2000

Annual Report

RHI

refractories

RHI Refractories produces high-grade, non-substitutable ceramic products essential to all production processes at temperatures exceeding 1,200° C. Now known globally as RHI Refractories, the division supplies key industries such as steel, non-ferrous metals, cement & lime, glass, and the environment, energy and chemicals sectors. Since its acquisition of Harbison-Walker (USA), the division – RHI's most important – has been world market leader.

engineering

Engineering focuses on projects relating to high-temperature kiln construction that have potential for technological synergies with the refractories division. The companies that make up RHI Engineering are some of the leading suppliers in a variety of market segments of industrial kiln construction.

insulating & waterproofing

The insulating division managed by Heraklith is one of the five leading suppliers to the construction sector on the European insulating materials market. The most important products supplied to Central and Eastern Europe are combinations of stone wool and wood-wool building boards.

The waterproofing division is the European market leader for bituminous sealing materials for the construction industry. The Vedag-Villas group supplies tailor-made systems used in civil engineering. RHI has divested this division.

RHI

Dear shareholders,

The year 2000 was both challenging and successful for RHI. Our activities centered around the integration of the largest producer of refractories in the NAFTA region, Harbison-Walker, acquired at the end of December 1999. This was a milestone in the development of RHI's refractories activities, securing for the division the position of world market leader. It certainly required the undivided attention of the management in 2000. Now, RHI commands a 30% market share in both Europe and North America, the two most important sales regions for refractories.

From this new position of strength we have managed to build up a powerful, global refractories group, supplying perfected product and service packages to our most important customer industries world-wide. Since the required negotiations with the Federal Trade Commission at the beginning of 2000 took longer than expected, we began the process of integration in April 2000 after the sale of two Harbison-Walker plants. Since then, the new management has worked flat out – with great success – to realize the synergy effects estimated in the run-up to the acquisition. This has been a carefully structured process. The challenge was not only to bring together two former competitors with comparable administrative, sales and R&D structures, but also to optimize the complex production structures in North America at the same time.

At the beginning of 2001 we are pleased to say that all twenty defined integration projects have gone well and have largely already been completed. We are particularly proud of the fact that we have been able to hold on to the joint market share of Harbison-Walker and RHI despite considerably rationalizing production at our North American plants.

Even though the integration of Harbison-Walker was clearly the top priority for our refractories management team in 2000, another important goal we achieved was to strengthen our position as technology and market leader world-wide. With the world economy looking far more buoyant than it had in 1999, we made inroads into new markets, acquiring new customers in important growth regions such as South America and Asia. Thanks to this good overall performance, refractories – RHI's most important division – recorded the highest EBIT in the company's history in 2000.

Taking into consideration the fact that most of the synergies created by the integration of Harbison-Walker will not take full effect until 2001, we are optimistic about the future. Nevertheless, even as the undisputed world market leader and technology pioneer, we need to continue to penetrate markets and optimize cost structures. We have been pursuing this objective since January 1, 2001, operating globally under the new name of RHI Refractories, which is intended both internally and externally to convey our newly acquired strength.

Although 2000 was primarily characterized by our efforts and achievements on the refractories front, we also succeeded in developing the other divisions operationally and strategically.

As in previous years, the engineering division pressed on with the realignment of its portfolio in 2000, focusing on refractories-related high-temperature processes.

Activities not related to this core business were successfully divested. We also managed to enhance engineering's portfolio through selected acquisitions. The present structure of the engineering group facilitates customer relationship management and technological cooperation world-wide. And with its attractive market positions, the future prospects for RHI Engineering certainly look good.

Developments in the insulating division followed two paths in 2000. On the one hand, we were successful in our attempts to focus on high-growth segments and on regional expansion to Eastern Europe. On the other hand, the construction industry in key markets in Western Europe failed to pick up. Although we are happy with the repositioning of the insulating division, we consider it necessary to enter into an extensive strategic partnership at European level. This is the only way to exploit strategic opportunities presented by a difficult European market and to achieve our ambitious growth and earnings targets. We are intending to take this step, which is as important for the insulating division as it is for the RHI group as a whole.

The waterproofing division had to hold its own in very difficult market conditions in 2000. Due to its still heavy dependence on core markets in Central Europe, the division could not remain immune to the desolate state of the construction sector, particularly in Germany and Austria, in spite of attractive product developments. In addition to weak demand, the division had to face higher raw material costs triggered by the oil price, which could not be entirely offset by active cost management. Due to the difficult and highly competitive nature of the market and to the lack of economies of scope within the RHI group, we decided to take the waterproofing division out of the RHI group. The division has been divested successfully.

Capital markets have reacted positively to this strategic shift in RHI's group portfolio. We are confident that the strong position we now command on the refractories market, together with the other steps we are planning, will assure us of further success in 2001. We are confident that this will be reflected in attractive results once again and in sustainable growth in the RHI share price. Now that the group is clearly focusing on consolidating and strengthening its position on the world refractories market, we are confident of our ability to present you with attractive results and a strong share price in the future.

Ladies and gentlemen, you, our shareholders, laid the foundations for all of this in 1999 by participating in RHI's capital increase. We will honor the trust you have placed in us by continuing to achieve our ambitions, so that you can reap the benefits as our shareholders in the future.

Dr. Georg Obermeier
Chairman of the Board of Management

Management and Supervisory Boards

Board of Management

Dr. Georg Obermeier
Chairman & CEO;
Finance and Engineering

Dr. Andreas Meier
Refractories Steel

Jakob Mosser
Refractories Industrial

Roland Platzer
Insulating and Waterproofing

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Dr. Friedrich Nemec
Deputy Chairman, Vienna, Austria

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Dr. Erich Hampel
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Gerd Peskes
Düsseldorf, Germany

DDr. Erhard Schaschl
Vienna, Austria

Staff representatives:

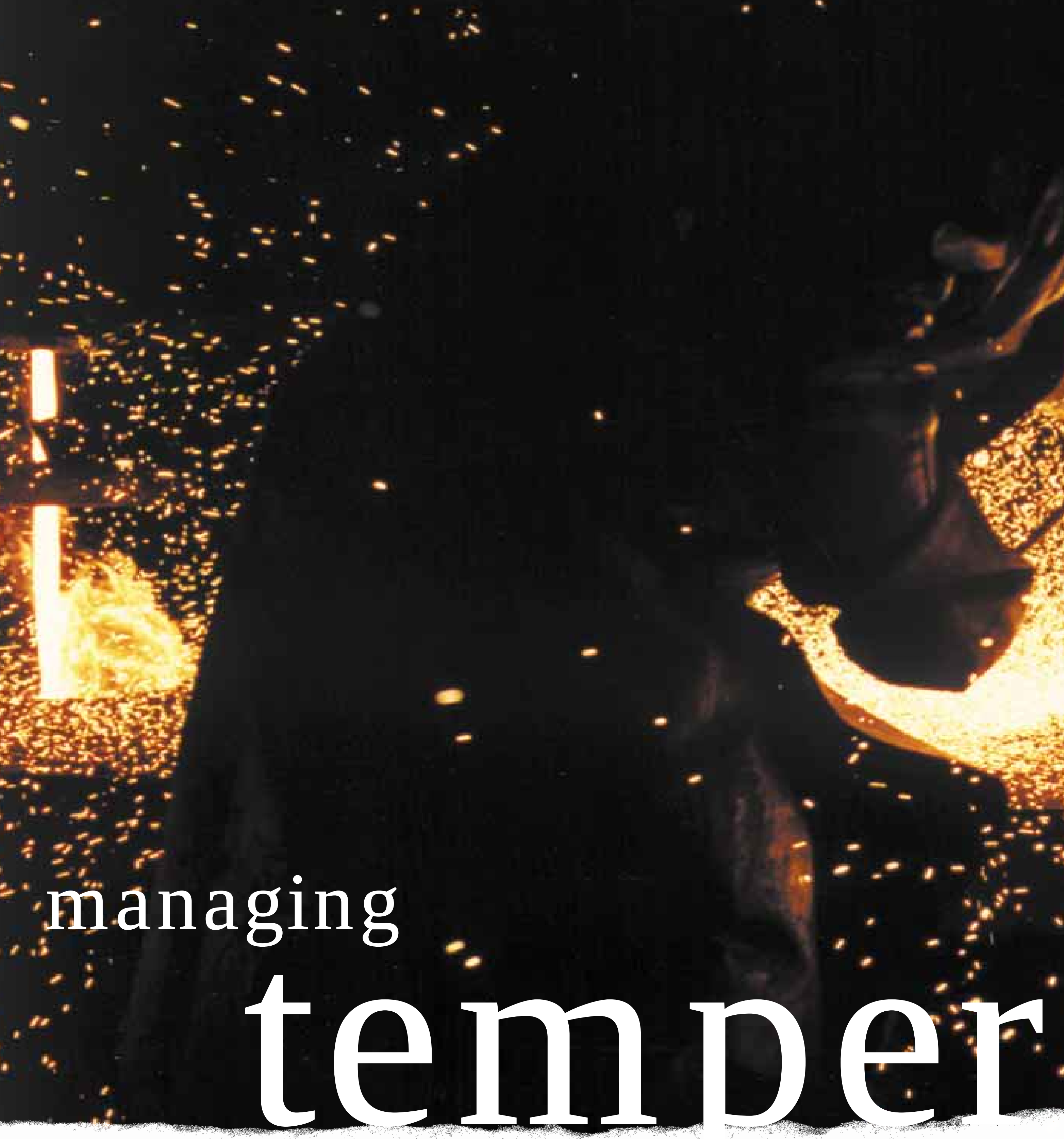
Georg Eder
Ferndorf, Austria

Josef Horn
Trieben, Austria

Leopold Miedl
Vienna, Austria

Karl Prettner
Ebene Reichenau, Austria

RHI Board of Management



managing temper

RHI is one of Austria's largest industrial groups. Its stock is traded in the A-segment (ATX) of the Vienna Stock Exchange, as well as in Frankfurt. More than 13,500 people worked for the RHI group in 2000 at more than 170 sites. Three quarters of the group's sales revenue was accounted for by its refractories division, the world market leader in this field, and one quarter by engineering, insulating and waterproofing.

atures is our business

RHI group

in € million	2000	1999	Change
Sales revenue	2,193.6	1,573.9	+39%
EBIT	131.3	52.4	+151%
EBITDA	241.1	118.8	+103%
Employees	13,690	10,356	+3,334

2000 – a year in which the refractories division strengthens its position as world market leader, and strategic decisions are made in the insulating and waterproofing divisions.

RHI 2000: Good results for the world market leader for refractories

All in all, the past year went well for RHI. The refractories division, which is to operate world-wide under the name of RHI Refractories in future, extended its already strong position with its acquisition of Harbison-Walker to become the undisputed world market leader. The engineering division continued to focus its portfolio on refractories-related high-temperature processes. Insulating and waterproofing have held their own in their respective markets in Europe despite a weak construction industry, pressure on costs and fierce competition.

Important strategic decisions concerning the realignment of the group's portfolio were taken in the second half of the year. RHI is divesting its waterproofing division, and is searching for a major strategic partner for its insulating business.

RHI: Sales revenue

in € million	2000	1999
Refractories	1,675.5	1,103.8
Engineering	168.2	145.7
Insulating	194.1	185.2
Waterproofing	171.2	157.8
Other and consolidation	(15.4)	(18.7)
RHI group	2,193.6	1,573.9

RHI: EBIT

in € million	2000	1999
Refractories	95.7	39.4
Engineering	7.6	7.4
Insulating	11.2	9.7
Waterproofing	3.7	4.0
Other and consolidation	13.1	(8.1)
RHI group	131.3	52.4

Economic climate beneficial to the refractories industry

The main industries supplied world-wide by the refractories business did well in 2000, showing some signs of improvement. World output of steel rose in 2000 in comparison to the previous year. The situation remained stable for the industry in Europe, Asia and South America until the end of the year, while steel output slumped in North America in the last quarter. Aluminum, glass, copper and cement had a good year overall, although these industries also began to suffer in North America towards the end of the year.

Sales revenue from refractories grew in all core regions to a total of € 1,675.5 million (1999: € 1,103.8 million), bolstered by these fundamentals. About 10% of this rise of more than 50% is due to sales efforts and price increases introduced in 2000. The remaining 90% is accounted for by the initial inclusion of Harbison-Walker and its affiliates. The results for 2000 also benefited from the world-wide restructuring and cost-cutting measures introduced in the previous year. EBIT for the refractories division more than doubled to reach € 95.7 million in the reporting period. This is the best result ever recorded in the company's history.

RHI Engineering improves its market position

The engineering division made more headway on restructuring its portfolio in 2000. Important steps were the divestment of activities not related to high-temperature technology, and acquisitions in keeping with this core objective. The positive economic climate also boosted business in 2000. Sales revenue from engineering amounted to € 168.2 million in 2000, 15% above the figure for the previous year. EBIT for the reporting period was € 7.6 million (1999: € 7.4 million).

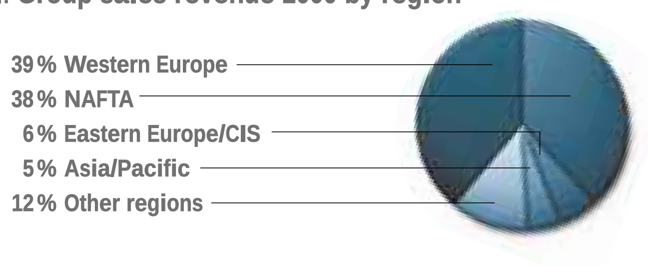
Insulating: West European markets weak

The insulating division continued its portfolio realignment, positioning itself in attractive insulating segments in the key regions of Western and Eastern Europe. Sales revenue and results in the core Austrian and German markets continued to be affected by strong competition and price pressures, as well as by over-capacities in a construction industry that was weak overall. Active cost management pushed the result for the year above that of the previous year. The insulating division managed to increase sales revenue by 5% in 2000 to € 194.1 million (1999: € 185.2 million). EBIT rose to € 11.2 million (1999: € 9.7 million) in 2000.

Waterproofing: up against a weak economy and high raw material prices

The waterproofing division, which specializes in bituminous sealing materials and systems, was also affected by the fortunes of the construction industry. In Germany in particular, the year 2000 saw demand continue to decline. Although sales revenue surpassed that of the previous year, profits were adversely affected by the increase in raw material costs due to the oil price. The waterproofing division managed to increase sales revenue by 8% to € 171.2 million (1999: € 157.8 million), mainly due to consolidation. EBIT was € 3.7 million in 2000 (1999: € 4.0 million).

RHI: Group sales revenue 2000 by region



Group EBIT 2000: € 131.3 million

Sales revenue generated by the RHI group in 2000 rose 39% to € 2,193.6 million (1999: € 1,573.9 million). EBIT more than doubled to € 131.3 million in comparison to the previous year (1999: € 52.4 million). The financial result amounted to € -61.2 million in 2000, particularly due to the rise in interest expenses as a result of acquisitions made. Earnings before tax (EBT) came to € 70.1 million in the reporting period, amounting to € 40.3 million in the previous year.

Net income after minorities for 2000 is € 21.2 million. The corresponding result for the previous year was € -26.0 million, taking into account the provision for restructuring in North America. The results for 1999 and 2000 are fundamentally affected by the initial inclusion and integration of the Harbison-Walker / GIT group.

RHI: Sales revenue and earnings

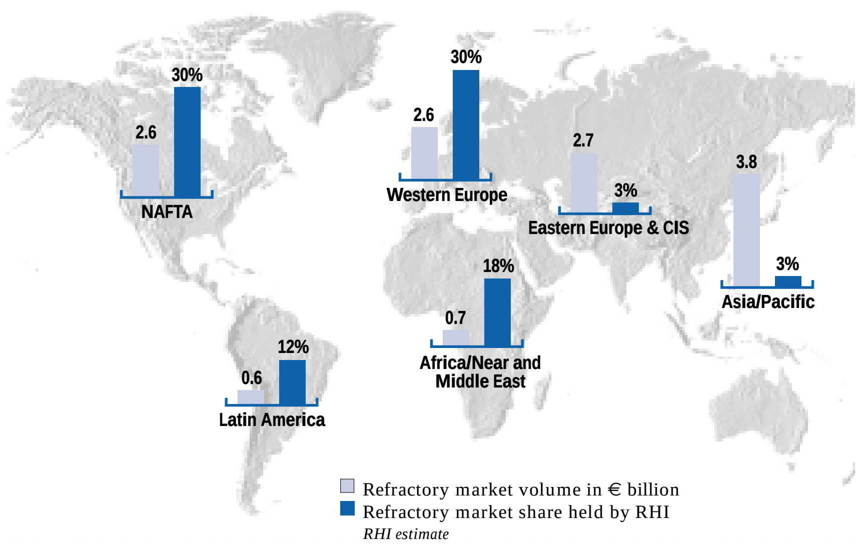
in € million	2000	1999
Sales revenue	2,193.6	1,573.9
EBIT	131.3	52.4
EBITDA	241.1	118.8
EBT	70.1	40.3
Net income[1]	30.8	11.8
Net income/loss after minorities	21.2	(26.0)

1 1999 before restructuring in North America

Major strategic measures initiated

Despite its position as market leader in some segments, RHI has divested the entire waterproofing division, which generated € 171.2 million in sales revenue in 2000. The division has better development and growth prospects outside the RHI group and is therefore being sold off to the mutual benefit of both parties involved. This is definitely a positive step in the group's portfolio development from the capital market perspective, allowing it to maximize resources within the group.

Refractory market volume and RHI market share 2000



Refractory market volume in € billion
Refractory market share held by RHI
RHI estimate

Similarly, all strategic options and potential for further improvements need to be assessed in the insulating division to secure the € 194.1 million contribution (2000) to sales revenue in the future. RHI is therefore intending to enter into an attractive industrial partnership for this division at the European level. This should actively help to combat the structural problems facing this sector caused by over-capacities, fierce competition and price pressure, and by the slump in construction in Western Europe. An extensive partnership would strategically enhance the insulating division. Such a step will sustainably improve the division's current position on the fragmented European insulating materials market.

Good prospects for 2001

At the beginning of 2001, the overall positive economic climate for the most important customers of the refractories business looks set to continue. However, the downturn in the American business cycle and the decline in steel output in the U.S. does make the picture for 2001 cautious. Overall, RHI is expecting world-wide consolidation of demand for high-quality refractory products. The prospects for refractories-related engineering are positive on the whole due to the division's focus on attractive growth segments.

RHI will continue to profit from the sustainable synergy effects from the integration of Harbison-Walker group into its refractories division, now operating under the new name of RHI Refractories. Together with far-reaching improvements to the group's portfolio, we have every confidence in our ability to generate an attractive group result once again in 2001.

Future prospects for refractories

RHI Refractories will continue to play an active role in the consolidation and optimization of the refractories sector in the future in its capacity as the undisputed market leader.

With a market share of 30% in both Europe and North America, the strategic opportunities in these economic areas are excellent. Over the medium term, RHI Refractories is aiming to step up its presence in attractive growth markets such as South America and the Asia / Pacific region, including China. As these regions continue to develop economically, industrial structures will improve and refractories suppliers will continue to consolidate accordingly. In view of its technological strength and its ability to supply all key industries using high-temperature processes with special refractories, RHI is a very attractive partner for these regions as well.

Even though this means that our future strategic focus will not be on our current core regions, namely Western Europe and North America, there is still strong market potential for RHI in these two regions. There are potential opportunities for cooperation with other refractories companies with complimentary products and services and for service partnerships with important customers, for example in the steel industry. The increasing consolidation of producers, i.e. in the steel or cement sectors, is also going to place demands on the refractories industry world-wide. Only those suppliers with world-wide operations and excellent logistics will be capable of satisfying the demands of the global players in the future.

Setting our sights on technology and costs

RHI is already well-equipped with an important product range, which has been significantly enhanced by the integration of Harbison-Walker. In spite of this, however, the challenge facing the market leader is to defend and strengthen its leading position at the forefront of refractory technology. At the same time it must continue to optimize world-wide cost structures. The aim must be to make cost structures much more flexible to speed up reactions to cyclical developments in key customer industries world-wide.

Only with the lowest costs can a market leader withstand the competition from medium-sized niche suppliers specializing in a more flexible, locally adapted range. In the medium term, this means locating refractories production closer to attractive refractory customers in growth markets such as Latin America and Asia / Pacific Rim and China than before. Many local suppliers will no longer be able to fulfill the increasingly complex demands for quality, speed of delivery and service. This opens up opportunities for RHI Refractories to extend its leading position even further by becoming the key supplier to the most important high-temperature primary industries world-wide.

The foundations for a successful and highly profitable future have been laid with the introduction of the RHI Refractories ”umbrella“ brand. The value potential this holds will be reflected in the near future in the performance of the RHI share.

With the changes to the ATX, the Austrian Traded Index of the Vienna Stock Exchange, at the beginning of 2001, the weighting of the RHI share was raised from 2.0% to 4.1%.

The RHI share

Since the capital increase in 1999, the number of common voting stock of RHI is 19,920,039. These no-par shares are traded on the Vienna and Frankfurt stock exchanges.

The share was represented in the ATX – the key index and most important trading segment in Vienna – with a weighting of 2.0% in 2000. After Bank Austria's departure from the index at the beginning of 2001 and the subsequent changes to the ATX, the weighting of the RHI share was raised by Vienna Stock Exchange to 4.1%.

The ATX did not remain immune to the turbulent developments on key international stock exchanges over the course of 2000. At the end of the year, the ATX closed 11% below the comparative figure at the end of the previous year.

The RHI share was similarly disappointing in 2000, underperforming the ATX. After hitting an annual high in January 2000, the share price had dropped back to € 21 by the end of the year.

Unsatisfactory share performance

The stock's performance in no way reflects the earnings and share price potential that RHI has had as the undisputed world market leader for refractories since its acquisition of Harbison-Walker / GIT.

RHI's management views the performance of the share over the year 2000 as a challenge to focus even more clearly on its growth strategy and portfolio policy to win back the confidence of stockholders and the capital market.

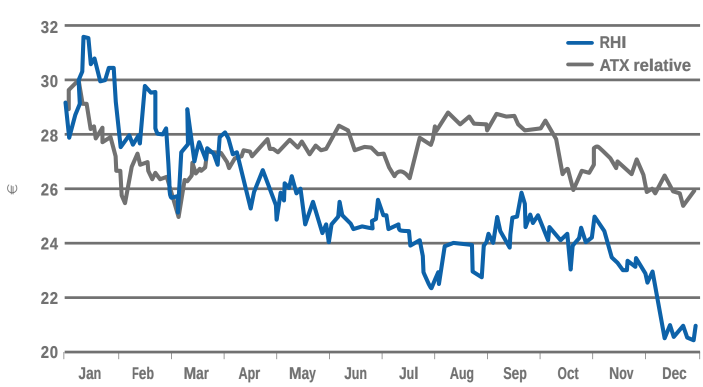
Dividend policy

Once again in 2000, RHI's Board of Management needs to weigh up the interests of stockholders carefully against the equity capital base of the group.

At the annual meeting of stockholders on May 17, 2001, the Board of Management is planning to propose a dividend of € 0.73 per share. Last year's dividend was € 0.58.

The total payout on dividend-bearing stock will amount to € 14.4 million in 2000.

The RHI share in 2000



Shareholder structure

As in previous years, RHI – one of Austria's largest publicly held corporations – had an attractive shareholder structure. In addition to E.ON AG (formerly VIAG AG) and the Capital Group, its shareholder structure consisted of a wide spectrum of minority shareholders, including financial and institutional investors, private investors, management and group employees.

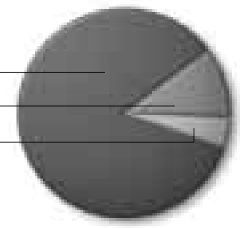
Investor Relations

Numerous talks were held with investors and analysts in Europe and in the USA in 2000, and presentations held for investors. Analysts, investors and business journalists were always provided with timely and relevant information in 2000, particularly information relating to share price performance. The ad-hoc disclosure requirements of the Vienna and Frankfurt stock exchanges were also adhered to.

Moreover, important financial information for investors is available online at **www.rhi-ag.com**. The real-time performance of the RHI share can also be tracked at this address.

RHI is regularly analyzed by Deutsche Bank, CAIB, Erste Bank and RZB.

RHI shareholder structure at the end of 2000



RHI share: key data

	2000 €	1999 €
Dividend per share[1]	**0.73**	0.58
Earnings per share[2]	**1.07**	0.32
Cash Flow per share[3]	**2.44**	4.16
Stockholders' equity per share[4]	**19.99**	16.64
Closing price at year-end[5]	**21.00**	28.59
Annual high[5]	**31.45**	29.15
Annual low[5]	**20.51**	19.55
Annual mean[5]	**25.30**	25.79
No. of shares in million units[6]	**19.92**	15.12
Share turnover in million units	**6.06**	16.73
Share turnover in € million	**155**	430
Market capitalization in € million[7]	**418**	557

Yields

(in percent)	2000	1999
Yield (mean price)[8]	**0.9**	-26.7
Yield (closing price)[9]	**-24.0**	31.2
Dividend yield[10]	**3.5**	2.0

Capital market events in 2001

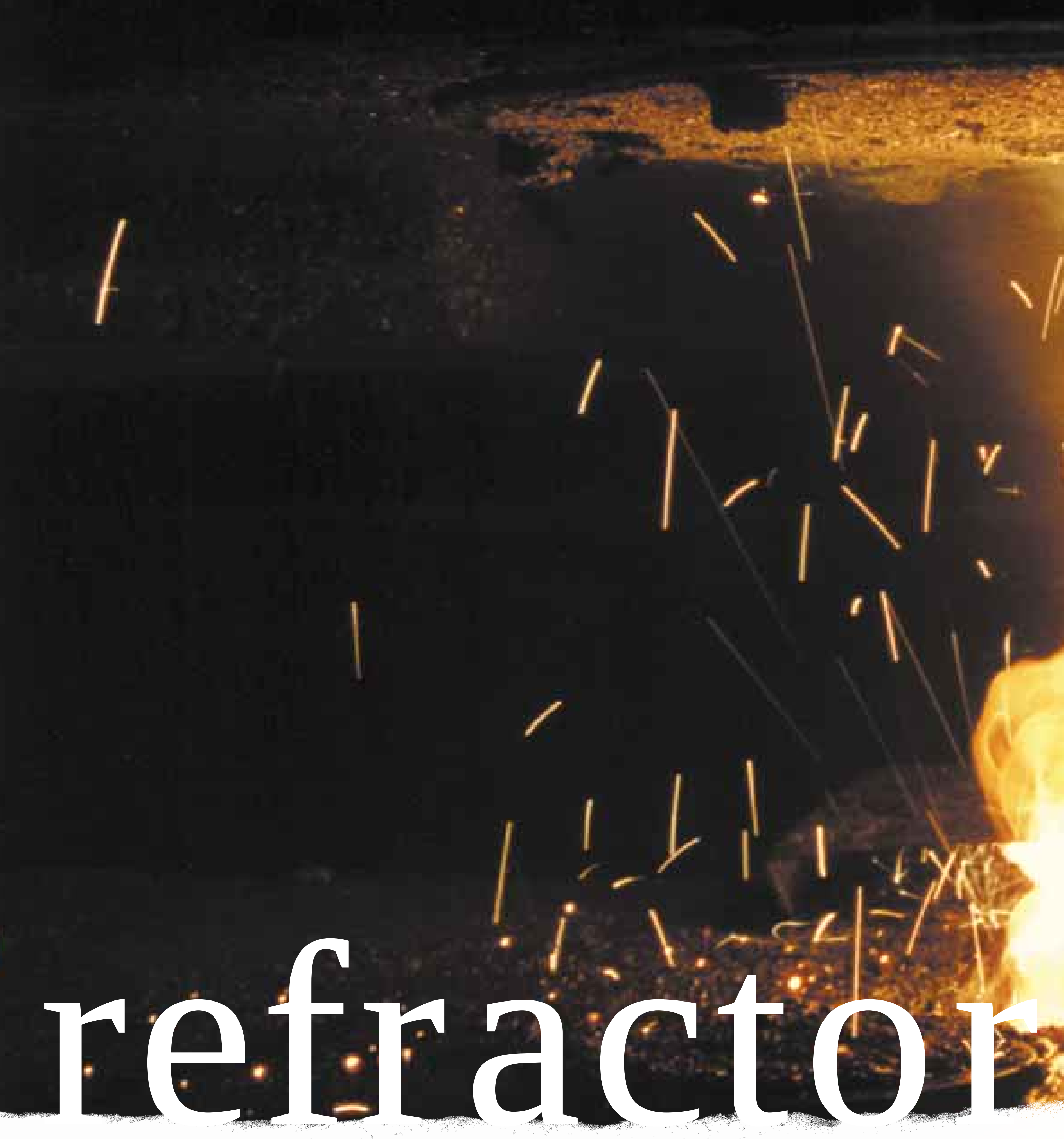
(provisional dates)

04.04.2001: Results for 2000
17.05.2001: Annual meeting of stockholders, Palais Ferstel / Vienna
17.05.2001: Quarterly results 1 / 2001
22.05.2001: Dividend day
08.08.2001: Half-year results 2001
14.11.2001: Quarterly results 3 / 2001

RHI share information
RHI Investor Relations

Stockholder hotline:	+43 / 1 / 50213-6123
Stockholder fax:	+43 / 1 / 50213-6130
E-Mail:	rhi@rhi-ag.com
Internet:	www.rhi-ag.com
Security code:	067690 (Austria)
Reuters:	RHIV.VI

1 2000: proposal to AGM on 17.05.2001
2 Net income after minorities / number of shares
3 Cash flow from operating activities / number of shares
4 Book value of equity capital on consolidated balance sheet / number of shares
5 Closing prices at the Vienna Stock Exchange
6 Weighted annual average
7 At year-end
8 (Change in mean share price year-on-year + dividend) / mean share price of previous year
9 (Change in closing share price year-on-year + dividend) / closing share price of previous year
10 Dividend / closing share price



refractor

RHI Refractories, which has been operating world-wide under one name since the beginning of 2001, is the undisputed world market leader for high-grade ceramic refractories, providing non-substitutable products and services for all industrial processes at temperatures exceeding 1200°C. RHI Refractories supplies customers in the iron & steel, cement & lime, non-ferrous metals, glass, environmental technology, energy and chemicals industries. The division employed more than 10,000 people at over 60 locations world-wide in 2000.

Refractories

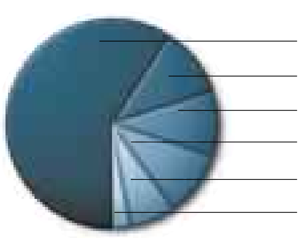
in € million	2000	1999	Change
Sales revenue	1,675.5	1,103.8	+52%
EBIT	95.7	39.4	+143%
EBITDA	182.4	84.8	+115%
Employees	10,095	7,096	+2,999

The year 2000 was the best year for refractories in the company's history, marked by the integration of Harbison-Walker/GIT.

RHI Refractories 2000: Integration of Harbison-Walker an ongoing success

Over the last 10 years, RHI has been one of the most dynamic companies in the refractories industry world-wide. Its sales have soared from € 250 million to almost € 1.7 billion today. The acquisition of Didier-Werke AG in 1995, which propelled the division to the top of the world rankings for the first time, was a milestone in this development. But the most crucial step was taken at the end of 1999, when RHI acquired Harbison-Walker in the USA. Now, RHI is the undisputed world market leader for high-grade ceramic refractories used in the iron & steel, cement & lime, glass, non-ferrous metals industries and in the environment / energy / chemicals sector. Its products and services cannot be substituted.

Refractory sales revenue 2000 by customer industry



World-wide sales revenue generated by RHI Refractories in 2000 can be broken down as follows: iron & steel 59%, cement & lime 11%, non-ferrous metals 10%, environment / energy / chemicals 10%, glass 7%, others 3%.

With its acquisition of the Harbison-Walker group, the market leader for refractories in the NAFTA region, RHI became even stronger in North America, becomiing the outright market leader. RHI now commands an undisputed 30% of the market both in NAFTA and in Europe. RHI supplies an attractive range of products and services to all the key industries in the two most important economic regions in the world.

RHI currently produces refractories at more than 60 sites on four continents. Our production structure, which has been greatly enhanced by the integration of Harbison-Walker / GIT, is almost perfectly geared to supplying all our customer industries across the globe. As well as optimizing production and sales structures in North America, the acquisition of Harbison-Walker also has strengthened our position in the promising Central and South American markets. Our own plants in Mexico and Chile give us an excellent base from which to serve the emerging markets in Latin America. We have also significantly improved the parameters for continuing to expand our business activities in Asia over the course of the past year.

RHI Refractories – a global brand

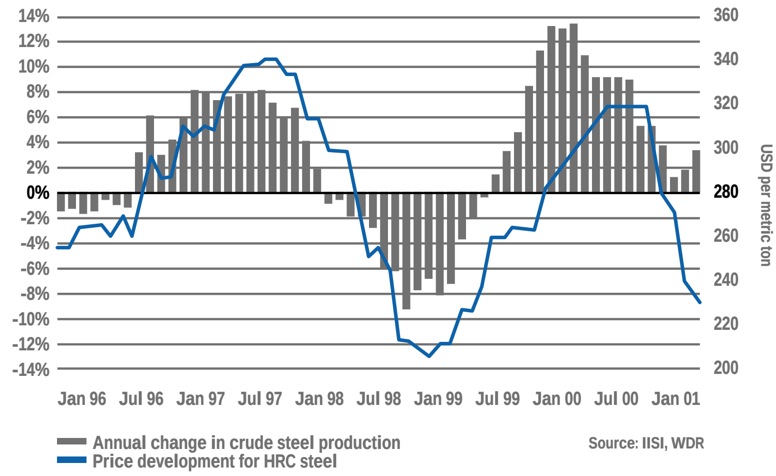
The launch of **RHI Refractories** as an umbrella brand is a clear sign of the division's new global strength of identity. The name unites and will continue to strengthen all RHI's refractories structures world-wide. At the same time, customers will still recognize our established brand names such as Veitscher, Radex, Didier, Harbison-Walker, Narco, A.P. Green, Refel and Dolomite Franchi. RHI Refractories is intended to convey RHI's supremacy on the world market for refractories and to support the emergence of a new common identity for the entire group. RHI Refractories operates world-wide business units, offering new, improved, high earning solutions for steel and flow control, cement and lime, glass, non-ferrous metals and for environment / energy / chemicals. In response to the increasing globalization of our customer industries, the regional structure of refractories was replaced by business units over the course of the year 2000, operating as profit centers in specific market segments. This reorganization enables us to work key industries and target markets even more efficiently than before.

Steel & Flow Control

The market situation for our steel & flow control business unit has shown a marked improvement on 1999. Production of pig iron hit a new record level in 2000, exceeding the previous year's output by more than 7%. Growth in the most important economic regions was at 5% in the EU, 4% in North America, 13% in the CIS states and 9% in other core regions. However, despite strong growth overall in 2000, output in the USA dropped considerably in the 4th quarter of 2000. The downturn in the US business cycle, coupled with lower steel prices, put pressure on the integrated iron and steel works in the USA, with several companies filing for bankruptcy protection in the later part of 2000 and in early 2001. The steel industry is currently grappling with high energy and raw material prices world-wide, which is likely to lead to further consolidation of the steel market and consequently to capacity adjustments.

European steelworks benefited from the euro's depreciation against the dollar. As a result, demand was met increasingly by local production, and exports picked up substantially. The strength of the US dollar, on the other hand, increased pressure on imports into the US, and this had a considerable impact on the North American steel industry. Further consolidation will be the consequence, with only the most efficient and cost-effective producers surviving. These producers will remain attractive customers with high-tech demands on refractory products.

World crude steel production: comparative development of output and price



The economies of the Asian / Pacific region are continuing to develop at different rates. Even though the fundamentals show a clear improvement over previous years, the economic risks in this region have risen again due to the political landscape and partly due to delays in implementing reforms. The economies of NICs such as Indonesia, the Philippines or Taiwan are not immune to the political climate. The reorganization of the steel sector is well underway in Asia, with low steel prices and lower capacity utilization speeding up the consolidation process. The steel industry in Latin America developed well on the whole, and the same can be said for the emerging economies of Central and Eastern Europe.

All in all, 2000 was a good year for steel, and this was reflected in the sales volume, revenue and profits of the steel & flow control business unit.

Industrial

The market situation for our industrial business unit differed according to region and customer industry.

The business climate for the **cement industry** was positive in the year 2000. world-wide output was up 3% over the previous year. Broken down by region, growth was strongest in Europe and Asia / Pacific, and weaker in Latin America, which was beset with economic problems in its most important sales regions. RHI managed to achieve above-average increases in sales volume and revenue in the cement sector during the reporting period.

Developments in the **lime industry** were very heterogeneous in 2000. Consistently high production figures in Western Europe were offset by the postponement of projects and a consequently lower demand for refractories in the East. Despite a tightening of competition, RHI was able to retain its position as market and technology leader.

The demand for **glass** was much higher in 2000 than in the previous year. Output of flat glass for the automotive and construction industries rose to a high level, and the market for special glass, used particularly in the production of televisions, and glass fibers boomed world-wide in 2000. The market for hollow glass showed signs of saturation, mainly caused by the use of PET and aluminum cans in the drinks market.

The glass industry is an important growth market for refractories suppliers world-wide, including RHI. The reorganization and amalgamation of all RHI's glass activities into one centrally managed business unit operating world-wide was already proving successful in 2000.

Despite significant fluctuations in metal prices, the year 2000 ran smoothly for the **non-ferrous metals industry**. Strong growth in the world economy overall has had a positive impact on this important RHI customer. The aluminum industry, which is experiencing ongoing restructuring, deserves special attention. Markets will, in future, be dominated by a few major customers, and this will have a direct impact on the refractories business. The introduction of technologically advanced solutions for the aluminum industry enabled RHI to strengthen its position once again over the past business year.

As far as the copper industry is concerned, RHI succeeded in reinforcing its leading presence in the new kiln business in 2000 in cooperation with major engineering firms. It extended its market share among non-ferrous metals producers in Asia, where high-grade products and integrated concepts are as highly valued as they are in Europe. Reorganization into business units also has proven successful in a short space of time in Asia, South America and Africa.

The market situation for the **environment/ energy/chemicals** segment in Europe remained difficult in 2000. The recycling of waste in the steel, cement and lime industry and the high volume of waste destined for landfills has greatly reduced the volume of waste for thermal recycling. Consequently, waste recyclers have been reluctant to invest in new plant and repairs. The energy sector developed well on the whole due to the high number of new projects for power plants world-wide. Our aim is to participate in the construction of large power plants, particularly in South Eastern Europe, the Near East and in China, thereby raising market share. Investments in new plant made by the chemicals and petrochemicals sector were somewhat subdued in 2000. High investment in technical gases was counteracted by a low number of new kiln projects, for example in the propylene / ethylene market. Refineries, which made good use of capacity in 2000, put off major repairs, and this suppressed demand for refractories.

About one half of the raw materials required by RHI Refractories in volume and value terms comes from the company's own deposits. The mines and kilns operated by the **raw materials** business unit supply raw magnesite, sinter magnesite, causter, spinel and smelting products for the manufacture of refractories by the group. The fact that we produce such a high proportion of our raw materials ourselves significantly lessens our dependence on world-wide raw material and energy markets in comparison to other refractory producers. Nevertheless, RHI's production plants were not completely unaffected by the rise in energy and raw material prices in 2000. Natural gas prices, in particular, rose further in 2000 as a consequence of rocketing crude oil prices. But, all in all, RHI's raw materials requirements are largely met from within the group. This is particularly true for magnesitic raw materials, while there is still room for improvement as far as non-basic raw materials are concerned.

New pricing policy takes effect

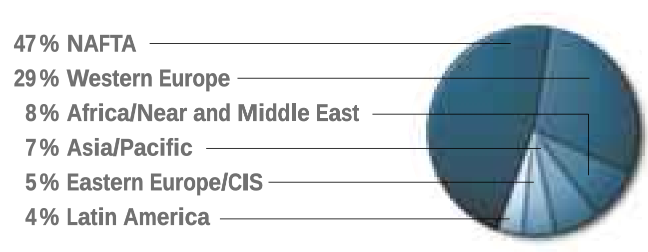
RHI launched a new pricing policy in the second half of 2000, differentiating according to product and customer segment. This partly compensated for the rise in raw material and energy costs in the last few months of the year. The full effects of the new price policy will not be felt, however, until 2001.

Successful integration of Harbison-Walker

When RHI acquired Harbison-Walker and its affiliates in December 1999, they employed more than 4000 staff at 25 locations in 7 countries. Harbison-Walker had 15 production plants in the USA alone and 3 in Canada. The combination with RHI's strongest competitor in the NAFTA region at that time not only increased RHI's market share in North America to 30%; It also gave the group a much more balanced sales portfolio and lessened the group's dependence on steel, the main customer industry. This is due to Harbison-Walker's attractive customer base, covering aluminum, cement, glass, petrochemicals, cellulose & paper, waste incineration and power plants.

In the run-up to the acquisition, the Federal Trade Commission (FTC) unequivocally stated that the transaction would only be approved under observance of strict conditions, due to the dominant market position of the group. Negotiations with the FTC and with potential buyers for two of the works designated for sale in North America were not completed until the first quarter of 2000, behind schedule.

Refractory sales revenue 2000 by region



This meant that the integration process in North America did not go into full swing until the second quarter of 2000 with 20 clearly defined synergy projects. Nevertheless, the restructuring and optimization plan had already had a significant impact by the end of 2000. All 20 projects will finally be completed in the first half of 2001. The projects below are some of the measures realized in 2000:

- Sale of two plants (Marelan, Hammond) in line with FTC requirements
- Closure of four production sites (Womelsdorf, Farber, Curwensville and Hile)
- Realignment of sales organizations in the USA and Canada
- Relocation and optimization of R&D activities
- Closure of administrative sites at Cleveland, Dallas, State College
- Reorganization and realignment of steel and industrial business units
- Relocation of lines produced in closed or sold plants
- Reduction of headcount in North America by 650
- Opening of sales center to optimize customer deliveries
- Optimization of all raw material and purchasing agreements

- Integration and optimization of IT systems in North America
- Realignment of export and sales activities in Latin America
- Harmonization of product range and elimination of overlaps
- Review of common market and pricing policy for North America
- Sale of non-refractories segments

The success of these integration efforts in 2000 really comes down to the fact that the Harbison-Walker group and RHI managed to defend their joint market share in the first year following the merger, despite the considerable difficulties and special tasks facing management and all employees in North America. The new RHI Refractories America managed to establish a strong position on the refractories market in the first few months subsequent to the merger, cementing its contacts to its most important customers and industry segments. Industry reactions to the operations merger of the two most technologically advanced refractory suppliers on the North American market were positive. This shows that customers take an optimistic view of further improvements to the range of products and services offered by RHI Refractories.

Desired synergies achieved

The potential savings to be gained long-term from the realignment of operations in North America, originally estimated at € 29 million, were certainly confirmed in 2000. Despite the delay in the integration process, the synergies achieved in 2000 generated € 28 million. The sale of two plants in line with FTC requirements and the consequential loss of market volume together with the relocation of production facilities and restructuring measures, incurred costs amounting to € 25 million over the same period.

The real effect of integration on revenue will be fully reflected in the figures for 2001. For example, the revenue effects of ongoing staff cuts in 2000 will not become fully apparent until 2001. The success of the restructuring over the last few months shows that the rationalization effect of the merger of both organizations' operations in North America will generate over € 50 million long-term.

Locations of RHI Refractories world-wide

In addition to the synergy effects that are directly attributable to North America, RHI Refractories also will be able to improve its position in South America and Asia, now that the export and sales structures of both companies have been rationalized.

This new position of strength with a significantly improved product range will enable RHI to focus actively on previously inaccessible key customers in growth regions around the world. The slump in the steel industry in North America towards the end of 2000 shows that the realigned structure with its balanced sector and customer portfolio is less susceptible to negative trends in customer industries.

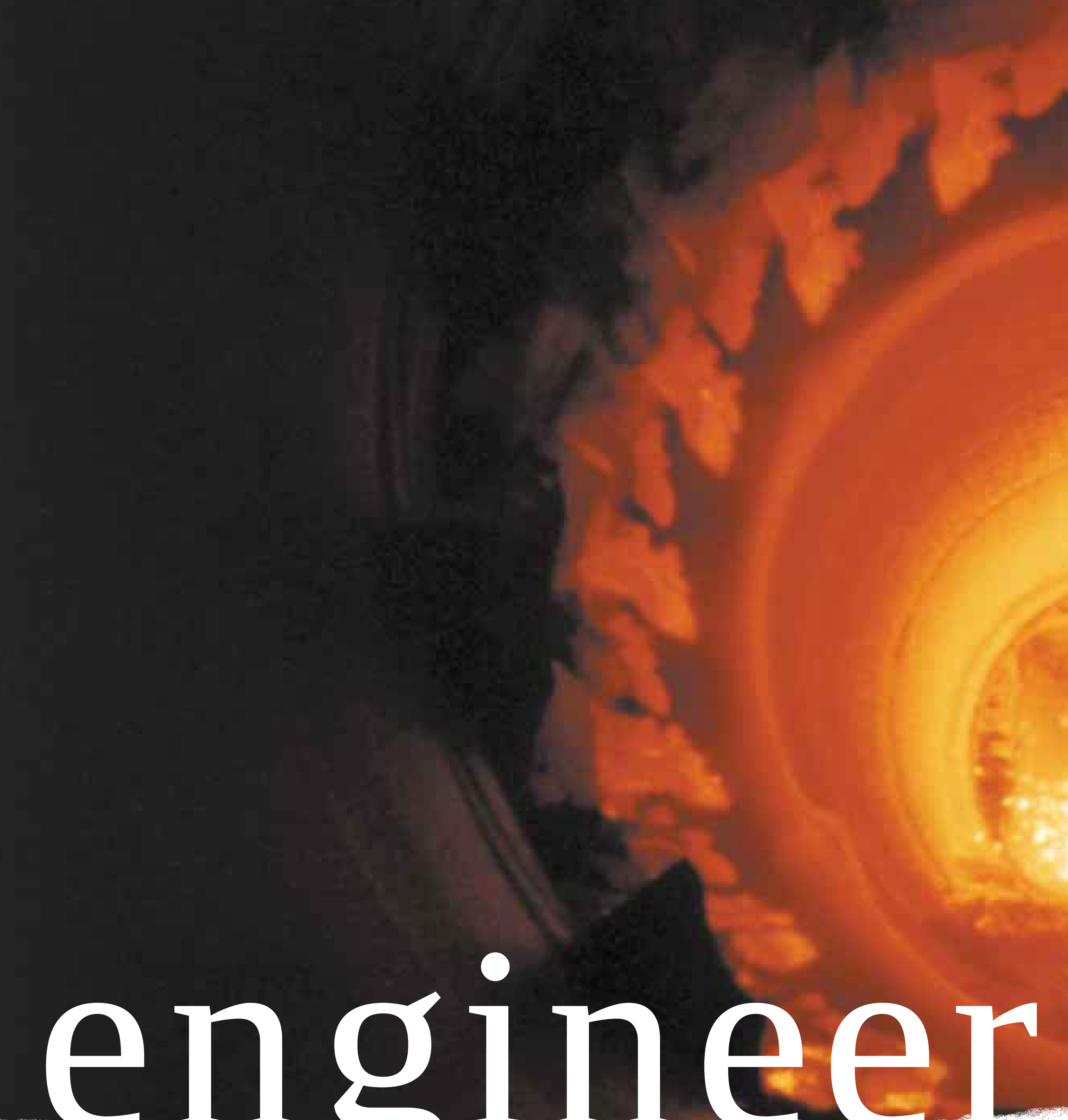
Thanks to the improvements made in production structure and the consequent reduction in overhead throughout North America, the group can react more flexibly to changes in market or customer behavior. As production sites are located all over the world, fluctuations in the rate of the US dollar against the euro can be counteracted to some extent, as can the differences between business cycles in North America and Europe. The optimization program now being implemented in Mexico and Chile will support these efforts. The products and services produced in or exported to Europe by Harbison-Walker in the past can now be processed more efficiently using RHI's existing structures. These indirect benefits of integration were not included in the original estimates of synergy potential.

Sufficient provision for restructuring

Most of the provision set up in the 1999 financial statements for extraordinary expenses relating to the acquisition of the Harbison-Walker group, amounting to € 46.6 million, was used in 2000. The provision, calculated on the basis of the original restructuring plan, was sufficient, but the allocation of the funds has changed, for example, due to the requirements stipulated by the FTC. The remaining part of the provision not used up in 2000 due to structural changes is still carried in the 2000 financial statements, as certain integration measures incurring extraordinary expenses will not take effect until the first half of 2001. There is no need for further restructuring provisions in the financial statements for 2000. All in all, the estimates made at the end of 1999 regarding the timetable and costs of integration were right on track.

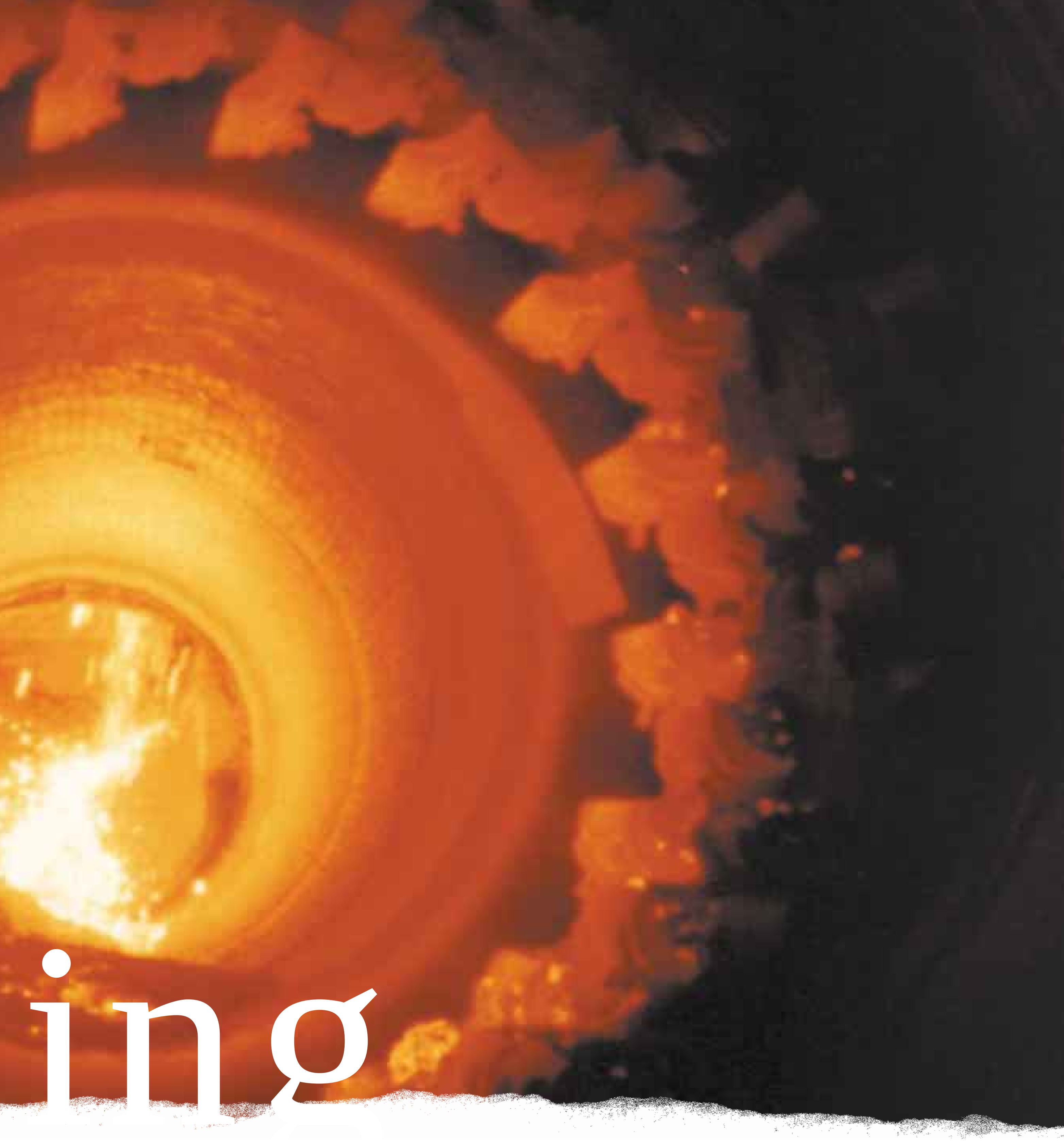
Outlook

The prospects for the world-wide activities of RHI Refractories at the beginning of 2001 are very positive. Business continues to go well for the division's main customer industries in Europe, Asia and Latin America. However, the significant decline in steel output in the US, which has been apparent since the 4th quarter of 2000, does cloud the picture somewhat. The situation there is likely to remain uncertain due to the high pressure on prices caused by imports. This, and the development of the North American economy, overall will determine the extent of the effects on RHI's refractories activities and its sales revenue and profits. Even if the economy continues to slide into recession, we have every confidence in our ability to generate good results once again in 2001.



engineer

After successfully restructuring its portfolio, RHI Engineering is now focusing on high-temperature plant construction projects, which have a high potential for technology synergies with RHI Refractories. Several of RHI's engineering firms are among the leading suppliers world-wide in their specific market segments.



Engineering

in € million	2000	1999	Change
Sales revenue	168.2	145.7	+15%
EBIT	7.6	7.4	+3%
EBITDA	10.0	9.0	+11%
Employees	486	452	+34

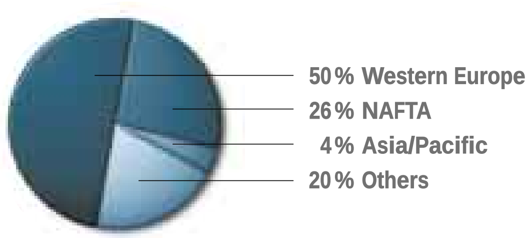
After restructuring successfully, RHI Engineering is now focusing on improving cooperation within the group.

RHI Engineering 2000: Attractive market positions in high-growth markets

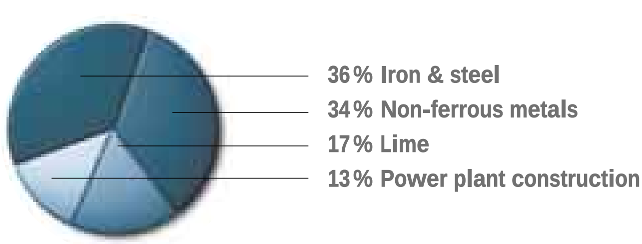
The overall positive development of the engineering division continued in 2000, with the division successfully streamlining and realigning its portfolio.

With the sale of Dinova Königswinter and of two Chinese companies manufacturing paints for the construction industry, the division divested businesses not belonging to its core activities. In doing so it succeeded in focusing on refractories-related high-temperature engineering. Following the success of this restructuring process, its main customer industries are iron & steel (36%), non-ferrous metals (34%), lime (17%) and power plant construction (13%).

Engineering sales revenue 2000 by region



Engineering sales revenue 2000 by customer



Good performance in power plant sector

The acquisition of Bachmann, a supplier of fittings for power plant construction and environmental conservation, was a sign of further progress in this attractive segment. In addition to this, the firm Kaefer-Engineering GmbH was taken over and integrated into the existing power plant activities of Rappold. The Bachmann / Kaefer / Rappold group is now in a position to supply systems to gas-turbine-driven power plants through its existing distribution channels and with a perfectly balanced product portfolio.

Dynamic earnings development in aluminum and magnesium

The Striko Westofen group continued to increase sales revenue and earnings in a favorable economic climate in 2000.

The group profited from market access to North American customers following its acquisition of Dynarad in 1999, and the high volume of orders at the end of 2000 will secure good results once again in 2001.

Likewise, Maerz-Gautschi had a successful year in the aluminum sector.

Iron & steel: Successful market entry in Korea

DME, a subsidiary providing engineering services to pig iron producers, managed to penetrate the Korean market. DME won a contract worth € 4.6 million to supply carbon materials for blast furnace linings to POSCO, the largest Asian producer of pig iron, in a market fiercely dominated by the Japanese. This is the first time that a European company has managed to get a foothold in the Korean market in this field.

Maerz-Gautschi's performance in the steel sector was weak in 2000 due to a low order intake and to the higher than expected costs of two projects. Staff changes and a strategic realignment, together with a healthy order book at the end of 2000 should help to improve business prospects considerably in 2001.

Order situation improves in the lime segment

The upturn in the lime industry in the second half of the year resulted in higher order intakes at Maerz Ofenbau. The order situation at Cimprogetti is expected to improve in the first half of 2001.

The successful installation of a 600 t Maerz lime kiln for the customer Lhoist in Poland (contract value: € 4.7 million) was a milestone in the technical development of this type of furnace. The new way of attaching the refractory lining in the burning and preheating zone significantly improves the durability of the lining, thus reducing operating costs for the customer.

EBIT remains high

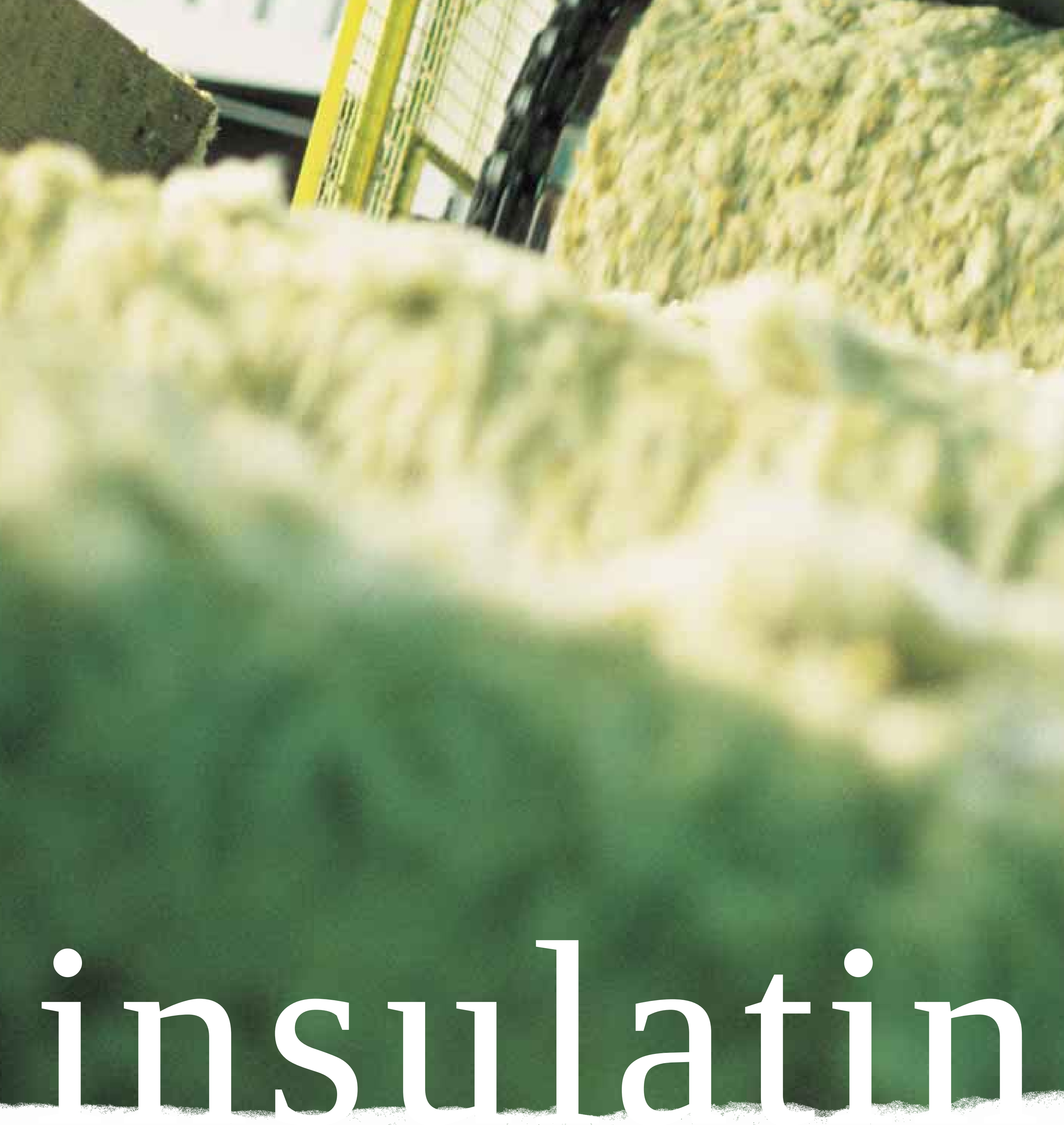
The positive earnings situation in the engineering division continued in 2000. EBIT remained unchanged on the previous year at € 7.6 million. Sales rose due to the higher volume of business in the power plant field by about 15% to € 168.2 million.

The main contributors to earnings in 2000 were non-ferrous metals (StrikoWestofen group) and iron & steel (DME group).

Outlook for 2001

After the restructuring and acquisitions of previous years, priority is to be given to consolidating the engineering group in 2001. The use of all synergies within the group will contribute to ensuring that growth objectives are met and to improving earnings from this division.

Based on the higher order volume in comparison to the same time last year, we are once again expecting good results in 2001.



The insulating division is a leading European supplier to the construction industry. Heraklith continued to focus on the production of insulating materials from stone wool and wood-wool building boards in 2000, and successfully progressed with its expansion to attractive markets in Eastern Europe.

Insulating

in € million	2000	1999	Change
Sales revenue	194.1	185.2	+5%
EBIT	11.2	9.7	+15%
EBITDA	26.8	23.9	+12%
Employees	2,212	2,011	+201

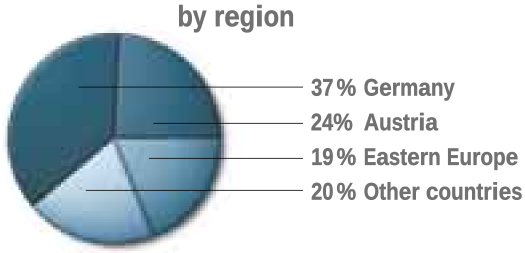
Heraklith. Heralan. Heraflax.

The division continued to realign its portfolio in 2000, focusing on attractive insulating material segments in key regions of Western and Eastern Europe.

Insulating 2000: Consistently applied product and brand policy and expansion to Eastern Europe

The construction industry in Europe did not develop in line with the rest of the economy, which performed well overall in 2000. In fact, almost all the important markets for the insulating division experienced a downturn in the reporting period. Heraklith was adversely affected by the decline in construction in Germany, its most important market, and was faced with an 18% drop in demand in the housing construction segment. The downwards trend was also felt in Austria, Heraklith's core market, although the decline was far less severe at approx. 3%. Demand remained high only in the Netherlands and in Spain. Developments in Eastern Europe differed greatly from country to country, with growth forecasts being realized only in Hungary and Poland. The change in political climate continued to affect business positively in Croatia, Slovenia and Bosnia. However, business was much slower in the remaining East European markets.

Insulating sales revenue 2000 by region



Insulating sales revenue 2000 by product group

Sales revenue up 5%

The sales revenue generated by the insulating division amounted to € 194.1 million in the reporting period, up 5% on the previous year. The fact that the Slovakian investment in Izomat was fully consolidated for the first time in 2000 should be taken into account here. Sales revenue was adversely affected by the division's abandonment of the foamed products group in 2000.

Insulating materials based on stone wool continue to do well

Despite the difficult situation on the construction market, sales were up slightly in important markets. This is especially due to the integration of Izomat and to the reorganization of distribution channels. In addition, market potential in Eastern Europe was exploited more effectively in 2000. Plant capacity utilization was good, and capacity was adjusted by the closure of one production line in Bad Berka. Nevertheless, the new workshop concept enabled the same level of output to be achieved more efficiently.

Over the reporting period, progress was made on strengthening the Heralan brand name and on regional brand differentiation. The division continued to focus on attractive stone wool segments, and implemented a successful niche policy for special products in the OEM sector.

Increase in specialty sales of wood-wool building boards

Total sales of wood-wool building boards declined in 2000. However, this trend was mitigated by a substantial rise in sales of special products. The acoustics segment grew by 8%. In addition to special products, growth in exports, which improved the division's regional presence, partly offset the negative effects of the business cycle in the core markets of Austria, Germany and the Czech Republic.

Sales of natural insulating materials remain constant

Despite the elimination of sheep's wool products from the mix due to the lack of market potential, sales of natural insulating materials remained constant overall in the reporting period. Sales of insulating materials made from flax were boosted by a reorganization of distribution in 2000 and better market penetration in Germany, a key market.

EBIT at last year's level despite difficult market

EBIT from the insulating division was not completely in line with expectations in 2000. Ongoing fierce competition and pressure on prices together with overcapacities and a weak construction industry adversely affected results. Nevertheless, due to active cost management, EBIT exceeded the figure for the previous year, amounting to € 11.2 million.

Outlook for 2001

The insulating division's main strategic objectives for 2001 are to achieve growth in the stone wool sector by segmenting the market into attractive fields of application, and to expand more in Eastern and Western Europe.

The division will continue to implement its niche policy for wood-wool building boards. We intend to extend our lead on technology through selective investments.

One of the core instruments to achieve these growth objectives is improved customer relationship management. In addition, rationalization and stringent cost management right along the value-added chain will boost earnings power.

RHI's waterproofing division represented by Vedag-Villas is the market leader for bituminous sealing materials for the construction industry. In a difficult market, the division succeeded in focusing on high-grade brands in 2000.

Waterproofing

in € million	2000	1999	Change
Sales revenue	171.2	157.8	+8%
EBIT	3.7	4.0	-7%
EBITDA	8.9	8.9	0%
Employees	810	726	+84

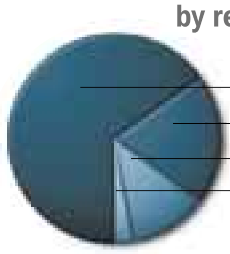
VEDAG. VILLAS. coriglas.

Business and earnings at Vedag-Villas in 2000 affected by the weak construction industry and a sharp increase in raw material costs.

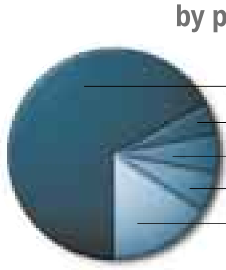
Waterproofing 2000: Economic climate and raw material costs affect business

Construction volume in the waterproofing division's core markets fell significantly below the level of the previous year in 2000. The construction industry was unable to profit from the recovery in the rest of the economy in Austria and Germany, losing a considerable amount of business. By contrast, construction volume grew in Hungary – a market which is gaining in importance – in comparison to the previous year. The construction sector generally developed positively in other emerging markets in Eastern Europe.

Waterproofing sales revenue 2000 by region



Waterproofing sales revenue 2000 by product group



This persistent decline in demand in Central Europe can be attributed to the abolition of accelerated depreciation, to a reduction in public spending, leading to the cancelation of numerous public construction projects.

The weak construction sector had a lasting impact on the demand for bituminous sealing materials and systems, and led to a drop of about 12% in demand in Austria and Germany respectively.

Costs spiral due to oil price and dollar

Once again in 2000, the waterproofing division had to cope with a substantial increase in raw material costs. The main reasons for this were a further increase of about 30% in the oil price in comparison to the previous year, and the strength of the dollar against the euro, which was reflected in a 5% increase in raw material costs. All in all, raw material costs were about one third higher than they were the year before.

Under these very unfavorable conditions over the past year, the division managed to raise prices by around 10%. This only marginally offset the increase in costs and therefore pushed earnings lower.

Growth in sales revenue due to specialization

The sales revenue generated by the waterproofing sector amounted to € 171.2 million, which is a rise of 8% on the previous year. The fall in sales volume and revenue from rolled material in line with market developments was counteracted by significant growth in special bitumen panels. ProfiDach, a high-grade roofing system, recorded particularly strong growth. This system is increasingly proving itself to be a viable solution both for building contractors and processing firms alike.

Sales volume and production of shingles rose by 40% in 2000 in comparison to the previous year. This good news is due to the opening up of new markets and to the introduction of an additional type of shingle.

In the light of the weak market in Central Europe, sales of foamed glass fell short of the previous year's level. However, attractive market opportunities in the field of technical waterproofing were successfully exploited.

EBIT at previous year's level in difficult market environment

The operating result of the waterproofing division fell short of expectations in 2000, and was at € 3.7 million, more or less unchanged on the previous year. This was due to the sharp increase in raw material costs and to difficult market conditions. Price increases and cost cuts did not adequately compensate for this pressure on earnings.

Outlook for 2001

The launch of "Turbodach" in 2001 will enable us to continue to enhance our strong position in the market for branded products. This system of high-grade roof panels will mean significant cost savings for the processing firm. Further development of our sales organization, including active territorial management, the strengthening of our own sales staff and the availability of software support at all stages of the marketing process will significantly improve the efficiency of distribution once again.

If raw material costs remain at their 2000 level in the coming year, further price increases will have to be made. By concentrating on new brands, the division will become less dependent on its standard business and will be able to improve earnings significantly lower.

2000

Consolidated financial statements

RHI

Consolidated Financial Statements 2000

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.

General economic climate

Operating activities developed well in 2000 in comparison to the previous year. The main refractory customers world-wide had a good year overall, with business significantly up on the year before. Output of pig iron hit a new record high in 2000 and was 7% above the figure for the previous year. Growth was up in the most important economic areas – up 5% in the EU, 4% in North America, 13% in the CIS, and 9% in other core regions. Although development was good overall in 2000, the 4th quarter saw a significant drop in output of steel in the USA.

The downturn in the US economy, coupled with low steel prices, put substantial pressure on integrated iron and steel works, in particular, causing some insolvencies in the sector in 2000. All in all, 2000 was a good year for steel, and this was reflected in sales volume, revenue and in the profits of the steel and flow control business unit.

The other main customer industries for refractories, cement and lime, glass, non-ferrous metals and environment / energy / chemicals also performed well in 2000, recovering significantly from their position in 1999. These sectors also showed the first signs of contraction in North America at the end of 2000.

The construction industry in Central Europe and increasingly in Eastern Europe, regions, which are so crucial to the fortunes of the insulating and waterproofing divisions, was characterized in 2000 by a persistently high degree of competition, pressure on prices and over-capacities. The industry itself was weak overall. Demand was once again depressed in Germany and Austria. Only a few countries in Eastern Europe saw a significant recovery in construction, but this rise in demand failed to compensate for the lack of growth in Western Europe.

Strategy, acquisitions and divestments

The refractories division managed to extend its already strong market position with its acquisition of Harbison-Walker / GIT at the end of 1999 to become the undisputed world market leader. The engineering division continued to focus its portfolio on refractories-related high-temperature processes. Insulating and waterproofing held their own in their respective markets in Europe despite a weak construction industry, pressure on costs and fierce competition.

Since the integration of Harbison-Walker / GIT, the **refractories** division has had a market share of 30% in Europe and in North America respectively. The strategic opportunities in these areas are correspondingly good. Our medium-term goal is to step up our presence on attractive emerging markets such as South America and Asia / Pacific including China. RHI is already in a good position to do so with its attractive refractory production program, which has been significantly enhanced again by the integration of Harbison-Walker / GIT. Nevertheless, the challenge facing the market leader is to defend and strengthen its leading position at the forefront of refractory technology. At the same time, it must continue to optimize world-wide cost structures. Its aim must be to make its cost structures much more flexible to speed up reactions to cyclical developments in key customer industries world-wide. Following the acquisition of Harbison-Walker / GIT and its inclusion in consolidation, sales revenue from the refractories division rose by about 50% in 2000 to over € 510 million in 2000.

The **engineering** division made more headway on restructuring its portfolio in 2000. Important steps were the divestment of activities not related to high-temperature technology, and acquisitions in keeping with this core objective. In addition to the enhancement of the portfolio, the inclusion of Bachmann Industries, Inc. and Kaefer-RACO Engineering GmbH in consolidation boosted sales revenue in the engineering division by over € 20 million.

The **insulating** division continued to put equal effort into the production of stone wool insulating materials and wood-wool building boards in 2000 and into its expansion to the attractive emerging markets of Eastern Europe. Following on from the acquisitions made in 1999, priority was given to improving production and distribution structures, and to differentiating market strategies.

The **waterproofing** division developed well strategically in 2000, continuing to launch and focus on new system solutions for the construction industry. The division also continued to improve its production and cost structures over the reporting period. Particular attention once again had to be given to the substantial rise in raw material costs.

In the second half of the year, important strategic decisions concerning the group's portfolio were taken. RHI divested its waterproofing division, and is looking for an extensive strategic partnership for the insulating division. The decision to divest the waterproofing division as of December 31, 2000 was taken in the light of persistently difficult market conditions, heavy competition and due to the lack of economies of scope in the RHI group. An extensive strategic partnership for the insulating division at European level should enable the group to exploit the strategic opportunities presented by a difficult European market and to help achieve its ambitious growth and earnings targets.

Sales revenue and earnings position

In a far more upbeat economic climate, RHI's sales revenue and earnings grew significantly in 2000.

RHI: Sales revenue and earnings

in € million	2000	1999
Sales revenue	2,193.6	1,573.9
Operating result (EBIT)	131.3	52.4
Financial result	(61.2)	(12.1)
EBT	70.1	40.3
Net income[1]	30.8	11.8
Net income after minorities	21.2	(26.0)

Development of sales revenue

Group sales revenue was up 39% on the previous year at € 2,193.6 million (1999: € 1,573.9 million). Of this substantial rise, € 72 million was due to real growth and € 548 million to the change in the consolidated group. The initial inclusion of Harbison-Walker / GIT had a significant impact on sales revenue in 2000.

RHI: Sales revenue

in € million	2000	1999
Refractories	1,675.5	1,103.8
Engineering	168.2	145.7
Insulating	194.1	185.2
Waterproofing	171.2	157.8
Other and consolidation	(15.4)	(18.7)
RHI group	2,193.6	1,573.9

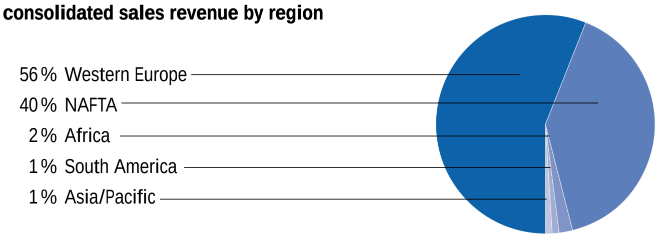
Sales revenue generated by the **refractories** division rose by over 50% in the reporting period to € 1,675.5 million due to favorable economic developments in customer industries and to the inclusion of Harbison-Walker / GIT. With its acquisition of Harbison-Walker / GIT, RHI now has a market share of over 30% in its most important sales markets in Europe and North America. It has managed to extend its strong market position in other sales regions, too.

The **engineering** division boosted sales revenue in 2000 to € 168.2 million (1999: € 145.7 million). This 15% increase is primarily due to the initial inclusion of Bachmann Industries, Inc. (fittings for power plants and environmental conservation) and Kaefer-RACO Engineering GmbH (power plant construction).

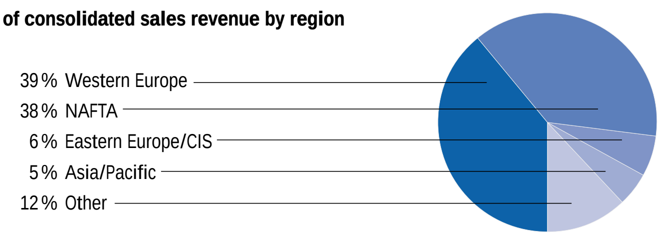
Sales revenue realized by the **insulating** division rose in 2000 to € 194.1 million (1999: € 185.2 million). In addition to an increase in business volume, this rise is due to the inclusion of Izomat a. s. (Slovakia), which was fully consolidated for the first time in 2000 (it was only included for the second half of 1999).

The **waterproofing** division managed to raise sales revenue to € 171.2 million (1999: € 157.8 million). This growth is due to price increases in 2000 and to the effects of consolidation. The regional breakdown of group sales revenue in 2000 has clearly shifted towards NAFTA, which is especially due to the consolidation of Harbison-Walker / GIT.

Origin of consolidated sales revenue by region



Location of consolidated sales revenue by region



Development of earnings and margins

Due to the good development of business in 2000, the inclusion of Harbison-Walker / GIT high-earning products and thanks to the price increases implemented in the second half of 2000, the relative contribution margin in the refractories division was up 11% on the previous year. This relative rise in earnings power, together with growth in sales revenue due to real changes and to the consolidation of Harbison-Walker / GIT, significantly boosted the operating result (EBIT) from the refractories division. This division's contribution to total EBIT amounted to € 95.7 million in the reporting period, more than double last year's figure. EBIT generated by RHI's other divisions was either unchanged or slightly up on the previous year.

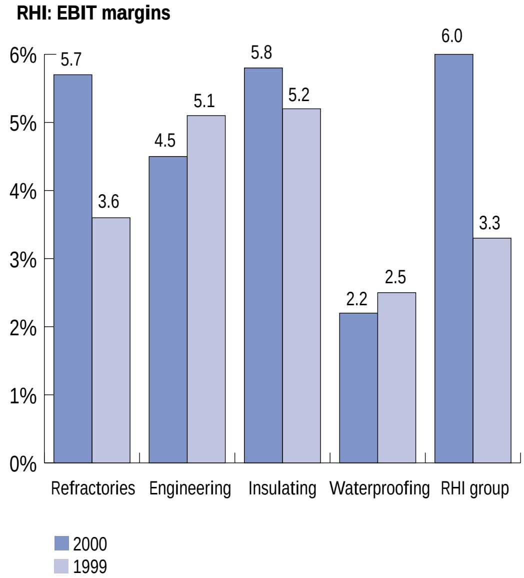
RHI: Operating result (EBIT)

in € million	2000	1999
Refractories	95.7	39.4
Engineering	7.6	7.4
Insulating	11.2	9.7
Waterproofing	3.7	4.0
Other and consolidation	13.1	(8.1)
RHI group	131.3	52.4

1 1999 before restructuring in North America

The positive overall development of **EBIT** is reflected in a substantial improvement in the EBIT margin of the RHI group. The very pleasing increase in the EBIT margin of the refractories division – from 3.6% in 1999 to 5.7% in 2000 – also boosted the margin for the group as a whole from 3.3% in 1999 to 6.0% in 2000.

RHI: EBIT margins



The group's **financial result** worsened in 2000 to € -61.2 million (1999: € -12.1 million). This can be attributed to the net interest result, which changed considerably as a result of the financing requirements for the acquisition of Harbison-Walker / GIT.

The **result from ordinary activities** (EBT) of the RHI group amounted to € 70.1 million (1999: € 40.3 million) for the reporting period.

Net income for the RHI group amounted to € 30.8 million in 2000 (1999 prior to restructuring in America: € 11.8 million).

Net income after minorities amounts to € 21.2 million in 2000 as compared to € 4.8 million (before restructuring in North America) in 1999. After taking extraordinary expenses for restructuring in North America into consideration, amounting to € -30.8 million (after deferred taxes of € -15.8 million), the group reported a net loss after minorities of € -26.0 million in 1999.

Earnings per share amounted to € 1.07 in 2000, compared to € 0.32 in the year previous (prior to restructuring in North America). As in the previous year, RHI's Board of Management had to weigh up the interests of stockholders carefully against the equity capital base of the group. At the general meeting of stockholders on May 17, 2001, the Board of Management is planning to propose a dividend of € 0.73 per share.

Cash flow, capital expenditure and liquidity

RHI group cash flow from results rose in 2000 to € 73.9 million (1999: € 66.2 million), but was adversely affected by changes to long-term provisions. The positive impact on working capital of reducing receivables was more than offset by the use of the restructuring provision and by the decline in other payables. **Cash flow from operating activities** amounted to € 48.6 million in 2000 (1999: € 62.9 million).

The acquisitions made in 2000 primarily related to the engineering division to strengthen and complement the existing portfolio. A total of € 7.2 million (1999: € 366.5 million) was invested in acquisitions in the reporting period.

In total, € 91.4 million (1999: € 78.2 million) was invested in property, plant and equipment and in intangible assets in the year 2000. Proceeds from disposals, on the other hand, amounted to € 54.8 million (€ 15.6 million), mainly realized by the sale of two plants in the USA (the Federal Trade Commission / FTC's approval of the GIT acquisition was subject to this condition). Funds were also generated through improvements to the engineering division and from the sale of non-business-related assets.

Total **cash flow from investing activities** amounted to € -53.1 million (1999: € -435.5 million). **Cash flow from financing activities** shows borrowing amounting to € 14.9 million (1999: € 397.8 million).

RHI group **net financial payables**[1] amounted to € 804 million at December 31, 2000 (1999: € 731 million). The credit lines available to the RHI group from international banks remain unchanged at € 973 million.

RHI: Cash flow

in € million	2000	1999
Cash flow from results	73.9	66.2
Changes in working capital	(25.3)	(3.3)
Cash flow from operating activities	48.6	62.9
Cash flow from investing activities	(53.1)	(435.5)
Cash flow from financing activities	14.9	397.8
Consolidation measures, etc.	(7.1)	(3.4)
Change in cash and chash equivalents	3.2	21.8

Risk management

The RHI group has a centralized approach to risk management. This comprises limiting financial risks concerning inventory (liquidity risk) and earnings power (interest, currency and credit risks). Moreover, operative risks (insurance management) are controlled centrally.

Currency and interest rate risks are assessed with regard to their potential effect on results. Consequently, hedging strategies specifically tailored to RHI's risk profile are drawn up.

Credit risk management aims to secure the value of receivables as one of the most important components of assets. This includes hedging receivables, which is part of group policy.

The portfolio of receivables is monitored and controlled monthly according to corporate and country risk (credit-at-risk approach). Group liquidity planning, which provides information on liquidity development, is used to limit the group's liquidity risk.

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

Assets and capital structure

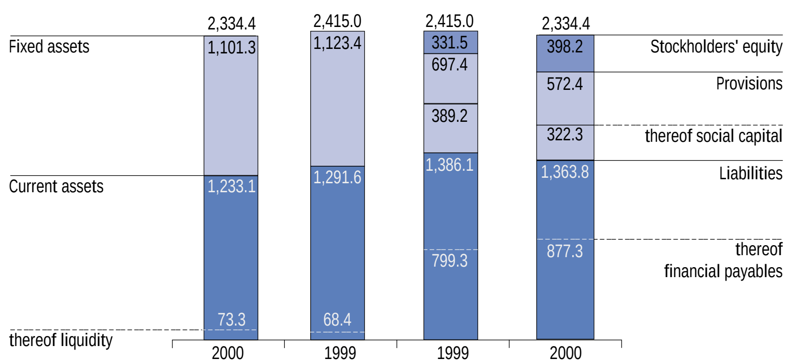
The deconsolidation of the waterproofing division and initial consolidations in the engineering division, together with the effects of currency translation did not give rise to any significant changes in the structure of fixed and current assets.

Asbestos claims recorded under other provisions in the previous year are now shown under contingent liabilities. Claims for compensation evidenced by documentation and accepted are recorded under other payables. The corresponding claims on insurance companies are recorded under other receivables.

The group's equity ratio was raised from 13.7% in 1999 to 17.1%. Amongst other factors, this was positively affected by the reduction in the balance sheet total due to the effects of deconsolidation, the sale of plants and to improved management of receivables.

The proportion of overall borrowing represented by long-term capital rose to 57% (1999: 46%). The scheduled refinancing of fixed assets is guaranteed with a surplus coverage of 20% (1999: 8%).

Balance sheet structure of RHI group (in € million)



Return on capital employed

ROCE[1] of the RHI group increased in 2000 due to the development of operations. With a significant change in capital employed, ROCE in 2000 rose to 9.2% as compared to 7.5% in the previous year.

RHI: Return on Capital Employed 2000

$$\frac{\text{Cash Return}}{\text{Capital Employed}} = \text{ROCE} \qquad \frac{\text{€ 175.6 million}}{\text{€ 1,912.7 million}} = 9.2\%$$

RHI: Return on Capital Employed 1999

$$\frac{\text{Cash Return}}{\text{Capital Employed}} = \text{ROCE} \qquad \frac{\text{€ 87.9 million}}{\text{€ 1,165.8 million}} = 7.5\%$$

1 ROCE = (cash flow from results + interest expense + cash expense from social capital – investments in asset maintenance) / average (fixed assets + net current assets + goodwill)

Production and capacity utilization: refractories

Supported by an upturn in the steel industry, capacity utilization was about 6% up on the previous year. Production of some products (e.g. MgO-C bricks, slide gate plates) was running at full capacity. This boosted the number of orders and sometimes resulted in longer delivery periods. In the latter half of the year, the recovery in the glass sector had a positive impact on capacity utilization at the plants manufacturing burnt bricks, and in particular molten cast refractories. Rising raw material prices and energy costs (natural gas due to the rise in crude oil prices) had a negative impact in the second six months of the year.

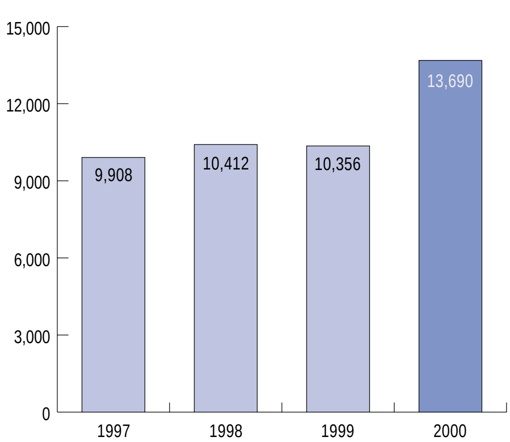
On the investment side, progress continued on schedule on the structural projects for flow-control products (Clydebank, Marktredwitz). Moreover, the installation of a fully automatic depositing plant for MgO-C bricks in Veitsch was a further step towards improving the cost position. In Tutluca, in Turkey, 2 shaft kilns for the production of high-grade MgO sinter went into operation. All production plants are now located on one site.

Personnel

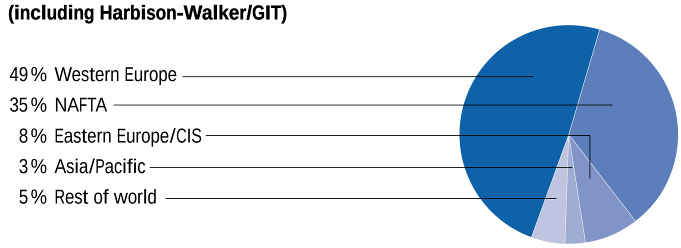
12,114 people were employed in the fully consolidated companies belonging to the RHI group at December 31, 2000 (1999: 14,594 employees). The clear drop of 2,480 or 17% in headcount results from the sale of plants due to the requirements imposed by the FTC in connection with the acquisition of Harbison-Walker / GIT in North America, from synergy effects arising from the merging of the organizations of Harbison-Walker and the former VRD-Americas division, and from the sale of the waterproofing division. Due to the sale of plants alone, staff figures fell by 412. A further 1,245 employees have left the group as a result of reorganization in North America. The number of personnel declined by 797 due to the sale of the waterproofing division.

At the end of 2000, 2,089 people were employed in Austria (1999: 2,413 employees), accounting for 16.8% (1999: 17%) of total group staff.

No. of employees (annual average)



Regional breakdown of RHI staff (including Harbison-Walker/GIT)



RHI: Personnel ratios	2000	1999
Sales revenue in € million	2,193.6	1,573.9
Personnel expenses in € million	651.4	490.1
Annual average number of employees	13,690	10,356
Personnel expenses as % of sales revenue	29.7	31.1
Sales revenue per employee in € 1,000	160.2	152.0
Personnel expenses per employee in € 1,000	47.6	47.3

The merging of organizations in North America has significantly improved efficiency. Sales revenue / employee rose by 5.4%, and the ratio of personnel expenses to total sales revenue fell by 29.7% in 2000 (1999: 31.1%). Personnel expenses / employee remained largely unchanged.

Social capital

As changes to legislation in Austria have significantly worsened the tax treatment of lump-sum pension payments from January 1, 2001, the company decided to offer lump-sum payments at current, more favorable tax rates to pensioned employees of Austrian companies. A high percentage of these offers, which were not binding on the pensioners, were accepted and resulted in a reduction of € 56.1 million in provisions.

By introducing the "4 plus 1" employee participation scheme (one bonus share for every 4 RHI shares purchased up to a value of € 2,907) in 1999, the management continued to pursue its aim to encourage even more employees than before to become stockholders, enabling them to identify even better with the interests of our investors. They certainly seem to have fully achieved this aim in 2000, judging by the great number of Austrian employees participating in the scheme. The already high percentage of employee share ownership rose by a further 10% as a result of the "4 plus 1" scheme.

Research and development

The new R&D structure in the RHI group – a jointly agreed refractory research program in both technology centers in Leoben, Austria and West Mifflin, USA – has created the necessary basis on which RHI can not only consolidate, but also extend its position as technology leader in the future.

The main task of R&D is to protect and build up internal know-how, the intellectual property of the company. Both technology centers were founded in 1959, West Mifflin joined the RHI group with the acquisition of Harbison-Walker / GIT.

Both technology centers are structured according to product groups. Research tasks are allocated according to the resources available and the products being focused on. Leoben serves Europe, Asia / Pacific and Africa with support and development activities, West Mifflin is responsible for the whole of the NAFTA region.

A joint databank for research & development is an integral component of the Labor Information and Management System (LIMS), which is currently being implemented to improve efficiency and optimize the use of resources.

The following are some of the projects successfully completed in 2000:

- Increasing demands on quality in steel manufacturing require specific treatment with circulation gas. The newly developed hybrid circulator combines an optimal formation of gas bubbles with the highest possible flow rates. Our customers can thus improve the percentage of purity whilst at the same time shortening process time.
- The development of sintered magnesite tailor-made to suit customer needs will significantly improve the wear and tear of construction and repair masses for the steel industry. Crude magnesite from a new area of our Turkish deposit is being used here, thus making more efficient use of resources.
- In the field of municipal waste incineration, the innovative Didotherm pipe protection panel system in combination with high-performance free-flow masses was successfully introduced by a major European customer.

The research drive progressed successfully in 2000, securing the future position of the refractories division as technology leader. The funds invested in R&D in 2000 accounted for approx. 2% of sales revenue.

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 the opportunities of 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

Specific projects include the substitution of natural gas for heating oil in the Hochfilzen (Austria) and Tutluca (Turkey) plants, and the introduction of an energy efficiency program in the Radenthein plant.

RHI is constantly striving to improve production processes and to achieve environmental conservation goals through research and development. For example, SO_2 emissions have been significantly reduced once again in the refractories plant at Duisburg by altering one of the processes. Production at Veitsch was successfully switched to a sulfur-free binding agent, thereby reducing sulfur emissions on site to a minimum.

We are attaching increasing importance 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 and improve employees' health have been very well received by staff.

More and more customers are demanding comparable information on the environment, based on fact.
To respond even better to these demands, RHI is reorganizing its internal environmental management system to receive ISO 14000 certification.

The aim is to create an integrated management system combining quality assurance, environmental conservation and safety at work into one, holistic system. This ambitious objective will be implemented over the next two years in Europe and then extended to cover all the group's locations world-wide.

Good sales revenue and earnings prospects for 2001

Business continued to develop well for the main customer industries served by the refractories division at the beginning of 2001. However, the downturn in the North American business cycle and the drop in steel production there are clouding the picture in 2001. RHI is expecting a world-wide consolidation of demand for refractories at a high level. The prospects for the refractories-related engineering business are positive overall due to the realignment of the portfolio, focusing more on attractive, high-growth segments. As far as the insulating division is concerned, the construction industry in Europe cannot be expected to pick up significantly in 2001. The intended strategic partnership should, however, result in a substantially stronger market position in Europe.

RHI is set to benefit from the sustainable synergy effects arising from the integration of Harbison-Walker / GIT. Together with extensive improvements to the group portfolio, we have every confidence in our ability to generate an attractive result once again in 2001.

No matters of particular significance have occurred since the close of the business year.

RHI consolidated balance sheet 2000

in million	Notes	31.12.2000 €	31.12.2000 %	31.12.1999 €	31.12.1999 %
ASSETS					
Fixed assets					
Intangible assets	(1), (10)	259.8	11.1%	254.4	10.5%
Property, plant and equipment	(2), (11)	770.7	33.0%	792.1	32.8%
Financial assets	(3), (12)	70.8	3.0%	76.8	3.2%
		1,101.3	**47.2%**	**1,123.4**	**46.5%**
Current assets					
Inventories	(4), (13)	424.8	18.2%	447.1	18.5%
Receivables and other assets					
Trade receivables	(5), (14)	355.6	15.2%	405.7	16.8%
Other receivables and assets	(5), (14)	290.6	12.4%	331.9	13.7%
		646.2	27.7%	737.6	30.5%
Securities and interests	(15), (17)	9.3	0.4%	2.7	0.1%
Cash and cash equivalents	(6)	73.3	3.1%	68.4	2.8%
		1,153.6	**49.4%**	**1,255.8**	**52.0%**
Prepaid expenses and deferred charges	(16)	**79.5**	**3.4%**	**35.8**	**1.5%**
		2,334.4	**100.0%**	**2,415.0**	**100.0%**
STOCKHOLDERS' EQUITY AND LIABILITIES					
Stockholders' equity					
Common stock	(17)	144.8	6.2%	144.8	6.0%
Group reserves	(17)	173.9	7.4%	158.4	6.6%
Net income / loss after minorities	(17)	21.2	0.9%	(26.0)	(1.1%)
Minority interests	(17)	58.3	2.5%	54.4	2.3%
		398.2	**17.1%**	**331.5**	**13.7%**
Provisions					
Provisions for severance payments and pensions	(7), (18)	322.3	13.8%	389.2	16.1%
Other provisions	(7), (19)	250.1	10.7%	308.2	12.8%
		572.4	**24.5%**	**697.4**	**28.9%**
Payables					
Financial payables	(8), (20)	877.3	37.6%	799.3	33.1%
Trade payables	(8), (20)	207.8	8.9%	203.6	8.4%
Other payables	(8), (20)	273.8	11.7%	381.3	15.8%
		1,358.9	**58.2%**	**1,384.2**	**57.3%**
Deferred income		**4.9**	**0.2%**	**1.9**	**0.1%**
		2,334.4	**100.0%**	**2,415.0**	**100.0%**
Contingent liabilities	(9), (38)	621.4	26.6%	302.5	12.5%

RHI consolidated income statement 2000

	Notes	2000		1999	
in million		€	%	€	%
Sales revenue	(21)	2,193.6	100.0%	1,573.9	100.0%
Changes in inventories and services					
not yet invoiced		(36.0)	(1.6%)	(9.9)	(0.6%)
Other own work capitalized		10.1	0.5%	8.0	0.5%
Operating performance		**2,167.7**	**98.8%**	**1,572.0**	**99.9%**
Other operating income	(22)	123.3	5.6%	74.9	4.8%
Cost of material and other production services	(23)	(964.3)	(44.0%)	(700.2)	(44.5%)
Personnel expenses	(24)	(651.4)	(29.7%)	(490.1)	(31.1%)
Depreciation and amortization	(25)	(109.8)	(5.0%)	(66.4)	(4.2%)
Other operating expenses	(26)	(434.2)	(19.8%)	(337.8)	(21.5%)
Operating result (EBIT)		**131.3**	**6.0%**	**52.4**	**3.3%**
Interest result	(27)	(63.9)	(2.9%)	(11.4)	(0.7%)
Other financial results	(28)	2.7	0.1%	(0.7)	0.0%
Financial result		**(61.2)**	**(2.8%)**	**(12.1)**	**(0.8%)**
Result from ordinary activities (EBT)		**70.1**	**3.2%**	**40.3**	**2.6%**
Extraordinary result	(29)	0.0	0.0%	(13.7)	(0.9%)
Costs of capital increase		0.0	0.0%	(5.7)	(0.4%)
Income taxes	(30)	(27.0)	(1.2%)	(9.0)	(0.6%)
Deferred taxes (not recognized as income or expenses)	(30)	(12.3)	(0.6%)	(0.2)	(0.0%)
Net income[1]		**30.8**	**1.4%**	**11.8**	**0.8%**
Minority interests		(9.6)	(0.4%)	(7.0)	(0.4%)
Net income after minorities before restructuring in North America		**21.2**	**1.0%**	**4.8**	**0.3%**
Extraordinary results from restructuring in North America	(31)	0.0	0.0%	(46.6)	(3.0%)
Deferred taxes (not recognized as income or expenses)	(31)	0.0	0.0%	15.8	1.0%
Net income / loss after minorities		**21.2**	**1.0%**	**(26.0)**	**(1.7%)**

1 Before restructuring in North America in 1999

RHI consolidated cash flow statement 2000

in € million	Notes	2000	1999
Cash flow from operating activities			
Net result		30.8	(19.0)
Depreciation, depletion and amortization		109.8	78.7
Write-offs on financial assets		1.4	5.4
Change in long-term provisions		(60.6)	5.5
Result from disposal of fixed assets		(7.5)	(4.4)
Cash flow from results		**73.9**	**66.2**
Changes in working capital			
Increase in inventories, prepayments and prepaid expenses and deferred charges		(28.4)	(25.8)
Increase / decrease in prepayments received and deferred income		6.8	(9.2)
Decrease / increase in trade receivables, trade receivables group and other receivables and assets		146.8	(28.2)
Decrease / increase in trade payables, notes payable, trade payables group and other payables		(84.9)	34.8
Decrease in short-term provisions		(65.5)	24.9
Undistributed earnings of affiliates		(0.1)	0.2
Cash flow from operating activities	**(32)**	**48.6**	**62.9**
Cash flow from investing activities			
Capital expenditure		(91.4)	(78.2)
Acquisitions of consolidated companies		(1.1)	(355.4)
Proceeds from sale of consolidated companies		(12.0)	2.2
Acquisitions of unconsolidated companies		(0.5)	(11.1)
Proceeds from sale of unconsolidated companies		6.8	0.5
Investments in other financial assets		(2.9)	(6.4)
Proceeds from the disposal of property, plant and equipment, intangible assets and other financial assets		48.0	12.9
Cash flow from investing activities	**(33)**	**(53.1)**	**(435.5)**
Cash flow from financing activities			
Premium on capital stock (incl. premiums)		0.0	143.4
Dividends paid to stockholders of RHI		(8.8)	(16.2)
Dividends paid to minorities		(2.9)	(2.9)
Purchase of treasury shares		(3.1)	0.0
Dividends paid to stockholders and minorities		(14.8)	124.3
Revenue from loans, long-term borrowings and subsidies		171.5	335.4
Decrease in group financial receivables		0.0	6.4
Decrease in short-term borrowings		(140.0)	(69.7)
Decrease / increase in group financial payables		(1.8)	1.4
Cash flow from financing activities		**14.9**	**397.8**
Other changes in stockholders' equity not affecting the income statement due to consolidation measures		(7.1)	(3.4)
Changes in cash and cash equivalents		**3.2**	**21.8**
Cash and cash equivalents at beginning of year		68.4	43.8
Cash and cash equivalents due to foreign currency translation		1.7	1.6
Cash and cash equivalents due to changes in consolidation		0.0	1.2
Cash and cash equivalents at end of year	**(34)**	**73.3**	**68.4**

Notes to the Consolidated Financial Statements 2000

Accounting principles, general

The **consolidated financial statements for 2000** 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 2000 financial year, with the exception of the recognition of asbestos liabilities. Figures for the previous year were adjusted accordingly.

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 euros. 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 145 subsidiaries, with RHI AG holding either a direct or indirect majority of voting rights, or exercising common control of management.

Nine 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 31.12.1999	146	9
Additions	9	0
Disposals	9	0
Status as of 31.12.2000	**146**	**9**

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

Additions:

- Bachmann Industries Inc., Auburn, Maine, USA
- Dinaris GmbH, Wiesbaden, Germany
- Ideal M. Reichenberger GmbH, Frankenmarkt, Austria
- IPZ Industrieanlagen Peter Zeisel GmbH, Bochum, Germany
- Kaefer-RACO Engineering GmbH, Bremen, Germany
- RHI America Receivables Corporation, Wilmington, Delaware, USA
- RHI Refractories Holding Company, Dover, Delaware, USA
- RHI Services, Inc., Dover, Delaware, USA
- VRD-Glas GmbH, Wiesbaden, Germany

Disposals relate mainly to the sale of the waterproofing division.

The option to include 30 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. 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 eleven companies, and in part for two companies pursuant to § 265 (2) Z 1 HGB.

A comprehensive list of the consolidated group and the shareholdings of RHI AG can be found on pages 68 to 70.

The **effects of the changes to the consolidated group** on the consolidated balance sheet and income statement at December 31, 2000 are as follows:

in € million	Addition	Disposal	Total
ASSETS			
A. Fixed assets	5.1	(27.5)	(22.4)
B. Current assets	10.5	(59.4)	(48.9)
C. Prepaid expenses			
and deferred charges	0.1	(0.2)	(0.1)
	15.7	**(87.1)**	**(71.4)**

in € million	Addition	Disposal	Total
STOCKHOLDERS' EQUITY AND LIABILITIES			
A. Stockholders' equity	1.8	(3.5)	(1.7)
B. Accruals	2.3	(28.3)	(26.0)
C. Liabilities	11.6	(55.3)	(43.7)
	15.7	**(87.1)**	**(71.4)**

in € million	Addition	Disposal	Total
Sales revenue	553.1	(5.1)	548.0
Operating result	13.1	(0.4)	12.7
EBT	(34.0)	(0.5)	(33.5)

Principles of consolidation

General

The balance sheet date for all the financial statements included in consolidation is December 31, 2000, 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

Investments in subsidiaries included in consolidation are carried at book value or at revalued 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.

Deferred tax assets were 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 consolidated financial statements were stated in euros for the first time in 2000. Figures for the previous year, if given, were translated into euros at the official conversion rate of ATS 13.7603.

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 2000.

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 ATS.

Translation of the financial statements of group companies operating in Hungary and Slovenia was effected according to the temporal method.

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	
	31.12.2000	31.12.1999	2000	1999
US dollar	0.931	1.004	0.924	1.065
Canadian dollar	1.393	1.457	1.371	1.582
British pound	0.625	0.622	0.609	0.659
South African rand	7.035	6.186	6.396	6.513
Hungarian forint	265.300	254.114	259.921	252.344
Croatian kuna	7.600	7.620	7.571	7.533
Slovenian tolar	213.950	196.548	205.002	194.135
Mexican peso	9.055	9.541	8.736	10.165
Chilean peso	529.892	531.529	507.340	542.365

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.

As in the previous year, 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.

Any information or facts coming to light in the year subsequent to the acquisition resulted in adjustments to the capitalized goodwill, without affecting revenue / expenses.

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 **revaluations** 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.

Claims on insurance companies relating to the compensation of asbestos claims carried in the previous year under receivables and other assets are now shown under contingent liabilities, if these are contingent claims.

(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.

Claims for compensation resulting from asbestos litigation which have been documented and accepted are now shown under other liabilities.

(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.

(9) Contingent liabilities

Contingent liabilities relate to contingent obligations arising from product liability, matched by contingent claims on insurance companies in the same amount.

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, 2000	280.5	1,806.0	92.3	2,178.8
Changes in foreign currency	18.8	35.5	(0.2)	54.1
Changes in consolidation	5.0	(69.7)	11.6	(53.1)
Additions	3.1	129.2	5.5	137.8
Disposals	(2.3)	(91.8)	(21.6)	(115.7)
Reclassifications	1.9	(1.9)	0.0	0.0
Acquisition and production costs, December 31, 2000	**307.0**	**1,807.3**	**87.6**	**2,201.9**
Accumulated depreciation, January 1, 2000	26.1	1,013.9	15.6	1,055.6
Changes in foreign currency	2.0	7.9	0.0	9.9
Changes in consolidation	(0.4)	(44.1)	0.0	(44.5)
Depreciation 2000	19.5	90.3	1.5	111.3
- thereof non-scheduled	0.4	2.8	1.5	4.7
Disposals	0.0	(31.4)	(0.3)	(31.7)
Accumulated depreciation, December 31, 2000	**47.2**	**1,036.6**	**16.8**	**1,100.6**
Book value, December 31, 2000	**259.8**	**770.7**	**70.8**	**1,101.3**
Book value, December 31, 1999	254.4	792.1	76.8	1,123.4

Total capital expenditure including investment in financial assets during the past financial year is shown in the following table.

Capital expenditure	in € million
Intangible assets	3.1
Property, plant and equipment	129.2
Financial assets	5.5
Capital expenditure	**137.8**

(10) 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, 2000	41.2	239.3	280.5
Changes in foreign currency	0.6	18.2	18.8
Changes in consolidation	(0.6)	5.6	5.0
Additions	2.0	1.1	3.1
Disposals	0.0	(2.3)	(2.3)
Reclassifications	5.6	(3.7)	1.9
Acquisition and production costs, December 31, 2000	**48.8**	**258.2**	**307.0**
Accumulated depreciation, January 1, 2000	25.7	0.4	26.1
Changes in foreign currency	2.0	0.0	2.0
Changes in consolidation	(0.4)	0.0	(0.4)
Depreciation 2000	4.5	15.0	19.5
- thereof non-scheduled	0.4	0.0	0.4
Accumulated depreciation, December 31, 2000	**31.8**	**15.4**	**47.2**
Book value, December 31, 2000	**17.0**	**242.8**	**259.8**
Book value, December 31, 1999	15.5	238.9	254.4

The addition to goodwill mainly results from the capitalization of the goodwill of Bachmann Industries Inc., amounting to € 2.9 million and of Käfer-RACO Engineering GmbH, amounting to € 2.2 million. Disposals relate wholly to the revaluation of the goodwill of Global Industrial Technologies Inc.

(11) 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, 2000	520.8	35.9	976.6	236.4	36.3	1,806.0
Changes in foreign currency	10.9	0.1	21.5	1.4	1.6	35.5
Changes in consolidation	(11.9)	0.0	(48.0)	(9.0)	(0.8)	(69.7)
Additions	11.7	2.8	61.6	9.8	43.3	129.2
Disposals	(32.2)	0.0	(36.1)	(18.1)	(5.4)	(91.8)
Reclassifications	1.8	0.0	23.7	3.9	(31.3)	(1.9)
Acquisition and production costs, December 31, 2000	**501.1**	**38.8**	**999.3**	**224.4**	**43,7**	**1,807.3**
Acquisition and production costs, January 1, 2000	213.7	7.9	607.1	183.4	1.8	1,013.9
Changes in foreign currency	1.6	0.0	5.4	0.8	0.1	7.9
Changes in consolidation	(4.2)	0.0	(33.5)	(6.4)	0.0	(44.1)
Depreciation 2000	14.4	0.5	60.9	14.5	0.0	90.3
- thereof non-scheduled	0.0	0.0	0.0	2.8	0.0	2.8
Disposals	(2.4)	0.0	(19.0)	(10.0)	0.0	(31.4)
Reclassifications	(1.1)	0.0	1.1	0.0	0.0	0.0
Accumulated depreciation, December 31, 2000	**222.0**	**8.4**	**622.0**	**182.3**	**1.9**	**1,036.6**
Book value, December 31, 2000	**279.1**	**30.4**	**377.3**	**42.1**	**41.8**	**770.7**
Book value, December 31, 1999	307.1	28.0	369.5	53.0	34.5	792.1

The value of land included in land with buildings amounts to € 91.8 million (1999: € 100.6 million).

(12) 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	Long-term securities	Total
Acquisition costs, January 1, 2000	21.9	4.0	12.1	6.2	48.1	92.3
Changes in foreign currency	0.0	0.5	(0.8)	0.0	0.1	(0.2)
Changes in consolidation	(1.1)	0.0	(0.2)	13.7	(0.8)	11.6
Additions	0.5	0.0	1.1	1.0	2.9	5.5
Disposals	(3.7)	(0.4)	(0.9)	(0.7)	(15.9)	(21.6)
Acquisition costs, December 31, 2000	**17.6**	**4.1**	**11.3**	**20.2**	**34.4**	**87.6**
Accumulated depreciation, January 1, 2000	11.9	0.1	2.5	0.9	0.2	15.6
Non-scheduled depreciation 2000	1.1	0.4	0.0	0.0	0.0	1.5
Disposals	0.0	0.0	0.0	0.0	(0.3)	(0.3)
Reclassifications	0.0	0.0	(0.3)	0.0	0.3	0.0
Accumulated depreciation, December 31, 2000	**13.0**	**0.5**	**2.2**	**0.9**	**0.2**	**16.8**
Book value, December 31, 2000	**4.6**	**3.6**	**9.1**	**19.3**	**34.2**	**70.8**
Book value, December 31, 1999	10.0	3.9	9.7	5.3	47.9	76.8

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 companies	Total
Acquisition costs, January 1, 2000	7.2	4.9	12.1	3.3	2.9	6.2
Changes in foreign currency	(0.6)	(0.2)	(0.8)	0.0	0.0	0.0
Changes in consolidation	0.0	(0.2)	(0.2)	0.0	13.7	13.7
Additions	1.0	0.1	1.1	0.0	1.0	1.0
Disposals	(0.9)	0.0	(0.9)	(0.2)	(0.5)	(0.7)
Acquisition costs, December 31, 2000	**6.7**	**4.6**	**11.3**	**3.1**	**17.1**	**20.2**
Accumulated depreciation, January 1, 2000	0.0	2.5	2.5	0.0	0.9	0.9
Reclassifications	0.0	(0.3)	(0.3)	0.0	0.0	0.0
Accumulated depreciation, December 31, 2000	**0.0**	**2.2**	**2.2**	**0.0**	**0.9**	**0.9**
Book value, December 31, 2000	**6.7**	**2.4**	**9.1**	**3.1**	**16.2**	**19.3**
Book value, December 31, 1999	7.3	2.4	9.7	3.3	2.0	5.3

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

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

Long-term loans		31.12.1999	
in € million	Total	Residual term up to 1 year	Residual term more than 1 year
Long-term loans to group companies	3.9	0.0	3.9
Long-term loans to affiliates	3.3	0.4	2.9
Other long-term loans	2.0	0.1	1.9

Other long-term loans mainly relate to loans granted to VEDAG GmbH, Frankfurt, Germany and mortgage-backed housing loans to employees.

Current assets

(13) Inventories

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

Inventories (in € million)	31.12.2000	31.12.1999
Raw materials and supplies	136.4	145.8
Unfinished goods	58.5	54.9
- less prepayments received on orders	(6.7)	(2.1)
	51.8	**52.8**
Finished goods and merchandise	203.3	218.1
- less prepayments received on orders	(1.4)	(0.6)
	201.9	**217.5**
Work in process	21.7	32.4
- less prepayments received on orders	(3.6)	(19.5)
	18.1	**12.9**
Prepayments	16.6	18.2
Inventories	**424.8**	**447.1**

(14) Receivables and other assets

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**			

Receivables		31.12.1999		
	Total		Residual term	
in € million		up to 1 year	1 to 5 years	more than 5 years
Trade receivables	**405.7**	**400.2**	**5.4**	**0.1**
- thereof notes receivable	5.8			
Accounts receivable group	6.2	6.2	0.0	0.0
Accounts receivable affiliates	3.3	3.3	0.0	0.0
Other receivables and assets	322.4	302.4	17.8	2.2
Other receivables and other assets	**331.9**	**311.9**	**17.8**	**2.2**
Receivables and other assets	**737.6**	**712.1**	**23.2**	**2.3**
- thereof notes receivable	**5.8**			

Accounts receivable group include trade receivables amounting to € 1.9 million (31.12.1999: € 5.3 million) and other receivables amounting to € 0.3 million (31.12.1999: € 0.9 million).

Accounts receivable affiliates include trade receivables totaling € 1.5 million (31.12.1999: € 2.6 million) and other receivables totaling € 0.7 million (31.12.1999: € 0.7 million).

(15) Securities and interests

in € million	31.12.2000	31.12.1999
Treasury shares	3.1	0.0
Other	6.2	2.7
	9.3	**2.7**

(16) Prepaid expenses and deferred charges

Prepaid expenses and deferred charges mainly contain deferred tax assets amounting to € 21.2 million (31.12.1999: € 0.0 million) and pension prepayments amounting to € 38.5 million (31.12.1999: € 12.4 million).

Stockholders' equity and liabilities

(17) Stockholders' equity
Common stock amounts to € 144,764,569 and consists of 19,920,039 bearer shares.

Due to the resolutions passed at stockholder meetings on December 6, 1995 and May 27, 1999, and in line with the Management and Supervisory Board resolutions of September 28, 1999 and October 13, 1999 respectively, the common stock was increased by € 43.6 million and 6,000,000 new shares were issued.

The difference resulting from the translation of the balance sheets of foreign group companies amounts to € 14.0 million in the 2000 financial year (1999: € 15.5 million).

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

The **reserve for treasury shares** pursuant to § 225 (5) HGB amounts to € 3.1 million (1999: € 0.0 million). In the reporting period, 148,400 shares were acquired for € 3.8 million. This accounts for 0.74% of common stock. This acquisition was approved at the general meeting of stockholders on May 27, 1999 for the purpose of issuing the shares to the Management Board and to the top management of the RHI group by July 1, 2004 at the latest as part of the Long Term Incentive Program.

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

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
Change in retained earnings			(3.1)	3.1					0.0
Dividend payment							(8.8)	(2.9)	(11.7)
Allocation to 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**

Stockholders' equity in € million	Common stock	Additional paid in capital	Retained earnings	Differences from capital consolidation	Group reserves	Net income loss/ after minorities	Minority interests	Total
December 31, 1998	101.2	174.6	52.9	(186.0)	41.5	49.4	55.4	247.5
Changes in foreign currency			14.0		14.0		1.5	15.5
Capital increase	43.6	99.7			99.7			143.3
Dividend payment						(16.2)	(2.9)	(19.1)
Allocation to retained earnings			33.2		33.2	(33.2)		0.0
Net loss 1999						(26.0)	7.0	(19.0)
Initial consolidation/deconsolidation			(1.9)	(28.8)	(30.7)		(6.6)	(37.3)
Other changes			0.6		0.6			0.6
December 31, 1999	**144.8**	**274.3**	**98.8**	**(214.8)**	**158.3**	**(26.0)**	**54.4**	**331.5**

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

Provisions (in € million)	31.12.2000	31.12.1999
Provisions for severance payments	30.7	32.0
Provisions for pensions	291.6	357.2
Provisions	**322.3**	**389.2**

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% (1999: 6%) for legally binding and irrevocable pension commitments.

In accordance with market conditions, an interest rate of 7.75% (1999: 7.75%) was used to calculate provisions for pensions and for medical costs in North America.

In line with their pension character, pension provisions also include commitments by North American subsidiaries to cover the healthcare costs of employees after retirement.

(19) Other provisions

Other provisions are broken down as follows:

Other provisions (in € million)	31.12.2000	31.12.1999
Provisions for taxes		
Current taxes	16.7	17.5
Deferred taxes	0.0	0.1
	16.7	**17.6**
Other provisions		
Anniversary bonuses	11.4	11.2
Compensated absences	13.3	14.8
Other payroll-related provisions	11.7	28.3
Group reorganization	5.9	30.6
Revaluation	69.4	72.7
Warranties	24.4	23.5
Sales discounts, bonuses	8.1	13.7
Other provisions relating to sales activities	9.7	10.1
Damage resulting from mining, manufacturing, smoke, dust and similar causes	3.5	6.5
Legal, auditing and consulting expenses	5.0	7.0
Outstanding invoices	17.8	22.5
Other	53.2	49.7
	233.4	**290.6**
Other provisions	**250.1**	**308.2**

Deferred tax assets were offset against the **provision for deferred taxes**.

The **provision for anniversary bonuses** was set up according to actuarial principles using an interest rate of 6% (1999: 6%).

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

The **provisions for revaluations** amounting to € 69.4 million (31.12.1999: € 72.7 million) relate to Global Technologies Inc. This figure includes € 10.3 million (31.12.1999: € 30.9 million) relating to environmental conservation measures and other risks, € 10.8 million (31.12.1999: € 21.2 million) for social plan costs, € 9.6 million (31.12.1999: € 8.6 million) for integration expenses, € 14.2 million (31.12.1999: € 2.8 million) for legal costs and € 24.5 million (31.12.1999: € 6.2 million) for warranties.

(20) Payables

Payables	31.12.2000			
	Total	Due in		
in € million		up to 1 year	1 to 5 years	more than 5 years
Bonds	**0.0**	**0.0**	**0.0**	**0.0**
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**			

Other payables (in € million)	31.12.2000	31.12.1999
- thereof taxes	33.4	30.1
- thereof social security	31.4	9.7

Payables	31.12.1999			
	Total	Due in		
in € million		up to 1 year	1 to 5 years	more than 5 years
Bonds	**130.3**	**130.3**	**0.0**	**0.0**
Bank loans and overdrafts	**669.0**	**238.9**	**344.1**	**86.0**
- thereof secured by real estate – mortgages	29.0			
- thereof secured by real estate – other	3.6			
Trade payables	**203.6**	**202.9**	**0.7**	**0.0**
Prepayments received	16.5	16.5	0.0	0.0
Notes and drafts payable	3.9	2.3	1.6	0.0
Accounts payable group	5.1	5.1	0.0	0.0
Accounts payable affiliates	0.7	0.7	0.0	0.0
Other payables	355.1	302.0	43.9	9.2
Other payables	**381.3**	**326.6**	**45.5**	**9.2**
Payables	**1,384.2**	**898.7**	**389.6**	**95.2**
- thereof secured by real estate	**32.6**			

At December 31, 2000 the RHI group had € 973.0 million (31.12.1999: € 973.0 million) available in credit lines.

Long-term bank loans and overdrafts include export financing (including financing for investments) totaling € 561.2 million (31.12.1999: € 324.0 million).

Other real security pledged to financial institutions mainly consists of shares in the RHI Refractories Holding Company and export subsidies amounting to € 83.6 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 million (31.12.1999: € 154.0 million) of 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. 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 € 0.4 million (31.12.1999: € 0.3 million) and other payables amounting to € 0.9 million (31.12.1999: € 4.8 million).

Accounts payable affiliates include trade payables amounting to € 0.6 million (31.12.1999: € 0.6 million) and other payables amounting to € 0.0 million (31.12.1999: € 0.1 million).

Other payables contains an entry of € 119.8 million (31.12.1999: € 173.0 million) for claims resulting from asbestos litigation which have been documented and accepted and a separately recorded receivable of € 157.1 million (31.12.1999: € 176.9 million) for claims on insurance companies resulting from asbestos claims against A.P. Green and Harbison-Walker.

A.P. Green companies and Harbison-Walker Refractories Company, both wholly-owned subsidiaries of the Global Industrial Technologies Inc. group, once manufactured and sold certain types of refractory products that contained small quantities of asbestos fiber. They are among numerous companies named as defendants in lawsuits in which the plaintiffs, most of whom worked for customers of the defendants, allege injuries due to exposure to asbestos-containing products.

Notes on individual items in the income statement

(21) Sales revenue

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

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

Sales revenue by division (in € million)	2000	1999
Refractories	1,675.5	1,103.8
Engineering	168.2	145.7
Insulating	194.1	185.2
Waterproofing	171.2	157.8
Other	(15.4)	(18.7)
Total	**2,193.6**	**1,573.9**

Sales revenue by region (in € million)	2000	1999
Austria	102.9	102.8
Western Europe	765.6	708.3
NAFTA	839.9	443.2
Asia / Pacific	120.4	104.7
Other	364.8	214.9
Total	**2,193.6**	**1,573.9**

(22) Other operating income

The following table shows the breakdown of other operating income:

Other operating income (in € million)	2000	1999
Gains from the disposal of fixed assets, excluding financial assets	**4.8**	**4.6**
Gains from the reversal of provisions	**25.3**	**22.8**
Other		
Cost passed on/incidental revenue	10.9	8.6
Foreign exchange gains	19.4	14.7
Grants	2.9	2.0
Reversal of valuation allowance for receivables	3.3	9.0
Compensation for damages	7.3	4.2
Other	49.4	9.1
	93.2	**47.5**
Other operating income	**123.3**	**74.9**

Other operating income mainly relates 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)	2000	1999
Cost of material		
Raw materials and supplies	739.3	589.2
Merchandise	86.1	8.6
Other	13.4	6.5
	838.8	**604.3**
Cost of services		
Energy	74.1	48.6
External services	31,1	28.9
Other	20.3	18.4
	125.5	**95.9**
Cost of material and other production services	**964.3**	**700.2**

(24) Personnel expenses

The following table shows the breakdown of personnel expenses:

Personnel expenses (in € million)	2000	1999
Wages	239.8	166.9
Salaries	244.5	186.6
Expenses for severance payments	9.1	6.4
Expenses for pensions	28.4	39.0
Expenses for social security and payroll-related taxes and contributions	95.8	82.7
Fringe benefits	33.8	8.5
Personnel expenses	**651.4**	**490.1**

Pensions include the positive effects of the lump-sum pension payments for the Austrian companies.

(25) Depreciation and amortization

This item solely comprises the amortization of intangible assets and depreciation of property, plant and equipment.

(26) Other operating expenses

Other operating expenses consist of:

Other operating expenses (in € million)	2000	1999
Taxes other than income taxes	**10.6**	**5.9**
Other		
Shipping expenses	113.0	78.9
Commission expenses	23.1	27.1
Other external services	43.0	39.6
Foreign exchange rate losses	18.6	18.8
Travel expenses	38.0	28.1
Entertainment expenses	5.0	3.3
External repairs	36.6	13.0
Rent and lease expenses	30.5	21.9
Legal, auditing and consulting expenses	17.0	20.2
Insurance premiums	11.7	8.7
Office and administrative expenses	7.8	7.5
IT expenses	9.4	2.7
Loss of receivables incl. valuation allowances	20.0	8.3
Other distribution expenses	10.6	10.3
Postage, telephone charges	8.2	7.2
Credit and bank charges	6.7	4.8
Other	24.4	31.5
	423.6	**331.9**
Other operating expenses	**434.2**	**337.8**

(27) Interest result

The interest result consists of:

Interest result (in € million)	2000	1999
Interest from other securities and financial assets, thereof from group companies € 0.0 million (December 31, 1999: € 0.0 million)	4.9	3.9
Other interest and similar income, thereof from group companies € 0.1 million (December 31, 1999: € 0.7 million)	13.2	11.4
Interest and similar expenses, thereof relating to group companies € 1.0 million (December 31, 1999: € 0.7 million)	(82.0)	(26.7)
Interest result	**(63.9)**	**(11.4)**

(28) Other financial results

Other financial results consist of:

Other financial results (in € million)	2000	1999
Investment result		
Income from investments, thereof from group empanies € 0.9 million (December 31, 1999: € 0.4 million)	1.2	5.0
Result from associated companies	0.1	(0.2)
Epenses from investments, thereof from group empanies € 1.3 million (December 31, 1999: € 5.3 million)	(1.3)	(5.7)
	0.0	**(0.9)**
Other financial results		
Gains from the disposal of financial assets and securities and interests	4.2	0.6
Write-offs of other financial assets and securities and interests	(1.1)	(0.3)
Losses from the disposal of other financial assets	(0.4)	(0.1)
	2.7	**0.2**
Other financial results	**2.7**	**(0.7)**

(29) Extraodinary result

The expenses incurred in the restructuring of refractories operations in 1999 are broken down as follows:

Extraordinary result (in € million)	2000	1999
Social plan	0.0	5.5
Severance payments	0.0	3.0
Non-scheduled depreciation and write-downs	0.0	2.0
Costs of closure	0.0	0.3
Other	0.0	2.8
Extraordinary result	**0.0**	**13.7**

(30) Income taxes

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

Income taxes (in € million)	**2000**	**1999**
Current taxes	27.0	9.0
Deferred taxes	12.3	0.2
Income taxes	**39.3**	**9.2**

(31) Extraordinary result from restructuring in North America

Extraordinary result from restructuring in North America (in € million)	2000	1999
Social plan	0.0	1.5
Severance payments	0.0	16.9
Non-scheduled depreciation	0.0	10.2
Write-downs of inventories	0.0	0.9
Environmental measures	0.0	3.3
Integration costs	0.0	8.3
Other	0.0	5.5
	0.0	**46.6**
Deferred taxes	0.0	(15.8)
Total	**0.0**	**30.8**

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.

(32) 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.

It is broken down by division under the segment reporting in the group management report.

(33) 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.

(34) 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

(35) Total emoluments of the Board of Management and Supervisory Board
Total emoluments of the Board of Management in the past financial year amounted to € 1.3 million (1999: € 1.4 million). Emoluments of former members of the Board of Management and their dependants amounted to € 6.6 million (1999: € 0.5 million).

Emoluments of the Supervisory Board amounted to € 0.1 million (1999: € 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.

(36) 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	2000	1999
Board of Management and executives	0.5	2.0
Other employees	8.6	4.4
Expenses for severance payments	**9.1**	**6.4**

Expenses for pensions

in € million	2000	1999
Board of Management and executives	3.7	7.3
Other employees	24.7	31.7
Expenses for pensions	**28.4**	**39.0**

(37) Personnel
Average employment was:

Employment (average)	2000	1999
Salaried employees	5,082	4,139
Waged workers	8,608	6,217
Total	**13,690**	**10,356**

Employment at year-end was:

Employment (average)	31.12.2000	31.12.1999
Salaried employees	4,525	5,463
Waged workers	7,589	9,131
Total	**12,114**	**14,594**

The decline in personnel is mainly due to reorganization in North America and to the sale of the waterproofing division (797 employees).

(38) Contingent liabilities

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

Contingent liabilities (in € million)	2000	1999
Liabilities on notes and drafts	0.1	2.2
Liabilities on guarantees, thereof due to group companies € 0.0 million (December 31, 1999: € 0.0 million)	11.2	11.4
Liabilities on warranties, thereof due to group companies € 0.0 million (December 31, 1999: € 0.1 million)	65.3	44.7
Other liabilities	544.8	244.2
Contingent liabilities	**621.4**	**302.5**

Other contingent liabilities relate to unresolved asbestos claims against A.P. Green and the Harbison-Walker Refractories Company amounting to € 541.3 million (1999: € 225.0 million). In contrast to the previous year, these are no longer carried in the balance sheet, but are shown under contingent liabilities. These are matched by claims on insurance companies in the same amount.

The contingent liability represents an estimate of the probable legal fees, expenses and liability of A.P. Green and the Harbison-Walker Refractories Company for all pending asbestos claims, both resolved and unresolved.

There can be no certainty that the contingent claims on insurance companies recorded by Harbison-Walker and A.P. Green, both wholly-owned subsidiaries of Global Industrial Technologies Inc., will be fully recovered or that A.P. Green or Harbison-Walker may not ultimately incur a loss as a result of pending asbestos claims in excess of the estimated contingent liabilities. However, we believe that additional expenses, if any, related to Harbison-Walker claims would not have a material effect upon the consolidated financial position or liquidity of the company.

In addition, based upon our experience of A.P. Green prior to its acquisition by the company, we anticipate that A.P. Green's insurers will make substantially all required payments for claims against A.P. Green. We periodically review its estimate of pending claims liability as well as its evaluation of available insurance and make such adjustments as may be appropriate. Such adjustments could affect earnings in a future period.

We cannot reasonably estimate the legal liability of Harbison-Walker or A.P. Green for unasserted claims, the cost to defend such claims, or the amounts Harbison-Walker and A.P. Green may pay to settle future claims or as a result of adverse judgments. Primarily, this is because the potential number of unasserted claims and when they might be asserted cannot reasonably be predicted.

The uncertainties which impair our ability to estimate the expense of future claims include: the types and severity of asbestos-related illnesses experienced by future claimants; evidence of their exposure to specific products made by A.P. Green or Harbison-Walker; evidence of their exposure to asbestos-containing products made or sold by third parties; evidence of other possible causes or contributing causes of the claimants' illnesses; the claimants' earnings.

(39) Other commitments

Other financial commitments amount to € 18.1 million in 2000 (1999: € 22.7 million).

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

Other commitments (in € million)	2000	1999
in the next year	14.6	13.6
in the next five years	56.6	54.9

Group companies as of 31 December 2000

		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 division					
2.	1086215 Ontario Inc., Mississanga, Canada	F	45.	CAD	100,000	100.00
3.	1322578 Ontario Limited, Burlington, Ontario, Canada	F	108.	CAD	106	100.00
4.	1322579 Ontario Limited, Burlington, Ontario, Canada	F	108.	CAD	106	100.00
5.	AP Green de México S.A. de C.V., Neuva Leon, Mexico	F	11.	MXN	35,686,177	51.00
6.	AP Green Development Corp., Wilmington, Delaware, USA	F	8.	USD	1,000	100.00
7.	AP Green Foreign Sales Corp., St. Thomas, US Virgin Islands	F	8.	USD	1,000	100.00
8.	AP Green Industries Inc., Wilmington, Delaware, USA	F	47.	USD	9,028,049	100.00
9.	AP Green International Inc., Wilmington, Delaware, USA	F	8.	USD	3,000	100.00
10.	AP Green Refractories Corp., Dover, Delaware, USA	F	8.	USD	10	100.00
11.	AP Green Refractories Inc., Wilmington, Delaware, USA	F	8.	USD	1,000	100.00
12.	AP Green Services Inc., Detroit, Michigan, USA	F	8.	USD	200,000	100.00
13.	Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	F	32.	DEM	1,750,000	100.00
14.	C.T.I. Europe N.V., Brussels, Belgium	F	18.,43.	BEF	0	100.00
15.	Chiam Technologies Inc., Cleveland, Ohio, USA	F	68.	USD	39,216	100.00
16.	Construcciones Didier S.A., Madrid, Spain	F	32.	ESP	30,000,000	100.00
17.	Construcciones Refractarios RECSA S.A., Santiago, Chile	F	49.,53.	CLP	720,590,675	100.00
18.	Corrosion I.P. Corporation, Reno, Nevada, USA	F	47.	USD	0	100.00
19.	Corrosion Technologies de México, S.A. de C. V., Monterrey, Mexico	F	60.,66.	MXN	456,861	99.00
20.	Corrosion Technology Chile S.A., Santiago, Chile	F	21.,43.	CLP	679,000	100.00
21.	Corrosion Technology International Inc., Wilmington, Delaware, USA	F	18.	USD	1,000	100.00
22.	Corrosion Technology International Services Company, Wilmington, Delaware, USA	F	18.	USD	0	100.00
23.	Corrosion Technology Peru, S.A., Lima, Peru	F	43.	PEN	28,327	100.00
24.	CTI Pacific Chusic Hosea, Seoul, Korea	F	43.	KRW	0	100.00
25.	CTI Pacific Pty. Ltd., St. Marrys, Australia	F	43.	AUD	0	100.00
26.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	F	32.	FRF	33,713,400	99.88
27.	Detrick Refractory Fibres Inc., Laurel, Mississippi, USA	F	8.	USD	390,000	100.00
28.	Didier Asia Sdn Bhd, Batang Kali, Malaysia	F	32.	MYR	7,500,003	100.00
29.	Didier Belgium N.V., Evergem, Belgium	F	39.	BEF	3,000,000	99.90
30.	Didier Corporation des Produits Réfractaires, Boucherville, Canada	F	106.	CAD	17,000,150	100.00
31.	Didier Refractarios S.A., Lugones, Spain	F	36.	ESP	200,000,000	100.00
32.	Didier-Werke AG, Wiesbaden, Germany	F	95.	DEM	122,000,000	89.89
33.	Dinaris GmbH, Wiesbaden, Germany	F	39.	EUR	500,000	100.00
34.	Dolomite Franchi S.p.A., Brescia, Italy	F	81.	ITL	11,501,443,800	60.00
35.	Duroplast Verbundbau GmbH, Wiesbaden, Germany	F	32.	EUR	613,550	100.00
36.	Dutch MAS B.V., Arnheim, Netherlands	F	32.	EUR	30,000	100.00
37.	Dutch SAPREF B.V., Arnheim, Netherlands	F	106.	NLG	55,093	100.00
38.	Full Line Supply Africa (PTY) Limited, Sandton, South Africa	F	95.	ZAR	100	100.00
39.	GEFRO GmbH, Wiesbaden, Germany	F	32.	DEM	1,850,000	100.00
40.	Gen-X Technologies Inc., Burlington, Ontario, Canada	F	3.	CAD	20	100.00
41.	GIX Foreign Sales Corp., St. Croix, US Virgin Islands	F	49.	USD	100	100.00
42.	GIX International GmbH, Hamburg, Germany	F	43.	DEM	50,000	100.00
43.	GIX International Limited, Wakefield, Great Britain	F	47.	GBP	4	100.00
44.	GIX Pty. Ltd., Perth, Australia	F	25.	AUS	3,353,325	100.00
45.	Global - GIX Canada, Inc., Quebec, Canada	F	49.	CAD	48,133,000	100.00
46.	Global Industrial Technologies Services Company, Wilmington, Delaware, USA	F	47.	USD	0	100.00
47.	Global Industrial Technologies, Inc., Wilmington, Delaware, USA	F	84.	USD	10	100.00
48.	Global Processing Systems, Inc., Wilmington, Delaware, USA	F	49.	USD	300	100.00
49.	GPX Corporate, Reno, Nevada, USA	F	47.	USD	1,300	100.00
50.	GPX Forge Inc., Wilmington, Delaware, USA	F	48.	USD	1,076,668	100.00
51.	GPX Forge U-Inc., Dallas, Texas, USA	F	50.	USD	100	100.00
52.	Harbison Walker B.V., Rijswijk, Netherlands	F	43.	NLG	8,472,050	100.00
53.	Harbison Walker International Refractories Inc., Wilmington, Delaware, USA	F	47.	USD	0	100.00
54.	Harbison Walker Refractarios S.A. de C.V., Ramos Arizpe, Mexico	F	49.,60.	MXN	141,906,190	99.00
55.	Harbison Walker Refractories Chilenos S.A., Santiago, Chile	F	43.,49.	CLP	0	100.00
56.	Harbison Walker Refractories Co., Wilmington, Delaware, USA	F	47.	USD	250	100.00
57.	Harbison-Walker Refractories Europe Inc., Wilmington, Delaware, USA	F	61.	USD	100	100.00
58.	Harbison-Walker Refractories GmbH, Aken, Germany	F	52.	DEM	15,000,000	100.00
59.	Harbison-Walker Refractories Ltd., Merreyside, Great Britain	F	8.	GBP	405,000	100.00
60.	INDRESCO de México S.A. de C.V., Naucalpande, Mexico	F	49.,54.	MXN	50,000	100.00
61.	INDRESCO International, Ltd., Wilmington, Delaware, USA	F	56.	USD	0	100.00
62.	INDRESCO Jeffrey Industria e Comercio Ltda., Sao Paulo, Brazil	F	56.	BRL	0	100.00
63.	INDRESCO U.K. Ltd., Wakefield, Great Britain	F	43.	GBP	3,000,002	100.00
64.	InterTec Company, Cincinnati, Ohio, USA	F	73.	USD	998,000	100.00
65.	INTOGREEN Co., Mexico, Missouri, USA	F	10.	USD	964,523	51.00
66.	INTOOL de México S.A. de C.V., Naucalpande, Mexico	F	60.	MXN	50,000	99.00

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

		Type of consolidation	Parent	Currency	Nominal capital in local currency	Investment in group companies %
67.	I-Tec Holding Corp. Company, Cleveland, Ohio, USA	F	73.	USD	500	100.00
68.	Lanxide Thermo Composites Inc., Newark, Delaware, USA	F	11.	USD	90	100.00
69.	Liptak Bradley Limited, Merreyside, Great Britain	F	59.	GBP	200,000	100.00
70.	Magnesit Anonim Sirketi, Istanbul, Turkey	F	36.	TRL	1,423,400,000,000	100.00
71.	NAR Export Sales Ltd., St. Michael, Barbados	F	73.	USD	1,000	100.00
72.	Narco S. E. M. Inc., Quebec, Canada	F	108.	CAD	1	100.00
73.	North American Refractories Co., Cleveland, Ohio, USA	F	86.,106.	USD	20,158,122	100.00
74.	Oy Tulenkestävät Tiilet AB, Helsinki, Finland	F	93.	FIM	30,000	100.00
75.	P.T. AP Green, West Java, Indonesia	F	8.,11.	IDR	2,000,000	100.00
76.	Polymer Pipe Technology, Inc., Wilmington, Delaware, USA	F	49.	USD	0	100.00
77.	Radex West GmbH, Urmitz, Germany	F	86.,95.	DEM	23,000,000	100.00
78.	REFEL S.p.A., San Vito al Tagliamento, Italy	F	32.	ITL	9,851,000,000	100.00
79.	Refmex, S.R.L. de C.V., Monterrey, Mexico	F	53.,60.	MXN	28,202,541	100.00
80.	Refractarios Green, S.R.L. de CV., Tlalnepantla, Mexico	F	53.,60.	MXN	645,000	99.38
81.	Refrattari Italiana S.p.A., Genova, Italy	F	95.	ITL	8,000,000,000	100.00
82.	RHI America Receivables Corporation, Wilmington, Delaware, USA	F	85.	USD	30	100.00
83.	RHI Finance ApS, Hellerup, Denmark	F	1.	EUR	93,000,000	100.00
84.	RHI Refractories Holding Company, Dover, Delaware, USA	F	106.	USD	30	100.00
85.	RHI Services, Inc., Dover, Delaware, USA	F	84.	USD	30	100.00
86.	SAPREF AG für feuerfestes Material, Basel, Switzerland	F	37.	CHF	4,000,000	100.00
87.	Thor Ceramics Ltd., Clydebank, Great Britain	F	32.	GBP	5,375,000	100.00
88.	TMPSC Inc., Wilmington, Delaware, USA	F	48.	USD	200	100.00
89.	TRI-STAR Refractories Inc., Cincinnati, Ohio, USA	F	73.	USD	2,955,111	94.14
90.	Veitsch-Radex-Didier-Australia Pty. Ltd., Pymble, Australia	F	102.	AUD	1,170,002	100.00
91.	Veitsch-Radex Didier Iberica S.L., Lugones, Spain	F	86.	ESP	5,000,000	100.00
92.	Veitsch-Radex Didier Italiana S.r.l., Brescia, Italy	F	86.	ITL	200,000,000	100.00
93.	Veitsch-Radex Didier Nord AB, Stockholm, Sweden	F	86.	SEK	1,000,000	100.00
94.	Veitsch-Radex Didier Réfractaires S.A., Breuillet, France	F	86.	FRF	4,600,000	100.00
95.	Veitsch-Radex GmbH, Vienna, Austria	F	1.	ATS	1,200,000,000	100.00
96.	Veitsch-Radex Liaoning Co Ltd., Bayuquan, Yingkou Liaoning, PR China	F	95.	CNY	180,000,000	60.00
97.	Veitsch-Radex Site Services Ltd., Cirencester, Great Britain	F	111.	GBP	10	100.00
98.	Veitsch-Radex Urmitz GmbH, Urmitz, Germany	F	1.,39.	DEM	4,800,000	100.00
99.	Veitsch-Radex-Didier Andino, C.A., Puerto Ordaz, Venezuela	F	106.	VEB	1,600,000,594	100.00
100.	Veitsch-Radex-Didier Asia Ltd., Hongkong, PR China	F	86.	HKD	1,000	100.00
101.	Veitsch-Radex-Didier Asia Pacific Ltd., Singapore	F	107.	SGD	300,000	100.00
102.	VRD Holdings (Australia) Pty. Ltd., Pymble, Australia	F	107.	AUD	2,570,000	100.00
103.	Veitsch-Radex-Didier México S.A. de C.V., Garza Garcia, Mexico	F	106.	MXN	50,001	100.00
104.	Veitsch-Radex-Didier Services B.V., Arnheim, Netherlands	F	95.	NLG	1,000,000	100.00
105.	VRD Africa Investment Holdings Proprietary Limited, Sandton, South Africa	F	32.	ZAR	215,705	100.00
106.	VRD Americas B.V., Arnheim, Netherlands	F	95.	NLG	75,001,000	100.00
107.	VRD Asia Pacific Feuerfestbeteiligungen GmbH, Vienna, Austria	F	1.	EUR	70,000	100.00
108.	VRD Canada Inc., Burlington, Ontario, Canada	F	30.	CAD	3,704,750	100.00
109.	VRD Engineering Proprietary Limited, Sandton, South Africa	F	105.	ZAR	10,000	100.00
110.	VRD-Glas GmbH, Wiesbaden, Germany	F	39.	EUR	500,000	100.00
111.	VRD-Spaeter GmbH Vertriebsgesellschaft für feuerfeste Erzeugnisse, Urmitz, Germany	F	77.	DEM	501,000	66.67
112.	VRSD-Thor Ltd., Cirencester, Great Britain	F	111.	GBP	10	100.00
113.	Zircoa Inc., Solon, Ohio, USA	F	73.	USD	1,000,500	100.00
114.	Didier (Zambia) Ltd., Kitwe, Zambia	N	32.	ZMK	200,000	80.00
115.	Dolomite Franchi GmbH, Hattingen, Germany	N	34.	DEM	50,000	100.00
116.	Dr.-Ing.-Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	N	32.	DEM	50,000	100.00
117.	Investment Log N.V., Curacao, Netherlands Antilles	N	1.,95.	USD	4,281,000	100.00
118.	Latino America Refractories ApS, Kopenhagen, Denmark	N	106.	EUR	20,000	100.00
119.	Magnesite International Bahamas Ltd., Nassau, Bahamas	N	95.	USD	105,000	100.00
120.	Radex Latinoamérica C.A., Caracas, Venezuela	N	106.	VEB	260,000	100.00
121.	Refractories Consulting & Engineering Gesellschaft m.b.H., Radenthein, Austria	N	95.	ATS	10,000,000	100.00
122.	Rheinische Chamotte und Dinas GmbH, Bonn-Bad Godesberg, Germany	N	32.	DEM	250,000	100.00
123.	Rheinischer Vulkan, Chamotte- und Dinaswerke mbH, Königswinter, Germany	N	32.	DEM	2,000,000	100.00
124.	Société Européenne des Procédés d'Application Anti-Corrosion SEPAAC, Maxeville, France	N	32.	FRF	1,000,000	100.00
125.	Veitsch-Radex-Didier Mercosul Ltda, Sao Paulo, Brazil	N	106.	BRL	500,000	99.50
126.	Veitsch-Radex-Didier Switzerland AG, Basel, Switzerland	N	32.	CHF	50,000	100.00
127.	Dolomite di Montignoso S.p.A., Genova, Italy	E	81.	ITL	1,430,000,000	28.56
128.	Empresa de Refractarios Columbianos S.A., Medellin, Colombia	E	11.	USD	500,000	49.00
129.	Lokalbahn Mixnitz-St.Erhard AG, Vienna, Austria	E	95.	ATS	1,643,000	100.00
130.	Materiales Industriales S.A., Medellin, Colombia	E	11.	USD	194,107,793	49.00
131.	Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia, Italy	E	81.	ITL	400,000,000	50.00
132.	Stopinc AG, Baar, Switzerland	E	32.	CHF	1,000,000	50.00
133.	Brickyard Development Partners LP, San Francisco, California, USA	I	73.	USD	0	25.00
134.	Treuhandgesellschaft Feuerfest mbH, Bonn, Germany	I	32.	DEM	50,000	32.00

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

Engineering division

	Type of consolidation	Parent	Currency	Nominal capital in local currency	Investment in group companies %
135. Bachmann Industries, Inc., Auburn, USA	F	145.	USD	100,000	100.00
136. Cimprogetti S.p.A., Bergamo, Italy	F	86.	ITL	2,000,000,000	100.00
137. Didier-M&P Energietechnik GmbH, Wiesbaden, Germany	F	32.	DEM	4,500,000	66.67
138. Didier-M&P Engineering Inc., Merrillville, Indiana, USA	F	137.	USD	200,000	100.00
139. DME do Brasil Ltda, Belo Horizonte, Brazil	F	137.	BRL	400,000	80.00
140. Hermann Rappold & Co. GmbH, Düren, Germany	F	32.	DEM	800,000	100.00
141. IPZ Industrieanlagen Peter Zeisel GmbH, Bochum, Germany	F	145.	DEM	100,000	100.00
142. Kaefer-RACO Engineering GmbH, Bremen, Germany	F	145.	EUR	300,000	100.00
143. MAERZ Ofenbau AG, Zurich, Switzerland	F	86.	CHF	1,000,000	100.00
144. Maerz-Gautschi Industrieofenanlagen GmbH, Düsseldorf, Germany	F	106.,145.	DEM	4,500,000	100.00
145. RHI Engineering GmbH, Wiesbaden, Germany	F	32.	DEM	600,000	100.00
146. Striko UK Ltd., Stone, Staffordshire, Great Britain	F	148.	GBP	100,000	90.00
147. StrikoDynarad Corporation, San Leandro, California, USA	F	148.	USD	500,000	100.00
148. Striko-Westofen GmbH, Wiesbaden, Germany	F	32.	DEM	1,000,000	58.00
149. Walter Brinkmann GmbH & Co KG, Werdohl - Kettling, Germany	F	144.,145.	DEM	12,482	100.00
150. ALPS Advanced Lime Processing Systems Limited Liability Comp., Knoxville, Tennessee, USA	N	136.	USD	39,900	70.00
151. Gautschi Wärmetechnik Gesellschaft mit beschränkter Haftung, Konstanz, Germany	N	144.	DEM	50,000	100.00
152. RHE IT-Service GmbH, Mainz-Kastel, Germany	N	145.	DEM	50,000	100.00
153. Striko Polska Sp.z.o.o., Czestochowa, Poland	N	148.	PLN	55,550	100.00
154. Telko s.r.l., Turin, Italy	N	136.	ITL	100,000,000	100.00
155. Marvo-Feuerungs- und Industriebau GmbH, Sindorf-Kerpen, Germany	I	145.	DEM	1,000,000	25.00

Insulating division

	Type of consolidation	Parent	Currency	Nominal capital in local currency	Investment in group companies %
156. Deutsche Heraklith GmbH, Simbach, Germany	F	1.,160.	DEM	9,500,000	100.00
157. Global B&C d.o.o., Ljubljana, Slovenia	F	162.	SIT	1,500,000	100.00
158. Heraklith Consulting & Engineering GmbH, Ferndorf, Austria	F	164.	EUR	40,000	100.00
159. Heraklith Hungaria Kft., Zalaegerszeg, Hungary	F	164.	HUF	100,000,000	100.00
160. Heraklith VerwaltungsgmbH, Simbach, Germany	F	164.	DEM	50,000	100.00
161. Ideal Baustoffwerke M. Reichenberger GmbH & Co KG, Frankenmarkt, Austria	F	164.	ATS	70,000	100.00
162. Ideal M. Reichenberger GmbH, Frankenmarkt, Austria	F	164.	ATS	500,000	100.00
163. Izomat a.s., Nova Bana, Slovakia	F	164.,166.	SKK	499,476,000	65.39
164. Austriaische Heraklith GmbH, Ferndorf, Austria	F	1.,95.	ATS	100,000,000	100.00
165. Termika d.d., Novi Marof, Croatia	F	162.,166.	HRK	51,473,618	
166. Termo d.d., Skofja Loka, Slovenia	F	157.	SIT	1,706,620,000	
167. Thüringer Dämmstoffwerke GmbH & Co KG, Bad Berka, Germany	F	160.	DEM	1,824,000	100.00
168. 1196071 Ontario Inc., Toronto, Canada	N	160.	CAD	750,230	50.00
169. C&G Verwaltungsgesellschaft mbH, Bad Berka, Germany	N	160.	DEM	50,000	100.00
170. Heraklith España S.L., Gijon, Spain	N	160.	ESP	500,000	100.00
171. Heraklith Nederland B.V., Bussum, Netherlands	N	160.	NLG	200,000	100.00
172. Heraklith Polska Sp.z.o.o., Sroda, Poland	N	164.	PLN	100,000	100.00
173. Izomat Bohemia S.r.o., Brno, Czech Republic	N	163.	CZK	100,000	100.00
174. Klimalit-Holwo-Leichtbauplatten Vertriebs GmbH, Berlin, Germany	N	156.	DEM	50,000	100.00
175. Termo HandelsgembH, Munich, Germany	N	166.	DEM	50,000	100.00
176. DCD Ideal spol. S.r.o., Dynin, Czech Republic	E	162.	CZK	180,000,000	50.00
177. Lipka spol. S.r.o., Pecky, Czech Republic	E	162.	CZK	102,000	50.00
178. Magnomin S.A., Athens, Greece	E	162.	GRD	234,671,000	49.00
179. Dijkolith B.V., Milsbeek, Netherlands	I	164.	NLG	50,000	50.00
180. Heraflax Forschungs- und Entwicklungsgesellschaft mbH, Knittelfeld, Austria	I	164.	ATS	1,500,000	33.33
181. Heraklith Belgium B.V., Brussels, Belgium	I	164.	BEF	1,251,000	33.33
182. Heraklith South Africa (Pty) Ltd., Johannesburg, South Africa	I	164.	ZAR	4,000	49.00

The following companies changed names:

Former company name	New company name
31. Didier Refractarios S.A., Lugones, Spain	RHI Refractories Espaãa S.A., Lugones, Spain
33. Dinaris GmbH, Wiesbaden, Germany	RHI Dinaris GmbH, Wiesbaden, Germany
87. Thor Ceramics Ltd., Clydebank, Great Britain	RHI Refractories UK Limited, Clydebank, Great Britain
92. Veitsch-Radex Didier Italiana S.r.l., Brescia, Italy	RHI Refractories Italiana s.r.l., Brescia, Italy
93. Veitsch-Radex Didier Nord AB, Stockholm, Sweden	RHI Refractories Nord AB, Stockholm, Sweden
96. Veitsch-Radex Liaoning Co Ltd., Bayuquan, Yingkou Liaoning, PR China	RHI Refractories Liaoning Co.Ltd, Bayuquan,Yingkou Liaoning, PR China
108. VRD Canada Inc., Burlington, Ontario, Canada	RHI Canada Inc., Burlington, Ontario, Canada
111. VRD-Spaeter GmbH Vertriebsgesellschaft für feuerfeste Erzeugnisse, Urmitz, Germany	RHI Refractories Spaeter GmbH, Urmitz, Germany
125. Veitsch-Radex-Didier Mercosul Ltda, São Paulo, Brazil	RHI Refractories Mercosul Ltda, São Paulo, Brazil

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

In the reporting period the **Board of Management** consited of:
Dr. Georg Obermeier, Vienna, Austria, Chairman
Dr. Andreas Meier, Niklasdorf, Austria
Jakob Mosser, Mödling, Austria
Roland Platzer, Wernberg, Austria

The **Supervisory Board** consited of:
Dr. Walter Ressler, Chairman, Villach, Austria
Dr. Friedrich Nemec, Vienna, Austria, Deputy Chairman
Maximilian Ardelt, Munich, Germany
Max Deitcher, Montreal, Canada
Dr. Erich Hampel, Vienna, Austria
Gerd Peskes, Düsseldorf, Germany
DDr. Erhard Schaschl, Vienna, Austria
Andreas Treichl, Vienna, Austria

Delegated by the works council:
Georg Eder, Ferndorf, Austria
Josef Horn, Trieben, Austria
Leopold Miedl, Vienna, Austria
Karl Prettner, Ebene Reichenau, Austria

Vienna, March 20, 2001

The Board of Management

Dr. Georg Obermeier

Dr. Andreas Meier | Jakob Mosser | Roland Platzer

Auditors' opinion

We have audited the consolidated financial statements and consolidated management report at December 31, 2000, 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, March 20, 2001

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

2000 in € million	Refractories	Engineering	Insulating	Water-proofing	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)[2]	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

1999 in € million						
External sales revenue	1,090.6	145.4	180.3	157.4	0.1	1,573.9
Internal sales revenue	13.2	0.3	4.9	0.4	(18.9)	0.0
Total sales revenue	1,103.8	145.7	185.2	157.8	(18.7)	1,573.9
Operating result (EBIT)[2]	39.4	7.4	9.7	4.0	(8.1)	52.4
EBIT margin	3.6%	5.1%	5.2%	2.5%		3.3%
EBITDA	84.8	9.0	23.9	8.9	(7.8)	118.8
Capital expenditure	53.2	5.0	15.5	3.9	0.7	78.2
Employees (annual average)	7,096	452	2,011	726	71	10,356

1 This column contains the respective totals of other activities, overheads and consolidation measures.
2 EBIT of divisions before settlement of group services

Report of RHI AG 2000

Management report and proposed allocation of accumulated profit

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 the group management report pursuant to § 267 (3) HGB together with § 251 (3) HGB was exercised.

Proposed allocation of accumulated profit

The 2000 financial year of RHI AG showed an accumulated profit of € 15,035,817.20, including profit carried forward from 1999 of € 58,154.44.

The Board of Management proposes to use this accumulated profit as follows:

Distribution of a dividend of € 0.73 per eligible share. As 19,771,639 shares are eligible for a dividend after subtracting the 148,400 ineligible treasury shares from the total common stock of 19,920,039 shares, this amounts to a total dividend payout of € 14,433,296.47. The remaining amount of € 602,520.73 is to be carried forward.

Allocation of accumulated profit (in €)	
2000 accumulated profit	15,035,817.20
Dividend	14,433,296.47
Carried forward to new account	602,520.73

Report of the Supervisory Board

The Supervisory Board of RHI AG, Vienna, held four meetings during the course of 2000. 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 2000 were audited and certified without qualification by Coopers & Lybrand INTER-TREUHAND GmbH, certified public accountants, auditors and tax consultants, duly appointed auditors at the 21st 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 March 20, 2001, 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, as well as their proposed allocation of accumulated profit and the management report for the year 2000 and approved these at its meeting on March 30, 2001. The financial statements of RHI AG for 2000 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 March 30, 2001, 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 2001.

The Supervisory Board agrees with the Board of Management's proposed allocation of accumulated profit for the year.

Vienna, March 30, 2001

Dr. Walter Ressler
Chairman

Balance sheet RHI AG 2000

in € 1,000	31.12.2000	31.12.1999
ASSETS		
Fixed assets		
Intangible assets	21,268.6	22,190.6
Property, plant and equipment	181.7	388.8
Financial assets	436,278.3	440,641.3
	457,728.6	**463,220.8**
Current assets		
Receivables and other assets	144,133.1	71,319.6
Cash and cash equivalents	2.4	177.0
	144,135.5	**71,496.6**
Prepaid expenses and deferred charges	**14.9**	**0.0**
	601,879.0	**534,717.3**
STOCKHOLDERS' EQUITY AND LIABILITIES		
Stockholders' equity		
Stockholders' equity	144,764.6	144,764.6
Additional paid-in capital	274,354.0	274,354.0
Reserves from retained earnings	124,616.4	33,987.9
Accumulated profit	15,035.8	8,866.2
	558,770.8	**461,972.6**
Untaxed reserves	**15.7**	**46.7**
Provisions		
Provisions for severance payments and pensions	6,946.4	15,121.2
Other provisions	4,157.5	3,775.0
	11,103.9	**18,896.2**
Payables		
Other Payables	31,988.6	53,802.0
	31,988.6	**53,802.0**
	601,879.0	**534,717.3**

Income statement RHI AG 2000

in € 1,000	2000	1999
Sales revenue	7.3	123.9
Other operating income	19,958.6	18,569.1
Cost of material and other production services	(3.1)	0.0
Personnel expenses	(5,695.6)	(6,363.6)
Depreciation and amortization	(20,986.8)	(1,165.2)
Other operating expenses	(7,542.6)	(22,595.9)
Operating result	**(14,262.2)**	**(11,431.7)**
Income from investments, thereof group companies € 121,466.8 T (1999: € 41,6 T)	121,466.8	41.6
Income from other securities and loans, thereof relating to group companies € 2,017.9 T (1999: € 1,910.0 T)	2,422.5	2,205.9
Other interest and similar income	250.2	670.6
Gains from the disposal of and write-up to financial assets and short-term securities	20,610.3	0.4
Expenses from financial assets and short-term securities	(24,443.6)	(32.0)
Interest and similar expenses, thereof relating to group companies € 460.7 T (1999: € 571.0 T)	(472.4)	(2,598.6)
Financial result	**119,833.8**	**288.1**
Result from ordinary activities	**105,571.6**	**(11,143.7)**
Extraordinary income	0.0	41,891.3
Costs of capital increase	0.0	(5,687.3)
Extraordinary result	**0.0**	**36,204.1**
Income taxes	3.6	(1.2)
Net income for the year	**105,575.2**	**25,059.1**
Reversal of untaxed reserves	33.5	57.1
Allocation to untaxed reserves	(2.5)	(0.7)
Allocation to reserves from retained earnings	(90,628.6)	(16,328.4)
Profit carried forward	58.2	79.0
Accumulated profit	**15,035.8**	**8,866.2**

Addresses

Headquarters

RHI AG
Mommsengasse 35
A-1040 Vienna

from summer 2001:
Wienerbergstraße 11
A-1100 Vienna
P.O. Box 143, A-1011 Vienna

Tel: +43/1/502 13-0
Fax: +43/1/502 13-6213
E-Mail: rhi@rhi-ag.com
www.rhi-ag.com

Refractories

Veitsch-Radex GmbH
Mommsengasse 35
A-1040 Vienna

from summer 2001:
Wienerbergstraße 11
A-1100 Vienna
P.O. Box 143, A-1011 Vienna

Tel: +43 / 1 / 502 13-0
Fax: +43 / 1 / 502 13-6213
E-Mail: rhi@rhi-ag.com
www.rhi-ag.com

Didier-Werke AG
Abraham-Lincoln-Str. 1
D-65189 Wiesbaden
Tel.: +49 / 611 / 7335-0
Fax: +49 / 611 / 7335-475
E-Mail: info@vrd-europa.com
www.rhi-ag.com

RHI Refractories America
600 Grant Street
USA-Pittsburgh, PA 15219
Tel.: +1 / 412 / 562 / 6200
Fax: +1 / 412 / 562 / 6421
www.vrd-americas.com

Engineering

RHI AG
Mommsengasse 35
A-1040 Vienna

from summer 2001:
Wienerbergstraße 11
A-1100 Vienna
P.O. Box 143, A-1011 Vienna

Tel: +43 / 1 / 502 13-0
Fax: +43 / 1 / 502 13-6213
E-Mail: engineering@rhi-ag.com
www.rhi-ag.com

Insulating

Österreichische Heraklith GmbH
Administration & sales
Industriestraße 18
A-9586 Fürnitz
Tel.: +43 / 4257 / 2241-170
Fax: +43 / 4257 / 2241-175
E-Mail: office@heraklith.at
www.heraklith.com