2019

ANNUAL FINANCIAL STATEMENT OF

RATH AKTIENGESELLSCHAFT

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2019 ANNUAL FINANCIAL STATEMENT

OF RATH AKTIENGESELLSCHAFT

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Imprint

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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.

MANAGEMENT REPORT

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019

Business and General Conditions

RATH Aktiengesellschaft (hereinafter referred to as "RATH AG") is a company listed on the Vienna Stock Exchange in official trading ("Standard Market Auction"). It acts as the holding company of the RATH Group and essentially provides central control of the reporting system of its individual subsidiaries as well as strategic development of our product portfolio, our application solutions, and our sales markets.

Furthermore, the financing of the entire RATH Group is the responsibility of RATH Aktiengesellschaft. There are no branch offices or permanent establishments. RATH AG finances the RATH Group primarily through structured financing from promissory note loans.
As of 31 December 2019, the company holds no derivative financial instruments.

Effective 30 August 2019 (closing), the RATH Group acquired the refractories division of Bucher Emhart Glass, including the production facility in Owensville (Missouri, USA), sales and customer base, through RATH LLC, a new US subsidiary established in the financial year. 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.

BUSINESS PERFORMANCE

Sales development and profitability

The stated sales revenues amounting to k€ 5,439 (previous year: k€ 5,255) originate from license and inter-company pricing for services by the Marketing, R&D, Financing and Controlling, IT as well as Process Management departments.

The personnel expenses amounting to k€ 3,462 (previous year: k€ 2,888) increased by k€ 574. In addition to the annual collective bargaining agreement and inflation adjustment, the increase is mainly due to the termination of a Management Board member's contract.

The miscellaneous other operating expenses amounted to k€ 3,301 (previous year: k€ 2,913). They mainly include expenses for marketing amounting to k€ 640 (previous year: k€ 594), consulting expenses of k€ 499 (previous year: k€ 506) and expenses for services provided by Group subsidiaries of k€ 438 (previous year: k€ 379).

The operating result is k€ -486 (previous year: k€ 536) and was positively influenced by exchange rate changes amounting to k€ 285 (previous year k€ 746).

In the financial year, dividends amounting to k€ 2,200 (previous year: k€ 2,000) were distributed to the company by subsidiaries. For the investments into the subsidiaries in Mexico and Poland, value adjustments to the amount of k€ 108 (previous year: k€ 0) were reported. The financial

MANAGEMENT REPORT

result excluding income/appreciations/depreciations from investments/loans amounted to k€ 256 (previous year: k€ 178). The company closes the books at an annual surplus amounting to k€ 1,579 (previous year: k€ 2,243).

Assets and financial position

The balance sheet total of RATH AG decreased from k€ 67,514 to k€ 65,621. A major reason for this is the redemption of loans in the past financial year. Other significant changes relate to loans to affiliated companies and, conversely, to the item Bank balances, which increased or decreased primarily due to the granting of a loan to the company RATH LLC, USA, which was established in the financial year. Fixed assets decreased in the area of property, plant and equipment at carrying amounts by k€ 74 (previous year: increased by k€ 12).

The operating cash flow for the financial year amounts to k€ -2,361 (previous year: k€ 1,977) and results primarily from the increase in receivables from Group companies. The capital ratio amounts to 39 % (previous year: 38 %).

In order to strengthen liquidity in view of the crisis triggered by the novel lung disease COVID-19 in 2020, the Management Board will propose to the Annual General Meeting, after referring the matter to the Supervisory Board, that the dividend for the financial year 2019 be suspended. In the past year, the share price rose from € 24.00 on 31 December 2018 to € 27.8 on 31 December 2019. The year-end market capitalization therefore amounts to k€ 41,700 (previous year: k€ 36,000).

FORECAST REPORT

As the company is a holding company, its performance relies solely on the revenues of its subsidiaries and their billable services. The novel lung disease COVID-19, which first appeared in China in December 2019, developed into a global pandemic in 2020 and led to a standstill of a large part of industrial activity in many countries – including important sales and procurement markets of the RATH Group.

Risks for the RATH Group may not only affect sales development, but also lead to considerable impairment of production, the procurement market and the supply chain. Due to the changeover to short-time work or the shutdown of entire plants at our customers, orders are suspended for an indefinite period. Border controls or closures, respectively, lead to delays in raw material deliveries and transports, and there is general uncertainty among our customers, employees and suppliers due to the current situation. The RATH Group relies on responsible countermeasures to preserve existing jobs and to survive the crisis in the best possible way. Additional credit lines were therefore taken out to overcome any liquidity bottlenecks. In addition, short-time work has been requested for all employees in Austria from 1 April 2020 until 30 June 2020, for the time being.

The exact effects on the global economy and also on the RATH Group are currently still difficult to assess. A global recession is a serious scenario – even with further economic stimuli from countries and institutions. A further deterioration in the underlying mood on the financial markets could lead to an outflow of

MANAGEMENT REPORT

capital from emerging markets and further burden global economic growth. Possible debt crises of individual countries due to the economic effects of the crisis would further cloud the sales prospects in these markets. The ability of governments and international organizations to take massive and coordinated support measures is crucial for developments in the coming quarters. The duration of the pandemic is also crucial for the overall economic development.

Once the pandemic is over, we will focus on the growth target again. In order to achieve this, inorganic growth will be accelerated in parallel with organic growth. The starting points for this are the expansion of our product range and the development of additional sales markets. Internally, the RATH Group will continue to place a strong emphasis on cost discipline, efficiency increases, and innovation.

RISK REPORT

The internal control system (ICS) is secured via a holistic process management. There, signature regulations are defined on the basis of a dual-control principle as well as separation of critical functions in all areas of the company. The risk management system ensures that risks are regularly analyzed and assessed. This is the only way to ensure that these are anticipated and detected early on, and that countermeasures can be initiated quickly if they occur. Special risks can arise due to the financing functions of the holding company. For that reason, exchange rates and the development of interest rates are being continually monitored.

RESEARCH REPORT

RATH AG performs a central function in the area of R&D. Here the individual projects are planned, coordinated and accompanied during implementation. RATH AG also provides test equipment for group-wide activities.

ESSENTIAL CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

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 ensures conformity of business procedures regarding the Articles of Association and current legislation. The control environment of the accounting process is marked by a clear structural and process organization, with persons assigned uniquely to the individual functions (e.g. in Financial Accounting and Controlling).
The employees involved in the accounting process fulfill the professional requirements. SAP is used in accounting. 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 that require approval by the company's management. The RATH AG Management Handbook contains, among other things, the information and regulations necessary for the accounting process, such as the reporting guidelines, accounting and

MANAGEMENT REPORT

valuation rules or IT guidelines. 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.

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.

The most important cross-company strategies for sustainability include RATH's brand and product development strategies, innovation and production procedures to optimize the economy and ecology during the production process as well as in the product.

Reporting of important basic data of the Group companies was continued in the financial year 2019. Our colleagues are the most important asset for further positive, sustainable development of our company's success. Open, appreciative dealings with colleagues in all areas across functional levels are the foundation of our company. In the financial year 2019, RATH AG had an average of 24 employees (previous year 24).

The proportion of women in the RATH AG workforce amounts to around 57 % (previous year: 55 %), the proportion in the Supervisory Board to 20 % (previous year: 20 %).

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

STOCKHOLDER STRUCTURE ‹

AS OF 31 DECEMBER 2019	
66.7%	**RATH Holding GmbH**
18.8%	**Rath family members**
14.5%	**Widely held stock**

Capital composition is explained in more detail in the Notes. There are no restrictions in the Articles of Association regarding the exercise of voting rights in RATH AG. The company is unaware of any restrictions on the transfer of voting rights.

RATH AG does not operate an employee stock options scheme. There are no regulations deviating from the law with regard to the appointment and dismissal of members of the Management Board and of the

MANAGEMENT REPORT

Supervisory Board, changes to the company's Articles of Association, and the powers of the members of the Management Board, in particular their ability to issue or redeem shares. The company does not hold any treasury shares as of the balance sheet date, as of the previous year's balance sheet date. There are no existing agreements that become effective in the event of a change in control. In the event of a public takeover bid, there are no provisions for compensation.

VIENNA, 28 APRIL 2020

THE MANAGEMENT BOARD

Andreas Pfneiszl (m.p.)
Member of the Management Board

DI Ingo Gruber (m.p.)
Member of the Management Board

ANNUAL FINANCIAL STATEMENT
RATH AG 2019

BALANCE SHEET

	31 DECEMBER 2019 €	31 DECEMBER 2018 K€
ASSETS		
A. Fixed assets		
I. Intangible assets		
Industrial property rights and similar rights, and licenses derived therefrom	79,408	39
II. Property, plant and equipment		
1. Other assets, company and business equipment	243,035	268
2. Down payments and assets under construction	0	49
	243,035	**317**
III. Financial assets		
1. Interest in affiliated companies	20,639,559	20,748
2. Loans to affiliated companies	33,743,224	23,430
3. Investment securities	0	439
	54,382,782	**44,617**
	54,705,225	**44,973**
B. Current assets		
I. Receivables and other assets		
1. Receivables towards affiliated companies, of which € 4,200,000 from dividends; previous year: k€ 2,000 of which with a remaining term > 1 year € 0; previous year: k€ 0	9,732,375	5,051
2. Other receivables and assets of which with a remaining term > 1 year € 0; previous year: k€ 0	15,498	3
	9,747,873	**5,054**
II. Cash balance, bank balances	621,081	16,464
	10,368,954	**21,518**
C. Accruals and deferrals		
Other accruals and deferrals	47,730	34
D. Deferred tax assets		
Deferred tax assets	499,316	989
	65,621,224	**67,514**

BALANCE SHEET

LIABILITIES AND EQUITY	31 DECEMBER 2019 €	31 DECEMBER 2018 K€
A. Stockholders' equity		
I. Called-up, paid, subscribed authorized capital	10,905,000	10,905
II. Capital reserves		
Fixed	1,118,067	1,118
III. Retained earnings		
Other reserves (available savings)	2,972,839	2,973
IV. Balance sheet profit	10,419,706	10,341
of which profit carried forward € 8,840,947; previous year: Profit carried forward k€ 8,098	6,597,786	8,098
	25,415,612	**25,337**
B. Accruals and provisions		
1. Accruals and provisions for severance payments	31,779	28
2. Accruals and provisions for pensions	2,130,799	2,197
3. Accruals and provisions for taxes	173,000	99
4. Other accruals and provisions	429,394	492
	2,764,972	**2,817**
C. Liabilities		
1. Liabilities to banks of which with a remaining term < 1 year € 2,000,000; previous year: k€ 2,000 of which with a remaining term > 1 year € 0; previous year: k€ 2,000	2,000,000	4,000
2. Promissory note loans of which with a remaining term < 1 year € 165,038; previous year: k€ 169 of which with a remaining term > 1 year € 35,000,000; previous year: k€ 35,000	35,165,038	35,169
3. Trade liabilities of which with a remaining term < 1 year € 160,513; previous year: k€ 100 of which with a remaining term > 1 year € 0; previous year: k€ 0	160,513	100
4. other liabilities of which from taxes € 54,331; previous year: k€ 27 thereof in the context of social security € 44,290; previous year: k€ 44 of which with a remaining term < 1 year € 115,090; previous year: k€ 92 of which with a remaining term > 1 year € 0; previous year: k€ 0	115,090	92
	37,440,641	**39,361**
	65,621,224	**67,514**

P&L ACCOUNT

	2019 €	2018 K€
1. Sales revenue	5,439,264	5,255
2. Other operating income	995,099	1,237
	6,434,363	**6,492**
3. Personnel expenses		
a) Salaries	-2,760,848	-2,098
b) Social security expenditures of which expenditures for pensions € -133,406; previous year: k€ -287	-139,061	-298
c) Expenditures for severance payments and benefits to internal employee pension funds	-46,104	-33
d) Expenditures for statutory social security contributions as well as taxes and mandatory contributions depending on compensation	-516,112	-459
	-3,462,125	**-2,888**
4. Depreciations and amortization of intangible and tangible fixed assets	-135,093	-134
5. Other operating expenses		
a) Taxes	-22,072	-21
b) Miscellaneous	-3,300,958	-2,913
6. Subtotal of № 1 to 5	**-485,885**	**536**
7. Income from investments thereof from affiliated companies € 2,200,000; previous year: k€ 2,000	2,200,000	2,000
8. Income from other securities and loans from financial assets of which from affiliated companies € 879,773; previous year: k€ 843	885,458	849
9. Other interest and similar income	1,081	6
10. Income from the disposal of and the appreciations to financial assets and marketable securities	35,178	2
11. Expenditures from financial assets of which value adjustments on investments € -108,229; previous year: k€ 0	-108,229	0
12. Interest and similar expenditures of which from affiliated companies € 0; previous year: k€ 0	-665,516	-677
13. Subtotal of № 7 to 12	**2,347,971**	**2,180**
14. Earnings before taxes	**1,862,086**	**2,715**
15. Taxes on income of which from deferred taxes € -490,122; previous year: k€ -745 of which from tax allocation offset € 0; previous year: k€ 533	-283,327	-472
16. Earnings after tax	**1,578,759**	**2,243**
17. Profit carried forward from the previous year	8,840,947	8,098
18. Balance sheet profit	**10,419,706**	**10,341**

INVESTMENTS

COMPANY NAME AND HEADQUARTERS	SHARE %	STOCKHOLDERS' EQUITY AS OF 31 DECEMBER 2019* €	ANNUAL RESULT 2019* €
RATH GMBH, MEISSEN, GERMANY	100.00	26,425,654	1,970,083
PREVIOUS YEAR	100.00	26,455,572	2,779,291
RATH HUNGARIA KFT., BUDAPEST, HUNGARY	100.00	3,769,721	-313,445
PREVIOUS YEAR	100.00	4,199,541	224,187
RATH INC., NEWARK, DELAWARE, USA	100.00	816,036	-208,449
PREVIOUS YEAR	100.00	1,004,577	-575,957
CHAMOTTEWAREN- UND THONÖFENFABRIK AUG. RATH JUN. GMBH, KRUMMNUSSBAUM, AUSTRIA	99.98	12,330,247	1,633,200
PREVIOUS YEAR	99.98	10,697,047	2,506,030
RATH ŽÁROTECHNIKA SPOL. S R.O, DVŮR KRÁLOVÉ NAD LABEM, CZECH REPUBLIC	100.00	1,476,507	10,527
PREVIOUS YEAR	100.00	1,447,864	40,092
RATH POLSKA SP. Z O.O., DĄBROWA GÓRNICZA, POLAND	100.00	132,568	-5,446
PREVIOUS YEAR	100.00	136,634	126,411
RATH UKRAJINA TOW, DNIPRO, UKRAINE	100.00	250,530	4,005
PREVIOUS YEAR	100.00	205,271	42,605
RATH GROUP S. DE R.L. DE C.V., GUADALUPE, MEXICO	100.00	-149,914	-13,018
PREVIOUS YEAR	100.00	-128,960	-86,640
RATH FILTRATION GMBH, VIENNA, AUSTRIA	100.00	415,808	252,702
PREVIOUS YEAR	100.00	163,107	172,733

* according to preliminary local financial statement

NOTES

A. ACCOUNTING AND VALUATION PRINCIPLES

1. GENERAL PRINCIPLES

The valid version of the annual financial statement was created taking into account the UGB (Austrian Commercial Code) and the principles of proper bookkeeping as well as the general standard of presenting a maximally faithful image of the asset, financial and earnings position of the company. The company is to be classified as a large corporation pursuant to § 221 of the UGB (Austrian Commercial Code).

The principle of completeness was adhered to during creation of these annual financial statement. The P&L account was prepared according to the total cost method. The valuation methods applied to date have been retained.

RATH Aktiengesellschaft ("Rath AG"), as the parent company of the Group, prepares the consolidated financial statement for the smallest and largest group of companies published at the Vienna Commercial Register Court under the number FN 83203 h. The legal relationships with the affiliated companies as of the balance sheet date are shown in Attachment 2 to the Notes.

For the valuation of individual assets and liabilities, the principle of individual assessment and a continuation of the company were assumed. Thus, the prudence principle was complied with by reporting only revenues realized on the closing date. All identifiable risks and impending losses have been taken into account.

Estimates are based on a prudent assessment. If and insofar as statistically ascertainable experience from similar circumstances exists, the company has taken this into account in its estimates.

2. FIXED ASSETS

a) Intangible assets

Intangible assets acquired are assessed at purchase cost less scheduled depreciations. The scheduled depreciation takes place using the straight-line method. The following useful life is used as a basis for the scheduled depreciation:

› INTANGIBLE ASSETS	YEARS
Software and licenses	3–4

Acquisitions in the first half of the financial year are depreciated at the full annual rate; additions in the second half at one-half the annual rate. Low-value assets (individual purchase value of up to € 400) are capitalized in the year of addition and immediately depreciated. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the financial year.

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b) Tangible assets

Property, plant and equipment are assessed at purchase cost less scheduled linear depreciations. The scheduled depreciations are performed on the basis of the following depreciation rates:

YEARS	TANGIBLE ASSETS ‹
3-10	**Other assets, company and business equipment**

Acquisitions in the first half of the financial year are depreciated at the full annual rate; additions in the second half at one-half the annual rate. Low-value assets (individual purchase value of up to € 400) are capitalized in the year of addition and immediately depreciated. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the financial year.
Investment grants are depreciated directly from the purchase and production costs.

c) Financial assets

Shares of affiliated companies are as a matter of principle assessed at purchase cost, if appropriate less depreciations in consideration of impairments.

If there are indications of a permanent significant decrease in fair value, the investments are valued.

If and insofar as the carrying amounts of the shares are not sufficiently covered by the pro rata stockholders' equity of the subsidiaries, a valuation is carried out on the basis of discounted net cash surpluses. Here, estimates must be made under uncertainty, especially with regard to future cash surpluses. A future change in the macroeconomic, industry or company situation may lead to a reduction or increase in planned cash surpluses and thus to impairment losses or reversals of impairment losses.

The valuations are based on a net present value-oriented method based on the expected development, in which the weighted average cost of capital (WACC) is used. These are equivalent to the weighted average return on equity and borrowed capital. The weighting of return on equity and borrowed capital is based on the capital structure of the respective investment. Against the background of the currently volatile financial market environment, the development of the cost of capital represents an uncertainty and is continuously monitored.

Loans and investment securities are reported at purchase cost, reduced by depreciations to reflect impairment where applicable. Unscheduled depreciations take place if the impairments are expected to be permanent. As in the previous year, no unscheduled depreciations took place in the financial year. Unscheduled depreciations take place if impairment has occurred, or if the value at the balance sheet date is lower than their carrying amount is. In the financial year, unscheduled depreciations were made on investments to the amount of € 108,229 (previous year: k€ 0). Of this amount, € 71,734 relates to the investment in RATH Polska Sp. z o.o., Dabrowa Gornicza, Poland, and € 36,495 to the investment in RATH Group S. de R.L. de C.V., Guadalupe, Mexico.

NOTES

d) Appreciation to fixed assets

Appreciation (write-up) to the fixed assets is made when the reasons for the unscheduled depreciation have ceased to apply. The appreciation is made to a maximum of the net carrying amount resulting from consideration of the normal depreciations that would have had to be carried out in the meantime.

No appreciations were made in the financial year (previous year: k€ 0).

3. CASH BALANCE, BANK BALANCES

Bank balances denominated in foreign currency are reported at the exchange rate on the balance sheet date.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are assessed at nominal value unless, in case of foreseeable individual risks, the lower applicable value is recognized.

5. PREPAID EXPENSES AND DEFERRED CHARGES

Accruals include expenses prior to the balance sheet date if they represent expenses for a specific period after that date.

6. DEFERRED TAX ASSETS

Deferred tax assets are recognized for differences between the carrying amounts of assets, provisions, liabilities and prepaid expenses and deferred charges under corporate law and the tax base of assets, accruals and provisions, liabilities and prepaid expenses, which are expected to be reduced in subsequent financial years. Deferred taxes are valued at the tax rate of 25 % (previous year: 25 %) without consideration of discounting.

In addition, deferred tax assets are recognized for existing fiscal loss carry-forwards to the extent that sufficient deferred fiscal liabilities are available or there are convincing substantial indications that sufficient taxable earnings will be available in future to utilize these loss carry-forwards. In addition to appropriate tax planning, the consistently positive results of past periods are also used as substantial indications.

Deferred tax assets and deferred tax liabilities were netted, since it was legally possible to offset actual tax refund claims against actual tax liabilities.

7. ACCRUALS AND PROVISIONS

a) Accruals and provisions for pensions

Accruals and provisions for pensions are calculated on the basis of AFRAC Statement 27 "Provisions for

NOTES

pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Enterprise Code" (December 2019) using actuarial principles in accordance with the projected unit credit method, using the biometric tables AVÖ 2018-P and an interest rate of 0.57 % (previous year: 1.05 %) and with a retirement age according to AVÖ-2018-P. The calculation was based on a salary trend of 1.75 % (previous year 1.75 %) and a fluctuation of 0 % (previous year: 0%). The accumulation period begins at the time when the employee's work performance first gives rise to benefits under the plan and continues until the date of full vesting.

The discount rate used is a key date interest rate. The key date interest rate is the interest rate at which a company with a high credit rating can obtain debt capital on the balance sheet date that is essentially equivalent to the average remaining term of the obligations. The interest expenditures relating to pension provisions and the effects of a change in the interest rate are reported under personnel expenses.

The allocation to the provision amounting to € 133,406 (previous year: k€ 287), which is included in the salary expenditures, is offset by a payment amounting to € 199,644 (previous year: k€ 200), which was reversed directly against the provision.

b) Accruals and provisions for entitlements to severance payments

The accruals and provisions for severance payments are calculated in accordance with AFRAC Statement 27 "Provisions for pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Enterprise Code" (December 2019) in accordance with recognized actuarial principles using the projected unit credit method based on the biometric tables AVÖ 2018-P with an interest rate of 1.22 % (previous year: 1.5 %). The retirement age is set at the ASVG (Austrian General Social Security Act) retirement age in accordance with the transitional provisions of the Budget Accompanying Act of 2003. The calculation was based on a salary trend of 2 % (previous year: 2 %) and, as in the previous year, no fluctuation was assumed. The accumulation period begins at the time when the employee's work performance first gives rise to benefits under the plan and continues until the date of full vesting.

The discount rate used is a key date interest rate. The key date interest rate is the interest rate at which a company with a high credit rating can obtain debt capital on the balance sheet date that is essentially equivalent to the average remaining term of the obligations. The interest expenditures relating to severance provisions and the effects of a change in the interest rate are reported under the relevant personnel expenses. The change amounting to € 3,342 (previous year: k€ 1) is therefore included in the salary expenditures. As in the previous year, there were no disbursements in the financial year.

c) Accruals and provisions for anniversaries

The calculation of provisions for anniversary bonuses is based on the same methodology as for entitlements to severance payments, with an interest rate of 1.32 % (previous year: 2 %) and a retirement age in accordance with the ASVG with the transitional provisions of the Budget Accompanying Act of 2003. The calculation was based on a salary trend of 2 % (previous year: 2 %) and a fluctuation of 10 % (previous year: 5 %). As in the previous year, there were no disbursements in the financial year.

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d) Miscellaneous other accruals and provisions

All foreseeable risks and uncertain liabilities were taken into account according to the prudence principle to the amount of miscellaneous other accruals and provisions that are required according to reasonable entrepreneurial judgment. The other accruals and provisions were formed to the amount of the settlement, which was estimated as best as possible.

8. LIABILITIES

Liabilities are recognized at the settlement amount, taking into account the principle of prudence.

9. CURRENCY CONVERSION

As in the previous year, the foreign-currency liabilities will be assessed at the rate applying on the day of the transaction or the lower currency buying rate on the balance sheet date. As in the previous year, the foreign-currency liabilities are valued with the rate applying on the day of the transaction or the higher currency selling rate on the balance sheet date.

NOTES

B. NOTES ON THE BALANCE SHEET AND P&L ACCOUNT OF RATH AG

NOTES ON THE BALANCE SHEET

1. Fixed assets

The development of fixed assets is shown on the Summary of Fixed Assets (Attachment 1 to the Notes).

Of the loans, an amount of € 3,059,113 (previous year: k€ 2,093) is due within the next year.

2. Receivables and other assets

The item "Other receivables and assets" includes € 15,397 (previous year: k€ 3) from tax receivables. Other receivables do not comprise any substantial income affecting payment only after the balance sheet date.

Receivables from affiliated companies include not only receivables from Group apportionment and license fees but also € 4,200,000 (previous year: k€ 2,000) in receivables from dividends and € 639,694.96 (previous year: k€ 308) receivables from accrued interest.

3. Deferred tax assets

Deferred taxes are formed pursuant to § 198 IX and X of the UGB (Austrian Commercial Code) in accordance with the balance sheet-oriented concept and without deduction of accrued interest on the basis of the current corporate income tax rate of 25 %. Deferred taxes to the amount of € 1,126,443 (previous year: k€ 3,073) were recognized on fiscal loss carry-forwards for the Group, the consumption of which is probable on the basis of future expected profitability in subsequent years. The recognition of deferred tax assets on fiscal loss carry-forwards is justified pursuant to § 198 IX 3 of the UGB (Austrian Commercial Code).

The deferred tax assets amounting to € 499,316 (previous year: k€ 989) as of the balance sheet date were formed for temporary differences between the valuations under fiscal and company law for the following items:

31 DECEMBER 2018 *IN K€*	31 DECEMBER 2019 *IN €*	DEFERRED TAX ASSETS
22	16,286	Financial assets
767	778,685	Non-current personnel provisions
96	75,849	Cost of procuring money
885	**870,820**	**Amount of total differences**
3,073	1,126,443	Group loss carry-forwards – according to preliminary tax calculation 2019
989	**499,316**	**resulting deferred tax assets as of 31 December (25 %)**

NOTES

4. Capital

As in the previous year, the called-up and paid nominal capital amounts to € 10,905,000.00 and is composed of 1,500,000 no-par shares.

Due to the economic uncertainty triggered by the novel lung disease COVID-19, it is proposed not to pay a dividend from the balance sheet profit of € 10,419,706 in order to strengthen the company's liquidity by carrying forward the amount to new account.

The balance sheet profit is not subject to a distribution ban pursuant to § 235 II of the Austrian Commercial Code, as the reserves that can be released at any time exceed the amount of capitalized deferred tax assets.

5. Liabilities

The liabilities from promissory note loans amounting to € 35,000,000 (previous year: k€ 35,000) and the accrued interest from the promissory note loans amounting to k€ 165,038 (previous year: k€ 169) were reported under "Other liabilities" in the previous year. In the current financial year, the amounts were reclassified into a separate balance sheet item, and the figures from the previous year adjusted.

As in the previous year, the item "Other liabilities" does not comprise any significant expenditures affecting payment only after the balance sheet date.

Total liabilities with a term of more than five years amounted to € 0
as of the balance sheet date (previous year: k€ 20,000).

There are no liabilities for which physical security has been provided.

6. Contingencies, obligations from the use of property, plant and equipment

a) Contingencies

As in the previous year, the company issued a letter of comfort to Unicredit Bank Austria AG for Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, to the amount of € 1,000,000.

At the balance sheet date, guarantees exist for customers of the subsidiary RATH Filtration GmbH amounting to € 2,670 (previous year k€ 0).

**b) Obligations from the use of property, plant and equipment
not listed in the balance sheet.**

› OBLIGATIONS	OF THE FOLLOWING FINANCIAL YEAR *IN €*	OF THE FOLLOWING FIVE FINANCIAL YEARS *IN €*
Obligations from rentals and leases	207,590 (previous year k€ 262)	674,884 (previous year k€ 362)

NOTES

NOTES ON THE P&L ACCOUNT

1. Sales revenue

The sales revenue consists of Group contribution and license payments. The safeguard clause pursuant to § 240 of the Austrian Commercial Code (UGB) was invoked.

2. Other income

Other operating income comprises the following:

31 DECEMBER 2018 K€	31 DECEMBER 2019 €	OTHER OPERATING INCOME ‹
833	534,370	Income from foreign currency valuation
387	442,590	Income from passing on to affiliated companies
17	18,138	Miscellaneous
1,237	**995,099**	

Income from passing on to affiliated companies includes expenditures which are to be borne by subsidiaries but which have been incurred by or invoiced to the company.

3. Personnel expenses

In the financial year 2019, we had an average of 24 (previous year: 24) employees on our payroll. The expenditures for severance payments include benefits to internal employee pension funds amounting to € 37,698 (previous year: k€ 33).

4. Other operating expenses

The miscellaneous other operating expenses are composed as follows:

31 DECEMBER 2018 K€	31 DECEMBER 2019 €	OTHER OPERATING EXPENSES ‹
594	640,192	Marketing
506	498,717	Legal counseling and other consultations
379	437,615	Expenditures passed on by affiliated companies
491	426,759	IT expenditures
237	294,515	Travel expenses
87	249,055	Foreign exchange losses
161	171,837	Insurances
112	118,380	Rent and lease
47	112,444	Continuing education and seminars
299	351,444	Miscellaneous
2,913	**3,300,958**	

The expenses for the annual auditor are listed in the consolidated financial statement.

NOTES

5. Taxes on income

The company is a parent company that is required to be consolidated as defined in § 244 of the UGB (Austrian Commercial Code). In 2005, a tax allocation agreement was signed in accordance with § 9 VIII of the KStG 1988 (group parent RATH AG – group members Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, and RATH Filtration GmbH, Vienna, since 2016) for the purpose of group taxation.

The group parent debits or (in the event of a loss) credits the group members with the amounts of corporate income tax they have incurred, calculated according to the debit method, via tax allocations. In the event of subsequent deviations from the tax requirement, the tax settlements with the Group members are adjusted. In the case of a positive fiscal result, the tax allocation is calculated by applying a fiscal rate of 25 % or 12.5 % depending on whether the positive fiscal result of the group members is covered by the combined positive result of the group parent, and in the case of a negative fiscal result by applying a fiscal rate of 25 %.

The tax expense for the financial year results from this:

› TAX EXPENSE 2019

	2019 €	2018 K€
Current corporate income tax	161,885	260
Corporate income tax from group allocation	-374,220	-533
Deferred tax income/expense	490,122	745
Tax expense from previous periods	5,539	0
	283,327	**472**

6. Events after the balance sheet date

The novel lung disease SARS-COV-2 (COVID-19), which first appeared in China in December 2019, developed into a global pandemic in 2020. The measures taken in China to mitigate the consequences led to the standstill of a large part of the country's industrial activity, which is at the center of major global supply chains. More and more countries followed this example in the course of time, including the RATH Group's main sales and procurement markets.

Risks for the RATH Group may not only affect sales development, but also lead to considerable impairment of production, the procurement market and the supply chain. Due to the changeover to short-time work or the shutdown of entire plants at our customers, orders are suspended for an indefinite period. Border controls or closures, respectively, lead to delays in raw material deliveries and transports, and there is general uncertainty among our customers, employees and suppliers due to the current situation. The RATH Group relies on responsible countermeasures to preserve existing jobs and to survive the crisis in the best possible way. Additional credit lines were therefore taken out to overcome any liquidity bottlenecks. In addition, short-time work has been requested for all employees in Austria from 1 April 2020 until 30 June 2020, for the time being.

NOTES

The exact effects on the global economy and also on the RATH Group are currently still difficult to assess. A global recession is a serious scenario – even with further economic stimuli from countries and institutions. A further deterioration in the underlying mood on the financial markets could lead to an outflow of capital from emerging markets and further burden global economic growth. Possible debt crises of individual countries due to the economic effects of the crisis would further cloud the sales prospects in these markets.

The ability of governments and international organizations to take massive and coordinated support measures is crucial for developments in the coming quarters. The duration of the pandemic is also crucial for the overall economic development.

In addition, a lease agreement for additional office space at Mahlerstraße 13, A-1010 Vienna, was concluded in February 2020, beginning on 1 March 2020 and with a maximum term of 20 years. Termination is possible within a notice period of 3 months
at the earliest after the end of one year.

No other significant events have occurred since the balance sheet date.

C. ORGANS OF THE COMPANY

DI Ingo Gruber, born in 1962, has been a member of the Management Board since 1 October 2019, responsible for the divisions Production and Research & Development. The management contract is in force until 31 December 2022.

His predecessor, DI Jörg Sitzenfrey, born in 1976, was a member of the Management Board from 1 January 2013
(initial appointment) to 30 September 2019.

Andreas Pfneiszl, born in 1969, has been a member of the Management Board since 10 June 2013 (initial appointment) and responsible for Sales, Finance, Human Resources and IT since 1 October 2019. The management contract is in force until 31 December 2025.

NOTES

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

› MANAGEMENT BOARD REMUNERATIONS

		2019 K€	2018 K€
Mr. Andreas Pfneiszl	fixed	215	210
	Life insurance	10	10
	variable	100	90
		325	**310**
DI Ingo Gruber	fixed	54	0
	Life insurance	3	0
	variable	25	0
		82	**0**
DI Jörg Sitzenfrey	fixed	161	210
	Termination benefits	588	0
	Life insurance	10	10
	variable	0	90
		759	**310**
Grand total		**1,166**	**620**

Pension payments were made to former executive bodies to the amount of € 199,644 (previous year: k€ 200). No advances or loans were granted to members of the company's executive bodies.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of five members elected by the Annual General Meeting, who are characterized by strong managerial and legal expertise, personal qualifications and long-standing experience. All the members are Austrian citizens.

NOTES

END OF CURRENT TERM OF OFFICE	INITIAL APPOINTMENT	YEAR OF BIRTH	MEMBERS OF THE SUPERVISORY BOARD ‹
in 2023	25 June 2013	1964	**Mag. Stefan Ehrlich-Adám** (Chairman) › *independent*
in 2023	17 July 2003	1966	**CPA Mag. Philipp Rath** (Vice Chairman) › *dependent*
in 2023	25 June 2013	1966	**Mag. Dieter Hermann** › *independent*
in 2023	1 June 2016	1962	**Dr. Andreas Meier** › *independent*
in 2023	28 May 2018	1968	**Mag. Dr. Ulla Reisch** › *independent*

Subject to approval by the Annual General Meeting, the remuneration of the Supervisory Board (including attendance fees) for the financial year 2019 amounts to a total of € 85,300 (previous year: k€ 70) distributed among the Members of the Supervisory Board as follows:

REMUNERATION (INCL. ATTENDANCE FEES)	MEMBERS OF THE SUPERVISORY BOARD ‹
21,950	**Mag. Stefan Ehrlich-Adám** (Chairman)
18,400	**CPA Mag. Philipp Rath** (Vice Chairman)
16,500	**Dr. Andreas Meier**
15,200	**Mag. Dieter Hermann**
13,250	**Mag. Dr. Ulla Reisch**

The remunerations for Members of the Supervisory Board consist of fixed and attendance-dependent components. The fixed components consist of a total amount. In addition, the participation of members is remunerated at a flat rate per meeting.

THE MANAGEMENT BOARD

VIENNA, 28 APRIL 2020

Andreas Pfneiszl (m.p.)
Member of the Management Board

DI Ingo Gruber (m.p.)
Member of the Management Board

SUMMARY OF FIXED ASSETS

	ACQUISITION AND MANUFACTURING COSTS				
	AS OF 1 JANUARY 2019 €	ADDITIONS €	DISPOSALS €	RECLASSIFICATION €	AS OF 31 DECEMBER 2019 €
I. Intangible assets					
Industrial and intellectual property rights and similar rights and benefits, as well as licenses derived from this	644,445	33,213	0	48,925	726,582
	644,445	**33,213**	**0**	**48,925**	**726,582**
II. Property, plant and equipment					
1. Other assets, company and business equipment *	940,356	68,484	-2,915	0	1,005,926
2. Down payments and assets under construction	48,925	0	0	-48,925	0
	989,281	**68,484**	**-2,915**	**-48,925**	**1,005,926**
III. Financial assets					
1. Interest in affiliated companies	30,530,403	0	0	0	30,530,403
2. Loans to affiliated companies	23,728,531	14,436,524	-4,190,026	0	33,975,029
3. Investment securities	446,456	0	-446,456	0	0
	54,705,389	**14,436,524**	**-4,636,482**	**0**	**64,505,432**
	56,339,115	**14,538,221**	**-4,639,397**	**0**	**66,237,940**
* of these, low-value assets in accordance with § 13 EStG		2,225			

SUMMARY OF FIXED ASSETS

CUMULATED DEPRECIATIONS						NET CARRYING AMOUNTS	
AS OF 1 JANUARY 2019 €	ADDITIONS €	APPRECIATIONS €	DISPOSALS €	VALUE ADJUSTMENT FOREIGN CURRENCY €	AS OF 31 DECEMBER 2019 €	CARRYING AMOUNT 31 DECEMBER 2018 €	CARRYING AMOUNT 31 DECEMBER 2019 €
-605,360	-41,814	0	0	0	-647,174	39,085	79,408
-605,360	**-41,814**	**0**	**0**	**0**	**-647,174**	**39,085**	**79,408**
-672,527	-93,278	0	2,915	0	-762,891	267,829	243,035
0	0	0	0	0	0	48,925	0
-672,527	**-93,278**	**0**	**2,915**	**0**	**-762,891**	**316,754**	**243,035**
-9,782,615	-108,229	0	0	0	-9,890,844	20,747,787	20,639,559
-298,443	0	0	0	66,638	-231,805	23,430,088	33,743,224
-7,503	0	7,503	0	0	0	438,953	0
-10,088,561	**-108,229**	**7,503**	**0**	**66,638**	**-10,122,649**	**44,616,828**	**54,382,782**
-11,366,448	**-243,322**	**7,503**	**2,915**	**66,638**	**-11,532,715**	**44,972,667**	**54,705,225**
	-2,225						

AUDITOR'S CERTIFICATE

REPORT TO THE ANNUAL FINANCIAL STATEMENT

Audit Opinion
We have audited the annual financial statement of Rath Aktiengesellschaft, Vienna, consisting of the balance sheet as of 31 December 2019, the P&L account for the financial year ending on this reporting date, and the Notes.

According to our assessment, the annexed annual financial statement conforms to the legal provisions and give a maximally true and fair view of the assets and financial position of the company as of 31 December 2019, as well as of the profitability of the company for the financial year ending on this reporting date, in agreement with the provisions of Austrian corporate law.

Basis for the Audit Opinion
We conducted our audit in accordance with EU Regulation NR 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). According to these provisions and standards, our responsibilities 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 company, in agreement with the provisions of Austrian corporate and professional law, and we fulfilled our other professional obligations in agreement with these requirements. We believe that the documentary audit evidence we obtained for auditing is sufficient and appropriate to serve as a basis for our Audit Opinion.

Reference to other facts
The annual financial statement of Rath Aktiengesellschaft, Vienna, for the financial year ending on 31 December 2018 were audited by another annual auditor, who issued an Auditor's Certificate provided with an unqualified Audit Opinion on these financial statement on 24 April 2019.

Our Audit Opinion is not qualified in respect of this matter.

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

Recoverability of shares in affiliated companies and loans to affiliated companies

Facts
The shares in affiliated companies to the amount of k€ 20,640 (previous year: k€ 20,748) as well as loans to affiliated companies totaling k€ 33,743 (previous year k€ 23,430) represent 83% (previous year: 65%) of the balance sheet total of Rath Aktiengesellschaft, Vienna, on the balance sheet date.

Pursuant to § 204 II of the Austrian Commercial Code, shares in affiliated companies and loans to affiliated companies are to be written down on an unscheduled basis to the lower value to be attributed on the balance sheet date in the event of an expected permanent impairment, whereby a depreciation may also be made if the reduction in value is not expected to be permanent. A reversal of an impairment loss pursuant to § 208 I of the Austrian Commercial Code must be carried out if, in the case of shares in affiliated companies or loans to affiliated companies that have been written down on an unscheduled basis, it becomes apparent in a later financial year that the reasons for the unscheduled depreciation no longer exist. The appreciation is to be made to the extent of the increase in value.

The Management Board carries out an impairment test for shares in affiliated companies if there are or cease to be signs of permanent impairment. If and insofar as the carrying amount of the shares in affiliated companies is not sufficiently covered by the proportionate stockholders' equity, or for the purpose of determining appreciations, a valuation is carried out on the basis of discounted net cash inflows, which are essentially dependent on future turnover and margin expectations and on discounting interest rates.

The determination of the fair value of loans to affiliated companies also requires estimates of default probabilities and repayments.

The assumptions underlying the valuation models are subject to significant estimation uncertainties, as assumptions regarding the discount 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 models, the estimation uncertainties associated with the derivation of the data used and the immanent discretionary decisions, the recoverability of the value of shares in affiliated companies and loans to affiliated companies is regarded as a particularly important auditing matter.

Audit procedure and findings
We have
- gained an understanding of how Rath Aktiengesellschaft, Vienna, monitors the existence of signs of permanent impairment or reversal of impairment, respectively,
- established the process for determining the fair value, for analyzing recoverability, for determining the discount rate, profitability and growth rates, and for the valuation model,

AUDITOR'S CERTIFICATE

- 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,
- 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,
- evaluated adherence to the planning by comparing the planning made in the previous periods with the actually occurred values,
- 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,
- 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.

The valuation model, the assumptions and parameters used in the valuation and the presentations and explanations in the Notes are in accordance with the general principles and the Austrian Commercial Code.

Reference to further information
For further information, please refer to the Notes to the financial statements of Rath Aktiengesellschaft, Vienna, section A. 2. c).

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

The legal representatives are responsible for the creation of the financial statement and for making sure that this provides a true and fair representation of the company's asset, financial and earnings position in agreement with the provisions of Austrian corporate law.

Furthermore, the legal representatives are responsible for the internal controls that they deem necessary to enable preparation of annual financial statement free of significant – intended or unintended – misrepresentations.

During the creation of the financial statement, the legal representatives are responsible for assessing the capability of the company to continue their company activities, to specify circumstances in connection with the continuation of their company activities – if 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 company or to stop their company activities or do not have any realistic alternatives to this.

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

AUDITOR'S CERTIFICATE

Responsibilities of the annual auditor for the auditing of the consolidated financial statement
Our goals are to obtain sufficient certainty as to whether the annual financial statement as a whole are free of significant – intended or unintended – misrepresentations, and to provide an Auditor's Certificate that contains 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. Misrepresentations may result from fraudulent acts or mistakes and are to be considered significant if it can be expected that they – individually or altogether – will influence the economic decisions of users made on the basis of these annual 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 evaluate risks of significant – intended or unintended – 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 significant misrepresentations resulting from fraudulent actions not being discovered is greater than a risk resulting from mistakes, because fraudulent actions may comprise fraudulent 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 submitting an Audit Opinion regarding the effectiveness of the company'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 principles for the continuation of 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 company to continue its operations. If we come to the conclusion that a significant uncertainty exists, we are obligated to point in our Auditor's Certificate to the relevant information in the annual financial statement or, if this is 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 company ceasing to continue its operations.
- We evaluate the entire representation, the structure and the content of the financial statement, including the details, as well as if the financial statement represent the business transactions and events in a manner that creates a fair and true representation.

AUDITOR'S CERTIFICATE

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 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 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 Management Report
Due to the provisions of Austrian corporate law, the management report must be examined to check that it is in agreement with the annual financial statement and was issued according to the applicable legal requirements.

The legal representatives are responsible for the preparation of the management 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 management report.

AUDIT OPINION
According to our assessment, the management report was created in compliance with the applicable legal requirements, comprises correct information according to § 243a of the UGB (Austrian Commercial Code), and is in agreement with the financial statement.

STATEMENT
In light of the knowledge and understanding about the company and its environment gained during the audit of the annual financial statement, we did not find any significant misrepresentations in the management report.

AUDITOR’S CERTIFICATE

Further information
The legal representatives are responsible for the further information. The further information comprises all the information in the annual report, excluding the annual financial statement, the management report and the Auditor’s Certificate.

Our Audit Opinion on the financial statement does not cover this further information, and we do not provide any type of guarantee about this.

In connection with our audit of the annual financial statement, it is our responsibility to read such further information and to ascertain whether there are significant discrepancies between the further information and the financial statement or our knowledge gained during the audit, or whether this information otherwise appears to be incorrectly represented in a significant manner. If, based on the work performed, we come to the conclusion that the further information is misrepresented in a significant manner, we must report this. We have nothing to report in this respect.

Additional information under Article 10 of the EU-Reg
We were elected as annual auditors by the Annual General Meeting on 27 May 2019. We were commissioned by the Supervisory Board on 22 July 2019. We have been annual auditors without interruption since the financial year 2019.
We declare that the Audit Opinion in Section “Report on the Annual 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 I 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 auditing order is Mag. Bettina Maria Szaurer.

Vienna, 28 April 2020

PwC Wirtschaftsprüfung GmbH, Mag. Bettina Maria Szaurer, CPA

Publication or disclosure of these annual financial statement with our Auditor’s Certificate is permissible only with our approval. This Auditor’s Certificate is valid only for the complete annual financial statement in the German language, including the management report. To any deviating versions, the regulations of § 281 II of the UGB (Austrian Commercial Code) apply.

REPORT OF THE SUPERVISORY BOARD

DEAR STOCKHOLDERS,

In the financial year 2019, 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 reviewed the minutes of the Management Board meetings and discussed current business developments with the Management Board on an ongoing basis. The Supervisory Board was involved into all decisions of significance. In the reporting year 2019, the Management Board and the Supervisory Board exchanged information during five meetings (four regular meetings, one inaugural meeting), 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. Thus, 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. Five regular meetings (including the inaugural meeting of the Supervisory Board) were held in the financial year 2019. All but a few members participated personally in all meetings. At the meeting of March 2019, the past financial year and the current status of the potential acquisition of Bucher Emhart Glass were reported on. At the meeting in April 2019, the annual financial statement 2018 and the consolidated financial statement and management report 2018 were reviewed, the annual financial statement 2018 were assessed as recommended by the Audit Committee, and the proposal for the distribution of profits from the financial year 2018 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, the Annual General Meeting was prepared, and the current state of business was reported on. An update was given on the status of negotiations for the possible acquisition as well. The meeting in May 2019 was mainly used 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

REPORT OF THE SUPERVISORY BOARD

meeting dates for 2019/2020 were finalized. At the meeting in September 2019, the semi-annual financial report was discussed, and deliberations were also held on the current business situation; furthermore, information was provided on the integration of Bucher Emhart Glass refractories production Owensville, Missouri. At the last annual meeting in December 2019, the new COO presented the actual state of Production and derived investment potential therefrom. The 2020 budget was postponed to 11 March 2020 on the basis of the new findings.

Committees

The Supervisory Board established three committees during the reporting year. The Audit Committee met twice in 2019. In April 2019, the Audit Committee carried out the final meeting for the financial year 2018 in the presence of the annual auditor. The annual financial statement and management report as well as the consolidated financial statement and management 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 2019, 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 2019. The meeting on 17 December 2019 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 total of five remuneration committees were held in the past financial year. The meeting on 26 February 2019 focused on the determination of the Management Board's target achievement in 2018 as the basis for the variable compensation component and the setting of targets for 2019. At the meeting on 15 July 2019, the extension of the Management Board mandates was discussed. At the meetings of 13 September 2019, 18 September 2019 and 4 October 2019, the nature and content of the agreement to terminate the management contract of the outgoing Chief Production Officer were discussed.

Annual Financial Statement

The annual financial statement of RATH AG as of 31 December 2019, and the management report by the Management Board, as well as the consolidated financial statement as of 31 December 2019 according to the IFRS, and the consolidated annual report by the Management Board were audited with involvement of Accounting and provided with an unqualified Auditor's Certificate by PwC Wirtschaftsprüfung GmbH, Vienna; this company had been selected as annual auditor by the Annual General Meeting on 27 May 2019. The Audit Committee of the Supervisory Board analyzed the result of the audit in cooperation with the annual auditors during the meeting on 28 April 2020, and recommended approval of the annual financial statement to the Supervisory Board. By resolution of 28 April 2020, the Supervisory Board approved the consolidated financial statement.

The Supervisory Board has reviewed the documents according to § 96 of the AktG (Austrian Stock Corporation Act) as well as the corporate governance report, and approved the annual financial statement, which are therefore established pursuant to § 96 IV 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, 28 APRIL 2020

Mag. Stefan Ehrlich-Adám
Chairman of the
Supervisory Board

STATEMENT BY ALL LEGAL REPRESENTATIVES ACCORDING TO § 124 I 3 STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statement as of 31 December 2019 established according to the International Financial Reporting Standards (IFRS) in the European Union (EU) provide a maximally faithful representation of the Group's asset, financial and earnings position, and that the consolidated annual report as of 31 December 2019 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 31 December 2019, established according to the UGB (Austrian Commercial Code), give as accurate a representation as possible of the company's asset, financial and earnings position, and that the management report as of 31 December 2019 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 years ending on 31 December 2019 are not necessarily indicative of the development of future results.

VIENNA, 28 APRIL 2020

Andreas Pfneiszl (m.p.)
Member of the Management Board

DI Ingo Gruber (m.p.)
Member of the Management Board