Commercial Code (UGB). Furthermore, the legal representatives are responsible for the internal controls that they consider necessary to enable preparation of consolidated financial statement free of significant misrepresentations, whether fraudulent or accidental.

During the creation of the consolidated financial 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 and insofar as relevant – and to apply the accounting principle of the continuation of company activities; unless the legal representatives intend to either 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 ANNUAL AUDITOR FOR THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENT

Our goals are to obtain sufficient certainty as to whether the consolidated financial statement as a whole is free of material – fraudulent or accidental – misrepresentations, and to provide an Auditor's Certificate that expresses our Audit Opinion. Sufficient certainty is a high level of certainty, but not a guarantee that an audit executed in agreement with the EU-Reg and the Austrian principles of proper auditing, which mandate application of the ISA, will always discover a significant misrepresentation if such exists. Incorrect representations may result from fraudulent acts or mistakes and are to be considered 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 these consolidated financial statement.

As a part of an audit in agreement with the EU-Reg and the Austrian principles of proper auditing, which mandate application of the ISA, we exercise discretion according to our best judgment during the entire audit and maintain a critical approach.

Furthermore, the following applies:

- We identify and assess risks of significant – fraudulent or accidental – misrepresentations in the statement, plan auditing measures as a response to these risks, execute them and obtain documentary audit evidence that is sufficient and suitable to serve as a basis for our Audit Opinion. The risk that

AUDITOR'S CERTIFICATE

significant misrepresentations resulting from fraudulent actions not being discovered is greater than a risk of misrepresentations resulting from mistakes, because fraudulent actions may comprise collusive collaborations, falsifications, intended incompleteness, misleading representations or the bypassing of internal controls.

- We gain an understanding of the internal control system relevant for the audit in order to plan auditing measures that are appropriate under the specified circumstances, however not with the goal of presenting a judgment of the effectiveness of the Group's internal control system.

- We assess the appropriateness of the accounting methods applied by the legal representatives as well as the plausibility of the estimated values in the accounting presented by the legal representatives and related information.

- We draw conclusions about the appropriateness of the application of the accounting principle for the continuation of the company's operations by the legal representatives as well as on the basis of the obtained documentary audit evidence as to whether there is a significant discrepancy in connection with events or circumstances that may cause significant doubt in the ability of the Group 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 relevant information in the consolidated financial statement or, if these specifications are inappropriate, to modify our Audit Opinion. We draw our conclusion on the basis of the documentary audit evidence 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 its operations.

- We evaluate the entire presentation, the structure and the content of the consolidated financial statement including the specifications as well as the question as to whether the consolidated financial statement represents the business transactions and events in a manner that creates a maximally faithful representation.

- We obtain sufficient and appropriate documentary audit evidence about the financial information of the entities or business activities within the Group to enable us to express an Audit Opinion on the consolidated financial statement. We are responsible for the instruction, monitoring and execution of the auditing of the consolidated financial statement. We bear the sole responsibility for our Audit Opinion.

We talk to the Audit Committee about the planned scope and the planned time needed for the audit, as well as about important findings, including any important deficiencies in the internal control system that we detect 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

AUDITOR'S CERTIFICATE

circumstances from which it can be reasonably assumed that they have an effect on our independence and – if and insofar as 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 annual consolidated financial statement for the financial year and are therefore particularly important auditing matters. We describe these issues in our Auditor's Certificate unless laws or other legal provisions rule out publication 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.

Further legal and other statutory requirements

REPORT ON THE CONSOLIDATED ANNUAL REPORT

Due to the provisions of Austrian corporate law, the consolidated annual report must be audited to see whether it is in agreement with the consolidated financial statement and was prepared according to the applicable legal requirements.

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

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

Audit Opinion
According to our assessment, the consolidated annual report was created according to the applicable legal requirements, contains the applicable specifications according to § 243a of the Austrian Commercial Code (UGB), and is in agreement with the consolidated financial statement.

Statement
In view of the knowledge and understanding of the Group and its environment gained during the auditing of the consolidated financial statement, no significant misrepresentations in the consolidated annual report were identified.

ADDITIONAL INFORMATION UNDER ARTICLE 10 OF THE EU-REG

We were elected as annual auditors by the Annual General Meeting on October 02, 2020. We were commissioned by the Supervisory Board on November 09, 2020. We have been annual auditors since the business year 2019.

AUDITOR'S CERTIFICATE

We declare that the Audit Opinion in Section "Report on the consolidated financial statement" is consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU-Reg.

We declare that we have not performed any prohibited non-auditing services (Article 5 (1) of the EU-Reg), and that we have maintained our independence from the audited company in the performance of the audit.

FINANCIAL AUDITOR RESPONSIBLE FOR THE ORDER

The financial auditor responsible for the audit is Mag. Bettina Maria Szaurer.

Vienna
April 26, 2021
PwC Wirtschaftsprüfung GmbH

Mag. Bettina Maria Szaurer
Certified Public Accountant

The consolidated financial statement with our Auditor's Certificate may be published or disclosed only with our approval. This Auditor's Certificate relates only to the complete consolidated financial statement in the German language, including the consolidated annual report. To any deviating versions, the regulations of § 281 (2) of the Austrian Commercial Code (UGB) apply.

GLOSSARY

Business Management Terms and Key Figures

AVÖ	Aktuarvereinigung Österreichs (AVÖ, Actuarial Association of Austria); professional body of Austrian actuaries and actuarial experts. AVÖ publishes the annuity valuation tables according to which the pension and severance payment liabilities are calculated.
CAPITAL EMPLOYED	Stockholders' equity including minority interests, plus net debt.
CGU	Cash-generating unit; the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CORPORATE GOVERNANCE	Code of conduct for the responsible management and control of companies, reported in the Austrian Corporate Governance Code. The content represents a voluntary body of rules and regulations.
DBO (DEFINED BENEFIT OBLIGATION)	Present value of all vested and non-vested earned rights based on the estimated salary level at the time of retirement. The only actuarial method by which the DBO may be determined is the projected unit credit method (PUC). The DBO corresponds to the PBO (Projected Benefit Obligation).
D&O INSURANCE – "DIRECTORS' & OFFICERS' LIABILITY INSURANCE"	The D&O Insurance (also called directors' and officers' liability insurance or more generally: Financial losses liability insurance for organs of legal entities (stock corporations, cooperatives, associations, foundations, registered societies)) is usually concluded as insurance to the benefit of third parties. The company (policyholder) insures its organ members (Management Board members, Managing Directors, Supervisory Board members, Advisory Board members) against the risk of personal liability in connection with actions of the Boards.
EBITDA	Earnings before interest, tax and depreciations on tangible and intangible assets
EBITDA MARGIN	Relative share of the EBITDA in turnover
EBIT	Earnings before interest and tax; operating result
EBIT MARGIN	Relative share of the EBIT in turnover
EBT	Earnings before taxes
EQUITY RATIO	Percentage ratio of stockholders' equity to total capital
RETURN ON STOCKHOLDERS' EQUITY	Earnings after tax as a percentage of reported stockholders' equity
ONE-TIME EFFECTS	One-time effects are expenses and income which are disclosed separately as they are not attributable to ordinary business activities. These effects are reported separately to enable investors to better understand and assess the asset, financial and earnings position of the RATH Group.

GLOSSARY

FAIR VALUE	The price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.
FVOCI	Fair value with changes in value through other income
FVTPL	Fair value with changes in value in profit or loss
IASB (INTERNATIONAL ACCOUNTING STANDARDS BOARD)	International board for the definition of accounting standards
IFRIC (INTERNATIONAL FINANCIAL REPORTING (INTERPRETATIONS COMMITTEES)	International committee for the interpretation of accounting standards
IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)	International Accounting Standards (formerly IAS)
NET DEBT	Interest-bearing financial liabilities including liabilities from leases, minus cash and cash equivalents.
RIGHT-OF-USE ASSET	Right to use the underlying asset. As a matter of principle, this corresponds to the present value of future lease payments plus directly attributable costs.
PUC (PROJECTED UNIT CREDIT METHOD)	Actuarial valuation method
ROCE	Return on capital employed; quotient of EBIT less taxes and capital employed
CONTRACT LIABILITY	Obligation of the RATH Group to transfer to a customer goods or services for which it has received (or will receive) consideration from a customer.
CONTRACT ASSET	Entitlement of the RATH Group to consideration in exchange for goods or services transferred to a customer.
WACC	Weighted average cost of capital; refers to a procedure 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 portion of the current liabilities can be financed by the current assets. Inventory, contract assets and receivables less trade payables as well as contract liabilities are put into perspective to turnover.

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THE MALE FORMS USED IN THE TEXT INCLUDE FEMALE PERSONS AS WELL. CONSISTENT DOUBLE DESIGNATION WAS WAIVED IN THE INTEREST OF BETTER LEGIBILITY.