2021

ANNUAL REPORT

www.rath-group.com

OUTSTANDING INSIDE
Refractory Solutions

RATH

KEY FIGURES

	2021 K€	2020 K€	2019 K€	2018 K€	2017 K€
Turnover	**97,842**	86,378	100,070	94,488	86,338
Change in %	**13.3**	-13.7	5.9	9.4	7.5
EBITDA [1]	**11,539**	8,484	14,111	12,729	10,395
EBITDA margin in %	**11.8**	9.8	14.1	13.5	12.0
EBIT [1]	**5,123**	1,587	8,383	8,422	6,237
EBIT margin in %	**5.2**	1.8	8.4	8.9	7.2
EBT [1]	**6,457**	-2,562	7,854	8,170	2,891
Operating cash flow	**2,448**	21,209	4,354	13,758	10,148
Equity ratio in %	**44.7**	44.5	47.7	45.3	44.7
Return on shareholders' equity in %	**8.5**	-5.2	7.4	12.1	5.4
Net debt	**28,568**	23,333	35,381	14,501	20,150
Net debt / EBITDA [1]	**2.48**	2.75	2.51	1.14	1.94
Working capital in % of the turnover [2]	**30.3**	28.0	33.8	30.0	34.8
ROCE in %	**3.8**	2.4	4.9	9.7	8.8
Investments in property	**6,464**	8,064	6,914	5,479	5,788
Depreciation	**6,416**	6,897	5,728	4,306	4,157
Number of employees on annual average	**598**	593	577	549	536
Number of consolidated companies	**13**	13	11	10	10

[1] In the business year 2019 adjusted for one-off effects

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

ANNUAL REPORT 2021

RATH GROUP

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CONSOLIDATED TURNOVER INCREASES
PROFITABILITY INCREASES
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PREFACE BY THE MANAGEMENT BOARD

Sehr geehrte Damen und Herren,

despite all the uncertainties caused by the COVID-19 pandemic, market demand has returned with a recovery that we had neither imagined nor planned!

In the previous Annual Report 2020, we had to accept a very weak result after years of success; due to the onset of the pandemic, hardly anything could be planned. But now we are back, and with strong results too. Turnover and earnings alike present a decent picture. In the first half of 2021, the recovery began, which continues to this day; our plant capacities were and are full and this despite the fact that it was a great challenge to get our raw materials to our plants at the agreed times, and also our promised customer delivery dates were a challenge. However, supply chain disruptions could not stop us, and so we can look back on a very decent business year with challenging underlying conditions.

The very start of the year 2022 was already very challenging due to the energy crisis, and since February 24, 2022, what was unthinkable before has indeed occurred in Europe – there is war in Ukraine! We as RATH are doubly affected by the suffering caused by the war: On the one hand our Ukrainian distribution company was located in Mariupol, and on the other we purchase raw materials from Ukraine! As a result of the sanctions imposed by the European Union and the USA on Russia, we are now also affected, as both the sales market and the procurement market in Russia are currently no longer available to us. At RATH, we need gas every day to operate our furnaces, and all our plants in Germany, Austria and Hungary get most of their gas

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

supplies from Russia. This means that it is currently not possible to make a forecast for the economic development in 2022.

The Management Board and the Supervisory Board will propose to the upcoming Annual General Meeting a dividend payment of € 0.33 per share, or a total of k€ 495, from the net profit for the business year 2021 and carry the remaining amount forward to new account in order to strengthen the Company's liquidity against the backdrop of the war in Ukraine and the currently inconclusive consequences thereof.

A big thank you goes to our employees for their indefatigable commitment in 2021 – and above all for their loyalty and dedication in these difficult times! We will master this crisis as well and achieve strong results again.

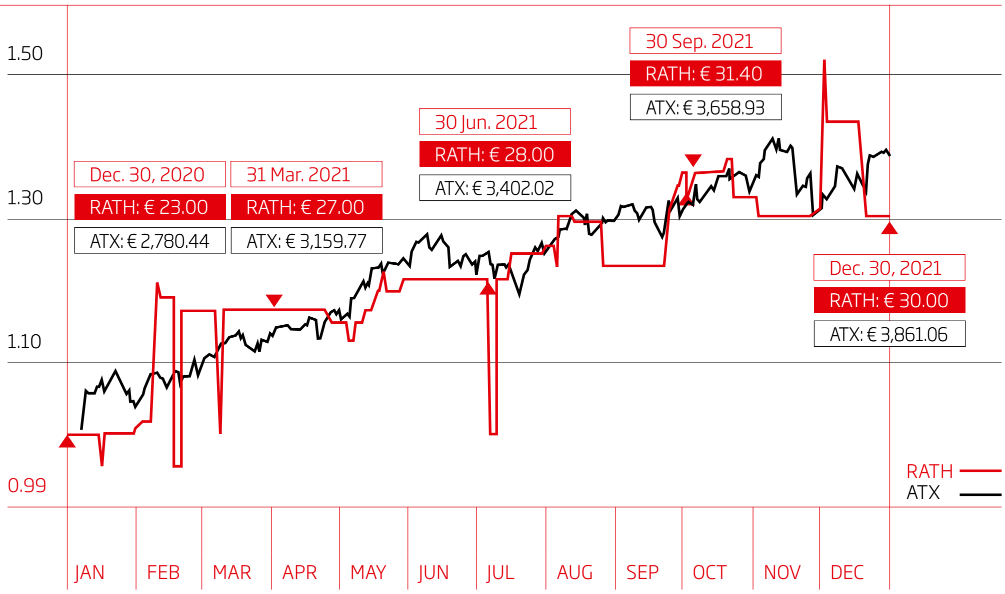
Yours, the Management Board

Andreas Pfneiszl

DI Ingo Gruber

THE STOCK

› SHARE PRICE DEVELOPMENT



› STOCK MARKET KEY FIGURES

ISIN	AT0000767306
Securities abbreviation	RAT
Market segment	Standard Market Auction
Trading segment	Official trading
Class of shares	No-par shares entitled to vote
Number of shares	1,500,000
Share price 30.12.2021	€ 30.00
Market capitalization:	€ 45,000,000
Earnings per share	€ 2.88

› CAPITAL MARKET CALENDAR 2022

September 30, 2022	Semi-annual result 2022
June 10, 2022	Annual General Meeting

THE STOCK

STOCK

The RATH stock

The share price of the RATH Group in 2021 held up well over the year as a whole, or increased over the course of the year. After a price of € 23.00 at the beginning of 2021, the share price rose steadily to € 31.40 as per September 30, 2021. At the end of the year, it closed at a price of € 30.00 and thus reported a price gain for 2021 amounting to 30 %. This is thus around 8 % below that of the ATX.

Investor Relations

The aim of the capital market communication by RATH AG is to inform the financial community about market-relevant developments promptly and extensively. As a judicious contact, we are capable of creating a fair and appropriate valuation of the RATH stock. The focus is always to convey an image representing the Company's actual situation according to the principle of true and fair view.

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

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

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

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

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

The Austrian Corporate Governance Code is based on voluntary self-commitment and goes beyond the legal requirements for a stock corporation. The RATH Group follows the rules of the Code almost entirely. Due to its commitment to the Austrian Corporate Governance Code, the RATH Group not only has to comply with the legal requirements, the L Rules ("Legal Requirements"). Rather, the effect of this voluntary commitment is that it must justify non-compliance with C Rules ("Comply or Explain") – these are rules that exceed the legal requirements. In line with this system, the RATH Group explains the deviations from the C rules as follows:

DEVIATIONS FROM C RULES AND EXPLANATION

C Rule 16

The Austrian Corporate Governance Code provides for a Chairman of the Management Board. At the RATH Group, the members of the Management Board, Andreas Pfneiszl and DI Ingo Gruber, jointly exercise overall responsibility. The Supervisory Board has not appointed a Chairman of the Management Board. A clear distribution of tasks and short, direct communication channels make this unnecessary. Here, Mr. Andreas Pfneiszl assumes the role of spokesman for the Management Board.

C Rule 18

In view of the size of the Company, there is no separate "Internal Auditing" staff unit – the tasks are performed by the "Quality and Process Management" staff unit. The auditing tasks are carried out on an ad hoc basis in cooperation between the Management Board and the staff unit, with external consultants being called in where necessary. Furthermore, an internal control and reporting system has been set up to enable the Management Board to identify risks and respond to them quickly. The Supervisory Board, in particular the Audit Committee, is regularly informed about the internal control mechanisms and risk management in the Group.

C Rule 27

No long-term and/or multi-year performance criteria are defined for the variable remuneration of the Management Board, nor are there any claw-back provisions. The Management Board contracts provide for a limit of 2 years' total compensation as part of any severance payment. There is no restriction on the economic situation of the Company.

C Rule 36

The majority of the Supervisory Board members have been active in the Supervisory Board for many years, and the processes and tasks are familiar and well-rehearsed. Nevertheless, the Supervisory Board

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

is constantly striving to improve its organization, working methods and efficiency. No explicit and documented self-evaluation took place in the past business year. The next self-evaluation is planned for 2022.

C Rule 39

The Supervisory Board has not appointed a committee authorized to make decisions in urgent cases. In urgent cases, the Management Board contacts the Chairman of the Supervisory Board, who can bring about a decision by means of a circular procedure.

The Corporate Governance Report of RATH AG also corresponds to the consolidated corporate governance report of the RATH Group. The ÖCGK valid for the business year 2021 (as of: January 2021) can be found on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) as well as on that of RATH AG (www.rath-group.com).

RATH uses the Code of Corporate Governance of January 2021, accompanied by the following explanations:

Composition of the Management Board

As of December 31, 2021, the Management Board of RATH AG consisted of two members. Mr. Andreas Pfneiszl has been a member of the Management Board since his initial appointment on June 10, 2013, and is responsible for Sales, Finance, Human Resources and IT.

DI Ingo Gruber has been a member of the Management Board since October 01, 2019, responsible for the areas of Production as well as Research & Development and SCM. As in the previous year, there is no chairperson.

› MEMBERS OF THE MANAGEMENT BOARD

TITLE	NAME	FUNCTION	DATE OF BIRTH	INITIAL APPOINTMENT	END OF TERM OF OFFICE	SUPERVISORY BOARD MANDATES AND/OR COMPARABLE FUNCTIONS IN OTHER COMPANIES NOT INCLUDED INTO THE CONSOLIDATED FINANCIAL STATEMENT
	Andreas Pfneiszl	Member of the Management Board	December 01, 1969	June 10, 2013	December 31, 2027	none
DI	Ingo Gruber	Member of the Management Board	April 19, 1962	October 01, 2019	December 31, 2025	none

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

ANDREAS PFNEISZL

Areas of responsibility

Management Board Member for Sales and Finance

Assigned corporate functions

Sales, Finance, IR, HR, Legal and IT

Group companies

Member of the Management Board of RATH AG
Member of the Management Board of RATH Business Services GmbH, RATH GmbH, and RATH Sales GmbH & Co KG

DI INGO GRUBER

Areas of responsibility

Management Board Member for Production and Engineering

Assigned corporate functions

Research & Development, Production and Purchasing

Group companies

Member of the Management Board of RATH AG
Member of the Management Board of RATH Business Services GmbH, Aug. RATH jun. GmbH, RATH GmbH, and RATH Sales GmbH & Co KG

Composition of the Supervisory Board

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

› SUPERVISORY BOARD MEMBERS

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

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

Diversity and measures for the promotion of women

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

When selecting the members of the Management Board, the Supervisory Board ensures that non-current succession planning is adhered to. In the opinion of the Supervisory Board, the basic suitability criteria for the screening of candidates for a position on the Management Board are their professional qualifications for the portfolio to be assumed, convincing leadership qualities, previous performance, and knowledge of the Company. Setting aside these criteria, women and men have the same chances in the selection process. In the course of making its decision, the Supervisory Board contemplates the following aspects:

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

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

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

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

Currently, no member of the Management Board of RATH AG is female; one member of the Supervisory Board is. Women hold leading positions in numerous departments of the first and second reporting level. As of December 31, 2021, women accounted for 27.8 % of the total workforce across the Group (previous year: 18.6 %).

The RATH Group supports and promotes employment of women in all departments, in particular in technical areas. However, the RATH Group is very often confronted with the situation that in many countries there are still significantly fewer women than men in technical occupations or professions. The RATH Group therefore supports various initiatives to inspire women to take up a technical profession or to start studying technology. This includes regular participation in various events such as recruitment and career orientation days for young women at universities and colleges. The RATH Group also takes

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

measures and makes investments to promote compatibility of career and family. In addition, great attention is paid to strict gender equality in the recruitment process. However, despite all efforts to promote employees the RATH Group will refrain from anything that would lead to discrimination against men.

Independence of the Supervisory Board members

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

Committees and activities of the Supervisory Board

The Supervisory Board of RATH AG consists of experts from various disciplines and conducts regular meetings dealing, among other things, with strategic matters and balance sheet affairs. The following persons have been members of the Supervisory Board since the Annual General Meeting on May 28, 2018: Mag. Ehrlich-Adám (Chairman), CPA Mag. Philipp Rath (Vice Chairman), Mag. Dieter Hermann, Mag. Andreas Meier and Mag. Dr. Ulla Reisch. Within this framework, the Supervisory Board of RATH AG is involved as an advising body in all basic decisions of the Management Board.

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

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

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 Remuneration Committee consists of 4 members: Mag. Ehrlich-Adám, CPA Mag. Philipp Rath, Mag. Dieter Hermann and Mag. Andreas Meier. The Strategy Committee met once in 2021. The focus of the November 2021 meeting was the presentation of organic or inorganic growth, respectively. The Management Board presented potential companies in Europe paired with a facility concept to sustainably drive our growth strategy.

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

Two meetings of the Supervisory Board were held in the past business year. The Remuneration Committee consists of Mag. Ehrlich-Adám, CPA Mag. Philipp Rath and Dr. Andreas Meier. The focus of the March meeting was the determination of the Management Board's target achievement in 2020, with the Management Board actively waiving 100 % of its bonus. Concomitantly, the targets for 2021 were defined for the variable compensation component. At the May meeting, the extension of the Management Board mandates until 2025 and 2027 respectively was considered.

The duties of the Supervisory Board are governed by the Articles of Association and by applicable law. The Supervisory Board performed its duties in five meetings (including the inaugural meeting). At the inaugural meeting of the Supervisory Board, the members of the individual committees were elected. At the March 2021 meeting, the 2021 budget was approved with a plan through 2022, and an update was provided on the status of potential acquisitions and the internal evaluation of the C-62 Rule.

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 was reported on. In the June, September and December 2021 meetings, the current business situation was reported on, the impact of the COVID-19 pandemic was always taken into account, and potential corporate purchases likewise were reported.

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.

The attendance rate was 100 % (previous year: 100%). No advances or loans were granted to members of the Supervisory Board of RATH AG.

Report on Rule C 49

Rödl & Partner New York, USA, was entrusted with the auditing of the 2021 financial statement of the American group companies RATH, Inc. and RATH LLC. CPA Mag. Philipp Rath is a partner of the affiliated company Rödl & Partner, Vienna, Austria.

CPA

At the 32st Annual General Meeting of RATH AG held on June 02, 2021, PwC Wirtschaftsprüfung GmbH, Vienna, was elected as the independent annual auditor for the annual financial statement and consolidated financial statement of RATH AG for the year 2021.

External evaluation

According to Rule 62 of the Austrian Corporate Governance Code, compliance with the provisions of the Code should be evaluated externally on a regular basis, i.e. at least every three years.

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

An external evaluation was carried out by PwC Wirtschaftsprüfung GmbH, Vienna, for the reporting year 2021.

In accordance with Rule 62 of the Austrian Corporate Governance Code, the next external evaluation is planned for the business year 2024.

Changes after the reporting date

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

VIENNA, APRIL 27, 2022

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

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

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

The Management Board

Andreas Pfneiszl

DI Ingo Gruber

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

Mag. Stefan Ehrlich-Adám, Chairman 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 March 2021 meeting, reports were given on the past business year, as well as on business performance in 2021 and plant capacity utilization, and 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 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

REPORT OF THE SUPERVISORY BOARD

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 focus of the November 2021 meeting was the presentation of a business valuation of a European refractories group, and the 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

CONSOLIDATED ANNUAL REPORT

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ECONOMIC ENVIRONMENT

In 2021, the COVID-19 pandemic continued to affect the global economy. Developments varied from region to region, with the economic recovery in Europe starting later than in North America but extending well into the 4th quarter of 2021, while in North America the first signs of a slowdown were recorded from the third quarter of 2021. However, in the course of the strong recovery in industrial production, clearly noticeable supply bottlenecks developed for many raw materials and finished products, which had a dampening effect on the economy. Overall, the International Monetary Fund (IMF) nevertheless expects the global economy to grow by 4.4 % in 2022 (2021: -5.9 %).

At the beginning of 2021, the eurozone was still showing trends towards recession due to the waves of infection and the associated restrictions. Here, regional differences in Europe were enormous, ranging from contraction in Austria and Germany through stagnation in France and minimal expansion in Italy to strong growth in Ireland. It was not until the second quarter that a broad-based, strong recovery set in, which lasted into the 4th quarter of 2021. Beginning in the fall of 2021, COVID-19 infection rates began to rise again, slowing economic momentum. After a challenging year 2020, the business environment turned out to be more complex than ever, demanding from us a high potential for adaptation and strength in a completely changed daily work routine.

INDUSTRY ENVIRONMENT

The RATH Group is a member of the Austrian Association of the Bricks and Ceramics Industry. The WIFO forecasts a GDP growth of 3.9 % for Austria in 2022. (Previous year: 4.5 %)

SALES UNITS

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

› SHARES OF SALES BY SALES UNIT

2021	K€	%
METALS & FCE	50,799	52 %
CERAMICS & SFU	34,807	35 %
GLASS	12,236	13 %
Total	**97,842**	**100 %**

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

CONSOLIDATED ANNUAL REPORT 2021

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

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

In the METALS business area, more orders were received and handled in 2021 again. The initiated reconstruction of the steel industry in the USA is also a positive contribution for us; we were able to successfully offer and sell our solutions via European plant manufacturers for American steel mills – above all for rolling mills. Due to the energy crisis, RATH's most traditional sales area is experiencing a renaissance in the commercial segment, where demand has taken off strongly, one reason being the independence from gas and electricity with a basic stove!

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

In the area of "SPECIAL FURNACES" we deal with inquiries from industries in the field of dental furnace construction, laboratory furnace construction, analytical equipment manufacturers, furnaces for drying and sintering of materials for battery production and other special applications such as 3D printing. Here, too, the RATH Group can offer our customers a wide range of materials that are nevertheless highly specialized and tailored to the customer's needs. Here, too, the offer is completed by engineering, assembly and dealing with special customer requirements. The geographical main sales markets are likewise Europe and the USA.

We were able to generate an increase in turnover in both areas of the sales unit; demand was not merely attributable to the catch-up effects from 2020, but we also received a very large order from the automotive supply industry.

As in the previous year, sales with furnaces for the battery industry increased again.

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GLASS

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

Our objective for 2021 was to maintain our global market share, keep the position we have achieved and the level of turnover, prepare for the expected recovery in demand, add further products to our product portfolio, and gain a foothold in other sectors of the glass industry in addition to the container glass sector. We succeeded in this and were able to supply many new customers for the first time.

BUSINESS PERFORMANCE 2021

Our prediction for 2021 in the 2020 Annual Report has come true: "On this basis and taking into account constant foreign currency exchange rates and interest rates as well as raw materials that can be supplied, for the business year 2021 the RATH management expects a return to solid figures in turnover and earnings."

With the start of the new business year 2021, the volume of inquiries increased significantly and remained high until the end of the year. We were able to achieve an increase in pending orders from M€ 25 as of December 31, 2020 to M€ 45 as of December 31, 2021.

In the 1st quarter of 2021, we benefited above all from the renewed demand from the automotive industry; we received the largest single order in RATH's history for heat treatment furnaces; and we also recorded strong growth in the area of pusher plate furnaces for the battery industry. The order backlog as of March 31, 2021, was M€ 36 (previous year: M€ 27).

The 2nd quarter of 2021 was characterized by the onset of delivery delays, and everyone was still talking about the average of the Ever Given, which ran aground on a bank in the Suez Canal due to strong winds. Unimpressed by this, our customers were in an investment mood, and we were able to continue collecting orders. Our order backlog grew to M€ 38. Customers from the glass industry deserve particular mention here, above all the producers of special glass.

In the 3rd quarter of 2021, supply chain disruption was our biggest challenge; our supply chain management had to find, review and approve new sources of supply almost daily. Things of daily life in a production were hardly available from one day to the next, and where they were, only against significantly higher prices than just a few weeks before. From raw materials through additives up to pallets or packaging boxes, suddenly everything was "not available"! We began to raise our prices due to the sharp increase in freight costs, and in some cases raw materials and additives, but we were not able to increase our sales prices as quickly as some suppliers did. Our open order backlog climbed to

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M€ 42. Our sales unit "Glass" won several projects in Europe and Asia and also an order in Russia. In addition, it was the wood-based materials industry that assured us of some orders.

In the final quarter of 2021, it was mainly the plant manufacturers for battery furnaces that brought us strong growth. At the same time, stove fitters for domestic basic stoves also experienced a renaissance and placed more orders with us than they had done just a year before, and not only in the 4th quarter. Our order backlog at the end of 2021 amounted to M€ 45. The 4th quarter was heavily influenced by the European energy crisis with prices the likes of which we had never seen before, electricity and gas prices alike soaring to dizzying heights. These price increases heavily encumbered our earnings in the 4th quarter; although we had already launched a price offensive, we only succeeded in cushioning the increases, not containing them.

In the following, you will find an illustration of the four quarters of the past business year 2021:

BY 2020	BY 2021	Q4	Q3	Q2	Q1	KEY FIGURES ‹
86,378	97,842	25,778	26,196	25,139	20,730	Turnover in k€
8,484	11,539	2,791	1,745	4,174	2,820	EBITDA in k€
9.8%	**11.8%**	**10.8%**	**6.7%**	**16.6%**	**13.6%**	**EBITDA margin**
1,587	5,123	1,030	233	2,723	1,137	EBIT in k€
1.8%	**5.2%**	**4.0%**	**0.9%**	**10.8%**	**5.5%**	**EBIT margin**
593	598	615	607	589	579	Employees in Ø
23.0	30.0	30.0	31.4	28.0	27.0	Share price in €

SALES DEVELOPMENT

Catch-up effects as well as our solutions, which were again in strong demand, brought us a significant increase in our sales. Consolidated turnover thus increased by k€ 11,464 to k€ 97,842. The RATH Group is controlled via our national companies and our segments. The following is an analysis of the sales development at the company level: Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH Krummnußbaum was able to further increase the external turnover of the previous year with k€ 31,205 (previous year: k€ 24,732). Geographically, the market area, broken down by the locations of our customers, was mainly in Europe and the Middle East.

In the year the pandemic began, the metal industry showed negative growth effects; now these sales have rebounded. Thus, the positive trend of recent years could be continued once more in this area. As already mentioned, demand in the traditional stove-fitting sector has strengthened.

The German RATH companies with their three plants in Mönchengladbach, Bennewitz and Meißen were able to report an increase in turnover by 24.4 % in the past business year.

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Demand from the ceramics industry for our solutions increased again, as did demand from the laboratory and dental furnace construction sectors. Our market area here is primarily in Europe.

RATH Hungaria kft. reported a decrease in turnover amounting to -8.7 % and achieved sales of k€ 9,276 (previous year: k€ 10,157). Sales now come from both the glass industry and the steel industry. The sales markets here are in Europe and the Asia.

The US companies RATH Inc. and RATH LLC with their plants in Milledgeville and Owensville were able to report an increase in turnover by 0.7 % to k€ 18,456 (previous year: k€ 18,335); demand for our products and solutions rebounded in the USA as well. The customers here come from the glass, chemical industry, laboratory furnace construction and plant engineering sectors.

Our sales companies from Europe and Mexico reported a decrease in turnover by -17.2 %, to k€ 3,989 (previous year: k€ 4,818). The companies operate mainly in the project business, in particular in the steel sector and in various segments of the repair business.

EARNINGS DEVELOPMENT

The operative earnings before interest, income taxes, depreciations and amortization (EBITDA), adjusted for one-off effects, increased to k€ 11,539 (previous year: k€ 8,484). The EBITDA margin of 11.8 % (previous year: 9.8 %) is back to a solid level. Earnings before interest and income taxes (EBIT) increased to k€ 5,123 (previous year: k€ 1,587), the EBIT margin thus amounts to 5.2 % (previous year: 1.8 %).

Personnel expenses increased by 9 % to k€ 31,946 (previous year: k€ 29,403), in relation to turnover this corresponds to 33 % (previous year: 34%). The other operating expenses of k€ 10,569 (previous year: k€ 9,674) were increased by 9 %.

The financial result at the end of the reporting year was k€ 1,335 (previous year: k€ -4,149). The main reason for the positive development is from the foreign currency valuation of loans within the Group, in particular those denominated in US$. These resulted primarily from the weakening of the € against the US$. Net interest income, which mainly results from the interest expenditures of the promissory note bonds, remained relatively constant year-on-year.

The RATH Group thus achieved earnings before tax of k€ 6,457 (previous year: k€ -2,562).
The consolidated result after taxes amounts to k€ 4,314 (previous year: k€ -2,484).

In 2021, a dividend payment of € 0.33 per share, or a total of k€ 495, was realized from the net profit. A dividend payment of € 0.33 per share, or a total of k€ 495, from the net profit for the business year 2021 and carryforward of the remaining amount to new account in order to strengthen the Company's liquidity against the backdrop of the war in Ukraine and the currently inconclusive consequences thereof will be proposed to the upcoming Annual General Meeting.

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ASSETS AND FINANCIAL POSITION

In the business year 2021, the balance sheet total increased by k€ 7,430. The share of non-current assets in total assets also remained stable year-on-year at 49.3 % (previous year: 51.4%) at the level of the previous year.

Deferred tax assets amount to k€ 519 (previous year: k€ 764), which, as in the previous year, mainly relate to the capitalization of loss carryforwards in the USA.

Working capital increased in the past year, from k€ 24,182 to k€ 29,606. Here, the motto was and still is that "it is better to have raw materials in our warehouse than not to be able to deliver". In terms of turnover, this results in a ratio of 30.3 % (previous year: 28.0 %).

Consolidated equity increased compared to the same period of the previous year by 7.5 % to k€ 50,895 (previous year: k€ 47,329). This change was primarily due to the good operating result and the positive foreign currency effect. The other comprehensive income includes actuarial losses after taxes in connection with pensions and severance payments to the amount of k€ 237 (previous year: k€ 48) and currency differences. The capital ratio amounts to 44.7 % (previous year: 44.5%).

The non-current personnel provisions increased slightly from k€ 3,009 to k€ 3,191. As a partially compensatory effect, the lower interest rates of 0.69 % for pensions (previous year: 0.32 %), 0.88 % – 1.05 % for severance payments (previous year: 0.69 % – 0.91 %) and 0.88 % – 1.5 % for anniversary bonuses (previous year: 1.17 % – 1.37 %) are to be named.

Financial liabilities excluding liabilities from lease obligations increased by M€ 0.5. Financial liabilities are matched by cash and cash equivalents plus securities of k€ 13,883 (previous year: k€ 17,471). Our net debt shows a final balance in the business year of k€ 28,568 (previous year: k€ 23,333).

Cash flow from operating activities decreased in the past year to k€ 2,448 (previous year: k€ 21,209). Cash flow from investment activities decreased by approximately M€ 1 and shows an amount of k€ -6,231 at year-end compared to k€ -7,184 in 2020. In the financing area, the cash flow shows a balanced result of k€ 4 (previous year: k€ -1,448).

At the end of 2021, the debt repayment period (net debt/EBITDA) was 2.5 years (previous year: 2.8 years) The EBIT interest coverage was 7.3 (previous year: 2.0).

SUSTAINABLE FINANCING STRATEGY

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

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

EMPLOYEES

Highly trained and motivated employees are the key factor for the success of the RATH Group. Through their high technical and social competence, they ensure excellent product quality and high service level, and are an important driver for the future. Our success is due on the one hand to the dedication to innovative refractory solutions that we implement in our products and technologies, and on the other hand to the huge commitment and loyalty of our employees. As of December 31, 2021, the RATH Group employed a total of 571 people in full-time equivalents (previous year: 532).

The RATH Group does not have a stock option program. Management, leading employees and other key employees are included in locally differing premium models. Staff management tasks are carried out according to the central requirements of the parent company and then transferred to the subsidiaries. Strategic tasks in the field of Human Resources are within the responsibility of the CFO.

In the "filantHRopos" project, which is scheduled to run for several years, a further milestone was reached in the business year 2021, with the electronic personnel file going "live" in Germany.

In 2021, the RATH Group paid a total of k€ 123 for staff training (previous year: k€ 92). Our employees excel by qualifications, commitment, responsibility, discipline, loyalty and mutual appreciation in a familial work environment. At this point, the Management Board would like to thank all RATH colleagues for their efforts and the constructive cooperation during the past financial year.

SUSTAINABILITY (CORPORATE SOCIAL RESPONSIBILITY)

The Supervisory Board and Management of the RATH Group attach high value to sustainable corporate governance. Thus, strategic decision-making as well as operational leadership are influenced equally by ecological, economic and social factors.

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

Since January 1, 2005, the RATH Group has been part of the European Emissions Trading Scheme. Under this scheme, the companies involved (currently Aug. RATH jun. GmbH, Austria, and RATH Hungaria Kft., Hungary) receive emission certificates that must be returned to the relevant authority within four months at the end of the calendar year in respect of that year's actual emissions. If actual yearly emissions exceed those allocated on the certificates, the required number of additional certificates must be purchased. As in the previous year, the RATH Group had sufficient free certificates.

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

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.

RESEARCH & DEVELOPMENT

The RATH Group is organized by a central Research and Development department with the priority areas Innovation, Development, Process Optimization, and Materials Science. Intensive and sustainable research and development are important components of our strategy as a premium supplier. Topics and projects in the area of research, technology and innovation are of the highest priority and supporting pillars for our company success, and therefore crucial for a sustainable competitive advantage and growth. Despite the difficult environment, we continued to focus and expand R&D in 2021.

In 2021, both existing products were further developed, and new products were brought to market maturity. Particularly noteworthy are the product developments in the area of wear parts for the glass industry and for titanium oxide production. In the Domestic Fireplaces business, two new product lines were developed and placed on the market.

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

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

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

The RATH Group's guidelines are based on the RATH management handbook, the compliance guidelines as well as rules of procedure and signature rules for the Company's executive management and managing employees of all RATH Group companies. These terms will be revised according to the Compliance terms, if necessary, and demonstrably brought to the attention of the respective executive management. The local executive management is responsible for adhering to the guidelines and policies of the respective RATH subsidiary. The rules of procedure refer, among other things, to the mandatory compliance with terms of the management handbook and define a list of business cases which require approval by the Group's

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executive management. The management handbook of the RATH Group comprises, among other things, the information and stipulations necessary for the accounting process as well as the consolidation handbook (reporting policies, accounting and valuation rules) or IT policies.

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

RISK MANAGEMENT

The RATH Group is exposed to a variety of opportunities and risks in its global entrepreneurial activities. Constant identification, assessment and control of risks is an essential component of the management, planning and controlling process. The Risk Management resorts to organizational, reporting and management structures available in the Group. These processes are continually evaluated by the central Processing Management team. The contents are about documenting all processes within the Company as well as the documented actions in case of deviations in order to learn from mistakes and make constant improvements. This thinking in processes is anchored in ISO 9001. The risk management system ensures that risks are regularly analyzed and assessed. This ensures that these are anticipated and detected early on, and that countermeasures can be initiated quickly if they occur.

ESSENTIAL RISKS

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

Procurement

A pivotal starting point for risk mitigation in the field of procurement is avoidance of dependence on individual suppliers, as far as possible. Our central Purchasing department actively counteracts this and creates requirements for a balanced portfolio of suppliers in consideration of reasonable purchase volumes and prices. The year 2021 was strongly influenced by disruptions in the supply chains from which we were not spared either. This shows that not everything can be substituted, but we are still working on alternative raw material suppliers. Drastic price increases, especially for energy, can be countered only with a hedging strategy. Effects of interrupted supply chains carry the risk that RATH cannot meet its delivery obligations on time.

Production

The essential value-creation levels of the RATH Group lie within the manufacture of our products.
A possible risk of a business interruption with direct impact on the Company's result is covered by our business interruption insurance across the entire Group. The Group pro-actively counteracts this in a

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preventative way via constant analyses of individual assets and precautionary maintenance. In this area, digital solutions from the Industry 4.0 environment are increasingly being evaluated. Nonetheless, risks arising from product liability cannot be fully excluded. Currently on everyone's lips: "Blackout" – should no gas deliveries take place, RATH is not in a position to fire the furnaces in our production facilities with alternatives, which in turn would mean production standstill! In case of quality flaws, they will be corrected according to our customer's best interests. Costs arising from this are covered by our group-wide product liability insurance. Reputation damage resulting from this, however, is always a risk for the Group.

Sales
The global product or project sale also harbors risks. Some of our overall solutions are nowadays going to countries that are not always economically and politically stable. Via our sales managers, information is continuously retrieved from the respective sales markets and countries, helping us to recognize possible losses of accounts receivable at an early stage and initiate countermeasures. Outside the European Union and the USA, the RATH Group mostly relies on credit operations in regard to payment conditions. Thus, it is guaranteed that our sales are collateralized by an international bank. For those sales not collateralized with letters of credit, we have set up an internal Receivables Management with credit limits. Receivables Management assesses the resulting credit risk with the help of external information from credit agencies and our experience with the respective customer or the customer's country, respectively.

On the basis of the information collected a credit limit is set. The losses of accounts receivable of the RATH Group in the reporting year 2021 amounted to k€ 231 (previous year: k€ 180), corresponding to 0.2 % (previous year: 0.2 %) of sales revenues.

Liquidity
The aim of liquidity management is to ensure that the Group has sufficient liquidity at all times. RATH's external financing leeway is primarily ensured by international banking groups. Within the Group, the principle of internal financing applies. This means that the financing requirements of subsidiaries are covered – as far as possible and economically feasible – by internal loan relationships. The stipulation of credit limits and the amount of refinancing costs at financial institutes are dependent on their evaluation of the future prospects of the RATH Group. Therefore, bank contacts are well maintained to ensure that our bank partners always have a clear and current idea of the economic situation of our Group.
The RATH Group is financed by RATH AG, and the Company relies on a structured form of financing, the promissory note loan. Promissory note bonds in the amount of M€ 15 are due in September 2022, and the 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.

Foreign currencies and interest
For the most part, the RATH Group provides deliveries to its customers in the respective currency of the Company. Due to the ongoing valuation of the currency pairs US$/€ or HUF/€, positive as well as negative

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changes can take place in the financial result of the individual companies and hence in the Group as well. The RATH Group currently does not possess any derivative financial instruments.

TOTAL RISK

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

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

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

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

There are no provisions not immediately derived from the law regarding the naming and dismissal of the members of the Management Board and of the Supervisory Board, as well as changes to the Company's Articles of Association. The Management Board is not aware of any significant agreements the Company is involved in and that take effect at a change of control in the company following a takeover bid. There are no compensation agreements in place between the Company and their Management Board and Supervisory Board Members or employees in the case of a public takeover bid either.

STOCKHOLDER STRUCTURE
DECEMBER 31, 2021

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

OUTLOOK

Macroeconomic development:

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 4.0 % in 2022. The gross domestic product (GDP) is forecast to increase by 3.0 % in Germany and by 5.2 % 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 preparation of the Annual Report, no updated forecasts were available on the effects of the war in Ukraine.

Expected development of the RATH Group:

With the start of the new business year 2022, the volume of inquiries increased significantly. As of February 28, 2022, our order backlog stood at M€ 56 (previous year: M€ 34). This significant increase is attributable to the fact that orders that were suspended in 2020 are now being made good, as

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well as to the euphoria that arose in 2021. We expect this development to level off significantly in the course of the year, the main reason being the energy price situation in Europe.

The desired changeover in Europe (Green Deal) to green, renewable energy carriers and minimization of fossil fuels from our daily lives means a significant additional burden for us, among other things, due to the regulation of CO_2 certificates, which are being applied exclusively in the European Union. This leads to a distortion of competition vis-à-vis our globally producing and operating competitors and to significantly higher energy prices in Europe.

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

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

Due to the current situation, and taking into account the unforeseeable effects of the war in Ukraine, the availability of raw materials and energy, and the development of raw material and energy prices, it is not possible to make a turnover and earnings forecast for the business year 2022.

The Management Board

VIENNA, APRIL 27, 2022

Andreas Pfneiszl

DI Ingo Gruber

ANNUAL FINANCIAL STATEMENT
RATH GROUP 2021

CONSOLIDATED BALANCE SHEET

	ANNEXED NOTE	DECEMBER 31, 2021 K€	DECEMBER 31, 2020 K€
Cash and cash equivalents	(20.3)	13,309	16,863
Trade receivables	(12)	14,352	7,741
Contract assets	(12)	5,161	4,212
Other financial receivables	(20.4)	116	203
Other non-financial receivables and deferrals	(13)	2,476	2,285
Inventory	(11)	22,231	20,284
Receivables from income taxes	(18)	84	66
Current assets		**57,729**	**51,654**
Financial assets	(20.5)	574	608
Intangible assets and goodwill	(9)	4,330	4,303
Tangible assets (property, plant and equipment)	(8)	50,603	48,996
Deferred tax assets	(18)	519	764
Non-current assets		**56,026**	**54,671**
TOTAL ASSETS		**113,755**	**106,325**
Current financial liabilities	(16), (20.6)	18,233	2,782
Current liabilities from leasing obligations	(10)	796	932
Trade payables	(20.7)	8,052	5,987
Contract liabilities	(20.7)	4,086	2,074
Other current non-financial liabilities	(19)	3,034	6,283
Other current financial liabilities	(20.7)	126	397
Current accruals and provisions	(17)	974	421
Current income tax debts	(18)	662	243
Current liabilities		**35,963**	**19,119**
Non-current financial liabilities	(16), (20.6)	21,695	35,000
Non-current liabilities from leasing obligations	(10)	1,153	1,482
Personnel provisions	(15)	3,190	3,009
Other non-current non-financial liabilities	(19)	125	137
Deferred tax liabilities	(18)	734	249
Non-current liabilities		**26,897**	**39,877**
Authorized capital		10,905	10,905
Capital reserves		1,118	1,118
Net profit and available savings		42,743	38,924
Reserve from currency conversion		-2,441	-2,425
Other reserves		-1,433	-1,196
Non-controlling interests		3	3
Stockholders' equity	(14)	**50,895**	**47,329**
TOTAL LIABILITIES AND EQUITY		**113,755**	**106,325**

CONSOLIDATED INCOME STATEMENT

	ANNEXED NOTE	2021 K€	2020 K€
Sales revenue	(21)	97,842	86,378
Other operating income	(24)	1,082	1,152
		98,924	**87,530**
Cost of material and purchased services	(22)	-44,358	-39,568
Personnel expenses, including social security benefits and taxes	(23)	-31,946	-29,403
Impairment loss from trade receivables as well as contract assets	(12)	-512	-401
Other operating expenses	(25)	-10,569	-9,674
EBITDA		**11,539**	**8,484**
Depreciation on intangible assets	(9)	-492	-695
Depreciation on property, plant and equipment	(8)	-5,924	-6,202
EBIT		**5,123**	**1,587**
Interest income		10	14
Interest expenditures		-715	-772
Other financial income		3,577	320
Other financial expenses		-1,538	-3,711
Financial result	**(26)**	**1,334**	**-4,149**
Earnings before tax (EBT)		**6,457**	**-2,562**
Income taxes	(18)	-2,143	78
Consolidated result		**4,314**	**-2,484**
of which attributable to non-controlling interests	(14)	0	0
of which attributable to stockholders of the parent company	(14)	4,314	-2,484
Basic undiluted result per share (in €)	**(14)**	**2.88**	**-1.66**
Diluted result per share (in €)	**(14)**	**2.88**	**-1.66**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	ANNEXED NOTE	Dec. 31, 2021 K€	Dec. 31, 2020 K€
Consolidated result after income tax		4,314	-2,484
Items not reclassified to the profit and loss account			
Revaluation of non-current employee benefits according to IAS 19	(15)	-316	-64
Tax thereon	(18)	79	16
		-237	**-48**
Items reclassified into the profit and loss account			
Currency conversion differences		-16	-375
		-16	**-375**
Other comprehensive income		**-253**	**-423**
attributable to stockholders of the parent company	(14)	-253	-423
attributable to non-controlling interest	(14)	0	0
Comprehensive income after taxes		**4,061**	**-2,907**
of which comprehensive income attributable to stockholders of the parent company	(14)	4,061	-2,907
thereof comprehensive income of non-controlling interests	(14)	0	0

DEVELOPMENT OF CONSOLIDATED EQUITY

	AUTHORIZED CAPITAL K€	CAPITAL RESERVES K€	DIFFERENCES CURRENCY CONVERSION K€	OTHER RESERVES K€	NET PROFIT AND AVAILABLE SAVINGS K€	TOTAL STOCKHOLDERS' EQUITY K€	SHARES OF NON-CONTROLLING STOCKHOLDERS K€	TOTAL EQUITY K€
As per January 1, 2020	**10,905**	**1,118**	**-2,049**	**-1,149**	**41,408**	**50,232**	**3**	**50,236**
Consolidated result 2020	0	0	0	0	-2,484	-2,484	0	-2,484
Other income 2020	0	0	-375	-47	0	-423	0	-423
Total consolidated earnings	**0**	**0**	**-375**	**-47**	**-2,484**	**-2,906**	**0**	**2,907**
Disposal	0	0	0	0	0	0	0	0
Disbursement	0	0	0	0	0	0	0	0
As of December 31, 2020	**10,905**	**1,118**	**-2,425**	**-1,196**	**38,924**	**47,326**	**3**	**47,329**
Consolidated result 2021	0	0	0	0	4,314	4,314	0	4,314
Other income 2021	0	0	-16	-237	0	-253	0	-253
Total consolidated earnings	**0**	**0**	**-16**	**-237**	**4,314**	**4,061**	**0**	**4,061**
Disposal	0	0	0	0	0	0	0	0
Disbursement	0	0	0	0	-495	-495	0	-495
As of December 31, 2021	**10,905**	**1,118**	**-2,441**	**-1,433**	**42,743**	**50,892**	**3**	**50,895**

CONSOLIDATED CASH FLOW STATEMENT

	ANNEXED NOTE	2021 K€	2020 K€
Consolidated result before taxes		**6,457**	**-2,562**
Cash flow from the result			
Depreciations	(8), (9)	6,416	6,897
Value adjustments and income from the disposal of securities classified as FVTPL (fair value through profit or loss)		33	-11
Change to personnel provisions		-134	-282
Change to value adjustment		255	-641
Exchange rate differences	(28)	-2,290	3,263
Interest income	(26)	652	689
Income tax paid	(18)	-938	1,029
Income/loss from the disposal of assets		0	-1
Other adjustments due to IFRS 9		8	-8
		10,459	**8,373**
Changes in net working capital			
Trade receivables		-6,324	6,405
Other receivables and assets		-46	-472
Inventory		-1,781	727
Contract assets		-796	1,625
Trade payables		1,975	783
Contract liabilities		2,003	-420
Other liabilities, accruals and provisions, and deferrals		-3,042	4,188
		-8,011	**12,836**
Net cash inflow from operating activities		**2,448**	**21,209**
Disbursements for investments in property, plant and equipment	(8), (9)	-6,028	-7,051
Disbursements made for investments into intangible assets	(8), (9)	-238	-40
Proceeds from the sale of property, plant and equipment	(8), (9)	25	491
Disbursements for investments in financial assets		0	-597
Interest received		10	13
Free cash flow		**-6,231**	**-7,184**
Proceeds from financial liabilities	(29)	2,261	2,614
Repayments of financial liabilities	(29)	-114	-2,000
Redemption portion of lease payments	(29)	-986	-1,363
Dividends paid		-495	0
Interest paid		-662	-699
Financial cash flow		**4**	**-1,448**
Cash and cash equivalents at the beginning of the year		**16,863**	**4,593**
Net change of cash and cash equivalents		**-3,779**	**12,577**
Non-cash currency differences		**225**	**-307**
Cash and cash equivalents at the end of the year		**13,309**	**16,863**

GROUP NOTES

NOTES ON CONSOLIDATED BALANCE SHEET

1 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

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

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

Accounting standards
The consolidated financial statement of the RATH Group as of December 31, 2021 have been prepared in accordance with § 245a of the Austrian Commercial Code (UGB) and the provisions of the International Financial Reporting Standards (IFRS) applicable on the reporting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they are to be applied in the European Union (EU). All IFRS published by the International Accounting Standards Board (IASB) and adopted by the EU for the business year for which application is mandatory were applied by the companies included in the consolidated financial statement.

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

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

The present consolidated financial statement was approved for publication by the Management Board on April 27, 2022.
The annual financial statement of RATH AG was presented to the Supervisory Board for review on April 27, 2022.

Effects of the war in Ukraine on the consolidated result:
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 due to the sanctions that have been in place since February 28, 2022 – keyword: SWIFT, payments can no longer be received. There will be changes on the procurement side as well, new suppliers of raw materials have to be found, because the companies from Ukraine were essential suppliers of raw materials. The 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 the opinion of the management of the RATH Group, there is no doubt about the preparation of the consolidated financial statements 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.

2 BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Consolidation scope:
The consolidated financial statement as of December 31, 2021, excluding RATH AG, comprises 12 (previous year: 12) subsidiaries controlled by RATH AG. Due to the military offensive by Russia in Ukraine, which started on February 24, 2022, and the resulting flight of RATH employees from Mariupol, the values as of November 30, 2021, are included in the consolidated result. The turnover of RATH Ukrajina TOW amounted to k€ 464 (previous year: k€ 391) and earnings after taxes to k€ -101 (previous year: k€ -24). The balance sheet total amounted to k€ 195 (previous year: k€ 226).

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

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

	GROUP SHARE		FUNCTIONAL CURRENCY	CONSOLIDATION METHOD
	2021	2020		
Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH, Krummnußbaum, Austria	99.98 %	99.98 %	€	Full consolidation
RATH Business Services GmbH	100 %	100 %	€	Full consolidation
RATH GmbH, Meißen, Germany	100 %	100 %	€	Full consolidation
RATH Sales GmbH & Co KG, Meißen, Germany	100 %	100 %	€	Full consolidation
RATH Sales Beteiligungs GmbH, Meißen, Germany	100 %	100 %	€	Full consolidation
RATH Hungaria Kft., Budapest, Hungary	100 %	100 %	HUF	Full consolidation
RATH Inc., Newark, DE, USA	100 %	100 %	$	Full consolidation
RATH LLC, Owensville, MO, USA	100 %	100 %	$	Full consolidation
RATH žárotechnika spol. s r.o, Dvůr Králové nad Labem, Czech Republic	100 %	100 %	CZK	Full consolidation
RATH Polska Sp. z o.o., Dąbrowa Górnicza, Poland	100 %	100 %	PLN	Full consolidation
RATH Ukrajina TOW, Dnipro, Ukraine	100 %	100 %	UAH	Full consolidation
RATH Group S. de R.L. de C.V., Guadalupe, Mexico	100 %	100 %	MXN	Full consolidation

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

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

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

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

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

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

3 CORPORATE MERGERS

There were no company acquisitions in the current or previous business year.

4 CURRENCY CONVERSION

Reporting currency:
The consolidated financial statement is prepared in €, which is the reporting currency of the RATH Group. The financial statements of foreign companies are translated into € in accordance with the functional currency concept. For all companies, this corresponds to the respective local currency, as the companies conduct their business independently in financial, economic and organizational terms. All balance sheet items with the exception of stockholders' equity are translated at the mean exchange rate as of December 31, 2021. Goodwill is recognized as an asset in the local currency of its respective origin and is also translated at the mean rate of exchange on the consolidated balance sheet date. Expense and income items were converted using average annual exchange rates in the previous year and average monthly exchange rates in 2021.

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

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

	RATE ON REPORTING DATE DECEMBER 31, 2021	RATE ON REPORTING DATE DECEMBER 31, 2020	AVERAGE RATE 1-12 2021	AVERAGE RATE 1-12 2020
$	1.133	1.227	1.183	1.217
HUF	369.190	363.890	358.516	359.016
CZK	24.858	26.242	25.640	26.311
PLN	4.597	4.560	4.565	4.479
UAH	31.029	34.607	32.378	33.816
MXN	23.144	24.416	23.985	24.291

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

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

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

5 EFFECTS OF NEW AND AMENDED STANDARDS

5.1 NEW AND AMENDED STANDARDS APPLICABLE IN 2021

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

STANDARD	CONTENTS	TO BE APPLIED FROM
IFRS 16	Covid-19 related tenant relief	Apr 2021
IFRS 4	Postponement of IFRS 9	January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Reform of reference interest rates (phase 2)	January 2021

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

5.2 STANDARDS, INTERPRETATIONS AND CHANGES TO PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY IN 2021 AND HAVE NOT BEEN APPLIED PREMATURELY

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

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

STANDARD	CONTENTS	ACCEPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
IFRS 17	Insurance contracts	January 2023	No significant effects
Annual improvements to IFRS	Cycle 2018–2020	January 2022	No significant effects
IAS 16	Property, plant and equipment – Revenue before intended use	January 2022	No significant effects
IFRS 3	Reference to the IFRS framework	January 2022	No significant effects
IAS 37	Onerous contracts – costs of fulfilling contracts	January 2022	No significant effects

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

STANDARD	CONTENTS	NOT ADOPTED AND TO BE APPLIED FROM	EFFECTS IN THE YEAR OF FIRST-TIME APPLICATION
IAS 1	Classification of liabilities as current or non-current	January 2023	No significant effects
IAS 1, IFRS Practice Statement 2	Disclosures of accounting policies	January 2023	No significant effects
IAS 8	Definition of accounting estimates	January 2023	No significant effects
IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	January 2023	The accounting of the RATH Group complies with the new regulation, hence no material impact results
IFRS 17	First-time application of IFRS 17 and IFRS 9: Comparative information	January 2023	No significant effects

6. ACCOUNTING AND VALUATION PRINCIPLES

6.1 TANGIBLE ASSETS

Tangible assets (property, plant and equipment) are valued at purchase or production costs less accumulated scheduled depreciations and impairments. Acquisition and production costs include all costs incurred to bring the asset up to its current condition and location. The production costs of internally produced assets include the expenses attributable directly to the production. Borrowing costs are recognized if and insofar as they can be attributed to a qualifying asset. As in the previous year, no borrowing costs were recognized in the reporting year as there were no qualifying assets.

Costs incurred for an item in later periods (subsequent purchase or production costs) are capitalized only if it is probable that the RATH Group will derive future economic benefit from it and the costs can be reliably determined.

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

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

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

Ordinary maintenance and minor repairs are treated as immediate expenses.

6.2 LEASES

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

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

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

Within the Group, contracts exist in which the Group acts as lessee and which each contain a service component in addition to a leasing component. The Group does not exercise the option to account for the entire agreement in accordance with IFRS 16 and will therefore separate the two components, if and insofar as this is possible. The Group determines the maturity of leasing liabilities using the redemption model. Under the redemption model, the current portion corresponds to the redemption portion of the leasing liability.

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

6.3 INTANGIBLE ASSETS

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

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

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

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

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

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

There are no intangible assets with an indefinite/indeterminable useful life.

Gains and losses from disposals of intangible assets are calculated as the difference between the proceeds from the disposal and the carrying amounts of the intangible assets and are recognized in the P&L account under "Other operating income" or "Other operating expenses". Development expenses are capitalized only if the development costs can be assessed reliably, if the product or the procedure is technically and commercially suitable, if a future economic use is likely, and if the Group intends to and has sufficient resources to finish the development and use or sell the asset. Capitalized development expenses are assessed as purchase or production costs less cumulative depreciations and cumulated impairments.

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

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

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

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

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

As of the balance sheet date, intangible assets not yet available for use amounted to k€ 768 (previous year: k€ 562).
These are tested annually or whenever there are indications of potential impairment.

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

6.4 IMPAIRMENT OF NON-CURRENT ASSETS

General:

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

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

Goodwill:

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

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

Determination of the value in use:

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

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

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

CGU	ALLOCATED GOODWILL K€	WACC	WACC BEFORE TAXES	GROWTH RATE PERPETUAL ANNUITY
AT	0	7.86%	10.48%	1.00%
DE	0	7.59%	10.85%	1.00%
HU	0	10.48%	11.52%	1.00%
US	1,930	9.01%	12.35%	1.00%
REST OF	0	10.18%	12.57%	1.00%

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

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

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

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

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

6.5 GOVERNMENT GRANTS

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

COVID-19 related government grants:
In total, k€ 0 (previous year: k€ 1,587) in government grants were recognized in business year 2021, which were directly related to the consequences of the COVID-19 pandemic.

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

As of December 31, 2021, k€ 125 (previous year: k€ 137) in investment grants was recognized as a liability. A total of k€ 12 (previous year: k€ 12) in investment grants was recognized in other operating income.

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

Earnings of k€ 0 (previous year: k€ 187) were recognized from the sale of part of this quota in the past business year.

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

To the extent that the certificates used exceed the certificates held, the accrual or provision is measured at the fair value of the certificates (to be replenished) at the relevant reporting date. As of December 31, 2021, sufficient emission certificates were available, as was the case on the previous year's reporting date.

6.6 FINANCIAL ASSETS AND LIABILITIES

Recognition and initial valuation

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

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

Classification and subsequent valuation of financial assets:

Upon initial recognition, a financial asset is classified and valued as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The expected loss rates are based on the payment profiles of the revenues over a period of 36 months prior to December 31, 2021 or January 01, 2022, respectively, and the corresponding historical defaults in this period. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the claims. The Group has identified the country risk in relation to the respective customer domicile as the most relevant factor and adjusts the historical loss rates based on expected changes in these factors. The default risk of trade receivables and contract assets is generally classified as low. A significant increase in this is estimated from an overdue period of 90 days.

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

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

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

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

- Other financial liabilities (at amortized cost)

- FVTPL (at fair value through profit or loss)

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

Derecognition:
The Group writes off a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred. Write-off takes place also if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain power of disposal over the transferred asset.

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

Derivative financial instruments:
As of December 31, 2021, and thus unchanged from the previous year's balance sheet date, the RATH Group does not hold any derivative financial instruments.

6.7 CASH AND CASH EQUIVALENTS

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

6.8 INVENTORY

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

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

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

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

6.9 EMPLOYEE BENEFITS

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

- *Defined-contribution plans:*
  Obligations for contributions to defined-contribution plans are recognized as an expense as soon as the related work is performed. Prepaid contributions are recognized as assets if and insofar as a right to reimbursement or a reduction in future payments arises. In the case of defined-contribution pension plans, the company performs payments to private or public pension systems and employee and employee pension funds due to statutory or contractual obligations. There are no other obligations beyond the payment of contributions.

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

This obligation is reported in accordance with IAS 19. This is done by determining the present value of the defined-benefit obligation (DBO). The DBO is calculated using the projected unit credit (PUC) method. According to this method, future payments are calculated using realistic assumptions over that period during which the respectively entitled persons acquire these entitlements. The calculation of the required provision value is done for the respective balance sheet date by an actuary's expert opinion.

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

6.10 ACCRUALS AND PROVISIONS

Accruals and provisions are recognized whenever the RATH Group has a legal or factual obligation to a third party as a result of a past event, whereby it is likely that this obligation will lead to a reduction of resources and a reliable estimate of the amount of the obligation can be made. If dismantling work needs to be carried out on a tangible asset at the end of its useful life, the associated expenses will be entered on the liabilities side in the form of an accrual or provision for costs of disposal and capitalized as part of purchase or production costs. The accruals and provisions are recognized at the value corresponding to the best possible estimate of the expenditure required to fulfill the obligation. If the present value of the accrual or provision established using a standard market interest rate is significantly different from the nominal value, the present value of the obligation is recognized.

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

6.11 TAXES

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

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

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

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

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

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

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

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

- taxable temporary differences upon initial valuation of goodwill.

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

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that future taxable earnings will allow the asset to be recovered.

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

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

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

6.12 REVENUE RECOGNITION

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

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

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

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

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

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

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

A product or a service is independently deferrable if the following two criteria are met:
- the customer derives benefits from the promised goods or services directly or in combination with other resources available to the customer; and
- the promised goods or services are separable from other promised goods or services under the same contract.

The following significant and typical performance obligations exist within the RATH Group:
- Production of products with standard format
- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

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

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

This results in the following typical performance obligations within the RATH Group, for which period-based revenue is recognized:
- Engineering (incl. documentation) and manufacturing of customer-specific products
- Services such as installation, supervision, repair or maintenance

Date-based revenue recognition:

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

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

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

- Production of products with standard format

Contract costs:

Costs incurred to obtain a contract with an expected term of no more than one year are recognized in accordance with IFRS 15:91–94. Significant costs incurred in obtaining a contract with a term of more than one year are capitalized as an asset and expensed over the term of the contract. As of December 31, 2021, no deferred contract costs existed (previous year: k€ 0).

6.13 FINANCIAL INCOME AND EXPENSES

The Group's financial income and expenses comprise

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

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

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

- on the net book value of the financial asset, or
- on the residual book value of the financial liability.

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

6.14 USE OF DISCRETIONARY DECISIONS AND ESTIMATES

General:

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

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

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

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

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

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

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

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

Impairment of assets:
Goodwill and assets are reviewed for recoverability whenever any events or changes in circumstances indicate that the carrying amount of an asset or group of assets may exceed its recoverable amount. Goodwill and intangible assets not yet ready for use are to be tested for recoverability annually, even if there are no signs of impairment. When assessing recoverability, the management makes estimates and future-related assumptions about the expected cash flow surpluses and cost of capital rates for the RATH Group and individual cash-generating units in the planning periods. The estimates made are made to the best of the management's knowledge and belief under the going concern assumption, are based on experience, and take the remaining uncertainty into account in an appropriate manner.

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

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

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

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

7 BUSINESS SEGMENTS

General:
The business segments are presented by region. The business segmentation by regions corresponds to the RATH Group's internal reporting system, which is regularly presented to the chief operating decision-maker, the Management Board of RATH AG.

Assets and liabilities as well as yields and expenses are allocated to the individual business segments only if and insofar as they are attributable to the respective business segments directly or by way of a reasonable procedure. Allocations between the individual segments are performed using the arm's length principle.

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

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

Segment reporting:
The segment "Austria" comprises the production site in Krummnußbaum, where, in addition to the production of lightweight refractory bricks and dense bricks, further focuses are on the production of vacuum-formed shapes and stove fitter products. The holding company RATH AG and RATH Business Services GmbH are also allocated to this segment.

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

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

In the "USA" segment, refractory products are produced and sold at the two locations in Milledgeville and Owensville. The Milledgeville plant mainly produces lightweight refractory bricks and dense bricks. At the Owensville site, the production focus is on refractory products for the glass industry.

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

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

	AUSTRIA KE	GERMANY KE	HUNGARY KE	USA KE	REST KE	CONSOLIDATION KE	TOTAL KE
2021							
Orders for goods	24,379	22,390	7,526	17,712	3,006	0	75,013
Delivery of materials including services	6,830	12,660	1,750	744	826	0	22,810
Intra-Group sales	10,670	23,467	6,369	2,413	539	-43,458	0
Other revenues	0	19	0	0	0	0	19
Total	**41,879**	**58,536**	**15,645**	**20,869**	**4,371**	**-43,458**	**97,842**
Other operating income	6,974	1,516	322	72	62	-7,864	1,082
Cost of material and purchased services	-25,962	-37,378	-11,017	-11,233	-2,640	43,872	-44,358
Personnel expenses	-12,048	-11,024	-2,622	-5,313	-938	0	-31,946
Other operating expenses and impairment loss from trade receivables and contract assets	-8,127	-6,546	-1,529	-2,227	-472	7,823	-11,081
EBITDA	**2,716**	**5,104**	**799**	**2,168**	**383**	**369**	**11,539**
Depreciations	-1,536	-2,238	-694	-1,866	-83	0	-6,416
Segment result (EBIT)	**1,180**	**2,866**	**105**	**302**	**300**	**369**	**5,123**
Financial income	3,408	276	512	2	43	-652	3,587
Financial expenses	-1,274	-204	-776	-539	-128	668	-2,253
Financial result	**2,134**	**72**	**-264**	**-537**	**-85**	**15**	**1,334**
Earnings before tax (EBT)	**3,314**	**2,938**	**-159**	**-235**	**215**	**385**	**6,457**
Income tax	-637	-1,337	-100	-22	-39	-9	-2,143
Annual yield	**2,677**	**1,601**	**-259**	**-257**	**176**	**376**	**4,314**
Segment assets	100,330	61,878	11,742	34,078	4,359	-98,633	113,755
Segment liabilities	64,853	27,794	9,114	35,485	2,571	-76,957	62,860
Investments	4,265	990	763	679	4	0	6,701
Depreciations	1,536	2,238	694	1,866	83	0	6,416

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

NOTES ON CONSOLIDATED BALANCE SHEET

8 TANGIBLE ASSETS

	REAL ESTATE	BUILDINGS (INCLUDING BUILDINGS ON THIRD-PARTY GROUND)	TECHNICAL SYSTEMS	OTHER ASSETS AND BUSINESS EQUIPMENT	RIGHTS OF USE FROM LEASING	INSTALLATIONS UNDER CONSTRUCTION	TOTAL
	K€	K€	K€	K€	K€	K€	K€
Purchase cost							
As of January 01, 2020	452	27,214	102,022	13,997	8,136	3,143	154,964
Additions	0	768	3,453	237	1,014	2,592	8,064
Disposals	0	-218	-2,938	-656	-3,242	0	-7,054
Repostings	0	2,824	1,707	-483	-1,767	-2,606	-325
Additions from first-time application of IFRS 16	0	0	0	0	108	0	108
Exchange rate change	-34	-694	-2,649	-172	-334	-105	-3,988
As of December 31, 2020	**418**	**29,894**	**101,595**	**12,923**	**3,915**	**3,024**	**151,769**
Additions	1	315	1,737	270	436	3,707	6,463
Disposals	0	-1,116	-406	-69	-463	-22	-2,076
Repostings	0	853	687	113	0	-1,653	0
Exchange rate change	-34	363	1,671	74	95	4	2,208
As of December 31, 2021	**421**	**30,309**	**105,284**	**13,311**	**3,984**	**5,060**	**158,366**
Cumulated depreciations							
As of January 01, 2020	-1	-15,928	-73,934	-11,840	-3,670	0	-105,373
Additions	0	-750	-3,647	-506	-1,290	0	-6,193
Disposals	0	216	3,661	643	2,165	0	6,685
Repostings	0	-1,335	-80	311	1,104	0	0
Exchange rate change	0	212	1,605	113	178	0	2,108
As of December 31, 2020	**-1**	**-17,585**	**-72,395**	**-11,279**	**-1,513**	**0**	**-102,773**
Additions	0	-751	-3,694	-493	-984	0	-5,922
Disposals	0	1,116	403	69	463	0	2,051
Exchange rate change	0	-95	-954	-53	-18	0	-1,120
As of December 31, 2021	**-1**	**-17,315**	**-76,640**	**-11,756**	**-2,054**	**0**	**-107,764**
Carrying amounts							
As of January 01, 2020	**451**	**11,286**	**28,088**	**2,157**	**4,466**	**3,143**	**49,591**
As of December 31, 2020	**417**	**12,309**	**29,200**	**1,645**	**2,402**	**3,024**	**48,996**
As of December 31, 2021	**420**	**12,994**	**28,644**	**1,555**	**1,930**	**5,060**	**50,603**

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

As in the previous year, no property, plant and equipment was pledged for external financing.

As of December 31, 2021, purchase commitments in the area of fixed assets amounted to k€ 502 (previous year: k€ 3,308).

9 INTANGIBLE ASSETS

	SOFTWARE K€	OTHER RIGHTS K€	CAPITALIZED DEVELOPMENT EXPENSES K€	RIGHTS UNDER TRADEMARK LAW K€	CUSTOMER RELATIONS K€	GOODWILL K€	TOTAL K€
Purchase cost							
As of January 01, 2020	1,679	174	880	447	2,330	1,917	7,427
Additions	89	0	-49	0	0	0	40
Disposals	-103	0	0	0	0	0	-103
Repostings	0	0	133	0	0	0	133
Exchange rate change	-36	0	1	-38	-197	-136	-406
As of December 31, 2020	**1,679**	**174**	**965**	**409**	**2,133**	**1,781**	**7,091**
Additions	30	0	208	0	0	0	238
Disposals	-17	0	0	0	0	0	-17
Exchange rate change	15	0	0	34	178	149	374
As of December 31, 2021	**1,657**	**174**	**1,173**	**443**	**2,311**	**1,930**	**7,686**
Cumulated depreciations							
As of January 01, 2020	-1,576	-174	-297	-30	-211	0	-2,288
Additions	-62	0	-24	-87	-533	0	-706
Disposals	103	0	0	0	0	0	103
Exchange rate change	34	0	0	8	61	0	103
As of December 31, 2020	**-1,501**	**-174**	**-321**	**-109**	**-683**	**0**	**-2,788**
Additions	-57	0	-24	-84	-327	0	-492
Disposals	17	0	0	0	0	0	17
Exchange rate change	-14	0	0	-14	-65	0	-93
As of December 31, 2021	**-1,555**	**-174**	**-345**	**-207**	**-1,075**	**0**	**-3,356**
Carrying amounts							
As of January 01, 2020	**103**	**0**	**583**	**417**	**2,119**	**1,917**	**5,139**
As of December 31, 2020	**128**	**0**	**644**	**300**	**1,450**	**1,781**	**4,303**
As of December 31, 2021	**102**	**0**	**828**	**236**	**1,236**	**1,930**	**4,330**

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

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

10 LEASES

Right-of-use assets under leases:

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

	PRODUCTION AND WAREHOUSES, OFFICE BUILDINGS K€	EMPLOYEE VEHICLES K€	FORKLIFT TRUCKS AND OTHER COM-MERCIAL VEHICLES K€	TOOLS AND OTHER EQUIPMENT K€	TOTAL K€
Purchase cost					
As of January 01, 2020	6,435	1,136	503	62	8,136
IFRS 16 Remeasurements	87	0	21	0	108
Additions	207	436	333	38	1,014
Disposals	-2,905	-244	-48	-45	-3,242
Repostings	-1,767	0	0	0	-1,767
Exchange rate change	-307	-18	-4	-4	-333
As of December 31, 2020	**1,750**	**1,310**	**805**	**51**	**3,916**
IFRS 16 Remeasurements	0	0	21	0	0
Additions	436	0	0	0	436
Disposals	-233	-206	0	-24	-463
Exchange rate change	81	-1	12	3	95
As of December 31, 2021	**2,034**	**1,103**	**817**	**30**	**3,984**
Cumulated depreciations					
As of January 01, 2020	-3,136	-361	-139	-34	-3,670
Additions	-649	-387	-218	-36	-1,290
Disposals	1,897	175	48	45	2,165
Repostings	1,104	0	0	0	1,104
Exchange rate change	164	7	1	4	176
As of December 31, 2020	**-620**	**-566**	**-308**	**-21**	**-1,515**
Additions	-417	-346	-210	-11	-984
Disposals	233	206	0	24	463
Exchange rate change	-18	1	0	-1	-18
As of December 31, 2021	**-822**	**-705**	**-518**	**-9**	**-2,054**
Carrying amounts					
As of January 01, 2020	**3,299**	**775**	**364**	**28**	**4,466**
As of December 31, 2020	**1,130**	**744**	**497**	**30**	**2,401**
As of December 31, 2021	**1,212**	**398**	**299**	**21**	**1,930**

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

The expense recognized in the business year for short-term leases amounts to k€ 308 (previous year: k€ 172), and that for leases of low value to k€ 6 (previous year: k€ 3). Non-lease components amounting to k€ 102 (previous year: k€ 82) were reported. All 3 components are reported in the cash flow statement under the operating cash flow and summarized in other operating expenses under the item "Rental and leasing". The "Occupancy costs" presented in the same P&L statement item include office relocation expenses and, above all, cleaning expenses and thus no expenses in connection with leases.

Leasing liabilities:

The development of leasing liabilities in the financial year is shown in Note (5.1). As of December 31, 2021, it is composed as follows:

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Non-current leasing liabilities	796	932
Current leasing liabilities	1,153	1,482
	1,949	**2,414**

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

In the business year, dividends amounting to k€ 52 (previous year: k€ 62) were reported in interest expenditures for leases:

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

11 INVENTORY

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Finished goods	11,631	10,977
Raw materials, consumables and fuel	4,487	3,782
Other inventories	3,497	3,455
Merchandise	3,291	2,514
Value adjustments for inventories	-675	-444
	22,231	**20,284**

In 2021, the inventories were reviewed for impairment, and as a result, net of foreign currency effects, a total of k€ 227 was recognized as an expense from the addition for value adjustments for inventory. In the previous year, k€ 369 was recognized as earnings from reversal of the value adjustment to net realizable value.

12 TRADE RECEIVABLES UND CONTRACT ASSETS

Trade receivables and contract assets are composed as follows:

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Trade receivables	15,578	8,937
Contract assets	5,161	4,212
Value adjustments	-1,226	-1,196
	19,513	**11,953**
of which non-current	0	0

The portfolio of contract assets has developed as follows:

	2021 K€	2020 K€
Balance as of 1 January	**4,212**	**6,035**
Addition	4,974	4,212
Reversal	-3,998	-6,030
Change in value adjustment	-36	-23
Currency conversion	9	18
Balance as of December 31	**5,161**	**4,212**

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

Customer-specific projects not yet completed and performances rendered in connection with these and customer-specific construction contracts of a non-project nature are capitalized as contract assets.

Based on the procedure described in Note (6.5), the value adjustment with respect to trade receivables and contract assets was determined as follows as of December 31, 2021 and as of the previous year's balance sheet date:

		OVERDUE				
Value adjustments as of December 31, 2021	NOT OVERDUE	UP TO 90 DAYS	91–180 DAYS	181–360 DAYS	MORE THAN 360 DAYS	TOTAL
Expected loss ratio in %	0.00 %	0.61 %	1.79 %	20.72 %	97.37 %	
Trade receivables (gross carrying amount)	10,125	2,444	1,507	362	1,139	15,578
Other financial receivables (gross carrying amount)	0	0	0	0	0	0
Contract assets – gross carrying amount	5,161	0	0	0	0	5,161
Value adjustment	0	-15	-27	-75	-1,109	-1,226

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

The value adjustments are developing as follows:

	2021 K€	2020 K€
Balance as of 1 January	**1,196**	**1,473**
Use	-231	230
Reversal	-117	-116
Allocation to reserves	376	74
Currency conversion	2	-5
Balance as of December 31	**1,226**	**1,196**

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

13 OTHER NON-FINANCIAL RECEIVABLES AND DEFERRALS

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Receivables tax office and social security contributions	2,068	1,535
Deferrals	92	218
Emission certificates	55	55
Miscellaneous other receivables	261	477
Other non-financial receivables and deferrals	**2,476**	**2,285**

14 STOCKHOLDERS' EQUITY

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

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

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

Dividends are determined according to the net profit reported in the annual financial statement of the parent company in accordance with corporate law.
As of December 31, 2021, RATH AG reports a net profit to the amount of k€ 9,019 (previous year: k€ 9,231). A dividend payment of € 0.33 per share, or a total of k€ 495, is proposed from net profit for the business year 2021, with the remaining amount being carried forward to new account, 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.

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

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

The capital structure is continuously monitored. To this end, cost of capital and risks inherent in each type of capital are taken into consideration. The equity ratio is a central monitoring parameter. The target quota is above 40%. The equity ratio at the reporting date was 44.7 % (previous year: 44.5%).

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

	2021 K€	2020 K€
Proportion of consolidated result attributable to stockholders of the parent company in k€	4,314	-2,484
Weighted number of shares in circulation	1,500,000	1,500,000
Result per share in €	2.88	-1.66
Dividend payout per share for the business year in €	0.33	0.00

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

15 EMPLOYEE BENEFITS

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

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

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

Anniversary bonus reserves:
Based on legal regulations or collective agreements, the RATH Group is obliged to pay anniversary bonuses to the amount of one to three months' salary to all blue-collar workers who joined the company on or after May 1, 2015, and to white-collar workers in Austria who have exceeded a certain length of service.

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

	2021 %	2020 %
Interest rate Pensions	0.69 %	0.32 %
Interest rate Severance payments	0.88 % – 1.05 %	0.69 % – 0.91 %
Interest rate Anniversary	0.88 % – 1.50 %	1.17 % – 1.37 %
Salary increases	2.50 %	1.50 %
Pension increases	2.00 %	1.60 %
Probability of death	AVÖ 2018-P	AVÖ 2018-P

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Accruals and provisions for severance payments	655	637
Accruals and provisions for pensions	2,113	2,008
Provisions for anniversary bonuses	423	364
	3,191	**3,009**

Development of the provision (DBO)	SEVERANCE PAYMENT PROVISION 2021 K€	SEVERANCE PAYMENT PROVISION 2020 K€	PENSION PROVISION 2021 K€	PENSION PROVISION 2020 K€	ANNIVERSARY BONUS PROVISION 2021 K€	ANNIVERSARY BONUS PROVISION 2020 K€
Present value of the provision (DBO) on 1.1.	**637**	**725**	**2,008**	**2,134**	**364**	**370**
Service costs	21	25	0	0	71	-7
Interest expenses	4	7	6	12	4	5
Reported in the P&L account	**26**	**32**	**6**	**12**	**75**	**-2**
Actuarial profits/losses						
from experience-based adjustments	0	14	269	50	0	0
from changes in demographic assumptions	0	0	0	0	0	0
from changes in financial assumptions	43	-13	4	13	0	0
reported in other income	**43**	**1**	**273**	**63**	**0**	**0**
Disbursements	-51	-120	-174	-200	-16	-4
Other changes	0	0	0	0	0	0
Present value of the provision (DBO) on 31.12.	**655**	**637**	**2,113**	**2,008**	**423**	**364**

The service cost of the provision for anniversary bonuses includes k€ 44 (previous year: k€ -35) of effects from changed parameters.

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

	DECEMBER 31, 2021 PENSIONS K€	DECEMBER 31, 2021 SEVERANCE PAYMENTS K€	DECEMBER 31, 2021 ANNIVERSARY BONUSES K€
up to 1 year	165	31	7
1 - 5 years	610	148	109
5 - 10 years	590	360	101
more than 10 years	543	386	1,356
Expected payments	**1,908**	**925**	**1,574**

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

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

Impact Change Return interest rate	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Change in the provision for severance payments	-28	29
Change in the provision for pensions	-77	82
Change to the provision for anniversary bonus payments	-27	30

	INCREASE BY 0.5 % K€	REDUCTION BY 0.5 % K€
Impact Change Payment increase		
Change in the provision for severance payments	29	-27
Change in the provision for pensions	81	-77
Change to the provision for anniversary bonus payments	30	-27

Pension payments to pension recipients in the business year amounted to k€ 174 (previous year: k€ 200).

The weighted duration of the Macaulay pension obligation amounts to 7.17 years (previous year: 5.7 years), that of the severance payment obligation 12.1 years (previous year: 9.7 years) and those of the obligation from anniversary bonuses 9.2 years (previous year: 18.4 years)

16 FINANCIAL LIABILITIES

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	NON-CURRENT K€	CURRENT K€	TOTAL K€	NON-CURRENT K€	CURRENT K€	TOTAL K€
Liabilities towards banks						
Overdraft facilities	0	0	0	0	114	114
Export credit	0	2,500	2,500	0	2,500	2,500
Investment loan	1,695	565	2,260	0	0	0
Investment loans	20,000	15,168	35,168	35,000	168	35,168
	21,695	**18,233**	**39,928**	**35,000**	**2,782**	**37,782**

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

The main conditions of financial liabilities are as follows:

TYPE OF FINANCING	INTEREST FIXED/ VARIABLE	CURRENCY	EFFECTIVE INTEREST 2021 %	CARRYING AMOUNT AS OF DEC 31, 2021 K€	DUE	EFFECTIVE INTEREST 2020 %	CARRYING AMOUNT AS OF DEC 31, 2020 K€	DUE
Overdraft facility	n/a	€	n/a	0	< 1 year	1.12	114	< 1 year
Export credit	variable	€	0.63	2,500	< 1 year	0.63	2,500	< 1 year
Investment loans	variable	€	1.35 – 1.65	15,000	< 1 year	1.35 – 1.65	15,000	> 1 year
Investment loans	fixed	€	1.53 – 2.11	20,000	> 1 year	1.53 – 2.11	20,000	> 1 year
Investment loan	fixed	€	0.78	565	< 1 year	n/a	0	n/a
Investment loan	fixed	€	0.78	1,695	> 1 year	n/a	0	n/a
Accrued interest	n/a	€	n/a	168	< 1 year	n/a	168	< 1 year
				39,928			**37,782**	

Please refer to Note (20.6) with regard to the fair values.

17 ACCRUALS AND PROVISIONS AND CONTINGENT LIABILITIES

Current accruals and provisions:

	PERSONNEL K€	OTHER K€	TOTAL K€
As of January 1, 2020	**610**	**191**	**800**
Addition	213	130	343
Consumption	-586	-129	-715
Currency conversion	-6	-1	-7
As of December 31, 2020	**231**	**191**	**421**
Addition	747	200	947
Consumption	-214	-170	-384
Currency conversion	-10	0	-10
As of December 31, 2021	**754**	**221**	**974**

The increase in personnel provisions is mainly due to the fact that, following the suspension of premium payments in the previous year, premium payments are planned again for the business year 2021 and provisions have been made for this. As in the previous year, other accruals and provisions are mainly composed of provisions for legal and consulting fees, provisions for Supervisory Board remuneration, and uncertain liabilities. All the accruals and provisions listed in the above table are short-term.

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

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Retentions for business partners	3,676	2,604
	3,676	**2,604**

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

18 INCOME TAXES

Tax expenditure consists of the following:

	2021 K€	2020 K€
Current income tax expenditure for the current business year	1,334	255
Current income tax expense for prior periods	0	27
Current income tax expense	**1,334**	**282**
Deferred tax expenditure/earnings	809	-360
Income taxes	**2,143**	**-78**

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Germany	596	199
Austria	64	0
Miscellaneous	2	44
Current income tax debts	**662**	**243**
Poland	21	26
Austria	0	18
Germany	0	17
Hungary	34	0
Czech Republic	30	5
Income tax receivables	**84**	**66**

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Holdings of deferred tax assets and liabilities:		
Deferred tax assets:		
Loss carry-forwards	1,716	2,325
Inventories	1,043	1,039
Liabilities from leasing transactions	480	581
Contract liabilities and other liabilities	0	267
Personnel provisions IAS 19	296	246
Receivables	492	369
Temporary differences in the foreign currency valuation	5	1
Other	222	62
Subtotal deferred tax assets	**4,254**	**4,898**
Deferred tax liabilities:		
Fixed assets	-2,994	-2,841
Contract assets	-1,402	-1,469
Other	-73	-72
Subtotal deferred tax liabilities	**-4,469**	**-4,382**
Netting	-3,735	-4,133
Deferred tax assets	**519**	**765**
Deferred tax liabilities	**-734**	**-249**
Deferred taxes (net position)	**-215**	**516**

Based on the currently applicable tax regulations, it can be assumed that the differences resulting from retained earnings between the carrying amount of the investment for tax purposes and the prorated stockholders' equity of the subsidiaries included in the consolidated financial statements will essentially remain tax-free. No tax deferral has therefore been established in this regard.

Deferred taxes on loss carry-forwards amounting to k€ 7,996 (previous year: k€ 11,366) have been capitalized, as either on the basis of the existing budget statement it is probable their use will be offset with future fiscal profits, or sufficient taxable temporary differences are available.

On loss carry-forwards amounting to k€ 16,217 (previous year: k€ 14,286), no deferred taxes have been capitalized, as it is unlikely from the current perspective that they will be offset on the reporting date with future fiscal profits from individual companies. Of the non-recognized loss carry-forwards, k€ 16,217 (previous year: k€ 11,829) are non-vested to expire within the years 2021 to 2031, and k€ 0 (previous year: k€ 2,457) are vested. Any loss carryforward arising in 2021 from the negative result of RATH Ukrajina TOW was not taken into account due to a lack of information.

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

	2021 K€	2020 K€
Earnings before income tax	6,457	-2,562
Income taxes at the tax rate of 25 %	**-1,614**	**641**
Deviating foreign tax rates	-194	-149
Non-deductible expenses	-166	-164
Tax expenditure and earnings from previous periods	0	-38
Other effects	-169	-211
Effective tax burden (+) or relief (-)	**-2,143**	**78**
Effective tax burden (+) or relief (-) in %	**33.2%**	**3.0%**

The tax recognized in the other income is as follows:

TAXES RECOGNIZED IN THE OTHER INCOME	BEFORE TAXES K€	2021 TAX INCOME (EXPENSE) K€	AFTER TAXES K€	BEFORE TAXES K€	2020 TAX INCOME (EXPENSE) K€	AFTER TAXES K€
Items not reclassified to profit or loss						
Revaluation of net liability from defined-benefit plans	316	-79	237	64	-16	48

19 OTHER NON-FINANCIAL LIABILITIES

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Other personnel-related deferrals	780	801
Liabilities from taxes	1,464	3,255
Deferrals from vacation entitlements and overtime	416	338
Liabilities from social security contributions	373	1,670
Investment grants	125	137
Deferrals	0	219
Other non-financial liabilities	**3,158**	**6,420**
of which non-current	125	137

20 FINANCIAL INSTRUMENTS

20.1 OVERVIEW

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

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

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

	ANNEXED NOTE	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Financial assets			
Financial assets valued at amortized cost:			
Trade receivables and contract assets	(20.2)	19,513	11,953
Cash and cash equivalents	(20.3)	13,309	16,863
Other current financial receivables	(20.4)	116	203
Financial assets assessed at fair value as affecting net income:			
Non-current financial assets	(20.5)	574	608
		33,512	**29,627**
Financial liabilities			
Liabilities valued at amortized cost			
Trade payables and contract liabilities	(20.7)	12,138	8,061
Other financial liabilities	(20.7)	126	397
Current bank liabilities	(20.6)	18,233	2,782
Non-current bank liabilities	(20.6)	21,695	35,000
Leasing liabilities	(10)	1,949	2,414
		54,141	**48,654**

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

20.2 TRADE RECEIVABLES AND CONTRACT ASSETS

General and classification:

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

In the previous year there existed a factoring agreement between selected subsidiaries from Austria and Germany with a domestic credit institution. Sold receivables were derecognized in accordance with the corresponding regulations of IFRS 9. As of December 31, 2020, trade receivables in the amount of k€ 2,465 had been sold to third parties. Up to a contractually defined amount, the RATH Group continued to bear a risk from credit risk-related defaults. As of December 31, 2020, the resulting maximum risk of loss amounted to k€ 123. This factoring agreement was terminated on March 31, 2021. There are no receivables sold as of December 31, 2021.

Fair values:

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

Impairments and risks:

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

20.3 CASH AND CASH EQUIVALENTS

	DECEMBER 31, 2021 *K€*	DECEMBER 31, 2020 *K€*
Cash balance	27	20
Bank balances	13,282	16,843
	13,309	**16,863**

Bank balances are freely available.

Classification:

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

Fair values:

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

20.4 OTHER FINANCIAL ASSETS VALUED AT AMORTIZED COSTS

Classification:

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

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

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

20.5 FINANCIAL ASSETS ASSESSED AT FAIR VALUE AS AFFECTING NET INCOME

The financial assets recognized by December 31, 2021, consisted of co-ownership shares in a fund, which serve exclusively to cover the accruals and provisions for pensions in accordance with the provisions of §§ 14 and 116 of the Austrian Income Tax Act.

Classification:
Investment fund shares may not be valued at FVOCI in accordance with IFRS 9, as they do not constitute equity instruments. However, if they do not have contractual cash flows at specified dates that represent solely principal and interest payments on the principal outstanding, they are measured at fair value as affecting net income with changes in fair value recognized in the consolidated income statement.

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

20.6 FINANCIAL LIABILITIES

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

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	CARRYING AMOUNT K€	FAIR VALUE K€	CARRYING AMOUNT K€	FAIR VALUE K€
Non-current bank liabilities	21,695	22,489	35,000	36,419
Current bank liabilities	18,233	18,393	2,782	2,782
	39,928	40,882	37,782	39,201

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

Compliance with credit conditions and risk exposure:
All covenants relating to the promissory note bonds were complied with in the business year 2021 and in the previous year.
An ÖKB export loan from UniCredit Bank Austria AG in the amount of k€ 2,260 was taken out in the business year.

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

20.7 TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER FINANCIAL LIABILITIES

	DECEMBER 31, 2021 *K€*	DECEMBER 31 2020 *K€*
Trade payables	8,052	5,987
Contract liabilities	4,086	2,074
Other financial liabilities	126	397
	12,264	**8,458**

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

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

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

20.8 FAIR-VALUE HIERARCHY

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

	CATEGORY	VALUATION: AT AMORTIZED PURCHASE COSTS K€	VALUATION: AT FAIR VALUE K€	VALUATION: TOTAL K€	LEVEL 1 K€	LEVEL 2 K€	LEVEL 3 K€	TOTAL K€
December 31, 2021								
Financial assets								
Cash and cash equivalents	at amortized cost	13,309	0	13,309	13,309	0	0	13,309
Trade receivables and contract assets	at amortized cost	19,513	0	19,513	0	0	19,513	19,513
Other financial receivables	at amortized cost	116	0	116	0	0	116	116
Non-current financial assets	Mandatory for FVTPL	0	574	574	574	0	0	574
Financial liabilities								
Trade payables and contract liabilities	at amortized cost	12,138	0	12,138	0	0	12,138	12,138
Other financial liabilities	at amortized cost	126	0	126	0	0	126	126
Current bank liabilities	at amortized cost	18,233	0	18,233	0	0	18,233	18,233
Non-current bank liabilities	at amortized cost	21,695	0	21,695	0	0	21,695	21,695
Leasing liabilities	at amortized cost	1,949	0	1,949	0	0	1,949	1,949

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

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

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

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

No regroupings were made during the year.

In detail, the following valuation techniques are used to value financial instruments:

- Use of quoted market prices or dealer quotes for similar instruments
- for other financial instruments: an analysis of discounted cash flows (DCF analysis).

NOTES ON THE CONSOLIDATED INCOME STATEMENT

21 SALES REVENUE

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

Sales by region and sales unit 2021	AFRICA & MIDDLE EAST K€	AMERICAS K€	ASIA/PACIFIC K€	EUROPE K€	TOTAL K€
METALS & FCE	2,588	5,197	2,299	40,715	50,799
CERAMICS & SFU	407	4,015	2,726	27,660	34,807
GLASS	724	6,553	512	4,446	12,236
Total in k€	**3,719**	**15,765**	**5,537**	**72,822**	**97,842**

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

22 COST OF MATERIALS AND PURCHASED SERVICES

	2021 K€	2020 K€
Costs of materials	31,645	28,262
Expenses for third-party performances	12,714	11,306
	44,359	**39,568**

23 PERSONNEL EXPENSES

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

	2021 K€	2020 K€
Wages and salaries	25,382	23,061
Expenses for statutory taxes and contributions	4,859	4,965
Contributions to defined-contribution plans	409	389
Expenses for severance payments and service anniversary bonuses	426	206
Other personnel expenses	872	782
	31,948	**29,403**
Average number of employees		
Blue collar	365	359
White collar	233	234
	598	**593**
Staff count at balance sheet date		
Blue collar	376	352
White collar	235	223
	611	**575**

Remuneration for the Management Board and Supervisory Board:

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

		2021 K€	2020 K€
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**

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

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

Upon termination of his/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 Angestelltengesetz (Austrian Salaried Employees Act), unless the termination is due to a justified dismissal. In this regard, it should be noted that the old severance payment claims were frozen as of December 31, 2002; the claims will change only as a result of salary adjustments and amount to k€ 31 as of December 31, 2021 (previous year: k€ 25).

As in the previous year, RATH AG has taken out directors' and officers' liability insurance (D&O insurance) for 2021. The costs of this insurance are borne by the organization. The D&O insurance covers certain personal liability risks of the responsible persons of the RATH Group. The annual costs amount to k€ 12 (previous year: k€ 10).

Expenses for the emoluments of the members of the Supervisory Board amounted to k€ 83 in the reporting year (previous year: k€ 87). In addition, in the business year k€ 16 (previous year: k€ 29) was paid in consulting fees to members of the Supervisory Board.

Pension payments were made to former executive bodies to the amount of k€ 174 (previous year: k€ 200).

24 OTHER OPERATING INCOME

	2021 K€	2020 K€
Capitalized services	404	510
Proceeds from the sale of emission certificates	0	187
Yields from reversal of value adjustments for accounts receivable	302	355
Other allowances and grants	18	21
Income from the disposal of fixed assets, excluding financial assets	0	1
Insurance claims or compensation	197	4
Miscellaneous	161	74
	1,082	**1,152**

25 OTHER OPERATING EXPENSES

	2021 K€	2020 K€
Maintenance and service	2,021	1,571
Legal counseling and other consulting	1,418	1,690
IT expenses	930	686
Marketing	917	730
Travel expenses	698	682
Other taxes	685	596
Insurances	570	537
Rental and leasing	417	258
Disposal costs	389	331
Car and truck expenses	305	348
Energy	291	169
Expenses for workplace safety	231	275
Technical examination costs	218	122
Communications expenses	216	212
Out-of-pocket costs for monetary transactions	188	163
Contributions for trade associations	143	147
Continued education and training	123	92
Occupancy costs	119	272
Transportation by third parties	89	102
Supervisory board remunerations	83	87
Office supplies	73	75
Losses from the disposal of property, plant and equipment	3	25
Miscellaneous other expenses	442	504
	10,569	**9,674**

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

	2021 K€	2020 K€
Year-end audit:		
Consolidated financial statement RATH AG	50	42
Annual financial statement RATH AG	14	14
Annual financial statement Chamottewaren- und Thonöfenfabrik Aug. RATH jun. GmbH	26	23
Other confirmation services	117	125
	207	**203**
Other services:		
Tax consultancy	0	0
Other consulting services	0	113
	0	**113**

The other auditing services mainly concern the audit of the reporting packages and annual financial statements of RATH Hungaria Kft., RATH GmbH and RATH Sales GmbH & Co KG, as well as the audit of compliance with the C rules of the Austrian Corporate Governance Code in accordance with Rule 62 ÖCGK and the assessment of the functionality of risk management in accordance with Rule 83 ÖCGK. In the previous year, the spin-off of RATH Sales GmbH & Co KG and the interim financial statements of RATH GmbH were also subjected to an audit.

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

26 FINANCIAL RESULT

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

2021	VALUATION RESULTS FROM					
	INTEREST INCOME AND INTEREST EXPENSES K€	FINANCIAL INSTRUMENTS, VALUED AT ATTRIBUTABLE FAIR VALUE K€	CURRENCY CONVERSION K€	REDUCTIONS IN VALUE AND WRITE-UPS K€	OTHER PROFITS AND LOSSES K€	NET FINANCIAL EARNINGS K€
EARNINGS +/EXPENSES -						
Financial receivables at amortized cost	10	0	2,158	-512	0	1,656
Financial liabilities at amortized cost	-700	0	9	0	2	-689
Mandatory for FVTPL	0	-33	0	0	0	-33
Personnel provisions	-15	0	0	0	0	-15
Credit and liability provisions	0	0	0	0	-95	-95
Total	**-705**	**-33**	**2,167**	**-512**	**-93**	**824**
of which in impairment losses on accounts receivables	0	0	0	-512	0	-512
of which included in financial result	-705	-33	2,167	0	-93	1,334
Total	**-705**	**-33**	**2,167**	**-512**	**-93**	**824**

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

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

27 RESEARCH AND DEVELOPMENT EXPENSES

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

	2021 K€	2020 K€
Personnel costs	745	613
Technical examination costs	218	122
	963	**735**

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

28 GENERAL NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

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

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

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

	2021 K€	2020 K€
Change reserve currency conversion	-16	-375
Trade receivables and contract assets	-468	663
Liquid assets	-225	307
Inventory	-393	846
Other receivables and deferrals	-58	123
Property, plant and equipment, and intangible assets	-1,372	2,186
Trade payables and contract liabilities	-61	-98
Other liabilities and deferrals	67	-69
Other balance sheet items	235	-320
Currency conversion-related changes in cash flow from ongoing business activities	**-2,290**	**3,263**

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

29 RECONCILIATION OF NET LIABILITY

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Cash and cash equivalents	-13,309	-16,863
Financial liabilities	39,928	37,782
Leasing liabilities	1,949	2,414
Net liability	**28,568**	**23,333**

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

	INVESTMENT LOANS K€	EXPORT CREDITS K€	OVERDRAFTS K€	LEASES K€	SUB-TOTAL K€	CASH AND CASH EQUIVALENTS FUND K€	NET LIABILITIES K€
Net liabilities as of January 01, 2020	**35,165**	**0**	**2,000**	**2,809**	**39,974**	**4,593**	**35,381**
Inclusion	0	0	2,614	1,035	3,649	0	
Redemption	0	0	-2,000	-1,363	-3,363	0	
Remeasurements IFRS 16	0	0	0	87	87	0	
Disposal	0	0	0	-70	-70	0	
Accrued interest (net)	3	0	0	0	3	0	
Repostings / other changes	0	2,500	-2,500	-5	-5	12,577	
Exchange rate change	0	0	0	-79	-79	-307	
Net liabilities as of December 31, 2020	**35,168**	**2,500**	**114**	**2,414**	**40,196**	**16,863**	**23,333**
Inclusion	2,260	0	0	436	2,696	0	
Redemption	0	0	-114	-986	-1,100	0	
Repostings / Other changes	0	0	0	9	9	-3,779	
Exchange rate change	0	0	0	77	77	225	
Net liabilities as of December 31, 2021	**37,428**	**2,500**	**0**	**1,949**	**41,878**	**13,309**	**28,568**

RISK REPORT

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

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

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

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

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

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

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

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

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

	DECEMBER 31, 2021 K€	DECEMBER 31 2020 K€
Receivables with large customers, gross	3,620	4,770
Receivables from miscellaneous customers, gross	17,119	8,532
Trade receivables and contract assets, gross	**20,739**	**13,302**
Value adjustments	-1,226	-1,196
Trade receivables and contract assets, net	**19,513**	**11,953**

Approx. 19 % (previous year: 40 %) of trade receivables and contract assets as of the reporting date result from business relationships with 10 key accounts. The RATH Group sees no significant concentration of risk.

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

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

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

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

		DUE IN 6 MONTHS		DUE IN 6–12 MONTHS		DUE IN 1–5 YEARS		DUE >5 YEARS	
December 31, 2021	CARRYING AMOUNT K€	INTER-EST K€	RE-DEMPTION K€	INTER-EST K€	RE-DEMPTION K€	INTER-EST K€	RE-DEMPTION K€	INTER-EST K€	RE-DEMPTION K€
Trade payables	8,052	0	8,052	0	0	0	0	0	0
Contract liabilities	4,086	0	4,086	0	0	0	0	0	0
Other financial liabilities	126	0	126	0	0	0	0	0	0
Current bank liabilities	18,233	60	283	180	17,783	18	0	0	0
Non-current bank liabilities	21,695	66	0	321	0	775	21,695	0	0
Leasing liabilities	1,949	26	482	23	436	61	1,153	0	0

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

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

Market risk:

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

Price risks:

Significant price risks for the RATH Group exist in the area of energy and raw material costs. Energy costs, which are mainly incurred in the firing and also in the shaping of refractory materials, account for a significant part of the Group's total costs. In 2021, the Group's electricity and gas costs amounted to k€ 6,118 (previous year: k€ 4,981) or 6.3 % (previous year: 5.8 %) of the turnover. Energy prices depend on the development of international and local markets and are subject to fluctuations. The RATH Group minimizes the risk from energy price fluctuations by closely monitoring and, as a rule, negotiating prices annually. Quantities and prices are fixed on a quarterly basis, the remaining non-fixed portion is purchased on the spot market, and the hedges currently run for several years.

The most important raw materials for the RATH Group include alumina, aluminum, silicon, andalusite or flint clay chamotte.
Due to the diversified product portfolio, there is no significant cluster risk in raw material prices. The prices are usually negotiated annually, and their development is closely monitored. In the case of raw materials, in addition to the price risk, there is also a risk regarding the security of supply. A disruption of supply inevitably leads to production problems. With few, insignificant exceptions, there are alternative supplier options for the supply of raw materials in order to minimize the supply risk. During the business year, there were sharp price increases for the raw materials used; these were argued by our suppliers with the rapid increase in energy prices, freight costs, and packaging costs. In addition, there were and still are delivery interruptions which are not within the sphere of influence of RATH, therefore our delivery times are also negatively affected. In addition, the war in Ukraine is a negative influencing factor on both the energy market and the commodity market.

Currency risk:

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

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

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

	DECEMBER 31, 2021		DECEMBER 31, 2020	
Net exposure	K€	K$	K€	K$
Financial assets:				
Cash and cash equivalents	1,894	2,145	2,178	1,966
Trade receivables and contract assets	3,755	4,253	1,769	135
Financial liabilities:				
Trade payables	-74	-83	-556	-248
Net exposure	**5,575**	**6,315**	**3,391**	**1,853**

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

Effect on result for the period in case of	AS OF DECEMBER 31, 2021 IN THE RESPECTIVE CURRENCY 9 % STRENGTHENING OF THE €	11 % WEAKENING OF THE €	10 % STRENGTHENING OF THE $	10 % WEAKENING OF THE $
Financial assets:				
Cash and cash equivalents	170	-236	189	-215
Trade receivables and contract assets	338	-468	376	-425
Financial liabilities:				
Trade payables	-7	9	-7	8
Total	**502**	**-695**	**558**	**-632**

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

If liabilities or receivables within the Group in different currencies compared to the functional currency of the respective subsidiary are also included, the effects increase. A 9 % strengthening or 11 % weakening of the €, respectively, would have an additional negative effect on the net result for the period amounting to k€ 2,044 (previous year: k€ 711) or a positive effect, respectively, amounting to k€ 2,498 (previous year: k€ 869). While a 10 % strengthening of the US$ would have an additional positive impact on the consolidated result to the amount of k$ 2,572 (previous year: k$ 3,580), a 10 % devaluation of the US$ would lead to a negative effect on earnings of the same amount.

Interest rate risk:

Risks from interest rate changes essentially consist of non-current debt financing.

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

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

		INTEREST PROFILE			PROFIT/LOSS	
As of December 31, 2021	CARRYING AMOUNT KE	NOT INTER-EST-BEARING KE	FIXED INTER-EST-BEARING KE	VARIABLY INTEREST-BEARING KE	PLUS 100 BASIS POINTS KE	MINUS 100 BASIS POINTS KE
Interest-bearing liabilities:						
Trade payables and contract liabilities	12,138	12,138	0	0	0	0
Other financial liabilities	126	126	0	0	0	0
Current financial liabilities	18,233	168	11,065	7,000	-70	0
Non-current financial liabilities	21,695	0	13,695	8,000	-80	0
Leasing liabilities	1,949	0	1,949	0	0	0
Total	**54,141**	**12,432**	**26,709**	**15,000**	**-150**	**0**
Interest-bearing assets:						
Cash and cash equivalents	13,309	27	0	13,282	133	-133
Trade receivables and contract assets	19,513	19,513	0	0	0	0
Other current financial receivables	116	116	0	0	0	0
Non-current financial assets	574	0	0	574	6	-6
Total	**33,512**	**19,656**	**0**	**13,856**	**139**	**-139**

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

OTHER INFORMATION

30 BUSINESS RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

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

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

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

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

- House ownership Walfischgasse, Dr. Ernst Rath and co-owners
  The rental expenses charged, including operating costs, amounted to k€ 168 in the business year (previous year: k€ 164), whereby there were no outstanding liabilities at the reporting date and thus unchanged from the previous year.

- Members of the Supervisory Board and Management Board, and their close family members
  The business relationships with members of the Management Board and of the Supervisory Board of RATH AG are listed in Note (23) insofar as payments from Management Board contracts and Supervisory Board mandates are concerned. In addition, Dr. Meier, member of the Supervisory Board, received fees for consulting and placement services amounting to k€ 16 in the business year (previous year: k€ 29).

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

Management Board of RATH AG, Vienna:
As in the previous year, on December 31, 2021 the Management Board of RATH AG consisted of two members. Mr. Andreas Pfneiszl, born in 1969, has been a member of the Management Board since June 10, 2013 (initial appointment) and responsible for Sales, Finance, Human Resources and IT since October 01, 2019. DI Ingo Gruber, born in 1962, has been a member of the Management Board since October 01, 2019 (initial appointment) and is responsible for Production and Research & Development.

As in the previous year, the members of the Management Board did not hold any Supervisory Board mandates or comparable functions in domestic or foreign companies not included in the consolidated financial statement. Furthermore, the Chairman, Andreas Pfneiszl, is also represented in the management board of RATH Business Services GmbH, Vienna, RATH GmbH, Meißen, RATH Sales GmbH & Co KG, Meißen and RATH Beteiligungs GmbH, Meißen.
The Chairman, DI Ingo Gruber, is furthermore also represented in the management board of Aug. RATH jun. GmbH, Krummnußbaum, RATH Business Services GmbH, Vienna, RATH GmbH, Meißen, RATH Sales GmbH & Co KG, Meißen and RATH Beteiligungs GmbH, Meißen.
The management contract with Mr. Pfneiszl ends on December 31, 2027. The one with Mr. Gruber has a term until December 31, 2025.

Supervisory Board of RATH AG, Vienna
Mag. Stefan Ehrlich-Adám (Chairman) as of 6/ 6. 2013
CPA Mag. Philipp Rath (Vice Chairman) since 17 July 2003
Mag. Dieter Hermann since 25 June 2013
Dr. Andreas Meier since 1. 6. 2016
Mag. Dr. Ulla Reisch since 28 May 2018

31 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 due to the sanctions that have been in place since February 28, 2022 – keyword: SWIFT, payments can no longer be received. The 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. Regarding the potential effects resulting from this, see statement (2).

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.

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 compensation for 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.

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

This consolidated financial statement was prepared on April 27, 2022 by the company's Management Board and presented to the Supervisory Board on April 27, 2022 for review and approval.

The Management Board

VIENNA, APRIL 27, 2022

Andreas Pfneiszl

DI Ingo Gruber

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Report on the Consolidated Financial Statement

AUDIT OPINION

We examined the consolidated financial statement of Rath Aktiengesellschaft, Vienna, and its subsidiaries (from the Group) consisting of the consolidated balance sheet on December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the development of the consolidated equity and the consolidated cash flow statement for the business year ending on this balance sheet date and the Group Notes.

According to our assessment, the annexed consolidated financial statement conform to the legal provisions and provide a fair and true representation of the assets and financial position of the Group on December 31, 2021, as well as of the profitability and the cash flows from the group for the business year ending on this reporting date in agreement with the International Financial Reporting Standards as they are applied in the EU (IFRS) and the additional requirements of § 245a of the UGB (Austrian Commercial Code).

BASIS FOR THE AUDIT OPINION

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

PARTICULARLY IMPORTANT AUDITING MATTERS

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

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

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

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1. RECOVERABILITY OF GOODWILL

- Facts
  In the consolidated balance sheet of Rath Aktiengesellschaft, Vienna, as of December 31, 2021, goodwill in the amount of k€ 1,930 (previous year: k€ 1,781) is reported under "Intangible Assets and Goodwill".

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

The goodwill presented in the consolidated financial statements originates entirely from a business acquisition in the USA and was allocated to the segment "USA", which represents a cash-generating unit ("CGU") and whose functional currency is the US dollar. Goodwill is recognized in the functional currency of the CGU to which it is allocated. The change in the carrying amount compared with the previous year is entirely attributable to exchange rate changes.

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

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

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

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

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

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

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- discussed the underlying planning assumptions with the Management Board, and validated the plausibility based on information about the current and expected development of the respective unit,
- consulted internal experts to check the plausibility of the calculations and the valuation model, who reviewed the calculations and checked that the valuation model complies with the general principles,
- used internal experts to perform sensitivity analyses to determine the impact of changes in key parameters (changes in the discount rate and cash flows) on the recoverable amount,
- consulted internal experts to reconcile the parameters used, such as the discounting interest rates or growth rates on which the calculation is based, and critically assessed the results and examined the presentation and explanations in the Notes.

Our auditing measures confirmed the tenability of the valuation model used to perform the recoverability test in accordance with IAS 36 Impairment of Assets as of December 31, 2021. The assumptions and parameters used in the valuation model are reasonable. The information mandated by the relevant standards is complete and accurate.

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

FURTHER INFORMATION

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

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE ANNUAL AUDITOR FOR THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENT

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

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

Furthermore, the following applies:

- We identify and assess risks of significant – fraudulent or accidental – misrepresentations in the statement, plan auditing measures as a response to these risks, execute them and obtain documentary audit evidence that is sufficient and suitable to serve as a basis for our Audit Opinion. The risk that significant misrepresentations resulting from fraudulent actions not being discovered is greater than a risk of misrepresentations resulting from mistakes, because fraudulent actions may comprise

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collusive collaborations, falsifications, intended incompleteness, misleading representations or the bypassing of internal controls.

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

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

- We draw conclusions about the appropriateness of the application of the accounting principle for the continuation of the company's operations by the legal representatives as well as on the basis of the obtained documentary audit evidence as to whether there is a significant discrepancy in connection with events or circumstances that may cause significant doubt in the ability of the Group to continue its business activities. If we come to the conclusion that a significant uncertainty exists, we are obligated to make note of this in our Auditor's Certificate for the relevant information in the consolidated financial statement or, if these specifications are inappropriate, to modify our Audit Opinion. We draw our conclusion on the basis of the documentary audit evidence that we have obtained up to the date of our Auditor's Certificate. Future events or circumstances may nevertheless result in the Group not being able to continue its operations.

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

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

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

We also provide the Audit Committee with a statement that we complied with the relevant professional behavior requirements regarding independence and we inform them of all relationships and other 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.

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

Further legal and other statutory requirements

REPORT ON THE CONSOLIDATED ANNUAL REPORT

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

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

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

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

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

ADDITIONAL INFORMATION UNDER ARTICLE 10 OF THE EU-REG

We were elected as annual auditors by the Annual General Meeting on June 02, 2021. We were commissioned by the Supervisory Board on November 19, 2021. We have been annual auditors since the business year 2019.

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

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

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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

Signed: Dipl.-BW (FH) Marius Richter
Certified Public Accountant

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

GLOSSARY

Business Management Terms and Key Figures

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

GLOSSARY

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

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