Annual Report 2001

RHI

Key data

	in € million	2001	2000	1999	1998	1997	in € million	
SALES REVENUE	Refractories [1]	1,521.5	1,675.5	1,103.8	1,154.7	1,146.3	Refractories [1]	SALES REVENUE
	Engineering [1]	195.5	168.2	145.7	156.0	130.7	Engineering [1]	
	Insulating [1]	161.5	194.1	185.2	164.5	129.8	Insulating [1]	
	Waterproofing [1]		171.2	157.8	153.0	161.0	Waterproofing [1]	
	RHI group [2]	1,867.2	2,193.6	1,573.9	1,612.5	1,559.2	RHI group [2]	
	EBITDA	-24.2	241.1	118.8	147.4	147.7	EBITDA	
EBIT	Refractories	-71.5	95.7	39.4	62.8	65.0	Refractories	EBIT
	Engineering	-7.5	7.6	7.4	5.7	0.1	Engineering	
	Insulating	-6.9	11.2	9.7	9.4	9.4	Insulating	
	Waterproofing		3.7	4.0	3.3	5.2	Waterproofing	
	RHI group	-114.3	131.3	52.4	81.0	81.0	RHI group	
	EBT	-204.9	70.1	40.3	66.3	64.5	EBT	
	Net loss/income	-856.4	30.8	-19.0	53.8	52.9	Net loss/income	
	Net loss/income after minorities	-863.1	21.2	-26.0	49.4	49.6	Net loss/income after minorities	
	Cash flow from results	-311.4	73.9	66.2	119.9	114.2	Cash flow from results	
	Cash flow from operating activities	-106.6	48.6	62.9	95.8	118.5	Cash flow from operating activities	
	Cash flow from investing activities	-59.4	-53.1	-435.5	-87.4	-77.3	Cash flow from investing activities	
	Cash flow from financing activities	165.1	14.9	397.9	5.5	-54.3	Cash flow from financing activities	
	Fixed assets	563.8	1,101.3	1,123.4	590.4	578.5	Fixed assets	
	Working capital [3]	127.3	423.2	328.2	239.2	215.3	Working capital [3]	
	Net financial payables [4]	595.7	804.0	730.9	266.4	240.3	Net financial payables [4]	
	Employees (average)	11,086	13,690	10,356	10,412	9,908	Employees (average)	
	EBIT-margin (in %) [5]	-6.1	6.0	3.3	5.0	5.2	EBIT-margin (in %) [5]	
	Equity ratio (in %) [6]	-39.4	17.1	13.7	18.8	19.4	Equity ratio (in %) [6]	
	Effective equity capital ratio (in %) [7]	-10.7	17.1	13.7	18.8	19.4	Effective equity capital ratio (in %) [7]	
	Loss/earnings per share [8]	-43.33	1.07	-1.72	3.56	3.56	Loss/earnings per share [8]	
	Dividend per share	0	0.73	0.58	1.16	1.16	Dividend per share	

1) Total sales revenue (incl. internal sales revenue) of the division
2) External sales revenue of the group
3) Working capital = inventories + receivables and other assets + prepaid expenses and deferred charges – other provisions – trade payables – other payables – deferred income
4) Net financial payables = financial payables – securities and interests – cash and cash equivalents
5) EBIT margin = EBIT / sales revenue
6) Equity ratio = equity according to balance sheet / balance sheet total
7) Effective equity capital ratio = effective equity capital according to balance sheet / balance sheet total
8) Earnings per share = net income after minorities / number of shares (1999 weighted average)

Refractories

Refractories produces high-grade, non-substitutable ceramic products, crucial to all high-temperature production processes exceeding 1,200° C. Under the new RHI Refractories brand, we supply key industries such as steel, non-ferrous metals, cement & lime, glass, as well as environmental technology, energy and chemicals. This division is now the world market and technology leader and the core business of the RHI group.

Insulating

Insulating, the remit of the Heraklith group, is one of the leading suppliers of insulating materials to the construction sector in Europe. Its key products aimed at markets in Central and Eastern Europe are solutions made of rock wool and wood-wool building boards.

Engineering

Engineering focuses on high-temperature plant construction projects and is one of the leading suppliers in a variety of market segments.

RHI

Corporate governance

Board of Management

Dr. Helmut Draxler
Chief Executive Officer
RHI Management Board Member
since January 14, 2002

Dr. Andreas Meier
Deputy Chief Executive Officer,
responsible for Refractories;
RHI Management Board Member since
January 1, 1999

Dr. Eduard Zehetner
CFO, responsible for Engineering;
RHI Management Board Member
since November 19, 2001

Roland Platzer
Responsible for Insulating;
RHI Management Board Member
since January 19, 1999

In addition, Dr. Georg Obermeier (CEO until November 8, 2001) and Jakob Mosser (until April 30, 2001) served on the RHI Management Board during the reporting period.

Supervisory Board

Gerd Peskes
Düsseldorf
Chairman since February 15, 2002

Michael Gröller
Vienna
Member and Deputy Chairman
since February 15, 2002

Dr. Walter Ressler
Vienna
Chairman until February 15, 2002

Dr. Friedrich Nemec
Vienna
Deputy Chairman until February 15, 2002

Maximilian Ardelt
Munich

DDr. Erhard Schaschl
Vienna
2nd Deputy Chairman from
September 29, 2001 until November 14, 2001

Stanislaus Prinz Wittgenstein
Munich
Board Member since May 17, 2001

Gerd Klaus Gregor
Berndorf
Board Member since February 15, 2002

Employee representatives

Georg Eder
Ferndorf

Josef Horn
Trieben

Leopold Miedl
Vienna

Karl Wetzelhütter
Breitenau am Hochlantsch
Member since August 31, 2001

In addition, Max Deitcher (until May 17, 2001), Andreas Treichl (until October 15, 2001), Dr. Erich Hampel (until August 22, 2001) and Karl Prettner (employee representative until August 23, 2001) served on RHI's Supervisory Board during the reporting period.

Foreword by the CEO

Following the events of 2001, two new members joined RHI's executive team. Looking back from my perspective as CEO since January 2002, the past year was undoubtedly the most difficult in the history of the RHI Group. Two key factors characterized 2001; on the one hand, developments in the USA, which triggered a highly critical cash-flow situation for the whole of the RHI Group, jeopardizing the company's position as a going concern; on the other, the refractories business, which developed well in all other regions of the world apart from the USA, undeterred by recessionary trends. Continuity in cost management and product innovation enabled us to strengthen our market positions in Europe, Asia and South America. These developments outside the USA were the main factors that enabled RHI to head off the cash-flow crisis with the support of the banking sector.

Our problems in 2001 were caused by a number of factors. Recession, and, in particular, the crisis in the US steel industry hit the refractories business hard. Our US investments were unable to generate net cash inflows from operating activities in 2001. The dramatic rise in asbestos litigation claims due to class action suits exacerbated the problems facing our US business, plunging the RHI Group into great difficulties. As RHI was no longer in a position to meet these claims, the group ceased to finance its US refractories companies at the end of 2001. Our US investments were deconsolidated as of December 31, 2001. The consequent write-downs and extraordinary charges explain the enormous balance sheet loss reported in 2001.

A capital restructuring concept was drawn up on the basis of a positive going concern forecast, which was accepted by our banking consortium. With our stockholders' consent for the issue of two convertible bonds, we have managed to avert the crisis. Our liquidity has now been secured for several years, as have the long-term business activities of the RHI Group due to agreements reached with our banks.

Judging by the development of our operating activities to date, we are confident that the turnaround we have initiated will continue to run according to plan in 2002. We are on track to achieve the objectives of our business plan for 2002. With our revised strategy, the RHI Group will focus all its attention on its core competencies in the refractories business and is focusing its portfolio on higher-margin products.

Insulating is undergoing an efficiency drive and is being prepared for its future development with a suitable partner. We wish to pull out of the engineering segment for the short term.

We are fully committed to taking up the challenges of the future with great commitment, capitalizing on our expert know-how and the potential of our employees. I would like to take this opportunity to thank all our employees and their representatives on behalf of the Management Board for their tremendous commitment in this difficult transition phase.

Our efforts are focused on continuing cost management and a world-wide marketing drive, utilizing the value potential of the RHI Group to the full to herald brighter prospects for RHI stock.

Dr. Helmut Draxler

RHI Group

RHI Group

in € million	**2001***	2000	Change
Sales revenue	**1,867.2**	2,193.6	-15%
EBITDA	**-24.2**	241.1	n.a.
EBIT from operating activities	7.9	90.6	-91%
EBIT one-off effects	-122.2	40.7	n.a.
EBIT	**-114.3**	131.3	n.a.
Employees	**11,086**	13,690	-19%

* The figures for 2001 still contain the refractories investments in the USA, which were deconsolidated at December 31, 2001. EBITDA and EBIT for 2001 are affected by special one-off, extraordinary factors in addition to the operating activities of the group. These include writedowns, one-off expenses and provisions for risks.

RHI AG, which has its headquarters in Vienna, is one of the largest industry groups in Austria. Its share is included in the Austrian Traded Index (ATX), it is a member of the Prime Market of the Vienna Stock Exchange and is currently traded on the Frankfurt and Vienna stock exchanges. After deconsolidating its US refractory activities, the group employs over 8,000 staff in refractories, insulating and engineering.

Special molten raw material production at Radenthein works, Austria. These raw materials are used exclusively in our own products, which are then used in the steel, cement and non-ferrous metals industries.

Photo: Christoph Brandner, Leoben

RHI Group 2001: US asbestos litigation and comprehensive capital restructuring characterize group situation

The year 2001 was probably the most difficult year in the history of RHI. Operating results were adversely affected by the trade cycle and, particularly, by the steel crisis in the USA. The drastic turnaround measures consequently required in the refractories division in the USA were compounded by the sharp rise in asbestos litigation claims against individual US-American subsidiaries. By contrast, the operative refractories business in Europe, Asia and Latin America developed well in 2001, with operating results up for the third year running despite the precarious economic climate, thanks to a consistent program of cost-cutting and market penetration.

The planned disposal of the insulating division, on which significant progress had already been made, was stopped in the second half of the year. The insulating business is currently undergoing capacity restructuring in Western Europe, and we are continuing to pursue a growth strategy in Eastern Europe. In the medium term, the integration of a partner or the sale of the division are strategic alternatives to retaining the division within the group.

Through a review of its engineering strategy also initiated in 2001, RHI decided to no longer include this division in the group's target portfolio and to sell the whole business. Exclusive talks with a financial investor have been underway since the end of 2001, and the transaction is to be completed in early 2002.

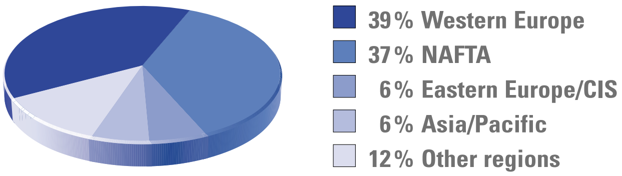
Negative cash flow from US activities cause liquidity problems

The group's liquidity came under increasing pressure in 2001 due to the unsatisfactory development of the North American refractories business, debtor default, particularly among steel customers in the US, funds required for severance payments due to works closures, and the increasing working capital required to pre-finance the settlement of asbestos claims and cover the spiralling costs of defending such cases. The expected USD 40 million from the US refractories companies at September 30, 2001 to pay off the so-called GIT loan was not received due to the negative effects mentioned above. Moreover, the outstanding purchase price payments for the sale of the waterproofing division in March 2001 and the costs arising from the reversal of receivables sales in the USA and Europe further stretched the group's credit lines.

RHI Group: Sales revenue

in € million	2001	2000
Refractories	1,521.5	1,675.5
Insulating	161.5	194.1
Engineering	195.5	168.2
Waterproofing	–	171.2
Consolidation/other	-11.3	-15.4
RHI Group	1,867,2	2,193.6

RHI: Group sales revenue 2001 by region



Free cash flow from the insulating and engineering divisions was below expectations in 2001. By contrast, cash flow expectations for the Europe / Asia / Latin America refractories business were largely on target and provided substantial cash inflows. Negative cash flow developments in the USA together with the damaging one-off effects could, however, by no means be offset by inflows from operating activities, and bank liabilities rose to over € 1,000 million.

In the light of the events outlined above, the target to pay back in 2001 the € 877 million in gross bank liabilities outstanding at December 31, 2000 could not be met. The credit repayments at September 30, 2001 negotiated with the banks were suspended. In addition, talks were held with core banks in October to secure additional credit facilities.

In the course of these negotiations, the business prospects of all RHI's group businesses were closely examined with the support of external business consultants and auditors. In particular, the survival prospects of the US refractories business were closely analysed again, taking the ramifications of asbestos litigation in the USA into consideration.

Due to the high earnings generated by refractories world-wide with the exception of the USA, the Austrian core banks declared themselves in November 2001 willing to provide a preferentially collaterized € 200 million credit facility as a basis for a wholescale restructuring of the capital and assets of the RHI Group. This enabled RHI to meet all its obligations to its suppliers, customers and other creditors.

Comprehensive capital restructuring secures group's long-term survival

After detailed analysis of the legal and economic implications of all available options, the company has taken a landmark decision to focus the group's activities on the commercially attractive refractories business not including the US. The decision is primarily based on the high earnings prospects in this sector.

This focus on locations and markets outside the USA was triggered by the number of asbestos litigation claims brought in 2001, which had spiralled to an extent exceeding the limit covered by liability insurance in some cases. As RHI was neither willing nor able to meet these claims, the RHI Group suspended its financing of the US-American refractories subsidiaries. The overwhelming majority of the US companies have since filed under Chapter 11 of the US Bankruptcy Code.

The deconsolidations of the US companies at December 31, 2001, meant that the investments held in the companies concerned and the loans granted to these companies had to be written down in the 2001 financial statements. Due to the charges taken and provisions set up, affecting the income statement, RHI reported a net loss after minorities of € -856.4 million at December 31, 2001. Consequently, the consolidated balance sheet of RHI shows a negative equity of € -548.6 million at December 31, 2001. After conversion of € 400.0 million of bank liabilities into Mezzanine capital due to subordination agreements, effective equity including Mezzanine capital at this point in time is still negative at € -148.6 million, but will, however, be positive again in the 2002 financial statements, based on forecast results and due to the subordinated convertible bonds.

With a comprehensive capital restructuring plan, RHI AG managed to avert insolvency on the basis of a positive going-concern forecast. A long-term, sustainable concept was drawn up with the financing banks. The core elements are:

- Provision of the necessary liquidity to finance the continuing business operations of the RHI Group (so-called "liquidity-securing credit facility" in excess of € 200.0 million)
- Restructuring of core operating refractories business Veitsch-Radex GmbH (change of legal form, revaluation)
- Conversion of € 400.0 million of bank liabilities (total amount outstanding at December 31, 2001: approx. € 1,070 million) due to subordination agreements concluded with the seventeen so-called stand-still banks and conversion into subordinated Mezzanine capital until January 2, 2007.
- Interest reduction on remaining bank liabilities (senior debt) to a preferential interest rate of EURIBOR plus 0.5 percentage points until December 31, 2006
- Issue of a subordinated convertible bond of tranche A to a total value of € 72,360,000, maturing on December 31, 2009, exchangeable for the first time from January 1, 2007 onwards, bearing interest at 6% p.a. depending on results. The proceeds from the issue will be used to repay senior debt, no rights to be issued to stockholders, issue to be subscribed by stand-still banks
- Issue of a subordinated convertible bond of tranche B in accordance with bond conditions to a total nominal value of up to € 72,360,000, maturing at December 31, 2009.

All agreements required for the aforementioned core elements to become effective with regard to the stand-still banks are now in place. The Management Board was authorized to carry out a conditional capital increase of € 72,305,836.31 required for the issue of both convertible bonds of tranches A and B at the extraordinary meeting of RHI AG on February 15, 2002.

2001 result affected by refractories USA and provisions for risks

The results situation of the group has been significantly influenced by RHI's decision to deconsolidate refractories activities in the USA in 2001 and to realign the group's portfolio. Group EBIT amounting to € -114.3 million is negative due to the final inclusion for legal reasons of the North American refractories companies prior to deconsolidation. These companies recorded EBIT after one-off effects amounting to € -133.6 million (2000: € 23.7 million). EBIT from refractories activities in Europe, Asia and Latin America amounted to € 62.1 million (2000: € 72.0 million). Adjusted for one-off effects, EBIT from operating activities in these regions was nevertheless above the value for the previous year at € 72.2 million.

EBIT from operating activities for the insulating division was below that of the previous year and amounted to € 2.2 million, due to consolidation and to the general economic climate. EBIT after one-off charges was negative at € -6.9 million (2000: € 11.2 million). Operating EBIT was just positive in the engineering division, however, necessary writedowns on investments resulted in a negative EBIT after one-off charges of € -7.5 million (2000: € 7.6 million). EBIT for overheads / other amounting to € -28.4 million (previous year: € 13.1 million) contains writedowns on financial receivables in addition to head office expenses. The corresponding figure for the previous year contained positive results from the proceeds of sales and the effects of deconsolidation.

Particularly due to the deconsolidation of the US refractories activities and the resulting writedowns and provisions for risks in 2001, the RHI Group records an extraordinary result amounting to € -590.7 million. The net loss of the group amounts to € -856.4 million (2000: € 30.8 million), the resulting distortion of equity necessitated the comprehensive capital restructuring already described.

Target 2006: Profitable and largely debt-free refractories world market leader

The Management Board of RHI AG is confident that it will achieve its results and financial targets thanks to the capital restructuring over the next few years, and will thus be able to position itself as a profitable and largely debt-free world market leader in the refractories sector in 2006 after the reconversion of Mezzanine capital.

RHI Group: Operating result (EBIT)

in € million	2001	2000
Refractories North America	-133.6	23.7
Refractories Europe, Asia, Latin America	62.1	72.0
Insulating	-6.9	11.2
Engineering	-7.5	7.6
Waterproofing	–	3.7
Consolidation/other	-28.4	13.1
RHI Group	-114.3	131.3

RHI: Sales revenue and earnings

in € million	2001	2000
Sales revenue	1,867.2	2,193.6
EBITDA	-24.2	241.1
EBIT	-114.3	131.1
Financial result	-90.6	-61.2
EBT	-204.9	70.1
Extraordinary result	-590.7	–
Taxes	-60.8	-39.3
Net loss / income	-856.4	30.8
Minorities	-6.7	-9.6
Net income after minorities	-863.1	21.2

The RHI share

RHI AG stock is traded on the Vienna and Frankfurt stock exchanges.

The share is represented in Vienna in the Austrian Traded Index (ATX), the key index and most important trading segment of the Austrian capital market. RHI is also a member of the recently established PRIME MARKET of the Vienna Stock Exchange, which since January 1, 2002 has encompassed the shares of companies that have committed themselves to stringent criteria governing transparency, quality and disclosure.

The ATX Index could not remain immune to the somewhat turbulent developments on the main international stock exchanges in 2001. At year-end, it nevertheless closed up 6.25% on its comparative value at the close of the previous year. The performance of the RHI share in 2001 was disappointing in view of the company's precarious economic and financial situation. After a significant slide, culminating in a low of € 5.00 in November 2001, it had recovered to € 7.30 at year-end. Its performance was very volatile in the first quarter of 2002, with trading volume extremely high at times. The share price stood at € 6.70 at March 29, 2002.

The RHI share in 2001

Decision taken to increase capital

Due to the substantial charges taken and provisions set up in the financial statements for 2001, and the resulting net loss of RHI AG and the RHI Group, the group's equity has been used up.

This required a comprehensive capital restructuring plan, which on the basis of a positive going-concern forecast saved the company from initiating insolvency proceedings. At the extraordinary general meeting of RHI AG stockholders on February 15, 2002, the Management Board was authorized to carry out two capital increases, enabling it to issue two subordinated convertible bonds in A and B tranches.

On April 4, 2002, RHI AG's Board of Management decided to use this authorization to issue tranche A with a total nominal value of € 72,360,000, maturity up to and including December 31, 2009. Conversion will not be possible until January 1, 2007. This tranche is reserved for banks; stockholders do not have subscription rights. A decision was also taken to issue tranche B with an identical nominal value to tranche A, split into 1,809 part convertible bonds with a nominal value of € 40,000, also maturing on December 31, 2009. Tranche B cannot be converted until January 1, 2003.

Both convertible bonds are subordinated, dependent on results and bear interest at 6%. Conversion to RHI shares at a nominal value of € 7.27 is possible.

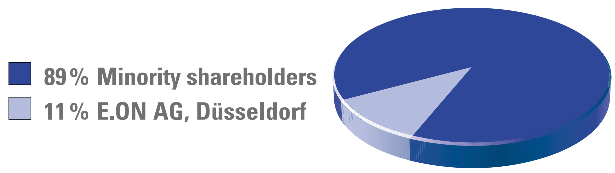
RHI AG stockholders were able to exercise their rights to subscribe tranche B from April 8, 2002 until April 26, 2002.

In the course of the capital restructuring, RHI exercised a put option on May 6, 2002 granted by the banks to place € 28 million of the tranche B convertible bonds with the so-called stand-still banks.

Tranche A was completely subscribed by the banks, the volume of tranche B placed in this first phase of issue, including the put option, amounted to € 42.8 million. The total volume of both transactions up to cash day on May 15, 2002 was € 115.2 million. The remaining € 29.5 million of tranche B will remain on offer to interested investors by way of a private placement.

The complete conversion of tranches A and B from January 1, 2007 and January 1, 2003 respectively will result in a doubling of the current number of 19.92 million voting, no-par common RHI AG stock. The new stock are eligible for dividends from the beginning of the business year in which the conversion is declared. The accounting underlying the capital restructuring up to the year 2006 forecasts, however, that total realizable net profits will be used to retire debt and accumulate equity.

RHI shareholder structure at the end of 2001



RHI share: key figures

	2001 €	2000 €
Share price at year-end [1]	**7.30**	21.00
High[1]	**24.11**	31.45
Low[1]	**5.00**	20.51
Average[1]	**18.13**	25.30
Number of shares[2] (in million units)	**19.92**	19.92
Trading volume (in million units)	**15.92**	6.06
Trading volume (in € million)	**258**	155
Stock exchange capitalization[3] (in € million)	**145**	418

Investor Relations

Stockholders, analysts, investors and the business press were kept regularly up-to-date on all significant events, particularly those relevant to the share price. This was done in accordance with the ad-hoc disclosure requirements of the Vienna and Frankfurt stock exchanges.

RHI supports the legal provisions preventing insider violations and adheres to the issuer compliance regulation in Austria effective since April 1, 2002.

Capital market calendar 2002

28.05.2002	Results for 2001
04.07.2002	Annual general meeting, Bank Austria Halle, Gasometer / Vienna
27.08.2002	Half-year results 2002
26.11.2002	Results for 3rd quarter 2002

Information on RHI stock

Stockholders' hotline:	+43 / 1 / 50213-6123
Stockholders' fax:	+43 / 1 / 50213-6130
e-mail:	rhi@rhi-ag.com
Internet:	www.rhi-ag.com
Securities code:	067690 (Austria) 874182 (Germany)

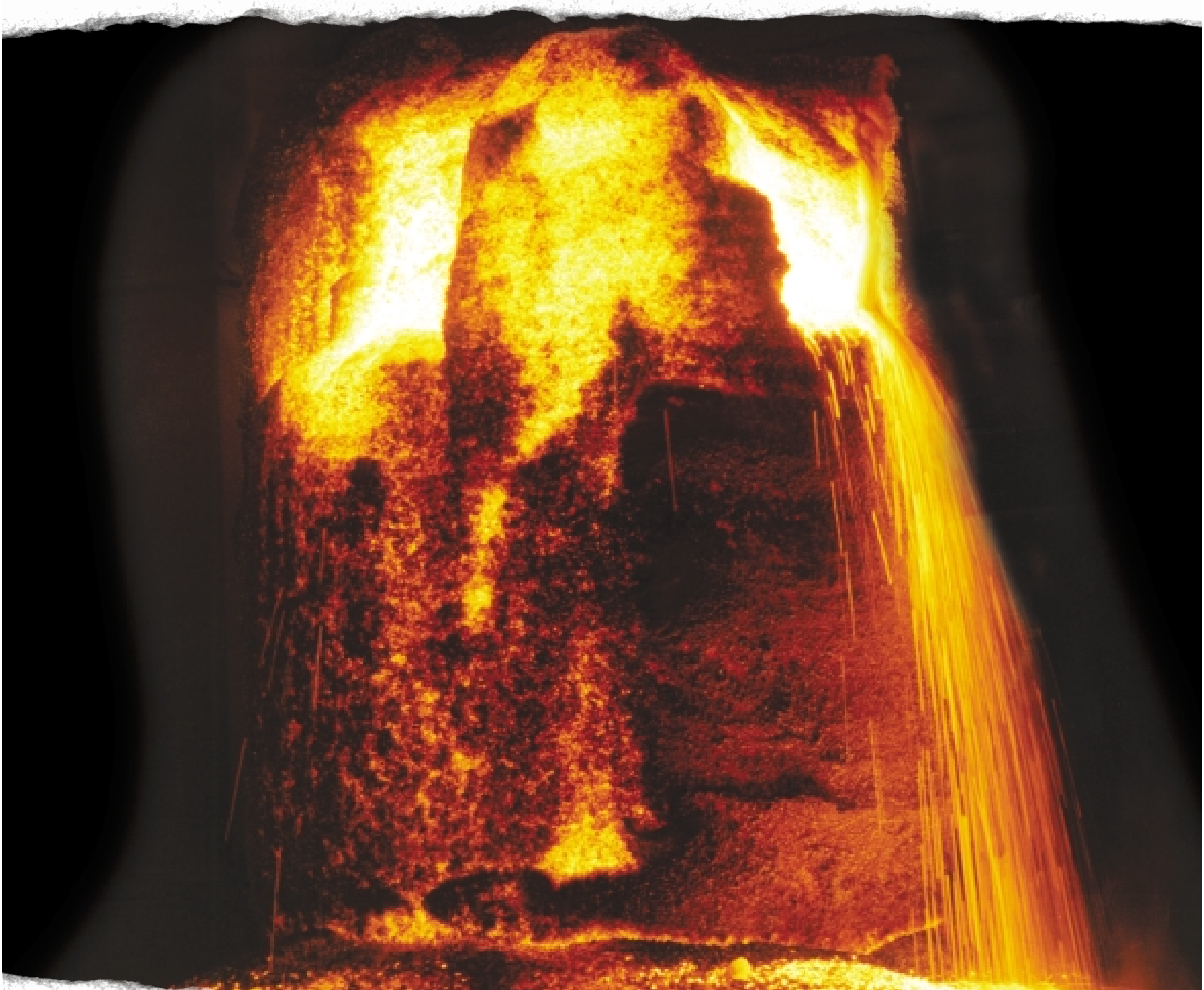
1 Closing prices on the Vienna stock exchange
2 Weighted annual average
3 At year-end

Refractories

Refractories division

in € million	**2001**	2000	Change
Sales revenue	**1,521.5**	1,675.5	-9%
EBITDA	**3.6**	182.4	n.a.
Europe, Asia, Latin America			
EBIT from operating activities	72.2	59.4	+22%
EBIT one-off effects	-10.1	12.6	n.a.
North America			
EBIT from operating activities	-51.8	23.7	n.a.
EBIT one-off effects	-81.8	–	n.a.
EBIT	**-71.5**	95.7	n.a.
Employees	**8,708**	10,095	-14%

The refractories division of RHI, marketed worldwide since the beginning of 2001 under the RHI Refractories brand, is still the world market leader for high-grade ceramic refractories, despite withdrawing from its US activities. RHI supplies the iron & steel, cement & lime, non-ferrous metals, glass, environment, energy and chemicals industries with non-substitutable products and services for use in all high-temperature processes exceeding 1,200°C.



Smelted block after steel casing is drawn.

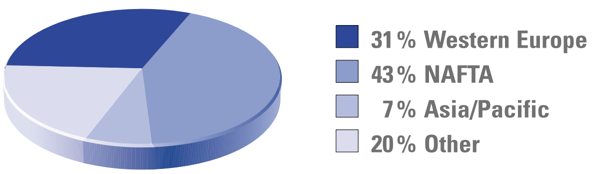
Photo: Christoph Brandner, Leoben

Refractories 2001: Steel crisis and asbestos problems in the USA impact RHI refractories business

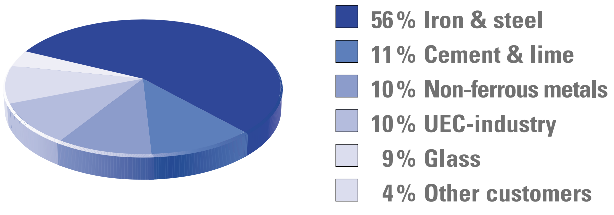
RHI is the world market leader for high-grade, non-substitutable, ceramic refractory materials used in the production of iron & steel, cement, lime, glass, and non-ferrous metals, as well as in the environment / energy / chemicals sector. Our well-established products such as Veitscher, Radex, Didier, Refel or Dolomite Franchi are marketed worldwide under the new RHI Refractories brand.

As technology pioneer in the refractories sector, we have established ourselves as a dominant market force. The inevitable split from the US GIT group companies acquired in 1999 and from NARCO due to asbestos litigation problems does not signify the end of the worldwide pre-eminence and aspirations of RHI Refractories. The strategic objectives of RHI's core business, refractories, remain unchanged: technology leader, and an ongoing focus on our worldwide business units. Our production units in Europe, Mexico, Chile, Canada, South Africa and China and the research center in Leoben / Austria are important components for securing the group's future prospects.

Refractory sales revenue 2001 by region



Refractory sales revenue 2001 by customer industry



Asbestos problems prevent sustainable, operative turnaround in USA.

Following the takeover of the US-American GIT Group in 1999, comprising the refractories companies Harbison-Walker and A.P. Green, significant progress was made in integrating all RHI's refractories activities in North America in 2000. The first signs of trouble emerged at the end of 2000, however, triggered by general recessionary trends, and particularly by the massive steel crisis in the USA.

In the first half of the year 2001, reorganization and restructuring measures were put into place in the USA in response to the sharp decline in sales revenues and customer defaults due to a wave of Chapter 11 filings in the steel industry. Moreover, the US management was replaced in 2001 to intensify the essential operative improvements to the structure of our US refractories business.

In response to the significant drop in demand from steel and industrial customers, massive cost cuts were achieved during 2001 at North American plants, including distribution and overheads, despite the difficult economic and legal parameters. 830 US employees were consequently made redundant, 26% of total US staff. Despite this drastic measure, EBIT from operating refractories activities in the US was clearly negative.

The long-term, sustainable turnaround prospects for the US refractories business were severely damaged by the asbestos ligitation claims against our main US companies, Harbison-Walker and A.P. Green and indirectly against NARCO.

In the light of the consequent decision – already described in this annual report – to cease financing the operative restructuring of the US refractories companies and to deconsolidate them at December 31, 2001, the strategy of our core refractories business will focus from 2002 onwards primarily on locations and customers worldwide outside the USA.

Refractories Europe, Asia, Latin America on the right track despite the poor economic climate

Sales revenue remained stable outside the USA in spite of significantly more difficult economic parameters in 2001. The fall in sales revenues due to the slump in the steel industry in the Asian / Pacific region and in Latin America was partially offset by growth in the former Eastern bloc, the CIS and in the Near and Middle East. Gains in market share were realized regionally and in individual industries, enabling sales revenues to be boosted, despite the precarious economic climate and competitive situation.

Outside the USA, RHI Refractories operates worldwide with profit centers (business units), which offer tailored, high-margin products for the following fields of application: steel & flow control, cement & lime, glass, non-ferrous metals, environment / energy / chemicals. This focus is our response to increasing globalization, and has improved our market presence in key industries and target markets worldwide.

The production sites of Harbison-Walker and A.P. Green in Mexico and Chile, acquired in 2001, were integrated into the Europe / Asia / Latin America production cluster. In addition to synergies in procurement, processes were improved and productivity increased due to a realignment of the portfolio. All in all, socially acceptable redundancy agreements were reached with 248 employees in Latin America, a quarter of the workforce.

57 employees were laid off in Asia / Pacific due to the sale of an unprofitable production site for non-basic masses in Malaysia, and as a result of overhead cuts. This is equivalent to one sixth of the staff and has boosted profitability in this region.

The German site, Aken, acquired by Harbison-Walker, was merged with Didier-Werke AG, which resulted in a substantial improvement in cost structures. The structural projects in Marktredwitz / Germany and Clydebank / Scotland have now largely been implemented; these production sites now have state-of-the-art technologies and rank first in productivity terms in a worldwide benchmark. Firing operations in Turkey have successfully been relocated from Eskisehir to Tutluca. This facilitated substantial improvements to specific energy consumption and productivity of raw materials extraction. All in all, productivity gains with capacity more or less unchanged on the previous year enabled further staff cuts of 192 employees or 4% of the workforce to be made.

EBIT in refractories Europe, Asia, Latin America was up on the previous year despite difficult economic parameters, due to stable sales revenues, a consistent pricing policy and substantial cost cuts in staff and materials.

Steel & Flow Control

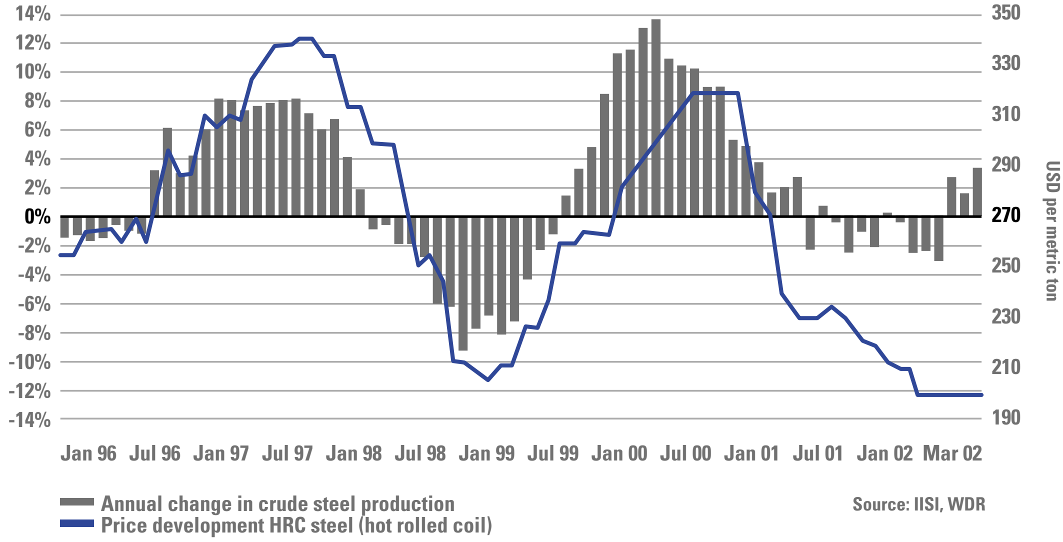
The market for the steel & flow control unit took a clear downturn in comparison to 2000. Raw materials output in 2001 fell short of its record level in 2000, 0.7% below the previous year's figure. Looking at the most important economic areas, output in the EU fell 2.7%, mainly due to a drop in production in the fourth quarter of 2001. The CIS recorded marginal market growth of 1.8% year-on-year. Production rose 8% on the previous year in Africa and the Middle East due to new production capacities in Egypt and Saudi Arabia. Asian economies continue to develop divergently; while, for example, crude steel output rose by a further 12% in China to a record high of 141 million tons, output fell significantly in Japan's steel sector. The steel industry slumped dramatically in North America in 2001, where production declined in the US, Canada and Mexico by up to 15%.

In addition to the palpable effects of the world economic downturn, which has had a negative impact on automobile sales and on the construction industry, the main problem affecting the steel industry in this region was the sharp increase in raw material and energy costs, coupled with a further decline in steel prices in 2001. The steel sector has undergone further consolidation worldwide due to low prices and overcapacities, with only the most productive and therefore cost-efficient steel manufacturers remaining as attractive customers with a strong demand for high-tech refractories. All in all, 2001 was a difficult year for steel, and this had a negative impact on investments in the sector and on the creditworthiness of important RHI customers.

Industrial

The economic parameters for the **cement industry** were good, as expected, in 2001. Worldwide output rose about 3% on the previous year. The decline in cement production in important markets such as Germany and Mexico was mainly offset by gains in the Middle East and Asia / Pacific. RHI boosted sales revenues in Europe, Asia and Latin America substantially in comparison to the previous year. Low-margin business was rejected in North America, which led to a drop in sales revenues in 2001. The environment for the **lime industry** was characterized in 2001 by a relatively weak construction

World output of crude steel: comparative development of price and output



Source: IISI, WDR

industry in the core German market. However, the drop in volume in Germany could be offset by a substantial upwards trend among customer industries in Eastern Europe. Sales revenue from this unit remained at last year's level in 2001, which once again raised earnings power.

After a very strong year in 2000, the demand for **glass** stabilized at a high level in 2001. The recovery in the flat and special glass sectors continued in 2001; the market for hollow glass remains stagnant. Necessary repairs and new kiln projects have strengthened the high demand for refractories materials in the glass industry. Our worldwide organization in business units has also contributed to positive business developments overall. Our customers' increased acceptance of our competence clusters with a uniform, worldwide profile and presence is increasingly making its mark in a market characterized by worldwide consolidation, leaving only a handful of major players.

Significant drops in the most important metals prices on the LME characterized 2001 for **non-ferrous metals** manufacturers. However, production volume was hardly reduced. Only in the aluminum sector, where electricity sales by aluminum manufacturers, particularly in the USA, were more profitable than metals sales, output dropped considerably as a result of strategic works closures. Generally speaking, the market for non-ferrous metals producers is still in motion. Recent mergers between major international mining and smelting groups will accelerate the consolidation process. Despite the increasingly difficult environment and the fact that major and new kiln construction projects were postponed, our market position among non-ferrous metals producers became stronger in 2001. High-grade, improved products, new technologies, successful cooperation with major engineering firms and the know-how of experienced employees led to further increases in sales revenues. Our market position improved significantly, particularly in the African and Asian region.

Worldwide conditions for the **environment/energy/chemicals** sectors were affected by the economic downturn in 2001. This was clearly illustrated by a drop in investment in new plant in all segments. In contrast to this, however, repairs planned long-term were carried out, and this had a positive impact on the sector. The energy systems segment (power plants, thermal waste disposal) was still adversely affected by the recycling of waste in the steel and cement industry and the persistently high degree of disposal in waste dumps. Planned projects, especially in Southern Europe, are currently foundering due to uncertain financing. Upbeat signs also came from the petrochemicals market in 2001. RHI continued to expand its market position in this sector, positioning itself strategically as a complete refractories supplier. Important contracts for new kilns were secured in New Zealand, South Africa and Trinidad.

The **supply of raw materials** for magnesite refractories products is based to a great extent on the group's own output. Mining and smelting plants supply the group with raw magnesite, sinter magnesia, magnesite causter and spinel as well as smelting products for the manufacture of final refractories products. Significant competitive advantages can be realized through the development and production of special raw materials. In addition, substantial cost advantages can be realized by optimal use of in-group production as opposed to procurement from elsewhere. This had a very positive impact in 2001, due to the devaluation of the Turkish lira which made production of low-iron sinter at our Turkish sites particularly cost-effective. The already attractive mix of low-cost production by the group and variable levels of procurement will be extended in future, particularly for smelted products.

Development of EBIT in 2001 confirms new direction in Europe, Asia and Latin America.

The refractories results for 2001 confirm our strategy of focusing the future of RHI's core business on companies with strong earnings potential outside the USA. The final EBIT to be consolidated from the USA amounting to € -133.6 million illustrates the critical situation in which the refractories business found itself last year in this region. In addition to operative losses and significant one-off effects from restructuring, EBIT also contains expenses resulting from the handling and settlement of asbestos litigation.

Refractories EBIT from Europe, Asia and Latin America is lower than in the previous year at € 62.1 million in total; however, this figure is adversely affected by one-off charges totalling € -10.1 million.

As performance has improved on the previous year with EBIT from operating activities amounting to € 72.2 million, the trend is definitely positive, despite the weak economic climate. This upwards trend continued in these regions in the first quarter of 2002.

With sales revenues in the aforementioned regions amounting to € 923 million in 2001, EBIT from operating activities is equivalent to a margin of 8%.

Refractories: Operating result (EBIT)

in € million	2001	2000
Europe, Asia, Latin America		
EBIT from operating activities	72.2	59.4
EBIT one-off effects	-10.1	12.6
North America		
EBIT from operating activities	-51.8	23.7
EBIT one-off effects	-81.8	–
EBIT	-71.5	95.7

Including sales revenues and contributions to profit from Canada, which will be optimized and integrated into the new refractories core business from 2002 onwards, the refractories business looks set to generate healthy earnings in the future.

Outlook

The economic parameters for RHI's refractories business are not homogenous. While the steel industry is still going through a difficult phase due to low steel prices and general economic conditions, the prospects for our Industrial unit in the cement & lime, non-ferrous metals and glass segments are definitely better. The steel situation was aggravated by the USA's imposition of protective tariffs, which could be highly detrimental to the worldwide steel trade. Experts expect the economic situation in North America to improve in 2002, which should promote industry stabilization worldwide. RHI refractories is also set to benefit from this.

The commercial prospects for the refractories business are based on RHI Refractories' position as market leader for refractories outside the USA. Improvements initiated in 2000 and 2001 will continue into 2002. These include the introduction of new, high-margin product and service concepts, concentration on regions and industries with above-average growth, and further improvements to works locations in Europe, China, Canada, Mexico, Chile and South Africa. This in turn will improve processes and facilitate cost cuts across the board. On this basis, we are confident that results from Europe, Asia, Latin America and Canada will be more than satisfactory in 2002, after the deconsolidation of our US investments.

RHI Refractories locations worldwide

Insulating

Insulating division

in € million	2001	2000*	Change
Sales revenue	**161.5**	194.1	-17%
EBITDA	**5.4**	26.8	-80%
EBIT from operating activities	2.2	11.2	-80%
EBIT one-off effects	-9.1	–	n.a.
EBIT	**-6.9**	11.2	n.a.
Employees	**1,823**	2,212	-18%

* Sales revenues on a comparable basis to 2001 amount to € 154.3 million, comparable EBIT for 2000 amounts to € 8.0 million.

The insulating division is one of the leading European suppliers of insulating materials. Heraklith is continuing to focus on profitable market segments and attractive emerging markets in Western and Eastern Europe in the rock wool and wood wool building board product groups. Insulating is currently undergoing capacity restructuring in Western Europe. A growth strategy is being pursued in Eastern Europe.

Production of Heralan rock wool at the Heraklith works in St. Egidien, Germany.
Rock wool has a wide field of application on the European construction market: in overground civil engineering, technical waterproofing and in industrial processing.

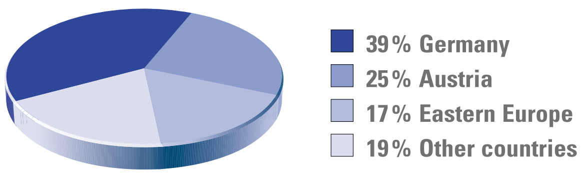
Photo: Brückner & Fuchs, Chemnitz

Heraklith. Heralan. Heraflax.

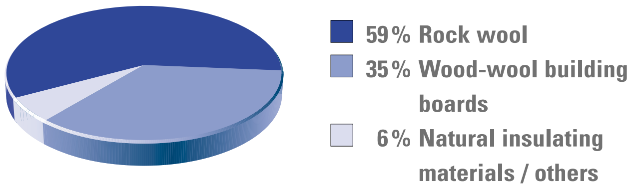
Insulating 2001: Despite the continuing slump in construction, division excels with segmentation and regional strategy.

The construction industry, which has been in the throes of a persistent recession since the mid-nineties, turned out to be in an even weaker state in 2001 than had originally been forecast. Germany was hardest hit; the situation in the other EU countries was slightly more congenial. Construction expenditure in Germany slumped 6% in real terms. The proportion of public tenders and private sector investment declined substantially. Heraklith was particularly affected by developments in the housing sector, which contracted once again. The construction industry in Austria was equally sluggish. Here, construction expenditure fell 3% in real terms, and housing construction was down about 8% in comparison to the previous year.

Insulating sales revenue 2001 by region



Insulating sales revenue 2001 by product group



The trend was positive in only a few European countries such as Italy, Spain and the Netherlands. Developments were satisfactory in Croatia, Slovenia, Slovakia and Russia.

Sales revenue up 5% not including consolidation effects

Sales revenue in the insulating division amounted to € 161.5 million in 2001 (2000: € 194.1 million). Due to the changes in consolidation, consolidated sales revenue fell by 17% on the previous year. Adjusted for these consolidation effects, however, sales revenue was 5% up on the previous year, despite the recession in core markets.

Rock wool sales up in volume and value

Despite the difficult market and competitive situation and the overall decline in consumption of insulating materials, growth was achieved both in core markets and in the emerging markets of Eastern Europe. The reorganization of distribution introduced in 2000 made a significant contribution to this positive trend. Capacity utilization at the works was good on the whole due to the rise in sales in east European markets. Capacity was reduced only in the recessionary market in Germany in accordance with market developments. The strategy of focus on profitable niche markets was developed further in 2001.

Sales of wood wool special products up again in 2001

Total sales of wood-wool building boards declined again in 2001, but the segmentation strategy produced a rise in sales volume, particularly in the acoustics segment. This could not, however, compensate for the drop in sales in the other segments, particularly commodities. Sales volume fell in the basement / underground parking segment and in wooden constructions; however, the decline was significantly less dramatic than the drop in overall market volume. Regional expansion was again a positive contributor, with Heraklith now exporting special products to 30 countries worldwide.

EBIT down on previous year

Operating EBIT from the insulating division was down on the previous year at € 2.2 million (2000: € 11.2 million), substantially below expectations. The adverse effects of ever fiercer competition in the core markets, Germany and Austria, could not be offset by the positive contribution due to regional expansion and by the rise in sales revenue from special products. The decrease in EBIT on the previous year can be attributed to the change in consolidation. Total EBIT for the insulating division in 2001 is negative at € -6.9 million due to one-off charges relating to the writedown of receivables.

Outlook

The main objectives for the forthcoming years in the Heraklith Group are the ongoing implementation of the segmentation strategy in profitable fields of application, and regional expansion in attractive emerging markets, particularly in Eastern Europe.

In addition to stepping up marketing activities for acoustic and optical applications, the realization of a new workshop concept will make a decisive contribution to improving results in the wood-wool building board segment in 2002. Investments in extending and consolidating our position as technology leader will also bring the effects of rationalization to bear.

Improved logistics, better consulting services and joint application developments with customers will strengthen our existing customer relations and appeal to new distribution partners.

Engineering

Engineering division

in € million	**2001**	2000	Change
Sales revenues	**195.5**	168.2	+16%
EBITDA	**-4.8**	10.0	n.a.
EBIT from operating activities	0.3	7.6	-96%
EBIT from one-off effects	-7.8	–	n.a.
EBIT	**-7.5**	7.6	n.a.
Employees	**523**	486	+8%

Despite the difficult economic climate, the engineering division managed to realize important projects world-wide involving demanding technical solutions in high-temperature plant construction in 2001.

Lime works at Hönnetal in Dortmund, Germany
RHI Engineering designs and plans production plants for industrial high-temperature processes.

Photo: Christoph Brandner, Leoben

maerz · STRIKO WESTOFEN · RACO · IPZ

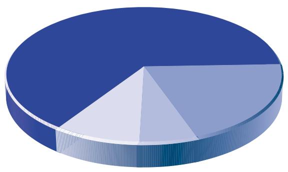
CIMPROGETTI · maerz-gautschi Industrieofenanlagen GmbH · DME · BACHMANN INDUSTRIES, INC.

Engineering 2001: Successful acquisition of important projects worldwide despite precarious business climate

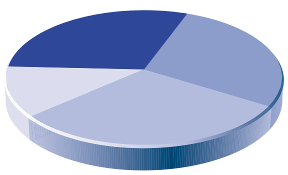
Key industries for the engineering division such as lime, steel, aluminum and secondary sector industries such as automotives, to which our engineering firms supply special kilns, smelting and dosage plants, heat treatment plants, power plant systems and industrial fixtures, were adversely affected by the recessionary trend worldwide in 2001. Despite the difficult climate, the division nevertheless managed to secure attractive orders at a high level.

Sales revenues from engineering were 16% above the value for the previous year at € 195.5 million, particularly attributable to the effects of consolidation.

Engineering sales revenue 2001 by region



Engineering sales revenue 2001 by customer



Strong investment in the lime industry

The strong investment trend in the lime industry worldwide continued in 2001. A turn-key plant produced by Maerz Ofenbau for the Steyrling lime works in Austria went into operation in summer 2001. Maerz's product range was extended to include a small fine brick kiln, which was put into operation for the first time in Japan in 2001. Another important milestone was the successful installation of the recently developed Maerz RCE firing kiln at Saudi Dolomite Corporation in Saudi Arabia.

Smelting and dosage generate high sales revenues and earnings in Europe

Despite the slump in the automotive and component industry, the largest customer group served by Striko-Westofen, the European companies of the Striko-Westofen group maintained sales revenues and earnings levels in 2001. The serious problems facing the American automotive sector adversely affected the results of the US subsidiary, however.

Extension of market share for heating plants in the steel industry

The steel & aluminum kiln segment with MAERZ-Gautschi has again extended its market share of heating and heat treatment plants for steel in its core market, Western Europe. In the steel segment, a pusher furnace was overhauled to incorporate the latest technical standards for Salzgitter AG in record time, and a similar contract with Stahlwerke Thüringen followed. A special tempering plant for railway wheels for

Bochumer Verein and a complex kiln plant for copper slabs for Wieland Werke are currently being put into operation. In the aluminum segment, a horizontal continuous casting plant for casting close to final dimensions was built in Japan.

Internationalization continues with subsidiary in Taiwan in blast furnace segment

The DME group made further progress in internationalizing its business in 2001. After the foundation of DME Inc. in the USA in 1996 and DME do Brasil in 1997, DME Asia Company Ltd. was founded in Taiwan in 2001. The objective is to consolidate contact to the key customer, China Steel Corporation (CSC), and to gain a foothold in the Chinese market at the same time. An initial order for the construction of a heat recovery plant at CSC was secured.

Worldwide systems supplier of gas turbine power plants

The strategy initiated in 2001 in the power plant systems segment with Bachmann Industries Inc. and Kaefer-Raco Engineering has proven successful. Contracts such as three complete waste gas systems for gas turbine power plants in the United Arab Emirates, and the major contract for a power plant in Malaysia confirm the strategy's success.

Industrial fittings segment strengthened by Zimmermann & Jansen

In October 2001, the Engineering division acquired the Zimmermann & Jansen Group, Düren / Germany to complement and strengthen the industrial fittings segment. Z&J manufactures high-quality special fittings and machines for the iron & steel, glass, chemicals & petrochemicals industries. Z&J was not included in consolidation in 2001.

EBIT negative due to writedown requirements

With an EBIT of € -7.5 million in total, the result from the engineering division was negative in 2001, significantly below expectations. Without taking one-off charges into consideration, EBIT from operating activities was just positive. This weak operating result is mainly attributable to the fact that the actual costs for the operational phase of a pilot project in the lime segment went over budget. Results were also adversely affected by high one-off expenses incurred in restructuring by the smelting and dosing groups in the USA. Moreover, the deferral of settlement of a major project in the steel & aluminum kiln segment and additional provisions for a company sold in 2000 also had a negative impact on results.

Outlook

In view of the addition of the Zimmermann & Jansen group, strengthening the division, and a healthy order book in all segments overall, operative results in 2002 are expected to improve significantly on the figures for 2001.

RHI is planning to divest the engineering division in early 2002 as part of the group's focus strategy. Exclusive talks have been underway with a financial investor since 2001. A contractual agreement was reached on April 30, 2002, subject to the final securing of finance and to approval by anti-trust authorities.

Consolidated Financial Statements 2001

Management report

As in previous years, use was made of the option under § 267 (3) HGB and § 251 (3) HGB to summarize the management report of RHI AG together with the consolidated management report. RHI AG had no branch offices in the reporting period.

General economic climate

Our operative business in 2001 developed unsatisfactorily in comparison to the previous year, particularly as far as our refractories business in North America is concerned. The customer industries to whom refractories are supplied were hit by the weak industrial climate worldwide. The steel industry in the NAFTA region took a nosedive in 2001, with output declining up to 15% in the US, Canada and Mexico. As far as other key economic regions are concerned, steel output fell 2.7% in the EU, while the CIS states and China boosted output by 1.8% and 12% respectively. In addition to the world economic slump, steel manufacturers were hit by a substantial increase in raw material and energy costs, while steel prices continued to slide. The past year was a difficult year for steel overall, and this adversely affected the capital expenditure and creditworthiness of important RHI customers worldwide.

Other **refractories** customers fared differently in 2001. Cement production was up 3% on the previous year. The lime industry was hit by the weak construction sector, for example in Germany. However, growth was recorded in Eastern Europe. The demand for glass stabilized at a high level, with the market for flat and special glass developing particularly well in contrast to hollow glass. The non-ferrous metals industry was adversely affected by weak metals prices. The whole industry is undergoing upheavals due to consolidation processes in mining and smelting groups. Conditions in the environment, energy and chemicals industries in 2001 were characterized by a recession coupled with lower levels of capital expenditure.

The construction sector in Central Europe, a decisive factor for the insulating division, was characterized by fierce competition, price pressure and over-capacities, with the construction sector in core markets weak overall. Demand in Germany and Austria fell once again. Construction volume rose in certain east European growth markets, increasing the demand for insulating materials again. The rise in demand in these countries could not, however, make up for the sluggish situation in Western Europe.

Strategy, acquisitions and divestments

The **refractories** division did not manage to defend the position it had achieved in the USA with its acquisition of the GIT Group in 1999 as undisputed world market leader due to its problems in the USA. Although the group’s initial strategic position was good with market shares of 30% in Europe and North America respectively, RHI was nevertheless hit particularly hard by the market dip and over-capacities in the latter region. A possible operative restructuring and future adaptation of production capacity in the USA was, however, thwarted by the sharp increase in asbestos litigation claims against individual US companies. The resulting increase in working capital and the spiralling costs of meeting such claims resulted in the decision no longer to finance our refractories business in the USA, to offer the companies for sale and to deconsolidate them at the end of 2001. The company has thus taken a landmark decision to focus the group’s activities on the commercially attractive refractories business not including the USA.

Our medium-term goal is to have a stronger presence on attractive emerging markets such as South America and Asia / Pacific, including China. RHI is already well placed with an attractive refractories product portfolio in these regions. The challenge for RHI is to defend and extend our technology leadership in the refractories industry. At the same time, an optimal worldwide cost structure must be achieved. Our aim is to achieve a further substantial degree of variability in cost structures, to enable us to react more quickly and flexibly to the cyclical development of important customer industries worldwide. This includes integrating our Canadian production sites into our worldwide technology network, as well as continuing to optimize capacities in Europe, Mexico, Chile and China. The strategy of our newly defined core business, refractories, aims to harness the strengths of our worldwide business units to open up markets and meet demanding earnings targets.

The **insulating** division focused on the production of rock-wool insulating materials and wood-wool building boards in 2001. In the light of the weak construction sector in the core markets of Germany and Austria, our segmentation and regional strategy with regard to Eastern Europe is gaining in importance.

The **engineering** division managed to consolidate its restructured portfolio in 2001, which was finally rounded off by the acquisition of the Zimmermann & Jansen Group that specializes in industrial fixtures. The review of RHI’s engineering strategy, initiated in 2001, resulted in a decision being taken no longer to include this division in the group’s target portfolio. On April 30, 2002, the engineering activities of the RHI Group were divested in the form of sales of investments and business units, subject to final securing of finance and approval by anti-trust authorties.

Sales revenue and earnings position

With the economic climate taking a clear downturn in the US, together with the problems specific to the refractories companies in the USA, and the precarious economic situation for the insulating business in Europe, RHI's earnings fell significantly in 2001.

RHI: Sales revenue and earnings

in € million	2001	2000
Sales revenue	1,867.2	2,193.6
Operating result (EBIT)	-114.3	131.3
Financial result	-90.6	-61.2
EBT	-204.9	70.1
Net loss/income	-856.4	30.8
Net loss/income after minorities	-863.1	21.2

Development of sales revenue

All in all, consolidated sales revenue was 15% below the comparative value for the previous year at € 1,867.2 in 2001. € 154.0 million of this decline in sales revenue was accounted for by refractories earnings, particularly in North America, a further € 171.2 million came from the deconsolidation of the waterproofing division sold at the beginning of 2001.

RHI: Sales revenue

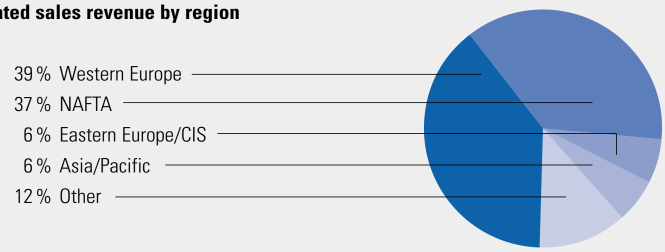
in € million	2001	2000
Refractories	1,521.5	1,675.5
Insulating	161.5	194.1
Engineering	195.5	168.2
Waterproofing	–	171.2
Other and consolidation	-11.3	-15.4
RHI Group	1,867.2	2,193.6

Sales revenue in the **refractories** division fell in the reporting period due to unfavourable economic developments in customer industries and to the stark decline in sales in North America due to the recession and steel crisis. Sales revenue slipped to € 1,521.5 million (2000: € 1,675.5 million).

The **insulating** division boosted its operative sales revenue in 2001 by 3% in its core markets. However, sales revenue fell overall to € 161.5 million (2000: € 194.1 million) due to the deconsolidation of an investment in Slovenia.

The **engineering** division increased sales revenue in 2001 to € 195.5 million (2000: € 168.2 million). This increase is primarily due to the first complete inclusion of Bachmann Industries Inc. (power plant and environmental protection fittings).

Consolidated sales revenue by region



Earnings development

Due to unsatisfactory business developments in 2001, particularly at Refractories North America, EBIT in 2001 in the RHI Group was clearly negative. EBIT amounting to € -133.6 million (2000: € 23.7 million) generated by Refractories North America confirms RHI's decision to develop RHI's core business only on the basis of companies with strong earnings outside the USA in future. EBIT from North America still to be consolidated clearly illustrated the critical situation facing the refractories business in this region over the past year.

EBIT from refractories Europe, Asia, Latin America was lower than the previous year at € 62.1 million (2000: € 72.0 million). However, the figure was satisfactory overall considering the weak economic climate.

The EBIT contribution from the refractories division to total group EBIT was € -71.5 million (2000: € 95.7 million) in the reporting period. The other divisions of RHI also recorded a negative EBIT below the previous year's figures.

The group's **financial result** deteriorated in 2001 to € -90.6 million (2000: € -61.2 million). With an interest result almost unchanged on last year, this deterioration is due to writedowns on financial assets and marketable securities.

The **result from ordinary activities** (EBT) of the RHI Group amounts to € -204.9 million (2000: € 70.1 million).

The **extraordinary result** amounts to € -590.7 million (2000: € 0.0 million) primarily due to writedowns and to the deconsolidation of the US refractories companies.

The **net loss** of the RHI Group was € -856.4 million (2000: € 30.8 million).

The **net loss after minorities** amounted to € -863.1 million as compared to a profit of € 21.2 million in 2000.

Earnings per share in 2001 were € -43.3, after € 1.07 in the previous year. Due to the high net loss in 2001 and the distortion of equity capital, a proposal not to pay out any dividend for 2001 will be made at the annual general meeting on July 4, 2002.

RHI: Operating result

in € million	2001	2000
Refractories North America	-133.6	23.7
Refractories Europe, Asia, Latin America	62.1	72.0
Insulating	-6.9	11.2
Engineering	-7.5	7.6
Waterproofing	–	3.7
Overhead / other	-28.4	13.1
RHI Group	-114.3	131.3

Cash flow, capital expenditure and liquidity

Cash flow from results in 2001 amounted to € -311.4 million (2000: € 73.9 million), cash flow from operating activities is € -106.6 million (2000: € 48.6 million). Both cash flow from results and operating activities are significantly affected by the development and deconsolidation of the US refractories companies.

A total of € 51.7 million (2000: € 91.4 million) was invested in **property, plant and equipment and in intangible assets** in 2001. Proceeds from sales amounted to € 9.1 million, primarily generated from the sale of non-business-related assets.

€ 19.8 million was earmarked for the acquisition of shares and investments, while € 3.6 million was raised from the sale of shares.

In total, cash flow from investing activities amounted to € -59.4 million (2000: € -53.1 million). Cash flow from financing activities at € 165.1 million contains funds borrowed from financial institutions amounting to € 209.3 million.

Net **financial payables**[1] of the RHI Group amounted to € 595.7 million (2000: € 804.0 million) at December 31, 2001. The RHI Group had a total credit line of € 730.8 million (December 31, 2000: € 973.0 million) with international banks at year-end. The drop in net financial payables in contrast to the increase in funds borrowed from financial institutions is due to the fact that € 400.0 million of subordinated mezzanine capital was added to real equity capital.

RHI: Cash flow

in € million	2001	2000
Cash flow from results	-311.4	73.9
Changes in working capital	204.8	-25.3
Cash flow from operating activities	-106.6	48.6
Cash flow from investing activities	-59.4	-53.1
Cash flow from financing activites	165.1	14.9
Consolidation measures etc.	1.2	-7.1
Change in cash and cash equivalents	0.3	3.2

1 Net financial payables = financial payables - cash & cash equivalents

Risk management

The RHI Group has a centralized approach to risk management. This comprises limiting financial risks such as liquidity, interest rate and currency risks, as well as securing against debtor default and del credere risks. Moreover, most operative asset risks are controlled centrally via insurance management.

Liquidity risk is limited through group liquidity planning to reveal the short and medium-term development of liquidity. Talks are regularly held with banks and credit insurers to secure the long-term financing of the group.

Credit risk management aims to avoid default risks and to secure the value of receivables as one of the most important components of assets. The portfolio of receivables is monitored and controlled monthly to assess risks (credit-at-risk approach.)

Currency risks from financing the acquisitions of the US group had been hedged with an interest rate / currency SWAP in previous years. After the split from the US group, the exposed US dollar risk of this SWAP was hedged by a forward exchange contract (purchase of US dollars) in April 2002.

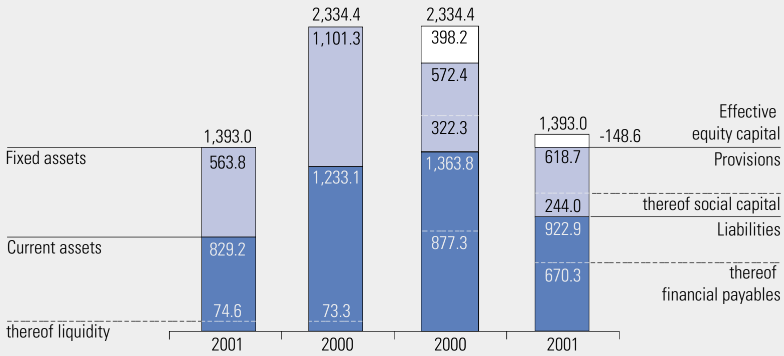
Assets and capital structure

The deconsolidations, particularly of the US refractories companies, produced a significant change in the fixed and current assets of the RHI Group. Initial consolidations and deconsolidations in the insulating and engineering divisions and foreign exchange translations did not have a strong impact on the group's asset structure at December 31, 2001. The effects of the changes in consolidation are presented in the notes in the chapter consolidation.

Due to the writedown of receivables from the deconsolidation of US refractories companies, affecting the income statement, and further provision requirements, the equity recorded in the financial statements of the RHI Group is negative at € -548.6 million. Taking the mezzanine capital of € 400.0 million into account, effective equity capital amounts at December 31, 2001 to € -148.6 million (2000: € 398.2 million). This is equivalent to a ratio of –10.7% (2000: 17.1%).

The proportion of overall borrowing is 48% (2000: 57%). The scheduled refinancing of fixed assets is given with a surplus coverage of 17% (2000: 20%).

Balance sheet structure of the RHI Group (in € million)



Production and capacity utilization: refractories

Capacity utilization at refractories works in the USA was very weak in 2001 due to the recession; in several cases, production was temporarily suspended. Capacity utilization in Europe, Asia, and Latin America in 2001 differed according to industry. Works mainly producing for the cement, glass and non-ferrous metals industries had high capacity utilization throughout the year. By contrast, works serving the steel industry were operating at low capacity due to the recession. This mainly related to the Aken, Duisburg, Urmitz (Germany) and Ramos Arizpe (Mexico) works. These locations actively responded on the cost side by introducing differentiated and flexible working hours and in the case of Ramos Arizpe by making staff adjustments.

Raw materials prices, which had risen since 2000, began to fall from mid-2001, thus slightly reducing costs incurred by this segment.

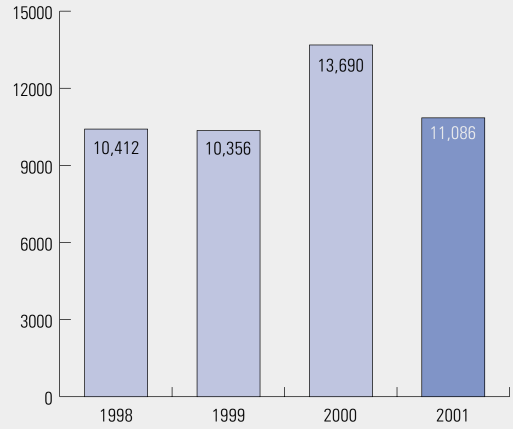
Capital expenditure in 2001 was limited to absolutely essential overhauls and investments required by law, and to the continuation of the structural project in Marktredwitz.

Personnel

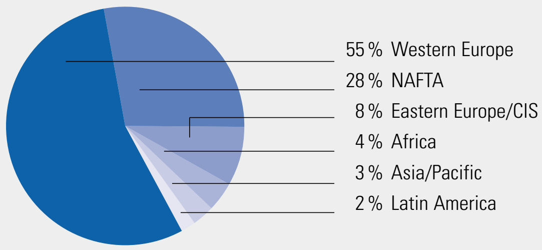
10,355 people were employed in the fully consolidated companies belonging to the RHI Group at December 31, 2001 (still including the US companies) (2000: 12,114). The drop of 1,759 or 15% in headcount results above all from the sale of the waterproofing division and was due to cyclical adjustments at locations outside Europe. The biggest staff cuts were in the USA and Latin America. From a structural perspective, administrative areas were more heavily affected than production sites due to the utilization of further synergy potential. Due to the deconsolidation of refractories companies in the USA at the beginning of the year 2002, the number of employees to be allocated to the group fell by 2,171 to 8,184.

At the end of 2001, 2,131 people were employed in Austria (2000: 2,089 employees), accounting for 20.6 % (2000: 16.8 %) of total group staff.

Number of employees (annual average)



Regional breakdown of RHI staff (incl. Refractories USA)



RHI: Personnel ratios	2001	2000
Sales revenue in € million	1,867.2	2,193.6
Personnel expenses in € million	616.3	651.4
Annual average number of employees	11,086	13,690
Personnel expenses as % of sales revenue	33.0	29.7
Sales revenue per employee in € 1,000	168.4	160.2
Peronnel expenses per employee in € 1,000	55.6	47.6

Sales revenue / employee rose in 2001 by a pleasing 5.0% due to further improvements to efficiency in many areas of the organization, while the ratio of personnel expenses to total sales revenue was slightly above the previous year’s level at 33.0% (2000: 29.7%).

Social capital

As a reaction to the steady increase in life expectancy, leading to an increase in post-retirement benefits due to active employees, all those eligible for pensions in Austria were given the option to guarantee their pension claim under specific, and in future, fixed conditions. The offers made on a voluntary basis were accepted by a large majority (80%), resulting in a lower figure and easier calculability of the provisions remaining in the years up to retirement.

Employee ownership scheme

Due to the unchanged high degree of acceptance, the employee stock ownership plan "4 plus 1", which grants employees the option to receive bonus stock worth € 730.0 in total against RHI stock they have purchased at a total value of € 2,920 per anno, was extended until 2002. At year-end, over 10% of Austrian employees had received RHI stock as part of the ESOP.

Research and Development

The research and development successes of the group’s two technology centers, West Mifflin / USA for the NAFTA region and Leoben / Austria for Europe, Asia, Africa, Australia and South America, have been major contributors to the consolidation and extension of RHI’s position as refractories market leader.

Leoben technology center and further extensions to it remained the central focus of R&D activities, as in previous years.

The deconsolidation of US investments at December 12, 2001, which also included the West Mifflin technology center, resulted in a concentration of all refractories R&D activities in Leoben. This step strengthened the development and technology potential of refractories by uniting all forces, and set the stage for a world competence center for refractories in Leoben.

Highly motivated, competent and creative employees are in constant contact with domestic and foreign research institutes, with national and international universities and important key accounts via joint competence centers (Christian-Doppler laboratories), working in networks on nationally and internationally funded projects. RHI’s technology center in Leoben is now the undisputed world refractories competence center.

A number of R&D projects were successfully completed in the reporting period. The following are some of the new products successfully launched onto the market:

- Newly developed wear linings for steel dispatcher containers enable quicker, simpler processing. A number of new, major customers were acquired as a result.
- Tailor-made, newly developed high-clay raw materials, used in products destined for steel and non-ferrous metallurgy, have produced promising results in initial trials with key customers.
- A new generation of slide locking plates is breaking durability records for various Schieber systems
- With our new, non-basic kiln furniture used in electronic-ceramic applications, we are well on the way to achieving throughput times never before achieved
- Establishment of computer simulations (CFD) to speed up design improvements in Flow Control

Environmental conservation and safety at work

RHI’s environmental conservation principles are geared towards combining economic, ecological and social aspects. The concept of "sustainable development" should pervade both economic and technical decision-making processes. It’s all about satisfying the needs of the present without damaging opportunities for future generations. This means, for example, sustainably reducing CO_2 emissions, particularly in the energy-intensive refractories division.

Efforts are being made in the RHI Group:
- to reduce the group’s own CO_2 emissions
- to support customers in reducing their emissions
- only to use low CO_2 fuels as far as possible
- to use natural resources as sparingly as possible
- to monitor emissions and to eliminate weak spots as best as possible

In 2002 Hochfilzen will become the last site to convert to natural gas. Then, all our sites will be run on environment-friendly fuel. Radenthein saw the implementation of the measures resulting from the energy efficiency program carried out the year before. This program is to be extended to other locations.

Investments in a thermal incineration plant are being made at Marone works of Dolomite Franchi S.p.A. in Italy, which will enable emissions of organic hydrocarbons and CO_2 to be slashed.

The completion of a new mixing plant has enabled Clydebank works in Scotland to switch to a new, low-emission binding agent technology.

We attach great significance to the involvement of all our employees in our efforts to protect the environment efficiently. Employees can air their ideas and make proposals for environment-related improvements through their firm’s suggestion scheme, and will be rewarded accordingly.

RHI sees its social responsibility as one of the foundations of sustainable development. Beyond the legal requirements regarding safety at work, employee protection and accident prevention, the group is striving to create ergonomically sound jobs worthy of those performing them. There are schemes in place to protect, promote and improve our employees’ health and performance.

RHI has its own center for occupational medicine, which conducts extensive medical check-ups relating to occupational and environmental medicine. Schemes aiming to protect employees’ health have been very well received by staff.

The project initiated at the beginning of 2001 to create an integrated management system combining quality assurance, environmental conservation and safety at work into one system, was on schedule at the end of 2001, with the completion of the works handbooks. Certification of all Austrian and German sites according to ISO 14000 should be complete by the end of 2002. Its roll-out across other sites worldwide is planned for 2003.

Sales revenue and earnings prospects for 2002

The prospects for 2002 are primarily dependent on the results of the capital restructuring plan currently under implementation.

The operative sales revenue and earnings prospects for the refractories division, which will no longer include the deconsolidated US companies from January 1, 2002, will be affected by the economic climate, and are seen as positive overall. RHI is expecting at least a consolidation of demand for refractories products in 2002 at last year's level. We expect sales revenue and earnings to rise again in important emerging markets and growth industries.

Restructuring measures were implemented in the insulating division. These should help to improve results, even if the construction recession in core markets continues.

Further steps were taken in the engineering division to improve sales revenues and earnings in comparison to the previous year. On April 30, 2002, the engineering activities of the RHI Group were divested in the form of sales of investments and business units, subject to final securing of finance and approval by anti-trust authorties.

All planning and restructuring measures were checked with regard to feasibility by external business consultants and auditors hired by RHI as part of the negotiation process with our banks.

Material events occurring after the balance sheet date

Please refer to the details in the notes to the consolidated financial statements for details of material events occurring after the balance sheet date of December 31, 2001.

RHI consolidated balance sheet 2001

in million	Notes	31.12.2001 €	31.12.2001 %	31.12.2000 €	31.12.2000 %
ASSETS					
Fixed assets					
Intangible assets	(1), (9)	35.1	2.5	259.8	11.1
Property, plant and equipment	(2), (10)	462.2	33.2	770.7	33.0
Financial assets	(3), (11)	66.5	4.8	70.8	3.0
		563.8	**40.5**	**1,101.3**	**47.2**
Current assets					
Inventories	(4), (12)	262.1	18.8	424.8	18.2
Receivables and other assets					
Trade receivables	(5), (13)	303.8	21.8	355.6	15.2
Other receivables and assets	(5), (13)	168.5	12.1	290.6	12.4
		472.3	33.9	646.2	27.7
Securities and interests	(14), (16)	14.5	1.0	9.3	0.4
Cash and cash equivalents	(6)	74.6	5.4	73.3	3.1
		823.5	**59.1**	**1,153.6**	**49.4**
Prepaid expenses and deferred charges	(15)	**5.7**	**0.4**	**79.5**	**3.4**
		1,393.0	**100.0**	**2,334.4**	**100.0**
STOCKHOLDERS' EQUITY AND LIABILITIES					
Negative equity					
Common stock	(16)	144.8	10.4	144.8	6.2
Group reserves	(16)	136.5	9.8	173.9	7.4
Net loss/income after minorities	(16)	-863.1	-62.0	21.2	0.9
Minority interests	(16)	33.2	2.4	58.3	2.5
		-548.6	**-39.4**	**398.2**	**17.1**
Subordinated mezzanine capital	(17)	400.0	28.7	0.0	0.0
Effective equity capital		**-148.6**	**-10.7**	**398.2**	**17.1**
Provisions					
Provisions for severance payments and pensions	(7), (18)	244.0	17.5	322.3	13.8
Other provisions	(7), (19)	374.7	27.0	250.1	10.7
		618.7	**44.5**	**572.4**	**24.5**
Payables					
Financial payables	(8), (20)	670.3	48.1	877.3	37.6
Trade payables	(8), (20)	120.5	8.7	207.8	8.9
Other payables	(8), (20)	128.8	9.2	273.8	11.7
		919.6	**66.0**	**1,358.9**	**58.2**
Deferred income		**3.3**	**0.2**	**4.9**	**0.2**
		1,393.0	**100.0**	**2,334.4**	**100.0**
Contingent liabilities	(38)	48.7	3.5	621.4	26.6

RHI consolidated income statement 2001

in million	Note	2001 €	2001 %	2000 €	2000 %
Sales revenue	(21)	1,867.2	100.0	2,193.6	100.0
Changes in inventories and services not yet invoiced		-12.3	-0.7	-36.0	-1.6
Other own work capitalized		6.1	0.3	10.1	0.5
Operating performance		**1,861.0**	**99.7**	**2,167.7**	**98.8**
Other operating income	(22)	79.9	4.3	123.3	5.6
Cost of material and other production services	(23)	-825.6	-44.2	-964.3	-44.0
Personnel expenses	(24)	-616.3	-33.0	-651.4	-29.7
Depreciation and amortization	(25)	-109.1	-5.8	-109.8	-5.0
Other operating expenses	(26)	-504.2	-27.0	-434.2	-19.8
Operating result		**-114.3**	**-6.1**	**131.3**	**6.0**
Interest result	(27)	-63.8	-3.4	-63.9	-2.9
Other financial results	(28)	-26.8	-1.4	2.7	0.1
Financial result		**-90.6**	**-4.9**	**-61.2**	**-2.8**
Result from ordinary activities		**-204.9**	**-11.0**	**70.1**	**3.2**
Extraordinary result	(29)	-590.7	-31.6	0.0	0.0
Income taxes	(30)	-60.8	-3.3	-39.3	-1.8
Net loss/income		**-856.4**	**-45.9**	**30.8**	**1.4**
Minority interests		-6.7	-0.4	-9.6	-0.4
Net loss/income after minorities		**-863.1**	**-46.2**	**21.2**	**1.0**

RHI consolidated cash flow statement 2001

in € million	Notes	2001	2000
Cash flow from operating activities			
Net result		-856.4	30.8
Depreciation, depletion and amortization		479.8	109.8
Write-offs on financial assets		18.8	1.4
Change in long-term provisions		43.1	-60.6
Result from disposal of fixed assets		3.3	-7.5
Cash flow from results		**-311.4**	**73.9**
Changes in working capital			
Decrease in inventories		56.1	-4.0
Decrease / increase in prepayments received		-3.2	3.8
Increase / decrease in trade receivables		-17.5	70.5
Decrease / increase in trade payables, notes and drafts payable		-34.2	0.1
Increase / decrease in short-term provisions (incl. deferred tax liabilities)		226.1	-65.6
Increase / decrease in prepayments, group receivables and payables, other receivables and payables, prepaid expenses and deferred charges and deferred income		891.8	-38.0
Deconsolidation of the RHI Refractories Holding Group		-912.9	0.0
Undistributed losses / earnings of affiliates		-1.4	-0.1
Cash flow from operating activities	**(31)**	**-106.6**	**48.6**
Cash flow from investing activities			
Capital expenditure		-51.7	-91.4
Acquisitions of consolidated companies		-14.0	-1.1
Proceeds from sale of consolidated companies		3.6	-12.0
Acquisitions of unconsolidated companies		-5.8	-0.5
Proceeds from sale of unconsolidated companies		0.0	6.8
Investments in other financial assets		-0.6	-2.9
Cash flow from the disposal of property, plant and equipment, intangible assets and other financial assets		9.1	48.0
Cash flow from investing activities	**(32)**	**-59.4**	**-53.1**
Cash flow from financing activities			
Shareholder contributions from minority companies		0.4	0.0
Dividends paid to stockholders of RHI AG		-14.5	-8.8
Dividends paid to minorities		-3.5	-2.9
Sale / acquistion of treasury shares		3.3	-3.1
Dividends paid to stockholders and minorities		-14.3	-14.8
Revenue from loans, long-time borrowings and subsidies		300.0	171.5
Increase in group financial receivables		-101.6	0.0
Repayment of short-term borrowings		-90.7	-140.0
Decrease / increase in group financial payables		71.7	-1.8
Cash flow from financing activities		**165.1**	**14.9**
Other changes in stockholders' equity not affecting the income statement due to consolidation measures		1.2	-7.1
Changes in cash and cash equivalents		**0.3**	**3.2**
Cash and cash equivalents at beginning of year		73.3	68.4
Change in cash and cash equivalents due to foreign currency translation		1.0	1.7
Cash and cash equivalents at end of year	**(33)**	**74.6**	**73.3**

Notes to the Consolidated Financial Statements 2001

Accounting principles, general

The **consolidated financial statements for 2001** were drawn up in accordance with the accounting principles of the Austrian Commercial Code (HGB) as amended.

The consolidated financial statements were drawn up in accordance with generally accepted accounting principles to present fairly the net worth position, financial and earnings situation of the group (§ 222 (2) HGB), complying particularly with HGB §§ 244 et seq.

Valuation follows the going concern principle, together with the principles of prudence and the individual valuation of assets and liabilities.

The income statement is drawn up in accordance with § 231 (2) HGB using the total cost method.

Previously applied accounting and valuation methods were retained in the 2001 financial year.

In contrast to the previous year, the structure of cash flow from operating activities was extended to facilitate more transparent presentation of working capital.

To enhance the clear and concise presentation of items shown in the balance sheet and income statement, individual items are summarized. The necessary individual figures and corresponding details are given in the notes.

All balance sheet figures relate to the balance sheet date in the corresponding year.

All figures in notes and tables are expressed in € million . Individual figures and totals are rounded to the nearest figure. Consequently, small differences between the sums of the individual figures and the totals shown may arise.

Group companies in the sense of § 228 (3) HGB are all companies required to be included in the consolidated financial statements of RHI AG.

Consolidated companies

The consolidated financial statements include (in total) RHI AG and 95 subsidiaries, with RHI AG holding either a direct or indirect majority of voting rights, or exercising common control of management.

Eight companies, whose financial and operating policies are significantly influenced by group companies, are known as associated companies and are consolidated using the equity method.

The consolidated group has changed in comparison to the previous year as follows:

	Full consolidation	Equity method
Status as of 31.12.2000	146	9
Additions	6	1
Disposals	56	2
Status as of 31.12.2001	**96**	**8**

In detail, the following changes were made to the consolidated group over the reporting period:

Additions:

- Heraklith España S.L., Gijon, Spain
- Heraklith Nederland B.V., Bussum, Netherlands
- Heraklith Polska Sp.z.o.o., Sroda, Poland
- Izomat Bohemia spol.s.r.o., Brno, Czech Republic
- Latino America Refractories ApS, Copenhagen, Denmark
- RHI Refractories Mercosul Ltda, Sao Paulo, Brazil

Disposals:

29 subsidiaries filed for reorganization and protection under Chapter 11 of the US Bankruptcy Code in the USA.

The main lead companies affected are:

- AP Green Industries Inc., Wilmington, Delaware, USA
- Global Industrial Technologies, Inc., Wilmington, Delaware, USA
- Harbison Walker Refractories Co., Wilmington, Delaware, USA
- North American Refractories Co., Cleveland, Ohio, USA

Including the direct and indirect subsidiaries of these lead companies (from now on referred to as the US Group), 49 companies in total had to be deconsolidated.

The assets and liabilities of the US Group were deconsolidated at December 31, 2001, as RHI AG is no longer able to exercise control over these companies due to the Chapter 11 proceedings.

The following companies were also deconsolidated:

- Didier Asia Sdn Bhd, Batang Kali, Malaysia
- Duroplast Verbundbau GmbH, Wiesbaden, Germany (merger)
- Harbison-Walker Refractories GmbH, Aken, Germany (merger)
- RHI Refractories Holding Company, Dover, Delaware, USA
- Termo d.d., Skofja Loka, Slovenia
- Veitsch-Radex-Didier Services B.V., Arnheim, Netherlands (merger)
- VRD Asia Pacific Feuerfestbeteiligungen GmbH, Vienna, Austria (merger)

Consolidtion at equity:

Termo d.d., Skofja Loka, Slowenia was transferred from a fully consolidated company to one consolidated at equity. At-equity deconsolidations relate to the investments held by the US Group.

The option to include 27 subsidiaries and associated companies in the consolidated financial statements pursuant to § 249 (2) and § 263 (2) HGB was not exercised as they are deemed not to be of material importance as regards presenting fairly the net worth position, financial and earnings situation of the group. The sales revenue of the companies in question account for approx. 0.1% of total group sales revenue.

The protection of interest clause pursuant to § 265 (3) HGB, according to which details pertaining to consolidated companies can be omitted if, according to the principles of sound business judgment, such details are deemed to be detrimental to the parent company or to another consolidated company, was invoked in full for twelve companies, and in part for three companies pursuant to § 265 (2) Z 1 HGB.

A comprehensive list of the consolidated group and the shareholdings of RHI AG can be found in the notes.

The **effects of additions to consolidation** on the consolidated balance sheet and income statement at December 31, 2001 are marginal. The effects on the balance sheet total and sales revenue are € 1.0 million and € 2.4 million respectively.

Changes to consolidation due to **disposals** are presented below:

in € million	Total	US	Refractories Other	Insulating	Waterproofing
		thereof			
ASSETS					
A. Fixed assets	113.6	95.6	2.0	16.0	0.0
B. Current assets	543.9	539.5	0.4	4.0	0.0
C. Prepaid expenses and deferred charges	66.4	66.4	0.0	0.0	0.0
	723.9	**701.5**	**2.4**	**20.0**	**0.0**

in € million	Total	US	Refractories Other	Insulating	Waterproofing
		thereof			
STOCKHOLDERS EQUITY AND LIABILITIES					
A. Stockholders' equity	-844.5	-855.1	2.4	8.2	0.0
B. Provisions	237.2	236.6	0.0	0.6	0.0
C. Liabilities	1,330.3	1,320.0	0.0	10.3	0.0
D. Deferred income	0.9	0.0	0.0	0.9	0.0
	723.9	**701.5**	**2.4**	**20.0**	**0.0**

in € million	Total	US	Refractories Other	Insulating	Waterproofing
		thereof			
Sales revenue	212.5		0.9	41.1	170.5
Operating result	7.3		0.4	3.2	3.7
EBT	3.9		0.4	3.0	0.5

Principles of consolidation

General

The balance sheet date for all the financial statements included in consolidation is December 31, 2001, and all were drawn up in accordance with the RHI accounting manual, which is based on the Austrian Commercial Code as amended.

All the financial statements included were audited by independent certified public accountants.

Methods of consolidation

Capital consolidation is carried at book value or at re-valued amounts.

Prorated stockholders' equity includes nominal capital, additional paid-in capital, reserves from retained earnings and accumulated profit or loss.

The **untaxed reserves** of all the consolidated companies are allocated to reserves from retained earnings in accordance with § 253 (3) HGB after allowing for any deferred taxes if deemed to be of material importance. Deferred taxes are not offset if the subsidiaries in question have adequate tax loss carry-forwards.

The option pursuant to § 261 (1) HGB was exercised for the goodwill resulting from initial consolidation after the allocation of hidden reserves and liabilities, which was either immediately and directly offset against reserves in full, or was capitalized as goodwill and amortized over its estimated useful life.

Negative goodwill derived from capital consolidation was allocated to reserves from retained earnings, being similar in nature to stockholders' equity.

Investments over which significant influence is exercised pursuant to § 263 (1) HGB, and group companies which cannot be consolidated according to § 248 HGB are shown as **associated companies** and valued according to the equity method. Joint ventures are valued on the same basis.

Investments in associated companies are carried at book value on the basis of the latest available financial statements.

The goodwill resulting from initial consolidation according to the equity method is immediately offset against reserves in full; negative goodwill is allocated to reserves, provided it is similar in nature to stockholders' equity.

In the course of subsequent consolidation, prorated annual net income is treated as additions and net losses and dividend payments as disposals. Changes in prorated stockholders' equity due to foreign currency fluctuations are shown as such in the analysis of fixed assets.

Debt consolidation and **consolidation of income and expenditure** are carried out in accordance with the provisions of §§ 255 and 257 HGB.

Profits from inter-company trade are netted in accordance with § 256 HGB.

In the case of **deconsolidation** (the removal of group companies from the consolidated group), the prorated net worth is offset against profit and loss.

Deferred taxes were allocated due to the revenue effects of consolidation in accordance with the provisions of § 258 HGB.

The provision for deferred taxes was recognized according to the provisions of the Austrian Commercial Code as amended, with the tax rates in each respective country being applied to the temporary differences between the value of assets and liabilities calculated according to tax and commercial law.

Foreign currency translation

The financial statements of subsidiaries denominated in foreign currencies are translated according to the **modified current rate method**. Accordingly, balance sheet entries, depreciation, reversals of provisions, income taxes, changes in reserves and net income are translated at the mid rate prevailing on the balance sheet date. All other items in the income statement are translated at the average mid rate for 2001.

Differences resulting from translating assets and liabilities denominated in foreign currencies at current rates differing from the previous year are offset against reserves without affecting revenue.

Differences resulting from translating net income in the income statement at the mid rate prevailing on the balance sheet date were recognized as expenses and were recorded under other operating expenses.

The inclusion of Magnesit Anonim Sirketi, Turkey in the consolidated financial statements is based on a hard currency balance sheet denominated in euro.

The following table shows the changes in the exchange rates of major currencies in relation to the euro:

Selected currencies	Balance sheet rate		Average rate	
	31.12.2001	31.12.2000	2001	2000
US dollar	0.88350	0.93110	0.89584	0.92361
Canadian dollar	1.41200	1.39300	1.38673	1.37068
British pound	0.60870	0.62500	0.62208	0.60899
South African rand	10.58500	7.03500	7.67871	6.39561
Hungarian forint	245.25000	265.30000	256.81618	259.92137
Croatian kuna	7.35000	7.60000	7.53084	7.57127
Slovenian tolar	218.75000	213.95000	219.06875	205.00197
Mexican peso	8.20398	9.05477	8.37326	8.73573
Chilean peso	601.60874	529.89163	568.84036	507.34037

Foreign currency receivables and payables as shown in the individual financial statements of the group companies are valued at the lower (receivables) or higher (liabilities) of cost or market at the balance sheet date.

Principles of accounting and valuation

General

The annual financial statements of the companies included in the consolidated financial statements are prepared in accordance with uniform **principles of accounting and valuation** and comply with the provisions on classification and valuation in the Austrian Commercial Code.

Administrative costs were not capitalized for long-term engineering contracts, performed over a period of more than 12 months.

Fixed assets

(1) Intangible assets

Intangible assets purchased for a consideration are shown at acquisition cost less scheduled amortization. Scheduled amortization is based on a useful life of three to ten years.

Permanent impairments in value are covered by non-scheduled amortization, if material.

Capitalized goodwill is amortized according to the straight-line method over its estimated useful life of between 15 and 18 years.

Self-produced intangible assets are not capitalized.

(2) Property, plant and equipment

Property, plant and equipment is valued at acquisition and production cost less scheduled depreciation. Property, plant and equipment is depreciated using the straight-line method on the basis of expected useful economic life. Permanent impairment in value is accounted for by additional non-scheduled depreciation. No write-ups were made.

The **production cost of self-constructed assets** includes attributable direct costs plus prorated indirect capitalized costs of production.

Depreciation of **raw material deposits** corresponds to the amount of actually extracted resources in relation to the amount expected to be extracted.

Minor assets are written off in the year of acquisition or production and are shown as disposals.

Scheduled depreciation is based on the following useful economic lives, which are uniform throughout the group:

factory buildings	10 - 30 years
other buildings	10 - 50 years
land improvements	5 - 20 years
plant and machinery	4 - 15 years
other plant, furniture and fixtures	4 - 10 years

(3) Financial assets

Unless valued at equity, **investments** are shown at cost less any necessary revaluations.

Long-term loans in foreign currencies are valued at the lower of cost or market on the balance sheet date.

Long-term securities are shown at the lower of cost or market on the balance sheet date.

Current assets

(4) Inventories

Raw materials and supplies are measured at the lower of cost or market. Cost is mainly calculated according to the moving average cost method. The FIFO method was also applied.

Merchandise is valued at acquisition cost.

Finished and unfinished goods and **work in process** are measured at production cost. Measurement adheres to the principle **of lower of cost and realizable value**.

Production costs comprise directly attributable costs and an appropriate share in material and production overheads. In addition, the retirement benefit costs including severance payments and voluntary fringe benefits granted by the company are included pro rata. Interest on loan capital is not capitalized.

Lump-sum write-downs are made for impairments in value not identifiable individually.

Prepayments on orders received are offset against the respective inventory items.

(5) Receivables and other assets

Receivables and other assets are shown at nominal value, strictly at the lower of cost or market. Individual and lump-sum revaluations are made for identifiable risks.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks and bank deposits.

Liabilities

(7) Provisions

Provisions are formed in the amount of the likely expense in accordance with the principle of prudence.

(8) Payables

Payables are shown at the amount repayable in accordance with the principle of prudence. Payables in foreign currencies are shown at acquisition cost or, if higher, at the mid rate on the balance sheet date.

Notes on individual balance sheet items

Assets

Fixed assets

General

Changes in fixed assets are shown in summarized form, followed by a breakdown into the individual main categories. Besides changes in figures for acquisition and production costs, cumulative depreciation is also mentioned in detail.

The differences arising from the translation of acquisition costs and cumulative depreciation at current rates differing from the previous year are shown as **foreign currency changes**.

The following table shows the **changes in fixed assets**:

Fixed assets in € million	Intangible assets	Property, plant and equipment	Financial assets	Total
Acquisition and production costs, January 1, 2001	307.0	1,807.3	87.6	2,201.9
Changes in foreign currency	13.5	23.1	0.7	37.3
Changes in consolidation	-252.8	-428.6	8.2	-673.2
Additions	3.3	48.6	28.5	80.4
Disposals	3.4	25.6	24.6	53.6
Reclassifications	1.3	-3.5	0.0	-2.2
Acquisition and production costs, December 31, 2001	**68.9**	**1,421.3**	**100.4**	**1,590.6**
Accumulated depreciation, January 1, 2001	47.2	1,036.6	16.8	1,100.6
Changes in foreign currency	0.9	6.6	0.1	7.6
Changes in consolidation	-248.4	-311.5	0.3	-559.6
Depreciation 2001	234.1	245.7	18.8	498.6
- thereof non-scheduled	227.6	163.7	18.8	410.1
Disposals	1.1	17.2	2.1	20.4
Reclassifications	1.1	-1.1	0.0	0.0
Accumulated depreciation December 31, 2001	**33.8**	**959.1**	**33.9**	**1,026.8**
Book value, December 31, 2001	**35.1**	**462.2**	**66.5**	**563.8**
Book value, December 31, 2000	259.8	770.7	70.8	1,101.3

The changes in consolidation primarily result from the deconsolidation of the US Group.

(9) Intangible assets

Changes in intangible assets are as follows:

Intangible assets in € million	Concessions, industrial property rights, and other rights and licenses	Goodwill	Total
Acquisition and production costs, January 1, 2001	48.8	258.2	307.0
Changes in foreign currency	0.5	13.0	13.5
Changes in consolidation	-8.6	-244.2	-252.8
Additions	1.8	1.5	3.3
Disposals	3.4	0.0	3.4
Reclassifications	1.3	0.0	1.3
Acquisition and production costs, December 31, 2001	**40.4**	**28.5**	**68.9**
Accumulated depreciation, January 1, 2001	31.8	15.4	47.2
Changes in foreign currency	0.1	0.8	0.9
Changes in consolidation	-6.0	-242.4	-248.4
Depreciation 2001	4.9	229.2	234.1
- thereof non-scheduled	0.0	227.6	227.6
Disposals	1.1	0.0	1.1
Reclassifications	1.1	0.0	1.1
Accumulated depreciation, December 31, 2001	**30.8**	**3.0**	**33.8**
Book value, December 31, 2001	**9.6**	**25.5**	**35.1**
Book value, December 31, 2000	17.0	242.8	259.8

(10) Property, plant and equipment

Changes in property, plant and equipment are as follows:

Property, plant and equipment in € million	Land, real estate and buildings	Raw material deposits	Machinery and equipment	Other plant furniture and fixtures	Prepayments and construction in progress	Total
Acquisition and production costs, January 1, 2001	501.1	38.8	999.3	224.4	43.7	1,807.3
Changes in foreign currency	6.5	0.2	14.8	0.4	1.2	23.1
Changes in consolidation	-116.5	-3.4	-288.0	-12.2	-8.5	-428.6
Additions	2.2	0.0	12.5	7.4	26.5	48.6
Disposals	5.7	0.8	10.7	5.7	2.7	25.6
Reclassifications	16.2	0.0	12.4	6.1	-38.2	-3.5
Acquisition and production costs, December 31, 2001	**403.8**	**34.8**	**740.3**	**220.4**	**22.0**	**1,421.3**
Accumulated depreciation, January 1, 2001	222.0	8.4	622.0	182.3	1.9	1,036.6
Changes in foreign currency	1.0	0.0	4.8	0.6	0.2	6.6
Changes in consolidation	-54.7	-1.5	-243.2	-10.0	-2.1	-311.5
Depreciation 2001	43.6	1.8	188.0	12.3	0.0	245.7
- thereof non-scheduled	29.7	1.5	132.5	0.0	0.0	163.7
Disposals	2.9	0.2	8.9	5.2	0.0	17.2
Reclassifications	1.4	0.0	-3.4	0.9	0.0	-1.1
Accumulated depreciation, December 31, 2001	**210.4**	**8.5**	**559.3**	**180.9**	**0.0**	**959.1**
Book value, December 31, 2001	**193.4**	**26.3**	**181.0**	**39.5**	**22.0**	**462.2**
Book value, December 31, 2000	279.1	30.4	377.3	42.1	41.8	770.7

The value of land included in land with buildings amounts to € 74.9 million (31.12.2000: € 91.8 million).

(11) Financial assets

Changes in financial assets are as follows:

Financial assets in € million	Shares in group companies	Long-term loans to group companies	Investments in associated and other companies	Long-term loans to affiliates and other companies	Long-term securities	Total
Acquisition costs, January 1, 2001	17.6	4.1	11.3	20.2	34.4	87.6
Changes in forgeign currency	0.1	0.0	0.1	0.5	0.0	0.7
Changes in consolidation	-0.9	0.0	10.3	-1.1	-0.1	8.2
Additions	0.6	1.3	1.4	24.6	0.6	28.5
Disposals	1.8	1.4	0.4	19.2	1.8	24.6
Acquisition costs, December 31, 2001	**15.6**	**4.0**	**22.7**	**25.0**	**33.1**	**100.4**
Accumulated depreciation, January 1, 2001	13.0	0.5	2.2	0.9	0.2	16.8
Changes in foreign currency	0.0	0.0	0.0	0.1	0.0	0.1
Changes in consolidation	0.0	0.0	0.3	0.0	0.0	0.3
Non-scheduled depreciation 2001	3.0	3.5	0.4	10.5	1.4	18.8
Disposals	2.0	0.0	0.1	0.0	0.0	2.1
Accumulated depreciation, December 31, 2001	**14.0**	**4.0**	**2.8**	**11.5**	**1.6**	**33.9**
Book value, December 31, 2001	**1.6**	**0.0**	**19.9**	**13.5**	**31.5**	**66.5**
Book value, December 31, 2000	4.6	3.6	9.1	19.3	34.2	70.8

Investments and long-term loans are broken down as follows:

Investments and long-term loans		Investments in			Long-term loans to	
in € million	associated companies	other companies	Total	associated companies	other	Total
Acquisition costs, January 1, 2001	6.7	4.6	11.3	3.1	17.1	20.2
Changes in foreign currency	0.1	0.0	0.1	0.1	0.4	0.5
Changes in consolidation	11.4	-1.1	10.3	0.0	-1.1	-1.1
Additions	1.4	0.0	1.4	9.4	15.2	24.6
Disposals	0.0	0.4	0.4	1.6	17.6	19.2
Acquisition costs, December 31, 2001	**19.6**	**3.1**	**22.7**	**11.0**	**14.0**	**25.0**
Accumulated depreciation, January 1, 2001	0.0	2.2	2.2	0.0	0.9	0.9
Changes in foreign currency	0.0	0.0	0.0	0.0	0.1	0.1
Changes in consolidation	0.3	0.0	0.3	0.0	0.0	0.0
Non-scheduled depreciation 2001	0.0	0.4	0.4	0.0	10.5	10.5
Disposals	0.0	0.1	0.1	0.0	0.0	0.0
Accumulated depreciation, December 31, 2001	**0.3**	**2.5**	**2.8**	**0.0**	**11.5**	**11.5**
Book value, December 31, 2001	**19.3**	**0.6**	**19.9**	**11.0**	**2.5**	**13.5**
Book value, December 31, 2000	6.7	2.4	9.1	3.1	16.2	19.3

The terms of **long-term loans** can be taken from the following table:

Long-term loans		31.12.2001	
in € million	Total	Residual term up to 1 year	Residual term more than 1 year
Long-term loans to group companies	0.0	0.0	0.0
Long-term loans to affiliates	11.0	1.0	10.0
Other long-term loans	2.5	1.6	0.9

Long-term loans		31.12.2000	
in € million	Total	Residual term up to 1 year	Residual term more than 1 year
Long-term loans to group companies	3.6	0.0	3.6
Long-term loans to affiliates	3.1	0.0	3.1
Other long-term loans	16.2	4.6	11.6

Other long-term loans mainly relate to mortgage-backed housing loans to employees.

Current assets

(12) Inventories

The following table shows the breakdown of inventories shown in the balance sheet:

Inventories (in € million)	31.12.2001	31.12.2000
Raw materials and supplies	79.8	136.4
Unfinished goods	46.3	58.5
- less prepayments received on orders	-9.4	-6.7
	36.9	**51.8**
Finished goods and merchandise	117.1	203.3
- less prepayments received on orders	-1.4	-1.4
	115.7	**201.9**
Work in process	17.2	21.7
- less prepayments received on orders	-4.9	-3.6
	12.3	**18.1**
Prepayments	17.4	16.6
Inventories	**262.1**	**424.8**

(13) Receivables and other assets

Receivables		**31.12.2001**		
	Total		Residual term	
in € million		up to 1 year	1 to 5 years	more than 5 years
Trade receivables	**303.8**	**303.2**	**0.1**	**0.5**
- thereof notes receivable	3.4			
Accounts receivable group	92.0	92.0	0.0	0.0
Accounts receivable affiliates	2.2	2.2	0.0	0.0
Other receivables and assets	74.3	68.0	5.5	0.8
Other receivables and other assets	**168.5**	**162.2**	**5.5**	**0.8**
Receivables and other assets	**472.3**	**465.4**	**5.6**	**1.3**
- thereof notes receivable	**3.4**			

Receivables		**31.12.2000**		
	Total		Residual term	
in € million		up to 1 year	1 to 5 years	more than 5 years
Trade receivables	**355.6**	**355.1**	**0.4**	**0.1**
- thereof notes receivable	3.3			
Accounts receivable group	2.2	2.2	0.0	0.0
Accounts receivable affiliates	2.2	2.2	0.0	0.0
Other receivables and assets	286.2	272.1	11.6	2.5
Other receivables and other assets	**290.6**	**276.5**	**11.6**	**2.5**
Receivables and other assets	**646.2**	**631.6**	**12.0**	**2.6**
- thereof notes receivable	**3.3**			

Accounts receivable group include trade receivables amounting to € 0.9 million (31.12.2000: € 1.9 million) and other receivables amounting to € 91.1 million (31.12.2000: € 0.3 million).

Accounts receivable affiliates include trade receivables totaling € 1.4 million (31.12.2000: € 1.5 million) and other receivables totaling € 0.8 million (31.12.2000: € 0.7 million).

(14) Securities and interests

in € million	31.12.2001	31.12.2000
Treasury shares	0.0	3.1
Other	14.5	6.2
	14.5	**9.3**

(15) Prepaid expenses and deferred charges

Prepaid expenses and deferred charges mainly contain deferred tax assets amounting to € 0.0 million (31.12.2000: € 21.2 million) and pension prepayments amounting to € 0.0 million (31.12.2000: € 38.5 million). Deferred tax assets were offset against the provision for deferred taxes.

Stockholders' equity and liabilities

(16) Negative equity

Common stock amounts to € 144,764,569 and consists of 19,920,039 bearer shares.

At the annual general meeting of May 17, 2001, the Management Board of RHI AG was authorized to carry out a conditional capital increase of up to € 14,476,428.55 to grant stock options to employees, management and RHI AG Management Board members or one of its group companies. The conditional capital increase was revoked at the extraordinary general meeting on February 15, 2002.

The difference resulting from the translation of the balance sheets of foreign group companies amounts to € -13.8 million in the 2001 financial year (2000: € 14.0 million).

The change in **minority interests** can be derived from the changes in stockholders' equity.

The **reserve for treasury stock** in accordance with § 225 (5) HGB amounted to € 3.1 million in the previous year. Treasury stock was sold in the reporting period and the reserve for treasury stock allocated to retained earnings.

The following table shows the **changes in stockholders' equity**:

Negative equity in € million	Common stock	Additional paid in capital	Retained earnings	Reserves for treasury shares	Differences from capital consolidation	Group reserves	Net income/ loss after minorities	Minority interests	Total
December 31, 2000	144.8	274.3	111.3	3.1	-214.8	173.9	21.2	58.3	398.2
Changes in foreign currency			-14.1			-14.1		0.3	-13.8
Reversal of reserves for treasury stock			3.1	-3.1					0.0
Dividend payment							-14.5	-3.5	-18.0
Allocation to retained earnings		-247.4	254.1			6.7	-6.7		0.0
Net loss 2001							-863.1	6.7	-856.4
Other changes			-20.7		-9.3	-30.0		-28.6	-58.6
December 31, 2001	**144.8**	**26.9**	**333.7**	**0.0**	**-224.1**	**136.5**	**-863.1**	**33.2**	**-548.6**

Stockholders' equity in € million	Common stock	Additional paid in capital	Retained earnings	Reserves for treasury shares	Differences from capital consolidation	Group reserves	Net income/ loss after minorities	Minority interests	Total
December 31, 1999	144.8	274.3	98.8	0.0	-214.8	158.3	-26.0	54.4	331.5
Changes in foreign currency			13.3			13.3		0.7	14.0
Reclassification of reserves for treasury stock			-3.1	3.1					0.0
Dividend payment							-8.8	-2.9	-11.7
Reversal of retained earnings			-34.8			-34.8	34.8		0.0
Net income 2000							21.2	9.6	30.8
Other changes			37.1			37.1		-3.5	33.6
December 31, 2000	**144.8**	**274.3**	**111.3**	**3.1**	**-214.8**	**173.9**	**21.2**	**58.3**	**398.2**

(17) Subordinated mezzanine capital

€ 400.0 million of liabilities payable to financial institutions were converted into subordinated mezzanine capital effective as of December 31, 2001 for a period of five years, ending on January 2, 2007. Financial institutions have no rights to interest and repayment of principal during this period.

The effective equity of the RHI Group is computed from negative equity amounting to € 548.6 million and mezzanine capital amounting to € 400.0 million.

(18) Provisions for severance payments and pensions
The following table shows the breakdown of provisions for severance payments and pensions:

Provisions (in € million)	31.12.2001	31.12.2000
Provisions for severance payments	31.8	30.7
Provisions for pensions	212.2	291.6
Provisions	**244.0**	**322.3**

The **provisions for severance payments** were formed in accordance with local regulations.

Provisions for pensions are calculated in accordance with actuarial principles. They are formed in principle according to the individual level premium method, although parts of the group also use the entry age normal method, applying a discount rate of 6% (2000: 6%) for legally binding and irrevocable pension commitments. In accordance with market conditions, an interest rate of 7.25% (2000: 7.75%) was used to calculate provisions for pensions and for medical costs in North America.

(19) Other provisions
Other provisions are broken down as follows:

Other provisions (in € million)	31.12.2001	31.12.2000
Provisions for taxes		
Current taxes	11.9	16.7
Deferred taxes	14.9	0.0
	26.8	**16.7**
Other provisions		
Anniversary bonuses	12.0	11.4
Compensated absences	10.8	13.3
Other payroll-related provisions	11.0	11.7
Group reorganization	56.3	5.9
Revaluation	0.0	69.4
Warranties	24.1	24.4
Sales discounts, bonuses	8.8	8.1
Other provisions relating to sales activities	8.8	9.7
Damage resulting from mining, manufacturing, smoke, dust and similar causes	3.7	3.5
Legal, auditing and consulting expenses	19.0	5.0
Outstanding invoices	17.8	17.8
Hedging transactions	83.0	0.0
Other	92.6	53.2
	347.9	**233.4**
Other provisions	**374.7**	**250.1**

The provision for **anniversary bonuses** was set up according to actuarial principles using an interest rate of 6% (2000: 6%).

The **provision for group restructuring** contains provisions for plant closures and structural adjustments.

The **provisions for revaluations** amounting to € 0.0 million (31.12.2000: € 69.4 million) relate to Global Technologies Inc. This figure includes € 0.0 million (31.12.2000: € 10.3 million) relating to environmental conservation measures and other risks, € 0.0 million (31.12.2000: € 10.8 million) for social plan costs, € 0.0 million (31.12.2000: € 9.6 million) for integration expenses, € 0.0 million (31.12.2000: € 14.2 million) for legal costs and € 0.0 million (31.12.2000: € 24.5 million) for warranties.

(20) Payables

Payables		31.12.2001		
	Total		Due in	
in € million		up to 1 year	1 to 5 years	more than 5 years
Bank loans and overdrafts	**670.3**	**165.4**	**402.2**	**102.7**
- thereof secured by real estate – mortgages	146.5			
- thereof secured by real estate – other	456.1			
Trade payables	**120.5**	**119.9**	**0.1**	**0.5**
Prepayments received	14.9	14.9	0.0	0.0
Notes and drafts payable	0.9	0.6	0.3	0.0
Accounts payable group	50.8	2.2	0.0	48.6
Accounts payable affiliates	2.5	2.5	0.0	0.0
Other payables	59.7	57.1	1.7	0.9
Other payables	**128.8**	**77.3**	**2.0**	**49.5**
Payables	**919.6**	**362.6**	**404.3**	**152.7**
- thereof secured by real estate	**602.6**			

Other payables (in € milllion)	31.12.2001	31.12.2000
- thereof taxes	12.8	33.4
- thereof social security	18.0	31.4

Payables		31.12.2000		
	Total		Due in	
in € million		up to 1 year	1 to 5 years	more than 5 years
Bank loans and overdrafts	**877.3**	**275.6**	**416.6**	**185.1**
- thereof secured by real estate – mortgages	27.5			
- thereof secured by real estate – other	481.8			
Trade payables	**207.8**	**207.2**	**0.6**	**0.0**
Prepayments received	19.6	19.6	0.0	0.0
Notes and drafts payable	2.7	2.4	0.3	0.0
Accounts payable group	1.3	1.3	0.0	0.0
Accounts payable affiliates	0.6	0.6	0.0	0.0
Other payables	249.6	246.4	1.9	1.3
Other payables	**273.8**	**270.3**	**2.2**	**1.3**
Payables	**1,358.9**	**753.1**	**419.4**	**186.4**
- thereof secured by real estate	**509.3**			

At December 31, 2001 the RHI group had € 730.8 million (31.12.2000: € 973.0 million) available in credit lines.

Long-term bank loans and overdrafts include export financing (including financing for investments) totaling € 246.0 million (31.12.2000: € 561.2 million).

Encumbrances on real property to a maximum value of € 120.0 million were registered after the balance sheet date.

Other collateral pledged to financial institutions consists of:

- Pledging of all shares and investments held in Didier-Werke AG, Wiesbaden, Germany; Veitsch-Radex GmbH, Vienna; VRD Americas B.V., Arnheim, the Netherlands; Refrattari Italiana S.p.A., Genova, Italy; Lokalbahn Mixnitz-St Erhard AG, Vienna; Zimmermann & Jansen Beteiligungsgesellschaft mbH, Düren, Germany; RHI Engineering GmbH, Wiesbaden, Germany and RHI Finance ApS, Hellerup, Denmark;
- Pledging of all brand and patent rights of Veitsch-Radex GmbH, Vienna and RHI AG, Vienna;
- Assignment as security of all goods held currently and in future in the warehouses of Veitsch-Radex GmbH, Vienna;
- Pledging of securities with a market value of € 4.0 million; and
- Assignment of export receivables amounting to € 136.7 million.

An Austrian bank consortium has provided a credit line amounting originally to € 440.0 million available to acquire shares and to refinance Global Industrial Technologies Inc. € 396.0 millionof this amount had been drawn at December 31, 2000. RHI AG guarantees to fulfill all the obligations arising from this credit agreement for its subsidiary RHI Finance ApS, Hellerup, Denmark. RHI AG has provided the bank consortium with a number of general assurances of the commercial situation and development of RHI AG, based on the consolidated financial statements of the RHI group.

Accounts payable group include trade payables amounting to € 21.4 million (31.12.2000: € 0.4 million) and other payables amounting to € 29.4 million (31.12.2000: € 0.9 million).

Accounts payable affiliates include trade payables amounting to € 1.0 million (31.12.2000: € 0.6 million) and other payables amounting to € 1.5 million (31.12.2000: € 0.0 million).

Other payables contains an entry of € 0.0 million (31.12.2000: € 119.8 million) for claims resulting from asbestos litigation which have been documented and accepted and a separately recorded receivable of € 0.0 million (31.12.2000: € 157.1 million) for claims on insurance companies resulting from asbestos claims against A.P. Green and Harbison-Walker Refractories Co.

Notes on individual items in the income statement

(21) Sales revenue

The following table shows a breakdown of sales revenue in the financial year:

By division (in € million)	2001	2000
Refractories	1,521.5	1,675.5
Engineering	195.5	168.2
Insulating	161.5	194.1
Waterproofing	0.0	171.2
Other and consolidation	-11.3	-15.4
Total	**1,867.2**	**2,193.6**

Inter-company sales revenue has already been eliminated from the divisional sales revenue stated above.

By region (in € million)	2001	2000
Austria	64.4	102.9
Western Europe	663.3	765.6
NAFTA	687.8	839.9
Asia - Pacific	118.9	120.4
Other	332.8	364.8
Total	**1,867.2**	**2,193.6**

(22) Other operating income

The following table shows the breakdown of other operating income:

Other operating income (in € million)	2001	2000
Gains from the disposal of fixed assets, excluding financial assets	**5.7**	**4.8**
Gains from the reversal of provisions	**11.2**	**25.3**
Other		
Costs passed on/incidental revenue	10.3	10.9
Foreign exchange gains	25.7	19.4
Grants	2.1	2.9
Reversal of valuation allowance for receivables	1.4	3.3
Compensation for damages	0.8	7.3
Other	22.7	49.4
	63.0	**93.2**
Other operating income	**79.9**	**123.3**

In the previous year **other operating income** mainly related to the deconsolidation effect of the sale of the VEDAG group and the proceeds from the sale of RHI Telekom GmbH. RHI Telekom GmbH was originally conceived as a strategic foundation for a new RHI group division. Due to developments in the telecom sector, particularly in connection with UMTS, existing extension options were not exercised, and the decision was made to sell off this business segment due to the uncertain and risky nature of developments.

(23) Cost of material and other production services

This item is broken down as follows:

Cost of material and other production services (in € million)	2001	2000
Cost of material		
Raw materials and supplies	620.4	739.3
Merchandise	64.9	86.1
Other	7.5	13.4
	692.8	**838.8**
Cost of services		
Energy	77.4	74.1
External services	42.3	31.1
Other	13.1	20.3
	132.8	**125.5**
Cost of material and other production services	**825.6**	**964.3**

(24) Personnel expenses

The following table shows the breakdown of personnel expenses:

Personnel expenses (in € million)	2001	2000
Wages	201.7	239.8
Salaries	221.6	244.5
Expenses for severance payments	5.9	9.1
Expenses for pensions	77.8	28.4
Expenses for social security and payroll-related taxes and contributions	84.3	95.8
Fringe benefits	25.0	33.8
Personnel expenses	**616.3**	**651.4**

Expenses for pensions contain the depreciation of the value of the fund for US-American post-retirement benefits amounting to € 52.1 million.

(25) Depreciation and amortization

Depreciation and amortization (in € million)	2001	2000
a) amortization of intangible assets and depreciation of property, plant and equipment,		
thereof unscheduled € 1.6 million (2000: € 3.2 million)	90.1	109.8
b) depreciation of current assets, if exceeding the normal depreciation in the company	19.0	0.0
Depreciation and amortization	**109.1**	**109.8**

Unscheduled depreciation of fixed assets amounting to € 389.7 million is recorded under extraordinary expenses.

(26) Other operating expenses

Other operating expenses consist of:

Other operating expenses (in € million)	2001	2000
Taxes other than income taxes	**13.1**	**10.6**
Other		
Shipping expenses	93.7	113.0
Commission expenses	31.4	23.1
Other external services	44.3	43.0
Foreign exchange rate losses	26.9	18.6
Travel expenses	25.2	38.0
Entertainment expenses	3.6	5.0
External repairs	34.0	36.6
Rent and lease expenses	27.0	30.5
Legal, auditing and consulting expenses	36.7	17.0
Insurance premiums	13.0	11.7
Office and administrative expenses	11.8	7.8
IT expenses	11.5	9.4
Loss of receivables incl. valuation allowances	41.7	20.0
Other distribution expenses	5.9	10.6
Postage, telephone charges	6.7	8.2
Credit card and bank charges	5.4	6.7
Other	72.3	24.4
	491.1	**423.6**
Other operating expenses	**504.2**	**434.2**

(27) Interest result

The interest result consists of:

Interest result (in € million)	2001	2000
Income from other securities and financial assets	3.5	4.9
Other interest and similar income, thereof from group companies € 0.0 million (2000: € 0.1 million)	9.2	13.2
Interest and similar expenses, thereof relating to group companies € 0.9 million (2000: € 1.0 million)	-76.5	-82.0
Interest result	**-63.8**	**-63.9**

(28) Other financial results

Other financial results consist of:

Other financial results (in € million)	2001	2000
Investment result		
Income from investments, thereof from group companies € 0.0 million (2000: € 0.9 million)	0.1	1.2
Result from associated companies	1.4	0.1
Expenses from investments, thereof from group companies € 4.0 million (2000: € 1.3 million)	-4.0	-1.3
	-2.5	**0.0**
Other financial results		
Gains from the disposal of financial assets and securities and interests	0.2	4.2
Write-offs of other financial assets and securities and interests	-24.5	-1.1
Losses from the disposal of other financial assets	0.0	-0.4
	-24.3	**2.7**
Other financial results	**-26.8**	**2.7**

(29) Extraordinary result

Extraordinary result (in € million)	2001	2000
Extraordinary income	865.6	0.0
Extraordinary expenses	-1,456.3	0.0
Extraordinary result	**-590.7**	**0.0**

Extraordinary income results from the deconsolidation of the negative equity of the US Group.

Extraordinary expenses are broken down as follows:

Extraordinary expenses (in € million)	2001	2000
Restructuring		
Insulating	13.1	0.0
Refractories Europe, Latin America	22.0	0.0
US Group		
Unscheduled depreciation and amortization	389.7	0.0
Writedowns of inventories	10.3	0.0
Environmental conservation measures	10.3	0.0
Provisions for asbestos risks	275.1	0.0
Writedowns of receivables and other provisions for risks	726.5	0.0
Other	9.3	0.0
Extraordinary expenses	**1,456.3**	**0.0**

Unscheduled depreciation and amortization relates to writedowns to the lower current value of goodwill of the US Group amounting to € 227.6 million and writedowns of property, plant and equipment amounting to € 162.1 million. Provisions for asbestos risks amounting to € 275.1 million were required due to no longer adequate insurance cover for asbestos litigation claims. Writedowns of receivables and other provisions relating to receivables from the US Group amounted to € 618.0 million. Provisions for risks contain € 83.0 million relating to hedging transactions.

(30) Income taxes

Income taxes (in € million)	2001	2000
Current taxes	22.5	27.0
Deferred taxes	38.3	12.3
Income taxes	**60.8**	**39.3**

Taxes on income are calculated based on the laws and regulations in force in the individual countries.

Deferred taxes contain extraordinary writedowns of deferred tax assets of the US Group amounting to € 41.0 million.

Notes on the cash flow statement

The cash flow statement drawn up in line with the US SFAS (Statement of Financial Accounting Standards) No. 95 (Cash Flow Statement) aims to present more clearly the financial position of the RHI Group.

The cash flow statement illustrates changes in cash and cash equivalents due to cash inflows and outflows during the reporting period, which are classified into cash flows from operating, investing and financing activities, adjusted for the effects of foreign currency translation.

(31) Cash flow from operating activities
Cash flow from operating activities shows the inflow of cash and cash equivalents from the operating activities of those companies included in the consolidated group at the balance sheet date, based on net income generated, after deducting non-cash revenues and adding non-cash expenses and after changes to the funds tied up in working capital.

(32) Cash flow from investing activities
The cash-effect from the purchase or sale of shares in subsidiaries (net change in cash and cash equivalents due to initial consolidation or deconsolidation) is shown separately under cash flow from investing activities.

(33) Cash and cash equivalents
Cash and cash equivalents correspond to the balance sheet item and comprise cash on hand, checks and bank deposits.

Other notes

(34) Total emoluments of the Board of Management and Supervisory Board
Total emoluments of the Board of Management in the past financial year amounted to € 1.6 million (2000: € 1.3 million). Emoluments of former members of the Board of Management and their dependants amounted to € 0.3 million (2000: € 6.6 million).

Emoluments of the Supervisory Board amounted to € 0.1 million (2000: € 0.1 million).

On the balance sheet date, neither loans to members of the Board of Management or the Supervisory Board nor contingent liabilities in favor of these persons existed.

(35) Expenses for severance payments and pensions
The following table shows the breakdown of expenses for severance payments and pensions.

Expenses for severance payments

(in € million)	2001	2000
Board of Management and executives	0.8	0.5
Other employees	5.1	8.6
Expenses for severance payments	**5.9**	**9.1**

Expenses for pensions

(in € million)	2001	2000
Board of Management and executives	3.2	3.7
Other employees	74.6	24.7
Expenses for pensions	**77.8**	**28.4**

(36) Personnel
Average employment was:

Employment (average)	2001	2000
Salaried employees	4,262	5,082
Waged workers	6,823	8,608
Total	**11,086**	**13,690**

Employment at year-end was:

Employment (year-end)	31.12.2001	31.12.2000
Salaried employees	3,200	4,525
Waged workers	4,984	7,589
Total	**8,184**	**12,114**

The decline in personnel is mainly due to the deconsolidation of the US Group.

(37) Stock option plan

The stock option plan, initiated on July 1, 1999, enabling options to be exercised for the first time on June 30, 2001, has expired due to the fact that targets have not been achieved; all options granted have expired.

At present, no options have been granted to employees, managers or Management Board members, and no options can be exercised.

(38) Contingent liabilities

The following table shows a breakdown of contingent liabilities to third parties shown off balance sheet:

Contingent liabilities (in € million)	2001	2000
Liabilities on notes and drafts	0.0	0.1
Liabilities on guarantees	9.6	11.2
Liabilities on warrantes	37.6	65.3
Other liabilities	1.5	544.8
Contingent liabilities	**48.7**	**621.4**

In the previous year **other contingent liabilities** related to unresolved asbestos claims against A.P. Green and the Harbison-Walker Refractories Company, amounting to € 541.3 million. Contingent liabilities are matched by claims on insurance companies in the same amount. It is not possible to state with a degree of certainty the extent to which these claims will be paid by the insurance companies.

Due to the deconsolidation of the US Group, contingent liabilities from pending asbestos litigation are no longer to be recorded, however, there is a risk in spite of lengthy legal consultation, that the Chapter 11 proceedings in the USA could adversely affect the earnings situation and net worth position of RHI AG.

(39) Other commitments

Other financial commitments amount to € 14.9 million in 2001 (2000: € 18.1 million).

The following other commitments arise from the use of property, plant and equipment not shown in the balance sheet:

Other commitments (in € million)	2001	2000
in the next year	11.4	14.6
in the next five years	40.8	56.6

(40) Significant events after the balance sheet date
The year 2001 saw a rise in the number of claims brought against US-American subsidiaries of the RHI Group due to asbestos litigation. Due to the high number of plaintiffs and to the extensive scope for filing lawsuits in the US-American legal system, particularly claims relating to intangible damage or claims for amounts not requiring evidence supporting the claim, but which are more punitive in nature, asbestos claims pending at the end of 2001 had reached a level that could no longer be covered by existing liability insurance.

Due to steps taken by US management, the overwhelming majority of companies has now filed for protection and reorganization under Chapter 11 of the US Bankruptcy Code.

The assets and liabilities of the US Group were deconsolidated at December 31, 2001, as RHI AG can no longer exert control over these companies. In the course of deconsolidation, receivables from the US Group had to be written down.

A restructuring and deferral agreement was made with the financing banks, incorporating the following core elements:

- Conversion of € 400.0 million of bank liabilities due to subordination agreements into subordinated mezzanine capital, and

- A decrease in interest rates charged on the remaining bank liabilities (Senior Debt) to a rate of EURIBOR plus 0.5 percentage points up to December 31, 2006.

In addition, the following resolutions were made at the extraordinary general meeting of RHI AG on February 15, 2002:

The resolution passed at the Annual General Meeting on May 17, 2001 relating to the conditional capital increase by up to € 14,476,428.55 to enable stock options to be granted to employees, management and RHI AG Management Board members or to one of its group companies was revoked.

Furthermore, the Management Board of RHI AG was authorized to carry out a conditional capital increase amounting to € 72,305,836.31 by issuing 9,949,500 bearer shares with voting rights at an issue price of € 7.27 and to issue authorized capital amounting to € 72,305,836.31 by issuing 9,949,500 bearer shares with voting rights at an issue price of € 7.27 to issue convertible bonds. The resulting changes to the articles of incorporation and bylaws were made.

The conditional capital increase was used for the subordinated convertible bond of tranche A with a total nominal value of € 72,360,000, split into 1,809 part-convertible bonds at a nominal value per bond of € 40,000, maturing at December 31, 2009, exchangeable for the first time from January 1, 2007 at a ratio of 1 : 5,500 bearer shares of RHI AG, dependent on results and bearing interest at a rate of 6 % p.a.. Tranche A was taken up entirely by banks.

The authorized capital was used for the subordinated convertible bond of tranche B. Tranche B with a total nominal value of € 72,360,000, split into 1,809 part-convertible bonds at a nominal value per bond of € 40,000, maturing at December 31, 2009, exchangeable from January 1, 2003 to January 1, 2007 at a ratio of 1 : 5,500 bearer shares of RHI AG, dependent on results and bearing interest at a rate of 6 % p.a. was offered for subscription from April 8 to April 30, 2002.

The proceeds from the issue of convertible bonds will be used to repay bank liabilities.

On April 30, 2002, the engineering activities of the RHI Group were sold off in shares or business units, subject to the final securing of finance and to approval by anti-trust authorities. Sales revenue from the engineering business amounted to € 195.5 million in the past year, the operating result amounts to € -7.5 million, taking one-off effects into account.

Group companies at December 31, 2001

	Type of consolidation	Parent	Currency	Nominal capital in local currency	Investment in group companies %
1. RHI AG, Vienna, Austria	F		EUR	144,764,569	
Refractories					
2. Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	F	9.	EUR	894,761	100.00
3. Construcciones Didier, S.A., Madrid, Spain	F	9.	EUR	180,300	100.00
4. Corrosion Technologies de México, S.A. de C. V., Monterrey, Mexico	F	21., 23.	MXN	456,861	100.00
5. Corrosion Technology Peru, S.A., Lima, Peru	F	17.	PEN	31,021	100.00
6. D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	F	9.	EUR	5,139,575	99.88
7. Didier Belgium N.V., Evergem, Belgium	F	14.	EUR	74,368	99.00
8. Didier Corporation des Produits Réfractaires, Boucherville, Canada	F	57.	CAD	17,000,150	100.00
9. Didier-Werke AG, Wiesbaden, Germany	F	1., 54.	EUR	63,000,000	95.99
10. Dolomite Franchi S.p.A., Brescia, Italy	F	32.	EUR	5,940,000	60.00
11. Dutch MAS B.V., Arnheim, Netherlands	F	9.	EUR	30,000	100.00
12. Dutch SAPREF B.V., Arnheim, Netherlands	F	57.	EUR	25,000	100.00
13. Full Line Supply Africa (PTY) Limited, Sandton, South Africa	F	54.	ZAR	100	100.00
14. GEFRO GmbH, Wiesbaden, Germany	F	9.	EUR	945,890	100.00
15. Gen-X Technologies Inc., Burlington, Ontario, Canada	F	60., 61.	CAD	20	100.00
16. GIX International GmbH, Hamburg, Germany	F	17.	EUR	25,565	100.00
17. GIX International Limited, Wakefield, Great Britain	F	24.	GBP	4	100.00
18. Harbison Walker B.V., Rijswijk, Netherlands	F	17.	EUR	5,525,228	100.00
19. Harbison-Walker Refractories S.A., Santiago, Chile	F	17., 57.	CLP	12,073,359,422	100.00
20. Harbison-Walker Refractories, S.A. de C.V., Ramos Arizpe, Mexico	F	21., 57.	MXN	141,906,190	100.00
21. INDRESCO de México, S.A. de C.V., Naucalpande, Mexico	F	24., 57.	MXN	50,000	100.00
22. INDRESCO U.K. Ltd., Wakefield, Great Britain	F	17.	GBP	3,000,002	100.00
23. INTOOL de México, S.A. de C.V., Naucalpande, Mexico	F	21., 57.	MXN	50,000	100.00
24. Latino America Refractories ApS, Copenhagen, Denmark	F	57.	EUR	20,000	100.00
25. Magnesit Anonim Sirketi, Istanbul, Turkey	F	11.	TRL	1,423,400,000,000	100.00
26. Narco S. E. M. Inc., Quebec, Canada	F	34.	CAD	100	100.00
27. Oy Tulenkestävät Tiilet AB, Helsinki, Finland	F	48.	EUR	5,046	100.00
28. Radex West GmbH, Urmitz, Germany	F	53., 54.	EUR	11,759,713	100.00
29. REFEL S.p.A., San Vito al Tagliamento, Italy	F	9.	EUR	5,200,000	100.00
30. Refmex, S. de R.L. de C.V., Monterrey, Mexico	F	20., 57.	MXN	28,202,541	100.00
31. Refractarios Green, S. de R.L. de CV., Tlalnepantla, Mexico	F	20., 57.	MXN	645,000	99.38
32. Refrattari Italiana S.p.A., Genova, Italy	F	54.	EUR	4,160,000	100.00
33. RHI Africa Investment Holdings (Pty) Ltd., Sandton, South Africa	F	9.	ZAR	215,705	100.00
34. RHI Canada Inc., Burlington, Ontario, Canada	F	8.	CAD	3,704,750	100.00
35. RHI Dinaris GmbH, Wiesbaden, Germany	F	14.	EUR	500,000	100.00
36. RHI Finance ApS, Hellerup, Denmark	F	1.	EUR	93,000,000	100.00
37. RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	F	33.	ZAR	10,000	100.00
38. RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	F	57.	VEB	1,600,000,594	100.00
39. RHI Refractories Asia Ltd., Hongkong, PR China	F	53.	HKD	1,000	100.00
40. RHI Refractories Asia Pacific Pte. Ltd., Singapore	F	1.	SGD	300,000	100.00
41. RHI Refractories España, S.A., Lugones, Spain	F	11.	EUR	1200,000	100.00
42. RHI Refractories France S.A., Breuillet, France	F	53.	EUR	703,800	100.00
43. RHI Refractories Ibérica, S.L., Lugones, Spain	F	53.	EUR	30,050	100.00
44. RHI Refractories Italiana s.r.l., Brescia, Italy	F	53.	EUR	110,000	100.00
45. RHI Refractories Liaoning Co.Ltd, Bayuquan, Yingkou Liaoning, PR China	F	54.	CNY	180,000,000	60.00
46. RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	F	57.	BRL	500,000	99.50
47. RHI Refractories México, S.A. C.V., Garza Garcia, Mexico	F	57.	MXN	50,001	100.00
48. RHI Refractories Nord AB, Stockholm, Sweden	F	53.	SEK	1,000,000	100.00
49. RHI Refractories Spaeter (Site Services) Ltd., Cirencester, Great Britain	F	51.	GBP	10,000	100.00
50. RHI Refractories Spaeter (UK) Ltd., Cirencester, Great Britain	F	51.	GBP	10	100.00
51. RHI Refractories Spaeter GmbH, Urmitz, Germany	F	28.	EUR	256,157	66.67
52. RHI Refractories UK Limited, Clydebank, Great Britain	F	9.	GBP	5,375,000	100.00
53. SAPREF AG für feuerfestes Material, Basel, Switzerland	F	12.	CHF	4,000,000	100.00
54. Veitsch-Radex GmbH, Vienna, Austria*	F	1., 121.	EUR	87,207,401	100.00
55. Veitsch-Radex Urmitz GmbH, Urmitz, Germany	F	1., 14.	EUR	2,454,201	100.00
56. Veitsch-Radex-Didier-Australia Pty. Ltd., Pymble, Australia	F	58.	AUD	1,170,002	100.00
57. VRD Americas B.V., Arnheim, Netherlands	F	1., 54.	EUR	34,033,970	100.00
58. VRD Holdings (Australia) Pty. Ltd., Pymble, Australia	F	1.	AUD	2,570,000	100.00
59. VRD-Glas GmbH, Wiesbaden, Germany	F	14.	EUR	500,000	100.00
60. 1322578 Ontario Limited, Burlington, Ontario, Canada	F	34.	CAD	106	100.00
61. 1322579 Ontario Limited, Burlington, Ontario, Canada	F	34.	CAD	106	100.00
62. AP Green Industries Inc., Wilmington, Delaware, USA, Chapter 11	N	66.	USD	9,028,049	100.00
63. Didier (Zambia) Ltd., Kitwe, Zambia	N	9.	ZMK	200,000	80.00
64. Dolomite Franchi GmbH, Hattingen, Germany	N	10.	DEM	50,000	100.00
65. Dr.-Ing.-Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	N	9.	DEM	50,000	100.00
66. Global Industrial Technologies, Inc., Wilmington, Delaware, USA, Chapter 11	N	78.	USD	10	100.00
67. Harbison Walker Refractories Co., Wilmington, Delaware, USA, Chapter 11	N	66.	USD	250	100.00

* In accordance with the split agreement of February 26, 2002 Veitsch-Radex GmbH, Vienna, is to transfer its operating activities via split and new establishment, without changing its relations, to the newly established Veitsch-Radex Betriebs GmbH, Vienna. Veitsch-Radex Betriebs GmbH transfers its entire assets to the General Partnership, Veitsch-Radex GmbH & Co., set up by conversion. Veitsch-Radex GesmbH, Vienna, has changed to Veitsch-Radex Immobilien GesmbH.

		Type of consolidation	Parent	Currency	Nominal capital in local currency	Investment in group companies %
68.	Investment Log N.V., Curacao, Netherlands Antilles	N	1., 54.	USD	4,281,000	100.00
69.	Magnesite International Bahamas Ltd., Nassau, Bahamas	N	54.	USD	105,000	100.00
70.	Magnesitwerk Aken Vertriebsgesellschaft mbH, Aken, Germany	N	9.	EUR	130,000	100.00
71.	Marion South America S.A., Santiago, Chile	N	17.	CLP	10,251,025	99.99
72.	North American Refractories Co., Cleveland, Ohio, USA, Chapter 11	N	53., 57.	USD	20,158,122	100.00
73.	Radex Latinoamérica C.A., Caracas, Venezuela	N	57.	VEB	260,000	100.00
74.	Refractories Consulting & Engineering Gesellschaft m.b.H. i.L., Radenthein, Austria	N	54.	ATS	10,000,000	100.00
75.	Rheinischer Vulkan, Chamotte- und Dinaswerke mbH, Königswinter, Germany	N	9.	DEM	2,000,000	100.00
76.	RHI Argentina S.R.L, Buenos Aires, Argentina	N	24.	ARS	10,000	100.00
77.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	N	42.	DZD	100,000	100.00
78.	RHI Refractories Holding Company, Dover, Delaware, USA	N	57.	USD	30	100.00
79.	Société Européenne des Procédés d'Application Anti-Corrosion SEPAAC, Maxeville, France	N	9.	FRF	1,000,000	100.00
80.	Thor Ceramics Limited, Clydebank, Great Britain	N	9.	GBP	-	100.00
81.	Veitsch-Radex-Didier Schweiz AG i.L., Basel, Switzerland	N	9.	CHF	50,000	100.00
82.	Dolomite di Montignoso S.p.A., Genova, Italy	E	32.	ITL	1,430,000,000	28.56
83.	Lokalbahn Mixnitz-St.Erhard AG, Vienna, Austria	E	54.	ATS	1,643,000	100.00
84.	Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia, Italy	E	32.	EUR	20,800	50.00
85.	Stopinc AG, Baar, Switzerland	E	9.	CHF	1,000,000	50.00
86.	Treuhandgesellschaft Feuerfest mbH, Bonn, Germany	I	9.	DEM	50,000	28.00
Engineering						
87.	Bachmann Industries, Inc., Auburn, USA	F	97.	USD	100,000	100.00
88.	Cimprogetti S.p.A., Bergamo, Italy	F	53.	EUR	103,000	100.00
89.	Didier-M&P Energietechnik GmbH, Wiesbaden, Germany	F	9.	EUR	2,301,000	66.67
90.	Didier-M&P Engineering Inc., Merrillville, Indiana, USA	F	89.	USD	200,000	100.00
91.	DME do Brasil Ltda, Belo Horizonte, Brazil	F	89.	BRL	400,000	80.00
92.	Hermann Rappold & Co. GmbH, Düren, Germany	F	9.	EUR	409,034	100.00
93.	IPZ Industrieanlagen Peter Zeisel GmbH, Bochum, Germany	F	97.	EUR	51,129	100.00
94.	KAEFER-RACO Engineering GmbH, Bremen, Germany	F	97.	EUR	300,000	100.00
95.	MAERZ Ofenbau AG, Zürich, Switzerland	F	53.	CHF	1,000,000	100.00
96.	Maerz-Gautschi Industrieofenanlagen GmbH, Düsseldorf, Germany	F	57., 97.	EUR	2,300,813	100.00
97.	RHI Engineering GmbH, Wiesbaden, Germany	F	9.	EUR	306,775	100.00
98.	Striko UK Ltd., Stone, Staffordshire, Great Britain	F	100.	GBP	100,000	90.00
99.	StrikoDynarad Corporation, Holland, Michigan, USA	F	100.	USD	500,000	100.00
100.	Striko-Westofen GmbH, Wiesbaden, Germany	F	9.	EUR	511,292	58.00
101.	Walter Brinkmann GmbH & Co KG, Werdohl - Kettling, Germany	F	96., 97.	EUR	6,382	100.00
102.	Bachmann Industries Australia Pty. Ltd., Langwarrin, Australia	N	87.	AUD	-	100.00
103.	Bachmann Industries Canada, Inc., Pierre Fonds, Canada	N	87., 97.	CAD	-	100.00
104.	Didier-M&P Energietechnik Asia Company Ltd., Kaohsiung, Taiwan	N	89.	TWD	5,000,000	60.00
105.	Gautschi Wärmetechnik Gesellschaft mit beschränkter Haftung, Konstanz, Germany	N	96.	DEM	50,000	100.00
106.	RHE IT-Service GmbH, Mainz-Kastel, Germany	N	97.	DEM	50,000	100.00
107.	Striko Polska Sp.z.o.o., Czestochowa, Poland	N	100.	PLN	55,550	100.00
108.	Marvo-Feuerungs- und Industriebau GmbH, Sindorf-Kerpen, Germany	I	97.	DEM	1,000,000	25.00
Insulating						
109.	Deutsche Heraklith GmbH, Simbach, Germany	F	1., 116.	EUR	4,857,400	100.00
110.	Global B&C d.o.o., Ljubljana, Slovenia	F	118.	SIT	1,500,000	100.00
111.	Heraklith Consulting & Engineering GmbH, Ferndorf, Austria	F	121.	EUR	40,000	100.00
112.	Heraklith España S.L., Gijon, Spain	F	116.	EUR	3,005	100.00
113.	Heraklith Hungaria Kft., Zalaegerszeg, Hungary	F	121.	HUF	100,000,000	100.00
114.	Heraklith Nederland B.V., Bussum, Netherlands	F	116.	EUR	20,000	100.00
115.	Heraklith Polska Sp.z.o.o., Sroda, Poland	F	121.	PLN	100,000	100.00
116.	Heraklith VerwaltungsgmbH, Simbach, Germany	F	121.	EUR	26,000	100.00
117.	Ideal Baustoffwerke M. Reichenberger GmbH & Co KG, Frankenmarkt, Austria	F	121.	EUR	5,087	100.00
118.	Ideal M. Reichenberger GmbH, Frankenmarkt, Austria	F	121.	EUR	36,336	100.00
119.	Izomat a.s., Nova Bana, Slovakia	F	121., 129.	SKK	499,476,000	
120.	Izomat Bohemia S.r.o., Brno, Czech Republic	F	119.	CZK	200,000	100.00
121.	Österreichische Heraklith GmbH, Ferndorf, Austria	F	1., 46.	EUR	7,500,000	100.00
122.	Termika d.d., Novi Marof, Croatia	F	118., 129.	HRK	51,473,618	
123.	Thüringer Dämmstoffwerke GmbH & Co KG, Bad Berka, Germany	F	116.	EUR	932,596	100.00
124.	1196071 Ontario Inc., Toronto, Canada	N	116.	CAD	750,230	100.00
125.	C&G Verwaltungsgesellschaft mbH, Bad Berka, Germany	N	116.	EUR	26,000	100.00
126.	DCD Ideal spol. S.r.o., Dynin, Czech Republic	E	118.	CZK	180,000,000	50.00
127.	Lipka spol. S.r.o., Pecky, Czech Republic	E	118.	CZK	102,000	50.00
128.	Magnomin S.A., Athen, Greece	E	121.	GRD	234,671,000	49.00
129.	Termo d.d., Skofja Loka, Slovenia	E	110., 121.	SIT	1,706,620,000	
130.	Heraflax Forschungs- und Entwicklungsgesellschaft mbH, Knittelfeld, Austria	I	121.	ATS	1,500,000	33.33
131.	Heraklith South Africa (Pty) Ltd., Johannesburg, South Africa	I	121.	ZAR	4,000	49.00

F.... *full consolidation*
E.... *consolidation at equity*
N.... *non-consolidation*
I.... *investments*

Change of name to “RHI Refractories“

The following companies changed names:

	New company name	Former company name
33.	RHI Africa Investment Holdings (Pty) Ltd., Sandton, South Africa	VRD Africa Investment Holdings (Pty) Ltd., Sandton, South Africa
37.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	VRD Engineering (Pty) Ltd., Sandton, South Africa
38.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	Veitsch-Radex-Didier Andino C.A., Puerto Ordaz, Venezuela
39.	RHI Refractories Asia Ltd., Hongkong, PR China	Veitsch-Radex-Didier Asia Ltd., Hongkong, PR China
40.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	Veitsch-Radex-Didier Asia Pacific Pte. Ltd., Singapore
42.	RHI Refractories France S.A., Breuillet, France	Veitsch-Radex Didier Refractaires S.A., Breuillet, France
43.	RHI Refractories Ibérica, S.L., Lugones, Spain	Veitsch-Radex Didier Ibérica, S.L., Lugones, Spain
47.	RHI Refractories México, S.A. C.V., Garza Garcia, Mexico	Veitsch-Radex-Didier México, S.A. de C.V., Garza Garcia, Mexico
49.	RHI Refractories Spaeter (Site Services) Ltd., Cirencester, Great Britain	VRD-S (Site Services) Ltd., Cirencester, Great Britain
50.	RHI Refractories Spaeter (UK) Ltd., Cirencester, Great Britain	VRD-S (UK) Ltd., Cirencester, Great Britain
70.	Magnesitwerk Aken Vertriebsgesellschaft mbH, Aken, Germany	Rheinische Chamotte und Dinas GmbH, Wiesbaden, Germany

In the reporting period the **Board of Management** consisted of:
Dr. Helmut Draxler, Vienna,
Chairman (from January 14, 2002)
Dr. Andreas Meier, Niklasdorf,
Deputy Chairman (from January 14, 2002)
Roland Platzer, Wernberg
Dr. Eduard Zehetner, Vienna (from November 19, 2001)
Dr. Georg Obermeier, Langenlois,
Chairman (until November 8, 2001)
Jakob Mosser, Mödling (until April 30, 2001)

The **Supervisory Board** consisted of:
Gerd Peskes, Düsseldorf, Germany,
Chairman (from February 15, 2002)
Dkfm. Michael Gröller, Vienna,
Deputy Chairman (from February 15, 2002)
Maximilian Ardelt, Munich, Germany
Max Deitcher, Montreal, Canada (until May 17, 2001)
Gerd Klaus Gregor, Berndorf (from February 15, 2002)
Dr. Erich Hampel, Vienna (until August 22, 2001)
DI Dr. Friedrich Nemec, Vienna,
Deputy Chairman (until February 15, 2002)
Dr. Walter Ressler, Villach,
Chairman (until February 15, 2002)
DDr. Erhard Schaschl, Vienna
Andreas Treichl, Vienna (until October 15, 2001)
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg,
Munich, Germany (from May 17, 2001)

Delegated by the works council:
Georg Eder, Ferndorf
Josef Horn, Trieben
Leopold Miedl, Vienna
Karl Prettner, Ebene Reichenau (until August 23, 2001)
Karl Wetzelhütter, Wien (from August 30, 2001)

Vienna, May 8, 2002

The Board of Management:

Dr. Helmut Draxler   Dr. Andreas Meier

Roland Platzer   Dr. Eduard Zehetner

Auditors' opinion

We have audited the consolidated financial statements and consolidated management report at December 31, 2001, drawn up by the Board of Management of RHI AG, Vienna, in accordance with the provisions of the Austrian Commercial Code, as amended. We have conducted our audit in accordance with the generally accepted auditing standards in Austria and have formed the following unqualified opinion.

"In our opinion, the consolidated financial statements comply with legal requirements. The consolidated financial statements present fairly the group's net worth, financial position and earnings situation in conformity with generally accepted accounting principles. The group management report is in accordance with the consolidated financial statements."

Vienna, May 8, 2002

Coopers & Lybrand INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed	signed
Dkfm. Hans Ulrich Wessely	Mag. Gerhard Prachner
Certified Public Accountant	Certified Public Accountant

These financial statements may not be disclosed, published and reproduced pursuant to § 281 (2) HGB in a form differing from the audited version and deviating from the legal provisions together with this auditors' opinion. Mere reference to our audit may only be made after receipt of written consent.

Segment reporting

2001 in € million	Refractories	Engineering	Insulating	Waterproofing	Consol-idation[1]	RHI Group
External sales revenue	1,510.5	195.2	161.5		0.0	1,867.2
Internal sales revenue	11.0	0.3	0.0		-11.3	0.0
Total sales revenue	1,521.5	195.5	161.5		-11.3	1,867.2
Operating result (EBIT)	-71.5	-7.5	-6.9		-28.4	-114.3
EBIT margin	-4.7 %	-3.8 %	-4.3 %			-6.1 %
EBITDA	3.6	-4.8	5.4		-28.4	-24.2
Capital expenditure	42.1	1.8	7.8		0.0	51.7
Employees (annual average)	8,708	523	1,823		32	11,086

2000 in € million	Refractories	Engineering	Insulating	Waterproofing	Consol-idation[1]	RHI Group
External sales revenue	1,663.8	168.0	190.9	170.5	0.4	2,193.6
Internal sales revenue	11.7	0.2	3.2	0.7	-15.8	0.0
Total sales revenue	1,675.5	168.2	194.1	171.2	-15.4	2,193.6
Operating result (EBIT)	95.7	7.6	11.2	3.7	13.1	131.3
EBIT margin	5.7%	4.5%	5.8%	2.2%		6.0%
EBITDA	182.4	10.0	26.8	8.9	13.0	241.1
Capital expenditure	71.4	1.4	16.4	3.6	0.0	92.8
Employees (annual average)	10,095	486	2,212	810	87	13,690

1 This column contains the respective totals of other activities, overheads and consolidation measures.

Report of RHI AG 2001

Management report

As was pointed out at the beginning of the management report of the RHI group, the option to summarize the management report of RHI AG with tahe group management report pursuant to § 267 (3) HGB together with § 251 (3) HGB was exercised.

RHI AG had no branch offices in the reporting period. Due to the high net loss in 2001 and the distortion of equity capital, no dividend will be proposed at the Annual General Meeting on July 4, 2002.

Report of the Supervisory Board

The Supervisory Board of RHI AG, Vienna, held nine meetings during the course of 2001. At these meetings and on other occasions, the Board of Management informed the Supervisory Board about important matters relating to the management, operating activities and situation of the company. The Supervisory Board therefore had ample opportunity to fulfill its obligation to remain informed of and to monitor company operations. They saw no reason to raise objections to the activities and operations of the Board of Management.

The financial statements for the year 2001 were audited and certified without qualification by Coopers & Lybrand INTER-TREUHAND GmbH, certified public accountants, auditors and tax consultants, duly appointed auditors at the 22nd General Meeting of Stockholders. Furthermore, the auditors confirmed that the management report prepared by the Board of Management is in accordance with the financial statements. The auditors' opinion was submitted to the members of the Supervisory Board in accordance with § 273 (3) HGB.

At the meeting of the financial audit committee held on May 15, 2002, the financial statements of RHI AG and the RHI group were examined and preparations were made for the approval thereof.

The Supervisory Board examined the financial statements submitted by the Board of Management and the management report for the year 2001 and approved these at its meeting on May 27, 2002. The financial statements of RHI AG have thus been approved in accordance with § 125 (2) AktG (Companies Act). At the same meeting the Supervisory Board approved the RHI consolidated financial statements.

In the said meeting on May 27, 2002, the Supervisory Board decided – in accordance with § 270 (1) HGB – to propose at this year's general meeting of stockholders the appointment of Coopers & Lybrand INTER-TREUHAND GmbH, certified public accountants, auditors and tax consultants, Vienna, as auditors of the financial statements of both RHI AG and the consolidated financial statements for the year 2002.

Vienna, May 27, 2002

Gerd Peskes
Chairman

Balance sheet RHI AG 2001*

in € 1,000	31.12.2001	31.12.2000
ASSETS		
Fixed assets		
Intangible assets	1.2	21,268.6
Property, plant and equipment	145.2	181.7
Financial assets	716,743.9	436,278.3
	716,890.3	**457,728.6**
Current assets		
Inventories	27,233.9	0.0
Receivables and other assets	433,453.9	144,133.1
Cash and cash equivalents	2,479.3	2.4
	463,167.1	**144,135.5**
Prepaid expenses and deferred charges	**19.6**	**14.9**
	1,180,077.0	**601,879.0**
STOCKHOLDERS' EQUITY AND LIABILITIES		
Stockholders' equity		
Stockholders' equity	144,764.6	144,764.6
Additional paid-in capital	26,876.3	274,354.0
Reserves from retained earnings	0.0	124,616.4
Accumulated profit	0.0	15,035.8
	171,640.9	**558,770.8**
Subordinated mezzanine capital	362,141.5	0.0
Effective equity capital	**533,782.4**	**558,770.8**
Untaxed reserves	**0.0**	**15.7**
Provisions		
Provisions for severance payments and pensions	7,828.5	6,946.4
Other provisions	109,178.2	4,157.5
	117,006.7	**11,103.9**
Payables		
Financial payables	407,050.2	1,451.3
Trade payables	9,038.8	1,852.5
Other payables	113,198.9	28,684.8
	529,287.9	**31,988.6**
	1,180,077.0	**601,879.0**
Contingent liabilities	262,828.0	854,227.5

* The balance sheet and income statement shown here is a summarized version of the audited balance sheet and income statement.

Income statement RHI AG 2001*

in € 1,000	2001	2000
Sales revenue	614,150.5	7.3
Change in inventories and services not yet invoiced	488.9	0.0
Other operating income	22,859.6	19,958.6
Cost of material and other production services	-470,271.2	-3.1
Personnel expenses	-10,811.6	-5,695.6
Depreciation and amortization		
a) amortization of intangible assets and depreciation of property, plant and equipment	-428.3	-986.8
b) depreciation of current assets, if exceeding the normal depreciation in the company	10,000.0	-20,000.0
Other operating expenses	-199,583.2	-7,542.6
Operating result	**-53,595.3**	**-14,262.2**
Income from investments, thereof from group companies € 0.0 T (2000: € 121,466.8 T)	0.0	121,466.8
Income from other securities and financial assets, thereof from group companies € 1,067.0 T (2000: € 2,017.9 T)	1,235.2	2,422.5
Other interest and similar income	311.8	250.2
Gains from the disposal of and write-up to financial assets and securities and interests	681.9	20,610.3
Expenses from financial assets and securities and interests, thereof relating to group companies € 678,883.8 T (2000: € 23,737.4 T)	-678,980.3	-24,443.6
Interest and similar expenses, thereof relating to group companies € 12,522.2T (2000: € 460.7 T)	-16,728.2	-472.4
Financial result	**-693,479.6**	**119,833.8**
Result from ordinary activities	**-747,074.9**	**105,571.6**
Extraordinary income	475,509.6	0.0
Extraordinary expenses	-101,039.3	0.0
Extraordinary result	**374,470.3**	**0.0**
Income taxes	0.6	3.6
Net loss / income	**-372,604.0**	**105,575.2**
Reversal of untaxed reserves	15.7	33.5
Reversal of additional paid in capital	247,477.7	0.0
Reversal of reserves from retained earnings	124,616.4	0.0
Allocation to untaxed reserves	0.0	-2.5
Allocation to reserves from retained earnings	0.0	-90,628.6
Profit carried forward	494.2	58.2
Accumulated profit	**0.0**	**15,035.8**

Addresses

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