

2021

ANNUAL FINANCIAL STATEMENT OF
RATH AKTIENGESELLSCHAFT

2021 ANNUAL FINANCIAL STATEMENT

OF RATH AKTIENGESELLSCHAFT

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Imprint

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CLERICAL AND PRINTING ERRORS RESERVED

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 BUSINESS YEAR 2021

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 of its individual subsidiaries as well as the 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 bonds. As of December 31, 2021, as in the previous year, the Company holds no derivative financial instruments.

BUSINESS PERFORMANCE

Sales development and profitability

The stated sales revenues amounting to k€ 2,772 (previous year: k€ 5,360) originate from the settlement of licenses. The decrease compared to the previous year results from the spin-off of the service departments R&D, Finance and Controlling, IT and Quality Management to RATH Business Services GmbH.

The personnel expenses amounting to k€ 1,388 (previous year: k€ 2,536) decreased by k€ 1,148. The reduction essentially arises from the intra-Group restructuring and the associated transfer of employees to RATH Business Services GmbH.

The other operating expenses amounted to k€ 2,945 (previous year: k€ 5,248). They mainly include expenses for marketing amounting to k€ 803 (previous year: k€ 621), expenses for services provided by Group subsidiaries amounting to k€ 789 (previous year: k€ 400), consulting expenses amounting to k€ 378 (previous year: k€ 381), IT expenses amounting to k€ 62 (previous year: k€ 402), as well as foreign currency losses amounting to k€ 239 (previous year: k€ 2,644). The decline is largely due to the recovery of the exchange rate against the US\$.

The operating result is k€ 723 (previous year: k€ -2,226) and was positively influenced by exchange rate changes amounting to k€ 2,163 (previous year: k€ 2,611 negatively).

In the business year, dividend income amounting to k€ 0 (previous year: k€ 500) from subsidiaries to the Company are recognized. The financial result dividend income/write-ups/depreciations of subsidiaries amounted to k€ 21 (previous year: k€ 172). The Company closes the books at an annual surplus amounting to k€ 284 (previous year: annual deficit of k€ 1,189).

MANAGEMENT REPORT

Assets and financial position

The balance sheet total of RATH AG decreases to k€ 62,255 (previous year: k€ 63,504).

A major reason for this is the reduction of a loan, as well as the reduction of general receivables from affiliated companies. Fixed assets in the field of tangible assets (property, plant and equipment) decreased by k€ 85 at book value (previous year: k€ 14). The capital ratio amounts to 39% (previous year: 38 %).

The operating cash flow, determined in accordance with AFRAC Opinion 36 "Statement of Cash Flows (Austrian Commercial Code)" (June 2020), amounts to k€ -3,450 for the business year (previous year: k€ 1,083) and resulted from the increase in working capital. The increase in cash flow from investment activities to k€ 3,667 (previous year: k€ 2,449) results from the repayment of loans granted by RATH AG to affiliated companies. The cash flow from investing activities amounts to k€ -1,117 (previous year: k€ -2,620 thousand) and results primarily from the dividend payment as well as the interest payment.

In the previous year, a dividend to the amount of € 0.33 per share from the net profit, or a total of k€ 495, was disbursed and the remaining amount carried forward. A dividend payment of € 0.33 per share, or a total of k€ 495, from net profit for the business year 2021 is proposed, with the remaining amount carried forward, in order to strengthen the Company's liquidity against the backdrop of the war in Ukraine and the consequences that cannot currently be derived from it.

In the past year, the share price changed from € 23.00 on December 31, 2020, to € 30.00 on December 31, 2021. The year-end market capitalization therefore amounts to k€ 45,000 (previous year: k€ 34,500).

FORECAST REPORT

As the Company is a holding company, its performance relies solely on the revenues of its subsidiaries and their billable services. In January 2022, the International Monetary Fund (IMF) expects global economic output to increase by 4.4% in 2022 and by 3.8% in 2023. Economic output in the eurozone as a whole is expected to grow by 3.9% in 2022. The gross domestic product (GDP) is forecast to increase by 3.8% in Germany and by 4.0% in the USA. For Austria, the Austrian Institute of Economic Research (WIFO) expects the gross domestic product (GDP) to increase by 3.9% in 2022. At the time of preparing the Annual Report, no updated forecasts on the effects of the war in Ukraine were on hand.

Management refrains from issuing a forecast due to the war in Ukraine. It is reportedly impossible to make an informed forecast for the business year 2022 at this time. In this unprecedented situation, it is currently not possible to estimate how the conflict will develop and what further economic and geopolitical impact it will have on supply chains, especially also on the customer side, on commodity and energy prices, on inflation and global GDP development. RATH has a distribution company in Ukraine, in Mariupol.

MANAGEMENT REPORT

In March 2022, a tub rupture occurred on a fiber production line at our plant in Mönchengladbach; as a result of the damage, the plant is expected to be shut down for 6-8 weeks. Currently, we have been able to handle the shortfall due to the interruption of operations via cooperation partners, so there will only be minor deviations in delivery dates. We currently anticipate a return to service in the last week of April 2022.

The RATH Group finances itself through RATH AG; the Company relies on a structured form of financing, promissory note bonds. Promissory note bonds in the amount of M€ 15 are due in September 2022, and management expects to be able to place a promissory note loan in the same amount on the market in the coming weeks. At the same time, the liquidity forecast calculations, including sensitivities, also show the possibility of self-financing the expiring loan.

RISK REPORT

The internal control system (ICS) is secured via a holistic quality 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 be sure that they can be detected at an early stage, and counter-measures can be implemented quickly should a risk arise. Special risks can arise due to the financing functions of the holding company. For that reason, exchange rates and the development of interest rates are 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. The central research and development department, with its focus on innovation, development and process optimization, was particularly challenged in 2021. Due to the shortage of raw materials, new suppliers and alternative materials had to be tested and approved. As a result, the ability to deliver could be ensured to the greatest possible extent.

Further topics and projects in the area of research, technology, development and innovation were advanced in 2021. These include vacuum-formed shapes based on biogenic silica, the improvement of high-grade insulating fire bricks and the further development of nitride-bonded products for waste incineration plants.

MANAGEMENT REPORT

IMPORTANT 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 valuation rules or IT guidelines. A standardized monthly management reporting system includes 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 business year 2021. Our colleagues are the most important asset for further positive, sustainable development of our Company's success. Open, appreciative social interaction among colleagues in all sectors, beyond function levels, is the foundation of our Company. During the business year 2021, RATH AG had an average of 5 (previous year: 24) employees on the payroll.

The proportion of women in the RATH AG workforce amounts to around 40 % (previous year: 56 %), the proportion in the Supervisory Board to 20 % (previous year: 20 %).

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

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.

SHAREHOLDER'S STRUCTURE

AS PER 31.12.2021

RATH Holding GmbH	66.7%
Rath family members	18.8%
Widely held stock	14.5%

RATH AG does not operate an employee stock options scheme. There are no regulations deviating from the statutory stipulations with regard to the appointment and dismissal of members of the Management Board and of the 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, APRIL 27, 2022

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 2021

BALANCE SHEET

	31.12.2021 €	31.12.2020 k€
ASSETS		
A. Fixed assets		
I. Intangible assets		
Industrial property rights and similar rights, and licenses derived therefrom	66,411	109
II. Property, plant and equipment		
1. Other assets, company and business equipment	144,601	207
2. Down payments and assets under construction	0	22
	144,601	229
III. Financial assets		
1. Interest in affiliated companies	20,639,559	20,640
2. Loans to affiliated companies	29,196,988	30,631
3. Investment securities	574,207	597
	50,410,754	51,867
	50,621,766	52,205
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies thereof € 2,499,900 from dividends; previous year: k€ 2,500 of which with a remaining term > 1 year € 0; previous year: k€ 0	10,736,772	8,987
2. Other receivables and assets of which with a remaining term > 1 year € 0; previous year: k€ 0	26,472	45
	10,763,244	9,032
II. Cash balance, bank balances	634,335	1,534
	11,397,579	10,566
C. Accruals and deferrals		
Other accruals and deferrals	20,702	38
D. Deferred tax assets		
Deferred tax assets	214,552	695
	62,254,599	63,504

BALANCE SHEET

	31.12.2021 €	31.12.2020 K€
LIABILITIES AND EQUITY		
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. Net profit	9,019,158	9,231
of which profit carried forward € 8,735,581; previous year: k€ 10,420		
	24,015,064	24,226
B. Accruals and provisions		
1. Accruals and provisions for severance payments	30,950	34
2. Accruals and provisions for pensions	2,110,618	2,006
3. Accruals and provisions for taxes	64,036	0
4. Other accruals and provisions	410,041	201
	2,615,645	2,240
C. Liabilities		
1. Promissory note bonds		
of which with a remaining term < 1 year € 15,168,354; previous year: k€ 168	35,168,354	35,168
of which with a remaining term > 1 year € 20,000,000; previous year: k€ 35,000		
2. Trade payables		
of which with a remaining term < 1 year € 217,421; previous year: k€ 233	217,421	233
of which with a remaining term > 1 year € 0; previous year: k€ 0		
3. Liabilities to affiliated companies		
of which with a remaining term < 1 year € 200,846; previous year: k€ 871	200,846	871
of which with a remaining term > 1 year € 0; previous year: k€ 0		
4. Other liabilities		
of which from taxes € 19,336; previous year: k€ 429		
thereof in the context of social security € 11,667; previous year: k€ 327	37,267	765
of which with a remaining term < 1 year € 37,267; previous year: k€ 765		
of which with a remaining term > 1 year € 0; previous year: k€ 0		
total of which with a remaining term < 1 year € 15,623,889; previous year: k€ 2,037		
total of which with a remaining term > 1 year € 20,000,000; previous year: k€ 35,000		
	35,623,889	37,037
	62,254,599	63,504

P&L ACCOUNT

	2021 €	2020 €
1. Sales revenue	2,771,541	5,360
2. Miscellaneous other operating income	2,403,163	379
3. Personnel expenses		
a) Salaries	-900,835	-1,937
b) Social expenses	-486,850	-599
of which expenses for old-age pensions € -278,791; previous year: k€ -75		
of which expenses for severance payments and benefits to internal employee pension funds € -78,498; previous year: k€ -46		
of which expenses for statutory social contributions as well as taxes and statutory deductions that are dependent on salary payment € -128,183; previous year: k€ -476		
	-1,387,685	-2,536
4. Depreciations and amortization of intangible and tangible fixed assets	-119,087	-181
5. Other operating expenses	2,945,362	-23
thereof taxes not falling under item 14 € -21,884; previous year: k€ -23		
6. Subtotal of No.s 1 to 5	722,571	-2,226
7. Income from investments	0	500
thereof from affiliated companies € 0; previous year: k€ 500		
8. Earnings from other securities and loans held as financial assets	665,778	805
thereof from affiliated companies € 656,648; previous year: k€ 795		
9. Other interest and similar income	70	0
10. Expenses from financial assets	-22,319	0
thereof depreciation € -22,319; previous year: k€ 0		
thereof expenses from affiliated companies € 0; previous year: k€ 0		
11. Interest and similar expenses	-622,114	-633
12. Subtotal of No.s 7 to 11	21,415	672
13. Earnings before taxes	743,986	-1,554
14. Taxes on income and earnings	-460,409	365
thereof from deferred taxes € -480,734; previous year: k€ 196		
thereof from tax allocation € 374,079; previous year: k€ 102		
15. Earnings after taxes = annual deficit/surplus	283,577	-1,189
16. Profit carried forward from the previous year	8,735,581	10,420
17. Net profit	9,019,158	9,231

NOTES

A. ACCOUNTING AND VALUATION PRINCIPLES

1. GENERAL PRINCIPLES

The valid version of the annual financial statement was created taking into account the Austrian Commercial Code (UGB) 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 Austrian Commercial Code (UGB).

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 accounting and valuation methods applied before have been retained.

As of January 01, 2021, the employees of the service departments R&D, Finance and Controlling, IT as well as Quality Management of RATH AG were spun off into RATH Business Services GmbH (formerly RATH Filtration GmbH). As a result, the net assets and profitability, particularly with regard to receivables from and liabilities to affiliated companies, sales revenue, personnel expenses and other operating expenses, are only comparable with the previous year to a limited extent.

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 Supplement 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 reporting date. All foreseeable risks and imminent losses were taken into consideration.

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

	YEARS
Software and licenses	3-4

NOTES

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 acquisition value of up to € 800) 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 business year.

b) Property, plant and equipment

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

3-10

TANGIBLE ASSETS <

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 acquisition value of up to € 800) 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 business 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 appreciations in value.

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.

NOTES

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 business year.

Loans denominated in foreign currencies are recognized at the lower of cost or the foreign exchange buying rate at the balance sheet date.

Unscheduled depreciations take place if the value at the reporting date is lower than their carrying amount is. In the business year, unscheduled depreciations were made on investments to the amount of € 0 (previous year: k€ 0).

d) Write-ups to fixed assets

Write-ups 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 write-ups were made in the business 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. Receivables denominated in foreign currencies are recognized at the lower of cost or the foreign exchange buying rate at the balance sheet date.

5. PREPAID EXPENSES AND DEFERRED CHARGES

Accruals include expenses prior to the reporting 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.

NOTES

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 Opinion 27 "Provisions for pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Commercial Code" (December 2020) using actuarial principles in accordance with the projected unit credit method, using the biometric tables AVÖ 2018-P and an interest rate of 0.69 % (previous year: 0.32 %) and with a retirement age according to AVÖ-2018-P. The calculation was based on a salary trend of 2.0 % (previous year 1.6 %) 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 reporting 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 reserves of the provision amounting to € 278,791 (previous year: k€ 75), which is included in salary expenses, is offset by a payment to the amount of k€ 173,932 (previous year: k€ 200), which was reversed directly against the provision.

During the business year, a former managing director passed away, and these claims were transferred to an eligible person.

b) Accruals and provisions for entitlements to severance payments

The accruals and provisions for severance payments are calculated in accordance with AFRAC Opinion 27 "Provisions for pensions, severance payments, anniversary bonuses and comparable non-current obligations under the Austrian Commercial Code" (December 2020) 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 1.05 % (previous year: 0.91 %). 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 2.5 % (previous year: 1.5 %) and, as in

NOTES

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 reporting 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 € -2,621 (previous year: k€ 2) is therefore included in the salary expenditures. As in the previous year, there were no disbursements in the business 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 0.88 % (previous year: 1.17 %) 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 2.5 % (previous year: 1.5 %) and a fluctuation of 15 % (previous year: 15 %). As in the previous year, there were no disbursements in the business year.

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 obligations are assessed 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 (Supplement 1 to the Notes).

Of the loans, an amount of € 4,017,622 (previous year: k€ 3,829) is due within the next year.

2. Receivables and other assets

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 settlement of licenses but also € 2,499,900 (previous year: k€ 2,500) in receivables from dividends and € 1,553,409 (previous year: k€ 1,320) in receivables from accrued interest and € 562,331 (previous year: k€ 102) receivables from tax contributions.

3. Deferred tax assets

Deferred taxes are formed pursuant to § 198 (9) and (10) of the Austrian Commercial Code (UGB) 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 % (previous year: 25 %). As the existing loss carry-forwards were used up in the financial year, no deferred tax assets were recognized on loss carry-forwards (previous year: k€ 2,013). The deferred tax assets amounting to € 214,552 (previous year: k€ 695) as of the balance sheet date were formed for temporary differences between the valuations under fiscal and company law for the following items:

31.12.2020 IN K€	31.12.2021 IN €		DEFERRED TAX ASSETS <
11	5,429	Financial assets	
702	817,966	Non-current personnel provisions	
55	34,813	Cost of procuring money	
768	858,207	Amount of total differences	
2,013	0	Group loss carry-forwards - according to preliminary tax calculation 2021	
695	214,552	Resulting deferred tax assets as of 31.12. (25%)	

4. Stockholders' equity

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

For the current business year, a dividend payment of € 0.33 per share, or a total of € 495,000, from the net profit is proposed and the remaining amount carried forward.

NOTES

The net profit is not subject to a distribution ban pursuant to § 235 (2) of the Austrian Commercial Code, as the reserves that can be released at any time exceed the amount of capitalized deferred tax assets.

5. Other accruals and provisions

Other accruals and provisions consisted of the following:

> ACCRUALS AND PROVISIONS	2021 €	2020 k€
Premium	230,000	0
Unused leave	8,839	24
Legal and consultancy costs	53,080	41
Anniversary bonuses	35,422	49
Miscellaneous	82,700	87
	410,041	201

6. Liabilities

The item "Other liabilities" does not comprise any significant expenses affecting payment only after the reporting date (previous year: k€ 749). The decrease results from the settlement of deferred taxes and payroll taxes.

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

As in the previous year, there are no liabilities for which collateral has been provided.

Liabilities to affiliated companies include current settlements with Group companies.

7. Liability relationships and obligations from using property, plant and equipment not listed in the balance sheet

a) Contingencies

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

There are no bill-of-exchange completion and guarantee declarations towards the subsidiaries RATH Business Services GmbH, Vienna, Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, and RATH Sales GmbH & Co KG, Meißen, Germany, for any outstanding accounts with a credit institution (previous year: k€ 3,017).

NOTES

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

OF THE FOLLOWING BUSINESS YEAR IN €	OF THE FOLLOWING FIVE BUSINESS YEARS IN €	OTHER OPERATING INCOME <
€ 119,347 (previous year: k€ 293)	€ 220,554 (previous year: k€ 946)	Obligations from rentals and leases

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.

The decrease in sales revenue compared to the previous year is mainly due to the outsourcing of employees to RATH Business Services GmbH and the associated adjustment of group allocation charges.

2. Miscellaneous other operating income

The miscellaneous other operating income is composed as follows:

31.12.2020 k€	31.12.2021 €	OTHER OPERATING INCOME <
33	2,401,787	Income from foreign currency valuation
250	0	Income from passing on to affiliated companies
96	0	Subsidies from the public sector for short-time work
1	1,376	Miscellaneous
379	2,403,163	

The income from foreign currency valuation is largely due to the recovery of the exchange rate against the US\$ and the resulting appreciation of the US\$-denominated loans to affiliated companies.

In the previous year, income from passing on to affiliated companies includes expenses which are to be borne by subsidiaries but which have been incurred by or invoiced to the Company, respectively.

3. Personnel expenses

In the business year 2021, we had an average of 5 (previous year: 24) employees on the payroll. The expenses for severance payments include benefits to internal employee pension funds amounting to € 11,119 (previous year: k€ 34).

NOTES

4. Other operating expenses

The miscellaneous other operating expenses are composed as follows:

> OTHER OPERATING EXPENSES	2021 €	2020 K€
Marketing	803,301	621
Expenses passed on by affiliated companies	789,005	401
Legal counseling and other consulting	378,153	382
Foreign exchange losses	238,610	2,644
Rental and leasing	165,232	147
Insurances	157,344	182
Travel expenses	96,672	52
IT expenses	61,780	402
Skill enhancement	7,524	15
Miscellaneous	225,857	379
	2,923,478	5,225

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

5. Income tax

The Company is a parent company that is required to be consolidated according to § 244 of the Austrian Commercial Code (UGB). In 2005, a tax allocation agreement was signed in accordance with § 9 VIII of the Corporate Income Tax Act 1988 (KStG) (group parent RATH AG - group members Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, and RATH Business Services 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 contributions. In the case of a positive fiscal result, the tax contribution 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 %.

NOTES

The tax expenditure (-) or tax income (+), respectively, for the business year results from the following:

2020 K€	2021 €	TAX EXPENDITURE 2021 <
67	-353,754	Current corporate income tax
102	374,079	Corporate income tax from group allocation
196	-480,734	Deferred tax income/expense
365	-460,409	

6. Events after the balance sheet date

Russia's military offensive in Ukraine, which began on February 24, 2022, has shaped our daily activities since the day of the invasion and is causing a continuing strain on our business environment. In the course of 2022, there will be changes in the field of sales with Ukrainian but also with Russian customers, as payments can no longer be received due to the sanctions that have been in place since February 28, 2022 – keyword: SWIFT. There will be changes on the procurement side, new suppliers of raw materials have to be found, because the companies from Ukraine were essential suppliers of raw materials. Our distribution company, RATH Ukrajina TOW, based in Mariupol, no longer exists; there used to be an office for rent and a storage space, the stored goods are also likely to no longer exist, the employees have fled.

In March 2022, a tub rupture occurred on a fiber production line at the plant in Mönchengladbach. As a result of the damage, the plant is expected to be shut down for 6–8 weeks. At present, it has been possible to organize the shortfall due to the interruption of operations via cooperation partners, which means that there are only minor deviations in delivery. It is currently anticipated that the plant will be back in service in the last week of April 2022.

In the opinion of the management of the RATH Group, there is no doubt about the preparation of the financial statement based on the going concern assumption. Possible macroeconomic developments and their impact on the market environment cannot be anticipated at the present time and have therefore not been taken into account in the forecast.

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

C. ORGANS OF THE COMPANY

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. The management contract is in force until December 31, 2027.

DI Ingo Gruber, born in 1962, has been a member of the Management Board since October 01, 2019, responsible for the divisions Production and Research & Development. The management contract is in force until December 31, 2025.

NOTES

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

		2021	2020
		K€	K€
> MANAGEMENT BOARD REMUNERATIONS			
Andreas Pfneiszl	fixed	235	217
	Life insurance	10	10
	variable	96	0
		341	227
DI Ingo Gruber	fixed	235	217
	Life insurance	10	10
	variable	93	0
		338	227
Total Management Board remuneration		680	454

Upon termination of his/her function and provided that his/her 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 Austrian Salaried Employees Act (Angestelltengesetz), 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 € 30,950 as of December 31, 2021 (previous year: k€ 25).

Pension payments were made to former executive bodies to the amount of € 173,932 (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.

> SUPERVISORY BOARD MEMBERS	YEAR OF BIRTH	INITIAL APPOINTMENT	END OF CURRENT TERM OF OFFICE
Mag. Stefan Ehrlich-Adám (Chairman), <i>independent</i>	1964	25.6.2013	in 2023
CPA Mag. Philipp Rath (Vice Chairman), <i>dependent</i>	1966	17.7.2003	in 2023
Mag. Dieter Hermann , <i>independent</i>	1966	25.6.2013	in 2023
Dr. Andreas Meier , <i>independent</i>	1962	1.6.2016	in 2023
Mag. Dr. Ulla Reisch , <i>independent</i>	1968	28.5.2018	in 2023

NOTES

The Supervisory Board remuneration (including attendance fees) for the business year 2021, subject to the approval of the Annual General Meeting, amounts to a total of € 82,700 (previous year: k€ 85) and is distributed among the individual Members of the Supervisory Board as follows:

REMUNERATION (INCL. ATTENDANCE FEES)	MEMBERS OF THE SUPERVISORY BOARD <
20,000	Mag. Stefan Ehrlich-Adám (Chairman)
17,750	CPA Mag. Mag. Philipp Rath (Vice Chairman)
15,200	Mag. Dieter Hermann
15,200	Dr. Andreas Meier
14,550	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, APRIL 27, 2022

Andreas Pfneiszl (m.p.)

Member of the Management Board

DI Ingo Gruber (m.p.)

Member of the Management Board

SUPPLEMENT 1: SUMMARY OF FIXED ASSETS

	ACQUISITION AND MANUFACTURING COSTS			
	AS OF 1.1.2021 €	ADDITIONS €	DISPOSALS €	AS OF 31.12.2021 €
I. Intangible assets				
Industrial and intellectual property rights and similar rights and benefits, as well as licenses derived from this	810,839	0	0	810,839
	810,839	0	0	810,839
II. Property, plant and equipment				
1. Other assets, company and business equipment *	1,093,200	13,416	-926	1,105,690
2. Down payments and assets under construction	21,800	0	-21,800	0
	1,115,000	13,416	-22,726	1,105,690
III. Financial assets				
1. Interest in affiliated companies	30,530,403	0	0	30,530,403
2. Loans to affiliated companies	33,078,983	1,000,000	-4,480,396	29,598,586
3. Investment securities	596,526	0	0	596,526
	64,205,911	1,000,000	-4,480,396	60,725,515
	66,131,750	1,013,416	-4,503,122	62,642,044
* of which low-value assets in accordance with § 13 of the Austrian Income Tax Act (EStG)		2,555		

SUPPLEMENT 1: SUMMARY OF FIXED ASSETS

CUMULATED DEPRECIATIONS					NET CARRYING AMOUNTS	
AS OF 1.1.2021 €	ADDITIONS €	DISPOSALS €	VALUE ADJUSTMENT FOREIGN CURRENCY €	AS OF 31.12.2021 €	CARRYING AMOUNT 31.12.2020 €	CARRYING AMOUNT 31.12.2021 €
-701,582	-42,846	0	0	-744,428	109,257	66,411
-701,582	-42,846	0	0	-744,428	109,257	66,411
-885,774	-76,241	926	0	-961,089	207,426	144,601
0	0	0	0	0	21,800	0
-885,774	-76,241	926	0	-961,089	229,226	144,601
-9,890,844	0	0	0	-9,890,844	20,639,559	20,639,559
-2,448,227	0	0	2,046,629	-401,598	30,630,755	29,196,988
0	-22,319	0	0	-22,319	596,526	574,207
-12,339,071	-22,319	0	2,046,629	-10,314,761	51,866,840	50,410,754
-13,926,427	-141,406	926	2,046,629	-12,020,278	52,205,323	50,621,766
	-2,555					

SUPPLEMENT 2: INVESTMENTS

COMPANY NAME AND HEADQUARTERS	SHARE %	STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2021* €	ANNUAL RESULT 2021* €
RATH GMBH, MEISSEN, GERMANY	100.00%	25,346,971	-738,552
<i>PREVIOUS YEAR</i>	100.00%	26,085,523	-340,132
RATH HUNGARIA KFT., BUDAPEST, HUNGARY	100.00%	2,556,082	-297,056
<i>PREVIOUS YEAR</i>	100.00%	2,916,349	-526,969
RATH INC., NEWARK, DE, USA	100.00%	710,108	593,984
<i>PREVIOUS YEAR</i>	100.00%	64,057	-713,352
CHAMOTTEWAREN- UND THONÖFENFABRIK AUG. RATH JUN. GMBH, KRUMMNUSSBAUM, AUSTRIA	99.98%	14,660,086	2,152,556
<i>PREVIOUS YEAR</i>	99.98%	13,007,530	677,284
RATH ŽÁROTECHNIKA SPOL. S R.O., DVŮR KRÁLOVÉ NAD LABEM, CZECH REPUBLIC	100.00%	1,586,052	47,464
<i>PREVIOUS YEAR</i>	100.00%	1,457,109	27,646
RATH POLSKA SP. Z O.O., DĄBROWA GÓRNICZA, POLAND	100.00%	244,310	141,035
<i>PREVIOUS YEAR</i>	100.00%	104,316	-19,953
RATH UKRAJINA TOW, DNIPRO, UKRAINE	100.00%	92,074	-101,399
<i>PREVIOUS YEAR</i>	100.00%	180,595	-17,715
RATH GROUP S. DE R.L. DE C.V., GUADALUPE, MEXICO	100.00%	-114,746	116,690
<i>PREVIOUS YEAR</i>	100.00%	-223,282	-88,871
RATH BUSINESS SERVICES GMBH (FORMERLY RATH FILTRATION GMBH), VIENNA, AUSTRIA	100.00%	-51,009	-359,735
<i>PREVIOUS YEAR</i>	100.00%	308,726	92,918

* according to preliminary local financial statement

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 per December 31, 2021, the P&L account for the business year ending on this reporting date, and the Notes.

According to our assessment, the annexed annual financial statement corresponds to the legal provisions and give a maximally true and fair view of the assets and the financial position of the Company as per December 31, 2021, as well as of the profitability of the Company for the business 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 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). 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 annual financial statement". We are independent of the Company, 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 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, and 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

Recoverability of shares in affiliated companies and loans to affiliated companies

Facts

The shares in affiliated companies to the amount of € 20,639,559 (previous year: k€ 20,640) as well as loans to affiliated companies totaling € 29,196,988 (previous year k€ 30,631) represent 80 % (previous year: 81 %) of the balance sheet total of Rath Aktiengesellschaft, Vienna, on the balance sheet date.

AUDITOR'S CERTIFICATE

Pursuant to § 204 (2) of the Austrian Commercial Code (UGB), 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 reporting 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. An appreciation in value pursuant to § 208 (1) of the Austrian Commercial Code (UGB) 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 business 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 a recoverability 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 prorated stockholders' equity, or for the purpose of determining write-ups, a valuation is carried out on the basis of a discounted cash flow method, which are essentially dependent on future turnover and margin expectations and on discounting interest rates.

The assumptions underlying the valuation models 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 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 assessed the impairment test performed by the Management Board on the shares in affiliated companies and loans to affiliated companies. As part of our auditing measures, we:

- gained an understanding of how Rath Aktiengesellschaft, Vienna, monitors the existence of signs of permanent impairment or appreciation in value, respectively,
- 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,
- 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,

AUDITOR'S CERTIFICATE

- consulted internal experts to reconcile the parameters used, such as the discounting interest 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 statement of Rath Aktiengesellschaft, Vienna, section A. Accounting and Valuation Principles, 2. Fixed assets, c) financial assets and d) write-ups to fixed assets as well as B. Notes to the Balance Sheet and P&L Account of Rath AG, Notes to the Balance Sheet, 1. Fixed assets.

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 annual financial statement does not cover such other information, and we do not express any form of assurance conclusion thereon.

In the context of our auditing of the annual financial statement, we have a responsibility to read this other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statement or our knowledge obtained in 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.

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

The legal representatives are responsible for the creation of the annual financial statement and for making sure that this provides a maximally faithful 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 - fraudulent or accidental - misrepresentations.

During the creation of the annual financial statement, the legal representatives are responsible for assessing the capability of the Company to continue their company activities, to specify circumstances in

AUDITOR'S CERTIFICATE

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 cease its activities, or do not have any realistic alternatives to this.

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

Responsibilities of the auditor for the auditing of the annual financial statement

Our goals are to obtain sufficient certainty as to whether the annual financial statement as a whole is free of significant - fraudulent or accidental - 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 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 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 submitting a Audit Opinion of 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

AUDITOR'S CERTIFICATE

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 annual financial statement, including the specifications, as well as if the financial statement represents the business transactions and events in a manner that creates a maximally faithful image.

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 Austrian Commercial Code (UGB), and is in agreement with the annual financial statement.

AUDITOR'S CERTIFICATE

Statement

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

Additional information under Article 10 of the EU-Reg

We were elected as annual auditors by the Annual General Meeting on June 02, 2021.

We were commissioned by the Supervisory Board on November 19, 2021. We have been annual auditors without interruption since the business 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 (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 auditor responsible for the final audit is Dipl.-BW (FH) Marius Richter.

Vienna
April 27, 2022

PwC Wirtschaftsprüfung GmbH
Dipl.-BW (FH) Marius Richter
CPA

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.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS:

In the business year 2021, the Supervisory Board of RATH AG performed the duties incumbent upon it according to the law and the Articles of Association with great care. It regularly monitored the management activities of the Management Board and provided advice on the strategic development of the Company and key individual measures. The Supervisory Board was regularly informed in detail about this by the Management Board. This was done within and outside the meetings of the Supervisory Board and its committees by means of written and oral reports, for example, on all pivotal economic figures of the RATH Group, on the economic situation and on deviations of the business performance from the budget. In addition, the Supervisory Board dealt with fundamental issues of corporate planning, including financial, investment, sales and personnel planning, as well as measures to shape the future in research and development, and organic and inorganic growth. The Supervisory Board discussed the reports of the Management Board in detail and expounded on the development prospects of the Group with the Management Board. In doing so, it confirmed that the management of the Company by the Management Board was lawful, expedient and proper. The Chairman of the Supervisory Board and the members of the Management Board were in regular contact also outside the Supervisory Board meetings. The Chairman of the Supervisory Board was always informed promptly and comprehensively about current developments and significant individual matters. The Supervisory Board was involved at an early stage in decisions of major importance. Where the approval of the Supervisory Board was required by law or the Articles of Association for individual measures taken by the Management Board, the Supervisory Board passed resolutions to this effect.

In the reporting year 2021, the Management Board and the Supervisory Board exchanged information in five meetings, consulting on the economic situation and the strategic development of our Group, as well as on important events, investments and actions. Due to COVID-19 restrictions, with the consent of all members some of the meetings were held virtually. 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

Five meetings (including the inaugural meeting of the Supervisory Board) were held in the business year 2021. All members participated personally in all meetings. At the meeting in March 2021, reports were given on the past business year, as well as on business performance in 2021 and plant capacity utilization; potential candidates for acquisition were also discussed. At the meeting in April 2021, the annual financial statement and management report 2020 as well as the consolidated financial statement and consolidated annual report 2020 were reviewed, the annual financial statement 2020 was assessed as recommended by the Audit Committee, and the proposal for the appropriation of profits from the business year 2020 was approved. Furthermore, the proposal for selection of an annual auditor was agreed upon, and the current state of business and of talks with possible candidates for acquisition was reported on. The

REPORT OF THE SUPERVISORY BOARD

meeting in June 2021 mainly served as a preliminary discussion for the Annual General Meeting and a report on the current business situation. During the inaugural meeting of the Supervisory Board, which took place on the same day after the Annual General Meeting, members of the Supervisory Board were elected to the committees. At the September 2021 meeting, the current business situation was discussed, with a particular focus on the capacity utilization of our plants and the impact of the raw material shortage and the raw material price issue, and an update was given on possible acquisitions. An overview of possible investment projects was also presented. In the last meeting of the year in December 2021, primarily the outlook into the next year and the budget for 2022 were discussed and approved.

Committees

The Supervisory Board established three committees during the reporting year. The Audit Committee met twice in 2021. In April 2021, the Audit Committee carried out the final meeting for the business year 2020 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 2021, 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 2021. The November 2021 meeting focused on a presentation of a business valuation of a European refractories group, as well as an impact on our facility concept. Two meetings of the Remuneration Committee were held in the past business year. The meeting in April 2021 focused on the determination of the Management Board's target achievement in 2020 as the basis for the variable remuneration component and the setting of targets for 2021. The May 2021 meeting dealt with the extension of the terms of office of both members of the Management Board.

Annual Financial Statement

The annual financial statement of RATH AG as of December 31, 2021, and the management report by the Management Board, as well as the consolidated financial statement as of December 31, 2021 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 June 2, 2021. The Audit Committee of the Supervisory Board analyzed the result of the audit in cooperation with the annual auditors during the meeting on April 27, 2022, and recommended approval of the annual financial statement to the Supervisory Board. By resolution of April 27, 2022, the Supervisory Board approved the consolidated financial statement.

The Supervisory Board has reviewed the documents according to § 96 of the Austrian Stock Corporation Act (AktG) as well as the corporate governance report, and approved the annual financial statement, which are therefore 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 27, 2022

Mag. Stefan Ehrlich-Adám
Chairman of the
Supervisory Board

STATEMENT BY ALL LEGAL REPRESENTATIVES PURSUANT TO § 124 (1) 3 OF THE AUSTRIAN STOCK EXCHANGE ACT (BÖRSEGESETZ)

We confirm to the best of our knowledge that the consolidated financial statement as of December 31, 2021 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, 2021 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, 2021, 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, 2021 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, 2021, are not necessarily indicative of the development of future results.

VIENNA, APRIL 27, 2022

Andreas Pfneiszl (m.p.)

Member of the Management Board

DI Ingo Gruber (m.p.)

Member of the Management Board

