ANNUAL REPORT OF H&R WASAG AG FOR THE BUSINESS YEAR 2001

H&R WASAG AG

Organisational chart of the operating companies in the group

H&R WASAG AG
Group structure/Organisational chart

Chairman of the Board of Directors:
Dr. H. Hollstein

Directors:
Ms. M. E. Ostermann-Müller
Niels H. Hansen

ChemPharm

- H&R ChemPharm GmbH
  F. Geerdes ▪ Ostermann-Müller ▪ Büter
- H&R Chem.-Pharm. Spezial. GmbH
  F. Geerdes ▪ Ostermann-Müller ▪ Büter
- H&R LubeBlending GmbH
  F. Geerdes ▪ Ostermann-Müller ▪ Büter
- H&R LubeTech GmbH
  F. Geerdes ▪ Ostermann-Müller
- H&R EcoClean GmbH
  F. Geerdes ▪ Ostermann-Müller
- SRS Grundst.verw. GmbH & Co. KG
  F. Geerdes ▪ Ostermann-Müller
- Westfalen-Chemie GmbH & Co. KG
  F. Geerdes ▪ Dr. Koch
- SRS EcoTherm GmbH
  Büter ▪ Dr. Schulz ▪ Petrich

Plastics

- Gaudlitz GmbH
  Schilling ▪ Brückl

Explosives

- WASAGCHEMIE Sythen GmbH
  Dr. Hollstein ▪ Ostermann-Müller
- SYTHENGRUND Wasagchemie Grundstücksverwertung-gesellschaft Haltern mbH
  Dr. Hollstein ▪ Ostermann-Müller
- WANO Schwarzpulver GmbH
  N. H. Hansen ▪ Ostermann-Müller

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Key data

H&R WASAG AG Group

Figures in € '000	2001	2000*)	1999*)
Sales revenues	193,605	43,914	39,364
Earnings from normal operations	12,457	3,561	1,714
Net income / loss	12,071**)	3,248	1,688
Total assets	108,919	34,041	30,410
Equity	51,250	3,457	209
Liquid assets	3,298	4,429	6,105
Money owed to banks	130	290	2,343
Investments in tangible assets	10,872	6,138	1,846
Average number of employees	881	492	484

*) The consolidated Profit and Loss Statements of WASAG-CHEMIE AG for the business years 2000 and 1999 cannot be compared with the consolidated Profit and Loss Statements of H&R WASAG AG for the business year 2001 because the figures for 2000 and 1999 only relate to the former WASAG-CHEMIE AG Group.
The figures in DM '000 for the years 2000 and 1999 have been converted to € '000.

**) before consolidation balances (€ –3,542,000)

Report of the Supervisory Board

Dear shareholders,

in the Supervisory Board of H&R WASAG AG in the business year 2001 just ended, we focused intensively on the effects of the structural and economic changes in world markets on our company. We also concentrated our efforts on preparing for and, after the approval of the shareholders' meeting on 23.08.2001, on successfully integrating the Chemical/Pharmaceutical Raw Materials Division (H&R ChemPharm) with H&R WASAG AG. The merger of SRS GmbH (H&R Group) with WASAG-CHEMIE AG became effective with the registration of the new company in the companies register of Essen on 15.05.2002.

As the Supervisory Board we monitored the activities of the Board of Directors during the business year carefully and on a regular basis, lending our advice on matters concerning the future growth of the company as well as on important individual decisions.

We held a total of five meetings of the Supervisory Board during the 2001 business year.
In these meetings the Board of Directors reported to us on the financial state of the company, on important business events and fundamental questions of corporate policy and business planning. The Board's reports were debated in detail in the Supervisory Board's meetings, and the company's growth prospects and those of the separate divisions were discussed with the Board of Directors. To the extent that the Supervisory Board was required in law or in accordance with the company's articles to take decisions on individual transactions or decisions of the Board of Directors, we passed resolutions on these matters in our meetings. The Supervisory Board did not form any committees.

Between the dates of our meetings, the Board of Directors reported monthly in writing and in person on financial developments in the group and its subsidiaries and on major events. In addition, individual members of the Supervisory Board and in particular the Chairman of the Supervisory Board supported the Board of

Directors with their advice on various occasions and on various matters.

The company has made use of the option of combining the management report and the notes to the financial statements for the Group and for H&R WASAG AG.

The annual statement of accounts prepared by the Board of Directors for the business year 2001 together with the management report as well as the consolidated financial statements and the group management report have been audited by the chartered accountants, Susat & Partner OHG, Hamburg, who were appointed to audit the accounts. The auditors raised no objections and issued an unrestricted certificate of approval.

The documents to be audited and the auditors' reports were made available to each member of the Supervisory Board in good time. The auditors attended the accounts meeting held by the Supervisory Board on 12.06.2002 and gave detailed explanations of their audit reports and on the principal result of the audit. We also checked the aforementioned documents ourselves.

The Supervisory Board raised no objections once the final results of our inspection were known. It approved the annual statement of accounts for 2001 which is thereby adopted in accordance with § 172 AktG (stock corporation law).

Mr. Nils Hansen joined the Supervisory Board with effect from 23.08.2001 through a resolution passed by the shareholders' meeting and has taken the place of Mr. Horst Kruse who left the Board on 31.12.2000.

We would like to take this opportunity to thank the management, staff and staff representatives of all H&R WASAG companies for their commitment and their efforts.

Hamburg, June 2002

The Supervisory Board
Bernd Günther, Chairman

Board members

SUPERVISORY BOARD

	Primary occupation and other supervisory mandates
Bernd Günther Business Studies Chairman of the Supervisory Board	– Autania AG, Kelkheim, member – Göttinger Brauhaus AG, Göttingen, member – Westgrund AG, Remscheid, to 30.08.2001, member – Ravensberger Bau-Beteiligungen AG i.L., Berlin, chairman – Patrio Plus AG, Hamburg, chairman – Maschinenfabrik Heid AG, Stockerau, Austria, Chairman – Hamburger Getreidelagerhaus AG, Hamburg, Director
Eckbert von Bohlen und Halbach Master of Business Administration Deputy Chairman of the Supervisory Board	– Member of the Supervisory Board of Feierabend AG online services for senior citizens, Frankfurt/Main
Nils Hansen Business Studies	– Shareholder with personal liability of Hansen & Rosenthal KG
Günter Papenburg Business Studies	– Chairman of the Board of Directors of GP Papenburg AG, Schwarmstedt – Member of the Supervisory Board of AVA Allgemeine Handelsgesellschaft der Verbraucher AG, Bielefeld – Chairman of the Advisory Board of Readymix Beton Saale GmbH & Co. KG, Halle (Saale) – Member of the Advisory Board of Arena Hannover GmbH, Hannover – Member of the Advisory Board of eupa Asphalt-Mischwerke Gesellschaft für Baustoffe GmbH, Leipzig – Member of the Advisory Board of Helde Transportbeton GmbH & Co. KG, Soltau – Member of the Advisory Board of Mitteldeutsche Baustoff GmbH, Sennewitz – Member of the Advisory Board of Norddeutsche Landesbank Girozentrale, Hannover – Member of the Advisory Board of Steinbrüche GmbH & Co. KG, Vahlbruch – Member of the Advisory Board of Sindelfinger Asphalt-Mischwerk GmbH & Co. KG, Sindelfingen

EMPLOYEE REPRESENTATIVES

Dieter Obert Electrician	– Electrician, Coburg
Gerd Pohl Industrial Commerce	– Quality Assurance Manager of Gaudlitz GmbH, Coburg

BOARD OF DIRECTORS

Dr. Horst-Rüdiger Hollstein,
Jesteburg (Chairman)

Maria-Elisabeth Ostermann-Müller,
Lingen, from 02.04.2001

Niels H. Hansen,
Hamburg, from 02.04.2001

Dr. Lars Wiegmann,
Munich, to 02.04.2001

Dr. Hubert Bock,
Munich, to 02.04.2001

CHAIRMAN'S REPORT

Group management report and management report of H&R WASAG AG

Dear shareholders,

the merger of WASAG-CHEMIE AG, Essen, with the Schmierstoff-raffinerie Salzbergen GmbH, Salzbergen (H&R Group), to form H&R WASAG AG was sealed with the registration of the new company in the company registers of Lingen and Essen in May 2002 with retro-spective effect to 01.05.2001. While on an operational level, all the divisions have been successfully integrated for months, the merger has created a company which is characterized by its financial strength:

- As at the valuation date of 31.07.2001 H&R WASAG AG was valued at € 143.7 m (€ 7.60 per share) as a result of the merger ratios after the merger (01.05.2001).
- The company's equity has risen from € 3.5 m to € 51 m.
- The equity ratio in the group has risen from 10% to 47%.
- The company operates without any bank debts and shows a high cash flow at the same time as high investment activity.

The objectives of the merger for both companies therefore seem to be fully achievable:

- H&R WASAG AG has the necessary "critical mass" to enable it to make even bigger investments in its future.

- Besides its Precision Plastics Division, H&R WASAG AG now has a second, profitable leg: its Chemical Pharmaceutical Raw Materials Division (H&R Group). As a result H&R WASAG AG has the financial strength to consider reviving its Explosives Division. As the markets for explosives are extremely profitable, this is still the preferred strategy for the time being rather than giving up the division.

- H&R WASAG AG is once again able to pay a dividend. In the course of the merger the losses carried forward in the commercial balance sheet were repaid out of capital reserves. For the current business year 2002 a dividend will be paid to shareholders for the first time again. The intention is to add a loyalty bonus to the dividend for 2002 for our shareholders.

- The main objective of the board, to successively increase the value of H&R WASAG AG, has already been successfully embarked upon in the first year of the merger as the socalled "underlying profit trend" which was the basis for the valuation of the company at the time of the merger (01.05.2001) has risen from € 5 m to € 8.5 m.

The current results achieved in the first year of the merger must also be seen as pleasing: Group sales in 2001 came to € 193.6 m compared with proforma sales *) of € 173.7 m in the previous year. Group earnings from normal operations before income tax are € 12.1 m compared with proforma earnings of € 6.7 m in the previous year. This means that the original budget earnings of € 6.9 m were exceeded by more than 70%. This surplus was achieved primarily from operational business. Although the budget figure which by the way was used as the basis for valuing the company at the time of the merger, contained exceptional income of approx. € 1.9 m from the budgeted sale of the company's own power station in its Salzbergen location to RWE, it should be emphasised that this transaction has now been postponed until 01.01.2003 and therefore had no effect on earnings in 2001.

In the 2001 business year the company had to bear merger costs of € 0.6 m.

Of the group profits of € 12.1 m earned in 2001, € 3.5 m fall in the period before the merger, i.e. from 01.01.2001 to 30.04.2001, and € 8.5 m in the period from 01.05.2001 to 31.12.2001. From a tax point of view, the results of H&R WASAG group companies for the whole year – including the SRS companies (H&R Group) super-

*) Figures are shown as the proforma sales which would have occurred if the company had already been merged at this time.

seded by the merger – were set off against the loss carryforward of H&R WASAG. From the point of view of the commercial balance sheet, only the profit of € 8.5 m earned since the time of the merger is available in the consolidated balance sheet to pay off the loss carryforward. At the end of 2000 the loss made by the WASAG group in the commercial balance sheet was € 27.7 m. This loss carryforward has been repaid by setting off the profit for the period of € 8.5 m against it and by taking € 19.2 m from capital reserves.

At the AG level, a profit of € 13.8 m was earned all of which was used to cover the losses carried forward in the commercial balance sheet from 2000 amounting to € 20.6 m. The existing loss carryforward in the AG was also reduced to zero as at 31.12.2001 by taking the sum of € 6.8 m from capital reserves.

Every division in the group had positive cash flow. The investments made amounting to € 13 m (incl. replacements, retrofits and modernisations) were financed out of cash flow. There is no money owed to banks.

Sales and earnings growth of divisions and subsidiaries

H&R WASAG AG performed the function of a group management holding company in the reporting year and it took on important tasks in the process of integrating the group companies. The contributions made by the separate divisions and subsidiaries to the overall positive results are as follows:

The Chemical Pharmaceutical Raw Materials Division

H&R ChemPharm Group

The Chemical Pharmaceutical Raw Materials Division succeeded in increasing its sales from € 130 m in the previous year to € 149 m. The increase is mainly price-driven as there was a certain need to catch up on price adjustments on the finished product side due to the sharp rise in raw material prices in 2000 (long residues and vacuum gas oil), and in the end it proved possible to increase prices. As the existing production capacity was used to the full and there were limited opportunities to increase volumes, sales were shifted to segments of the market with higher added value. The share of total sales improved, e.g. for paraffins by 14% and for medicinal white oils even by 21%.

As a result of these measures it proved possible to increase contributions substantially over the previous year. Earnings before income tax grew from € 3.3 m in 2000 to € 10.7 m in 2001. This good result was achieved in spite of the fact that stocks had to be written down by € 2.7 m. The write-down became necessary after the price of crude oil and with it the price of the mineral oil base raw materials required fell in the last quarter of the business year under consideration and as at 31.12.2001 had nearly reached their lowest point for the year. Furthermore, part of the merger costs of € 0.6 m was allocated to the H&R ChemPharm Division. The integration of the H&R ChemPharm group into WASAG-CHEMIE AG also led to the release of personnel in the management area at H&R ChemPharm. This created the need to make provisions for compensation packages. Against this, results were improved by some exceptional items of income which meant that the total effect on earnings of exceptional events was reduced to € 1.1 m.

The H&R Chemical Pharmaceutical Special Products Refinery has been in the top category of comparable specialist refineries in the world since 1998. This is based on an international benchmark study which is conducted by Solomon, Houston/USA, at 2 year intervals. The results for 2000 were published in August 2001.

According to this study, the refinery has been able to maintain its position at the top.

Moreover, the service provider operation in the ChemPharm Division, H&R LubeBlending GmbH, is not only one of the biggest blending and filling operations in Europe but also occupies a leading position in the European market. A benchmark study conducted by PIMS, London, ranked H&R LubeBlending GmbH who count volume purchasers such as Aral AG among their customers, as the market leader.

There were an average of 362 people employed in the Chemical Pharmaceutical Raw Materials Division in 2001.

Plastics Division – GAUDLITZ Group

In the reporting year GAUDLITZ GmbH was merged with Oskar Gaudlitz Grundstücks GmbH and at the same time Oskar Gaudlitz Grundstücks GmbH changed its name to GAUDLITZ GmbH. This means that the former Oskar Gaudlitz Grundstücksgesellschaft is now acting as the operating company under the name GAUDLITZ GmbH.

GAUDLITZ GmbH succeeded in raising sales by a further 8.9 % in 2001 to € 34.1 m. The company has thus maintained its growth strategy unchanged and beaten the growth of the overall market (around 3.5% according to GKV) by a considerable margin. As in previous years, the increase in sales is primarily based on a growth in volumes as it was very difficult to impose price increases due to the competitive situation.

The biggest expansion in sales, in absolute and relative terms, occurred in the plastic parts area which grew by 9% over the previous year with sales of € 29.3 m, and accounted for 86% of all external sales. Sales of thermoplastic parts went up by around 11% while for thermoset parts they dropped by approx. 16% to nearly € 1.4 m. Mould construction grew by 3.3% to reach sales of € 4.8 m.

Looking at sales by customer group, the highest share of sales in 2001 went to the automotive supply industry with 46%. Gearbox casings represent the most important product in this area and they are manufactured in high quantities.

Medical engineering had a 19% share of sales while 15% went to customers in the electrical engineering field and 6% to measuring and control engineering.

Due to an expansion in shift working which was introduced on 01.10.2000 in conjunction with the economic situation, the growth in sales achieved was not sufficient to keep the existing technical and personnel resources fully employed, above all in the 4th quarter. In order to be able to achieve the best possible fit between resources and the order book in the future, a flexible working hours arrangement was introduced in November 2001 in collaboration with the works council.

The Plastics Division posted pre-tax earnings of € 5 m. These earnings are transferred directly to the mother company, H&R WASAG AG, on the basis of a profit and loss transfer agreement and dependency agreement.

Personnel expenditure rose by nearly 6% which was slower than the rate of growth for sales. This rise results on the one hand from increases in collective wage rates, the addition of a second Managing Director and from an increase of 26 in the average number of people employed which in turn is mainly due to the expansion of the shift-working system from 15 to 18 shifts per week, bringing the number to 395 employees. The advances made in productivity through increased automation were able to make up for the increase in collective wages. Overall we succeeded in lowering the personnel costs ratio from 43% to 42%, which documents the unusual depth to the company's value added chain.

Explosives Division

The Explosives Division comprises three operating companies: WASAGCHEMIE Sythen GmbH, SYTHENGRUND Wasagchemie Grundstücksverwertungsgesellschaft Haltern mbH and WANO Schwarzpulver GmbH. These companies developed in 2001 as follows:

WASAGCHEMIE Sythen GmbH

WASAGCHEMIE Sythen GmbH specializes mainly in the production of safety explosives and rock explosives for the mining industry. The business is based on an exclusive supply contract concluded on 01.01.2000 with Deutsche Steinkohle (DSK) which provisionally runs until the end of 2005. As the mining industry in Germany has been in decline for many years, business also fell in 2001 as expected. Whereas the volume of sales to DSK in 2000 was still at the level of 1,955 t, in 2001 it was only 1,580 t. Neither the as yet rudimentary rock explosive business nor the sale of special explosives such as powder concentrate and hexogen for the airbag business were able to fill the gap. The sales of detonators and measuring equipment made by Zünderwerke Ernst Brün (ZEB) were similarly affected by the decline.

Total sales of WASAGCHEMIE Sythen GmbH in 2001 were € 8 m following € 8.8 m in the previous year. Pre-tax earnings fell from € 1.1 m in 2000 to € 0.3 m. However, the previous year's earnings benefited from a final compensation settlement from the insurance company amounting to € 0.5 m.

In order to counteract the declining sales in the coal mining industry, measures were taken to further reduce fixed costs. Savings were made in the personnel area totalling € 0.2 m. The terms and conditions for insurance policies were also reduced by € 0.2 m. In the transport area, a change in the transportation strategy has created the basis for further major cost savings.

The company's liquidity improved in spite of the decline in earnings and an outflow of funds due to pension payments of € 0.9 m resulting from running commitments.

SYTHENGRUND Wasagchemie Grundstücksverwertungs GmbH

Earnings from normal operations at SYTHEN-GRUND increased slightly to € 0.43 m in the reporting year following € 0.4 m in the previous year. In contrast to WASAGCHEMIE Sythen, there is a profit and loss transfer agreement between SYTHENGRUND and H&R WASAG AG.

WANO Schwarzpulver GmbH

Sales at WANO Schwarzpulver GmbH fell by € 0.3 m to € 3.5 m in the reporting year. The reason is to be found in lower sales of black powder and fuse cords.

Domestic sales of black powder fell from 477 t in the previous year to 337 t in 2001. This fall in sales reflects declining demand, in particular in pyrotechnics. In contrast to its domestic business, the company succeeded in raising export sales from 195 t in 2000 to 250 t in 2001. An order for 200 t for South Africa had to be cancelled as no shipping company could be found to transport the goods.

The company posted earnings of € 83,000 in 2001. The previous year had seen a loss of € 160,000. The loss not covered by the company's equity reduced accordingly from € 134,000 in 2000 to € 51,000.

The company also had positive cash flow in 2001. Cash flow in accordance with VFA/SG amounting to € 86,000 in 2000, grew to € 303,000 in 2001.

An average of 120 people were employed in the Explosives Division in 2001.

Investment, Research and Development

As in the previous year, considerable efforts were made in 2001 to secure the successful growth of the H&R WASAG Group. € 13 m (incl. replacements, retrofits, modernisations) was spent on investments. This money went mainly to our core divisions, the Chemical Pharmaceutical Raw Materials Division and the Precision Plastics Division.

In the Chemical Pharmaceutical Raw Materials Division, the investments were primarily aimed at removing bottlenecks in capacity. The main limitations in volume were to be found in the high finishing area where products with higher added value are produced. A major part of the investment went towards expanding capacity in hydrogenation plants 1 and 2. Technical and medicinal white oils are produced in these production stages. The total investment volume (incl. replacements, retrofits, modernisations) in this division amounted to € 8 m.

€ 4.7 was invested in the Plastics Division in 2001. Most of this investment was made in technical equipment and new machines for the new production facilities at GAUDLITZ including a modern milling and erosion machine for making moulds, numerous new injection moulding machines, handling equipment and new computation software for determining the fill factor and deformation of plastic parts.

The investments were financed solely from H&R WASAG AG's own cash flow.

The group spent € 1.6 m on research and development in 2001. Of this € 850,000 went to the Chemical Pharmaceutical Raw Materials Division compared with € 550,000 in the previous year. The biggest research project in terms of its scope is a plan under development in the Chemical Pharmaceutical Division. This is essentially a project which was begun in 2001 and which will not be completed until 2003 at the earliest. The aim of the project is to set up the production of products on the basis of renewable raw materials (native oils) alongside the mineral oil base products.

Native products have qualities which fit well with market trends, e.g. better skin compatibility when used in cosmetic products and generally better environmental reliability. The total expenditure on the project is estimated at € 2.5 m.

The activities associated with the implementation of an integrated management system were continued. The conversion of the quality management system to meet IN EN ISO 9000:2000 and certification of the environmental management system to IN EN ISO 14001 will be completed by the end of the year.

The Plastics Division invested a total of € 680,000 in 2001 compared with € 613,000 in the previous year. The main aim of the development work was to process newly developed plastics suitable for replacing traditional materials (usually metals). The Explosives Division invested € 100,000 in new products which puts it at the same level as last year.

At GAUDLITZ the supervisory audits required for certification to QS 9000/ IN EN ISO 9001 and IN EN ISO 14001 (environmental audit) were completed successfully in 2001, thereby creating the basis for certification to TS 16949.

Risks/Risk management

H&R WASAG AG adopted the risk management system belonging to the former SRS GmbH (H&R Group) for all divisions and subsidiaries. The aim is to uncover, monitor and by taking the right steps control both strategic risks and risks associated with individual transactions.

In the **Chemical Pharmaceutical Raw Materials Division** the volatility in the price of oil represents a particular entrepreneurial challenge as it does for every company operating in the oil industry. By carefully selecting and limiting projects to those which promise an attractive return if the price of crude oil remains at a consistently high level over the long term, we ensure that we are still able to generate positive contributions even if revenues are significantly lower in the short term.

Considerable short-term fluctuations in input prices can trigger cash flow pressures. One important requirement in securing future growth therefore consists in ensuring that the equity base is sufficient. The merger with WASAG-CHEMIE AG has contributed significantly to achieving this goal. Having the cost structure of a medium-sized company as well as flexibility in production are further components in ensuring the long-term security of the company. Extensive steps have already been taken in the past with this goal in mind.

To compensate for the disadvantage of the location, a waste incineration power plant is currently under construction in collaboration with RWE Power AG which is to provide the special refinery, H&R Chemisch-Pharmazeutische Spezialitäten GmbH, with cheap power. At the same time the high degree of energy utilization contributes to the protection of the environment and to harbouring our natural resources. We have succeeded in securing the refuse volumes required by means of long-term supply contracts with the district of Emsland and RWE Umwelt AG. Attempts to prevent the construction of the waste incineration power plant by legal means failed, and in fact the approval issued by the Weser-Ems local government body in April 2001 was declared to be enforceable.

The plant will be commissioned in April 2004.
H&R LubeBlending GmbH is positioned as a service provider to the lubrication industry in the blending and filling of automotive and industrial lubricants. The biggest single customer is Aral AG who have their entire range of lubrication products produced by H&R LubeBlending in Salzbergen. Aral AG has now been sold to BP. It is currently not clear to what extent this service business will be continued under BP's management. If purely economic criteria are used to determine the future shape of the business, even more services would have to be shifted to H&R LubeBlending in Salzbergen. H&R LubeBlending is the cheapest supplier among the blending plants of Europe and also offers the best performance. These benefits have already led to other customers shifting their blending and filling activities to Salzbergen, albeit ones with smaller volumes such as Lubrizol, Houghton, Claas and other companies. Enquiries from major sellers of lubricants are currently being investigated.

In the **Plastics Division** (GAUDLITZ GmbH) the high share of total sales represented by the automotive supply business (46 %) has so far not proven to be a disadvantage. GAUDLITZ remains well positioned as an innovative, technologically leading company in a growing market for high quality moulds and precise, technical plastic components. To its customers GAUDLITZ has proven itself to be a reliable development partner over many decades. Well established contacts exist with all important customers which have been built up on a relationship of mutual trust. The active customer portfolio comprises more than 200 addresses.

The **Explosives Division** whose contribution to earnings plays a subordinate role in the H&R WASAG Group, is faced with some structural problems. The continued existence of WASAGCHEMIE Sythen is currently totally dependent on the exclusive long-term supply contract agreed with Deutsche Steinkohle. The prospect of extending the contract for an initial period of two years from the end of 2005 to the end of 2007 has indeed been raised. However, the road to reactivating the main market for industrial explosives, the stone/earth market, is blocked as WASAG turned over its infrastructure (local depots) to the competition at the beginning of the 90s, which means that there is no access to this market. For the time being the Board is pursuing a progressive strategy rather than divesting itself of the division as the margins in the explosives business are basically highly attractive. Negotiations are currently being held over restructuring the explosives business.

SYTHENGRUND Wasagchemie Grundstücksverwertungsgesellschaft Haltern mbH will not be affected by these alternative considerations. SYTHENGRUND is and remains a strategic asset for the H&R WASAG Group. Here preparations are continuing to enable the company to start mining quartz sand and refining it on WASAG's land from around 2007. Negotiations with the local government authorities of Münster to include this intention in the new area development plan for the Sythen/Haltern area which is currently taking shape, have so far gone well.

WANO Schwarzpulver GmbH is increasingly struggling with transport logistics problems as far as its overseas business in some continents is concerned. Some ports and shipping companies are defining maximum quantities of explosives which can be handled and shipped per despatch. These restrictions can drive the transport costs so high that the business on which they are based can no longer be completed profitably.

Future developments

The Chemical Pharmaceutical Division has been running at maximum capacity since the start of 2002 just as it did in the previous year. This division has not been affected by the downturn in the overall economy. However, the budget figures for 2002 have become more susceptible to variances in both directions due to the increased volatility in crude oil prices.

The investments intended for this year in the Chemical Pharmaceutical Raw Materials Division are running to budget. On May 24, 2002 the first spade cut the turf to mark the start of construction of a waste incineration power plant at the Salzbergen refinery location. This is a joint project between H&R WASAG AG and RWE Power AG and it carries an investment volume of € 50 m. The two companies have formed SRS EcoTherm GmbH for this purpose in whom H&R WASAG AG has a 10% stake and RWE Power AG a 90% stake. The plant is to go into operation at the beginning of 2004. As a result of this measure, the power costs for our special refinery in Salzbergen will be reduced by approx. € 2 m a year from April 2004.

A further important investment in the Chemical Pharmaceutical Raw Materials Division is the expansion of its precision distillation business. The plan is to double the existing precision distillation capacity which at present represents the biggest bottleneck factor in the special refinery. This step will further increase the company's market leadership in the field of printing ink oils. At the same time it will give the company access to the growth markets for ISO paraffins and n-paraffins. The new plant will probably go into service in November 2002. This investment is expected to strengthen underlying profit trend on a lasting basis.

The Plastics Division has not escaped unscathed from the poor economy since the beginning of the year. The growth of the company has slowed slightly and it will probably not be able to maintain the pace of earlier years with its average of 8%. Customers' purchase intervals have become shorter with the result that the order book has fallen slightly. By comparison with the industry average which has an order book of 6 – 7 weeks, GAUDLITZ is still well positioned with an order book of 16 – 18 weeks. There is increasing pressure on sales prices. So far the resulting loss of revenue has been offset by cost reductions. The wage increase forced through by IG-Metall can still be nullified by rationalisation measures in this fiscal year. In the long term, however, the collective wage agreement will affect the company's earning power as the automotive industry in particular will pass on the agreed increase to its own suppliers.

The Explosives Division will once again only make a minor contribution to the overall earnings of H&R WASAG AG in 2002, and it will therefore hardly have any effect. As this division is suffering from structural problems, they can only be solved with the aid of strategies which introduce major changes to the existing, no longer contemporary structures. In WASAGCHEMIE Sythen there is an imbalance between "productive" and "unproductive" employees and this results in costs. There is potential for making savings. So far it has not been possible to achieve a breakthrough as no agreement has been reached to date with the works council.

One major project to establish a new product line was blocked by the relevant authorities in Sythen. The product in question has the potential to explode in one of its production stages and can therefore only be produced in a location which is approved for the production of explosive materials. As the final product has no potential to explode approval was provisionally refused. Efforts to find a solution to the problem continue.

WANO Schwarzpulver GmbH, whose domestic sales in the first few months of the business year were also weak, has introduced short time working on a temporary basis. It was not possible to fully exploit the increased market opportunities in the export area in the first few months of 2002 as the difficulties in finding suitable transport overseas are still hindering the business. It is the company's intention to enter into a Joint Venture this year with a company in USA specializing in the distribution of black powder. The black powder is to be distributed under the well established brand name of "Elephant" in USA. The sales volume will be around

200 – 300 t per year. However, these steps will only have a limited effect on the earnings position of the whole group in 2002.

At the present time we are still confident that the budgeted earnings for 2002 will be achieved. The basic budget ("underlying profit trend") is € 8.5 m by comparison with € 6.9 m in the previous year. When the management target programs are included, the earnings target is € 11.2 m (previous year € 9.6 m). Exceptional effects resulting from volatile raw material costs, windfall profits and windfall losses cannot be budgeted for and have therefore not been included in budget targets.

Further information

The R. WILHELM LANDMANN FOUNDATION continued to support employees and pensioned employees of the H&R WASAG Group and their surviving dependants in cases of emergency.

The WASAG FOUNDATION FOR THE PROMOTION OF STUDIES supported students of the natural science faculties in conformance with its constitution.

Annual Statement of Accounts and Consolidated Statement of Accounts of H&R WASAG Aktiengesellschaft, Essen, for the business year 2001

H&R WASAG AG
Balance sheet as at December 31, 2001

Assets	Notes	31.12.2001 €	31.12.2000 € '000
Assets			
Fixed assets	1	10,913.02	12
Financial assets	1	75,465,834.41	12,125
		75,476,747.43	**12,137**
Working capital			
Other receivables and			
Other assets	3	14,236,835.23	5,044
Securities	4	1,531,809.89	1,082
Liquid assets	5	1,345,282.54	58
		17,113,927.66	**6,184**
		92,590,675.09	**18,321**

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.2001 €	1.12.2000 € '000
Shareholders' equity			
Subscribed capital	6a	48,357,986.13	31,087
Capital reserves	6b	15,190,398.64	0
Accumulated deficit		0.00	–20,558
		63,548,384.77	**10,529**
Accruals			
Accruals for pensions			
and similar obligations	8	5,827,439.00	5,992
Other accruals	8	3,069,064.22	990
		8,896,503.22	**6,982**
Accounts payable			
Bank loans and overdrafts	9	38,685.29	188
Other accounts payable	9	17,550,642.40	622
		17,589,327.69	**810**
Deferred income		2,556,459.41	0
		92,590,675.09	**18,321**

H&R WASAG AG
Profit and Loss Statement as at December 31, 2002

	Notes	31.12.2001 €	31.12.2000 € '000
Sales	12	3,464,434.62	0
Other operating income	13	815,265.49	486
Personnel expenses	15	–3,286,110.45	–1,486
Depreciation on tangible assets	16	–42,483.44	–1
Other operating expenses	17	–3,068,513.53	–670
		–2,117,407.31	**–1,671**
income from participating interests	18	16,067,015.30	5,130
Write-down of financial assets and current securities		–1,184.42	–131
Interest income	19	–162,631.54	–60
		15,903,199.34	**4,939**
Net operating income (loss)		**13,785,792.03**	**3,268**
Taxes on income		–3,670.19	0
Other taxes	20	–6,270.22	–150
Net income / Net loss for the year		**13,775,851.62**	**3,118**
Losses brought forward from previous year		–20,557,609.87	–23,676
Withdrawals from capital reserves	6b	6,781,758.25	0
Accumulated deficit		**0.00**	**–20,558**

H&R WASAG AG – Group
Balance sheet as at December 31, 2001

Assets	Notes	31.12.2001 €	31.12.2000 € '000
Assets			
Intangible assets	1	22,329,537.15	1,164
Fixed assets	1	37,680,951.44	14,644
Financial assets	1	1,847,880.20	880
		61,858,368.79	**16,688**
Working capital			
Inventories	2	24,397,599.73	5,536
Trade receivables		12,514.469.18	4,404
Other receivables and			
Other assets	3	5,133,769.86	1,902
Securities	4	1,531,809.89	1,082
Liquid assets	5	3,298,286.98	4,429
		46,875,935.64	**17,353**
Prepaid expenses and			
deferred charges		184,632.03	0
		108,918,936.46	**34,041**

SHAREHOLDERS' EQUITY AND LIABILITIES

		31.12.2001	31.12.2000
		€	**€ ’000**
Shareholders' equity			
Subscribed capital	6a	48,357,986.13	31,087
Capital reserves	6b	2,823,049.77	0
Variance from first consolidation		68,467.42	48
Group accumulated deficit		0.00	–27,678
		51,249,503.32	**3,457**
Special account with reserve characteristics		**145,135.94**	**0**
Accruals			
Accruals for pensions and other obligations	8	26,896,144.64	20,973
Other accruals	8	12,532,425.50	3,871
		39,428,570.14	**24,844**
Accounts payable			
Bank loans and overdrafts	9	129,866.62	290
Trade accounts payable	9	8,551,593.28	2,550
Other accounts payable	9	6,092,168.30	2,900
		14,773,628.20	**5,740**
Deferred income		3,322,098.86	0
		108,918,936.46	**34,041**

H&R WASAG AG – Group
Profit and Loss Statement as at December 31, 2002

	Notes	31.12.2001 €	31.12.2000 € '000
Sales	12	193,604,706.66	43,914
Changes in finished goods and work in process		–844,412.17	260
Other own work capitalized		43,609.68	52
Other operating income	13	5,831,240.41	1,443
		198,635,144.58	**45,669**
Cost of materials	14	–112,869,213.80	–12,281
Personnel expenses	15	–39,484,641.82	–21,557
Depreciation on fixed intangible assets and tangible assets	16	–10,145,751.39	–2,868
Other operating expenses	17	–23,634,912.18	–5,485
		–186,134,519.19	**–42,191**
		12,500,625.39	**3,478**
Income from participating interests	18	–36,074.25	–12
Write-down of financial assets and current securities		–1,184.42	–81
Interest income	19	–6,041.62	176
Net operating income		**12,457,325.10**	**3,561**
Taxes on income		–23,918.98	–115
Other taxes	20	–362,765.36	–198
Net operating income after taxes		**12,070,640.76**	**3,248**
Consolidation balance	21	–3,542,020.56	0
Group net income / net loss for year		**8,528,620.20**	**3,248**
Losses brought forward from previous year		–27,677,727.32	–30,926
Withdrawals from capital reserves	6b	19,149,107.12	0
Group accumulated deficit		**0.00**	**–27,678**

Notes to the financial statements of H&R WASAG Aktiengesellschaft, Essen, for the business year 2001

GENERAL INFORMATION

Schmierstoffraffinerie Salzbergen GmbH (H&R Group) was merged with WASAG-CHEMIE AG (absorbing company) as a result of resolutions passed by the annual shareholders' meeting of WASAG-CHEMIE AG on August 23, 2001 and by the shareholders' meeting of SRS GmbH (H&R Group) on November 19, 2001. The merger was recorded in the Companies Register on May 15, 2002. The merger has already been reflected in the annual statement of accounts and consolidated statements of H&R WASAG AG in accordance with HFA 2/1997 (tax office) as all the necessary steps were taken before the balance sheet cutoff date and the merger had already been registered at the time when the balance sheet was drawn up. Accordingly the relationships between SRS GmbH (H&R Group) and its subsidiaries and WASAG-CHEMIE AG (name changed to H&R WASAG AG) are treated as relationships between affiliated companies, and all rights and obligations of SRS GmbH (H&R Group) are shown as the rights and obligations of H&R WASAG AG on the principle of universal succession.

In accordance with § 290 para.1 HGB (German Commercial Code), H&R WASAG AG is obliged to draw up and publish consolidated financial statements (§ 325 para. 3 HGB).

We are combining the notes on the single company financial statements for H&R WASAG AG with those for the consolidated financial statements. If details for the AG differ from those for the Group, they will be shown separately.

The annual financial statements of all the companies included in the consolidated statements have been drawn up in accordance with commercial regulations. The profit and loss accounts have been drawn up using the cost-summary method.

To make the picture more transparent, various items in the balance sheet and in the profit and loss account have been combined in accordance with § 265 para. 7 HGB.

Notes to the financial statements of H&R WASAG Aktiengesellschaft

Consolidated companies

Besides the subsidiaries requiring to be consolidated in the previous year, the following subsidiaries of the former SRS GmbH (H&R Group) have been included in the consolidated financial statements of H&R WASAG AG for the first time as a result of the merger of Schmierstoffraffinerie Salzbergen GmbH (SRS GmbH, H&R Group) with H&R WASAG AG:

- H&R Chemisch-Pharmazeutische Spezialitäten GmbH
- H&R LubeBlending GmbH
- H&R LubeTech GmbH
- SRS Grundstücksverwaltungs GmbH & Co. KG

H&R ChemPharm GmbH has also been consolidated for the first time.

Westfalen Chemie GmbH & Co. KG and J.P.S. Schmierstoffvertrieb GmbH have been shown for the first time in the reporting year as associated companies by the equity method. The participation in WASAG econ GmbH which was shown in the previous year as an associated company was sold in the reporting year.

The following companies were not consolidated as they were of subordinate importance:

- Westfalen Chemie Verwaltungsgesellschaft mbH
- WASAG Sprengsysteme GmbH (in the process of being incorporated)
- SRS Grundstücksverwaltungs-Beteiligungsgesellschaft mbH
- H&R EcoClean GmbH
- 3 shelf companies

It is not possible to compare the consolidated financial statements with those of the previous year as the companies included in the consolidation have changed.

Comparability with the previous year can be achieved by only taking the original consolidated companies into consideration for the reporting year.

As a major item on the assets side of the balance sheet, tangible assets grew from € 14,644,000 to € 16,865,000 in the reporting year, inventories from € 5,536,000 to € 6,023,000 and trade receivables rose from € 4,404,000 to € 4,787,000. On the liabilities side, accruals for taxes and Other accruals went up from € 3,871,000 to € 5,460,000 and trade accounts payable came down from € 2,550,000 to € 1,678,000.

Sales in the reporting year climbed from € 43,914,000 to € 45,429,000 depreciation in the reporting year amounted to € 2,725,000 against € 2,868,000 in the previous year, and the cost of materials rose from € 12,281,000 to € 13,624,000.

Consolidation methods

1. Cut-off date

The cut-off date for first-time consolidation in accordance with § 301 para. 2 HGB was taken as the date on which each subsidiary was acquired, and for companies being consolidated for the first time due to the merger, the merger cut-off date of 01.05.2001 was chosen.

The financial statements of the companies included in the consolidation have been drawn up as at 31.12.2001.

2. Uniform valuation

The assets and debts of consolidated companies shown in the consolidated financial statements have been uniformly valued and shown in the balance sheet in accordance with the principles described in IV.

3. Capital consolidation

Capital consolidation has been carried out by the book value method (§ 301para. 1 No. 1 HGB). Because of the increase in capital in accordance with § 24 UmwG (law governing company restructurings), the higher participation book value of H&R WASAG AG after the merger was used to value the consolidated SRS companies. As part of the first-time consolidation, goodwill (€ 22,154,000) and negative goodwill (€ 20,000) were created. The goodwill will be written off over 15 years. A proportional amount was written off this year. Associated companies in which H&R WASAG AG has a determining stake have been consolidated by the equity method (book value method) in accordance with § 312 para. 1 No. 1 HGB and shown as a separate item. The companies concerned are Westfalen Chemie GmbH & Co. KG (50 %) and J.P.S. Schmierstoffvertrieb GmbH (100 %), which have been included for the first time in the reporting year. The participation in WASAG econ GmbH which was shown in the previous year as an associated company was sold in the reporting year.

The associated companies are shown in the group balance sheet at their book values. Changes to equity affect the participation book value in the consolidated financial statements.

Using the equity method for the first time results in goodwill of € 411,000 in the case of Westfalen Chemie GmbH & Co. KG, and in negative goodwill of € 60,000 for J.P.S. Schmierstoffvertrieb GmbH.

4. Debt consolidation

In consolidating debts, the accounts receivable and accounts payable of the consolidated companies have been set off against each other. This did not result in any variances. It was decided not to set off accounts receivable and debts of individual group companies towards third parties (no so-called third party debt consolidation).

5. Expenses and income

The profit and loss statements of the individual companies have been fully consolidated; expenses and income within the group have been set off against each other. These consolidations relate in particular to income and expenses arising from profit and loss transfer agreements and customer relationships, group allocations and services, rental expenses and rental income as well as intercompany interest payments.

6. Elimination of intercompany profits

Intercompany profits in inventories have been eliminated.

7. Tax deferral

In view of the tax losses brought forward, no taxes have been deferred.

Accounting and valuation methods

1. Intangible assets

Acquired intangible assets are capitalized at the cost of acquisition and written off normally over the expected useful life by the straight line method of depreciation. Low value computer programs are written off in full in the year of acquisition and at the same time shown as retirements.

If a diminution in value is likely to be permanent, an unscheduled write-off is applied.

2. Tangible assets

Tangible assets are valued at the cost of acquisition or production less depreciation; in the process assets which form a uniform functional unit are combined to make one asset.

Tangible assets are written off in accordance with their probable useful life by the straight line and declining balance methods of depreciation. If a diminution in value is likely to be permanent unscheduled write-offs are applied.

The depreciation period for buildings and tank farms is mostly 25 years, for technical equipment and machines 10 years and for other systems, fixtures, furniture and office equipment 6 years.

Low value assets are written off in full in the year of acquisition and shown as retirements.

3. Financial assets

Shares in affiliated or associated companies and loans are valued at the cost of acquisition or at their attributable value if lower. Recognizable risks are accounted for by means of unscheduled write-offs.

4. Inventories

Inventories are always valued in accordance with the principle of the lower of cost or market, i.e. at the average cost of acquisition or production or at their stock market price, market price or attributable value by the retrograde method from the sales revenue on the balance sheet cut-off date, if lower. The production costs also contain a share of overheads including depreciation as well as directly attributable costs. The production costs are determined on the basis of a normal utilization factor of production capacity. In the case of raw materials and supplies, the cost of acquisition is defined as the average cost.

For raw materials and supplies, the lower stock market or market price is taken as the current replacement cost and for semi-finished and finished goods the lower attributable value is the cost of reproduction or the probable sales revenue less the costs still to be incurred before the sale and an average profit margin. A valuation adjustment is applied to warehouse materials. This adjustment takes into consideration all identifiable inventory risks.

5. Receivables and other assets

Receivables are valued at their nominal value or cash value depending on their term. Individual risks are reflected in write-downs. The general interest risk and risk of default are reflected in a general bad debt provision. Foreign exchange receivables and short-term securities are always valued at the rate of acquisition or at the rate on the balance sheet cut-off date, if lower.

6. Accruals for pensions and similar obligations

Pension accruals are determined using actuarial principles on the basis of the 1998 guideline tables by the part value method in accordance with § 6 a EStG with a calculated interest rate of 6%.

The new age limits set in 1999 on account of the pension reform law have been used for the calculation.

7. Tax accruals and other accruals

Accruals for taxes, contingent liabilities and anticipated losses on pending transactions as well as neglected maintenance expenditure from the previous fiscal year which has to be made up are valued at the probable level of availment.

Accruals for anniversary gifts are determined on the basis of the 1998 guidelines by the part value method.

8. Conversion of foreign currency amounts

The costs of acquiring assets out of foreign currency receipts are recorded at the rate on the day of reference at the time when the transaction occurs.

Foreign currency liabilities are valued at the offer rate at the time when they occur or at the rate on the cut-off date for the accounts, if higher.

US dollar accounts are converted at the rate on the cut-off date.

9. Deferred income

One private and one public subsidy are shown under deferred income which will be released on a time quota basis.

Shareholdings

	Eqity € '000	Participation ratio %	Earnings € '000
Consolidated subsidiaries			
H&R Chemisch-Pharmazeutische Spezialitäten GmbH, Salzbergen	25,988	100.00	EAV
GAUDLITZ GmbH, Coburg	4,502	100.00	EAV
SRS Grundstücksverwaltungs GmbH & Co. KG, Salzbergen	7,051	100.00	EAV
H&R LubeBlending GmbH, Salzbergen	1,927	100.00	EAV
H&R LubeTech GmbH, Salzbergen	25	100.00	EAV
H&R ChemPharm GmbH, Salzbergen	72	100.00	47
SYTHENGRUND Wasagchemie Grundstücksverwertungs-gesellschaft Haltern mbH, Haltern	26	98.00	EAV
GRA Grundstücks-Verwaltungsgesellschaft mbH, Hamburg	28	100.00	0
WANO Schwarzpulver GmbH, Liebenburg	–51	100.00	83
B.-H. Beteiligungs- und Handelsgesellschaft mbH, Essen	–35	100.00	–4
WASAGCHEMIE Sythen GmbH, Haltern	1,072	100.00	299
WANO entertainment GmbH, Liebenburg	–127	100.00	–57
Associated companies			
Westfalen Chemie GmbH & Co. KG, Salzbergen	–1,865	50.00	–1,117
J.P.S. Schmierstoffvertrieb GmbH, Salzbergen	425	100.00	10
non-consolidated companies			
H&R EcoClean GmbH, Salzbergen	1	100.00	–24
H&R Erste Kapitalverwaltungs GmbH, Salzbergen	25	100.00	0
H&R Zweite Kapitalverwaltungs GmbH, Salzbergen	25	100.00	0
H&R Dritte Kapitalverwaltungs GmbH, Salzbergen	25	100.00	0
Westfalen Chemie Verwaltungsgesellschaft mbH, Salzbergen	54	50.00	1
WASAG Sprengsysteme GmbH, Haltern, i. G.	–5	100.00	–29
WAFA Kunststofftechnik GmbH & Co. KG, Augsburg, i. L.	[1]	100.00	
WAFA Kunststofftechnik Verwaltungs GmbH, Augsburg, i. L.	[1]	100.00	
SRS Grundstücksverwaltungs-Beteiligungs GmbH, Salzbergen	27	100.00	0
Participations			
SRS EcoTherm GmbH, Salzbergen	3,336	10.00	–48

[1] No final accounts to 31.12.2001 are available for these companies.

Explanatory comments on the balance sheet

1. Fixed assets

The changes in individual items of fixed assets are shown separately in the fixed asset analyses for the Group and the AG.

In the course of the merger H&R WASAG AG exercised its option under § 24 UmwG and to avoid a merger loss or to improve its capital position, valued the participations transferred in the course of the merger at values above the book values held by the transferring company, SRS GmbH. The valuations were based on the proportional values used for the participations as part of the total value of SRS GmbH in the course of the merger of SRS GmbH with H&R WASAG AG.

H&R WASAG Aktiengesellschaft, Essen

Movement of fixed assets as at December 31, 2001

	Status on 01.01.2001	Addition from merger	Cost of acquisition or production Increase in acc. with § 24 UmwG	Additions	Retirements
I. Intangible assets					
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	2,290.59	1,408,935.05	0.00	4,796.85	1,413,731.90
II. Tangible assets					
1. Land, similar rights and buildings	9,216.55	0.00	0.00	0.00	0.00
2. Technical equipment and machinery	0.00	25,450.35	0.00	0.00	25,450.35
3. Other equipment, factory and office equipment	41,654.75	873,289.22	0.00	22,742.64	896,031.86
	50,871.30	**898,739.57**	**0.00**	**22,742.64**	**921,482.21**
III. Financial assets					
1. Shares in affiliated companies	37,972,999.73	35,407,505.28	25,667,723.25	8,241,198.42	6,406,022.89
2. Participating interests	25,000.00	219,474.78	0.00	210,653.11	25,000.00
3. Securities	0.00	511.29	0.00	0.00	511.29
4. Other loans	0.00	1,497,104.91	0.00	0.00	1,497,104.91
	37,997,999.73	**37,124,596.26**	**25,667,723.25**	**8,451,851.53**	**7,928,639.09**
Total fixed assets	**38,051,161.62**	**39,432,270.88**	**25,667,723.25**	**8,479,391.02**	**10,263,853.20**

Movement of consolidated fixed assets as at December 31, 2001

	Status on 01.01.2001	Cost of acquisition or production Change in consolidation companies	Additions Transfer = U	Retirements Transfer = U	Status on 31.12.2001
I. Intangible assets					
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	432,882.73	2,442,051.05	451,612.64	1,420,425.94	1,906,120.48
2. Goodwill	5,565,672.77	0.00	22,153,521.38	0.00	27,719,194.15
3. Prepayments	0.00	0.00	220,299.77	0.00	220,299.77
	5,998,555.50	**2,442,051.05**	**22,825,433.79**	**1,420,425.94**	**29,845,614.40**
II. Tangible assets					
1. Land, similar rights and and buildings including buildings on leasehold land			882.75 U		
2. Technical equipment and machinery	39,258,577.21	29,834,270.47	6,945,148.32 663,133.35 U	1,175,319.67	75,525,809.68
3. Other equipment, factory and office equipment	6,238,835.86	3,433,972.68	1,554,044.60	1,047,783.28	10,179,069.86
4. Prepayments and construction in progress	31,199.44	757,951.61	949,612.43	664,016.10 U	1,074,747.38
	63,997,767.31	**43,221,151.59**	**10,871,654.92** **664,016.10 U**	**2,248,137.71** **664,016.10 U**	**115,842,436.11**
III. Financial assets					
1. Shares in affiliated companies	23,060,594.98	52,638.09	75,000.00	25,000.00	23,163,233.07
2. Shares in associated companies	0.00	401,814.51	217.70	0.00	402,032.21
3. Participating interests	25,000.00	175,564.59	210,435.41	25,000.00	386,000.00
4. Securities	841,409.90	1,278.23	511.29	511.51	842,687.91
5. Other loans	0.00	1,599,719.74	50,279.01	1,536,998.13	113,000.62
	23,927,004.88	**2,231,015.16**	**336,443.41**	**1,587,509.64**	**24,906,953.81**
Total fixed assets	**93,923,327.69**	**47,894,217.80**	**34,033,532.12** **664,016.10 U**	**5,256,073.29** **664,016.10 U**	**170,595,004.32**

	Cumulative depreciation					Net book values	
Status on 31.12.2001	Status on 01.01.2001	Addition from merger	Additions	Retirements	Status on 31.12.2001	Status on 31.12.2001	Status on 31.12.2000
2,290.59	2,290.59	1,191,462.96	24,009.51	1,215,472.47	2,290.59	0.00	0.00
9,216.55	0.00	0.00	0.00	0.00	0.00	9,216.55	9,216.55
0.00	0.00	13,173.46	181.07	13,354.53	0.00	0.00	0.00
41,654.75	39,354.44	685,759.62	18,292.86	703,448.64	39,958.28	1,696.47	2,300.31
50,871.30	**39,354.44**	**698,933.08**	**18,473.93**	**716,803.17**	**39,958.28**	**10,913.02**	**11,516.86**
100,883,403.79	25,847,697.27	0.00	0.00	0.00	25,847,697.27	75,035,706.52	12,125,302.46
430,127.89	24,999.49	0.00	0.00	24,999.49	0.00	430,127.89	0.51
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
101,313,531.68	**25,872,696.76**	**0.00**	**0.00**	**24,999.49**	**25,847,697.27**	**75,465,834.41**	**12,125,302.97**
101,366,693.57	**25,914,341.79**	**1,890,396.04**	**42,483.44**	**1,957,275.13**	**25,889,946.14**	**75,476,747.43**	**12,136,819.83**

Cumulative depreciation					Net book values	
Status on 01.01.2001	Change in consolidation companies	Additions write-downs = A	Retirements write-ups = Z	Status on 31.12.2001	Status on 31.12.2001	Status on 31.12.2000
394,554.24	2,145,406.15	210,825.32	1,222,166.51	1,528,619.20	377,501.28	38,328.49
4,439,466.50	0.00	1,547,991.55	0.00	5,987,458.05	21,731,736.10	1,126,206.27
0.00	0.00	0.00	0.00	0.00	220,299.77	0.00
4,834,020.74	**2,145,406.15**	**1,758,816.87**	**1,222,166.51**	**7,516,077.25**	**22,329,537.15**	**1,164,534.76**
34,872,741.54	18,178,663.98	6,558,113.46	1,147,603.91	58,461,915.07	17,063,894.61	4,385,835.67
5,577,296.39	2,296,402.58	966,570.79	828,086.37	8,012,183.39	2,166,886.47	661,539.47
0.00	0.00	0.00	0.00	0.00	1,074,747.38	31,199.44
49,354,474.94	**22,396,126.15**	**8,386,934.52**	**1,976,050.94**	**78,161,484.67**	**37,680,951.44**	**14,643,292.37**
23,010,593.45	0.00	0.00	0.00	23,010,593.45	152,639.62	50,001.53
0.00	0.00	44,127.38 A	7,343.90 Z	36,783.48	365,248.73	0.00
24,999.49	0.00	0.00	24,999.49	0.00	386,000.00	0.51
11,696.68	0.00	0.00	0.00	11,696.68	830,991.23	829,713.22
0.00	0.00	0.00	0.00	0.00	113,000.62	0.00
23,047,289.62	**0.00**	**0.00**	**24,999.49**	**23,059,073.61**	**1,847,880.20**	**879,715.26**
		44,127.38 A	**7,343.90 Z**			
77,235,785.30	**24,541,532.30**	**10,145,751.39**	**3,223,216.94**	**108,736,635.53**	**61,858,368.79**	**16,687,542.39**
		44,127.38 A	**7,343.90 Z**			

2. Inventories

	31.12.2001 € '000	31.12.2000 € '000
H&R WASAG AG – Group		
Raw materials and supplies	6,539	2,389
Work in process	6,784	727
Finished goods and merchandise	11,075	2,420
	24,398	**5,536**

3. Other receivables and other assets

	31.12.2001 € '000	31.12.2000 € '000
H&R WASAG AG		
Receivables from affiliated companies	10,359	4,913
Receivables from companies in which the company has a participating interest	471	3
Other assets	2,747	128
	14,237	**5,044**

	31.12.2001 € '000	31.12.2000 € '000
H&R WASAG AG – Group		
Receivables from affiliated companies	55	36
Receivables from companies in which the company has a participating interest	513	3
Other assets	4,566	1,863
	5,134	**1,902**

The receivables from affiliated companies shown in H&R WASAG AG's accounts mainly relate to financial transactions with consolidated subsidiaries, administrative allocations and claims arising from the transfer of profits from Gaudlitz GmbH, SRS Grundstücksverwaltungs GmbH & Co. KG, H&R LubeBlending GmbH, SYTHEN-GRUND Wasagchemie Grund-stücksverwertungsges. Haltern mbH.

Of the Other assets, € 1,324,000 (previous year € 1,172,000) have a residual term of more than one year.

4. Securities

The short-term securities are shown by H&R WASAG AG and they relate to stocks and VU-Corent shares with Commerzbank AG.

5. Liquid assets

	31.12.2001 € '000	31.12.2000 € '000
H&R WASAG AG		
Cash in hand	0	0
Bank balances	1,345	58
	1,345	**58**
H&R WASAG AG – Group		
Cash in hand	14	26
Bank balances, checks	3,284	4,403
	3,298	**4,429**

6. Shareholders' equity

H&R Beteiligung GmbH, Hamburg, has stated in accordance with § 41 para. WpHG 2 that as at 01.04.2002 it is entitled to 34.95 % of the voting rights in H&R WASAG AG. Of these 18.5 % are to be attributed to it in accordance with § 22 para. 1 No. 6 WpHG. Furthermore Mr. Nils Hansen, Quickborn, has announced that as at 01.04.2002 he is entitled to 39.37 % of the voting rights in H&R WASAG AG. Of these 16.45 % are to be attributed to him in accordance with § 22 para. 1 No. 1 WpHG and 18.5 % in accordance with § 22 para. 1 No. 6 WpHG.

a) Subscribed capital

The subscribed capital corresponds to that shown at H&R WASAG AG. It is split into 18,916,000 ordinary bearer shares with a notional nominal value of approx. € 2.56 each.

The regular shareholders' meeting held on August 23, 2001 passed the following resolutions among others:

– The company's authorized share capital of M 60,800,000 – will be redivided into 12,160,000 shares with a nominal value of DM 5.– each. Ten shares with a nominal value of DM 5.– will replace one share with a nominal value of DM 50.–, twenty shares with a nominal value of DM 5.– will replace one share with a nominal value of DM 100.–, and 200 shares with a nominal value of von DM 5.– will replace one share with a nominal value of DM 1,000.–.

– The company's authorized share capital of DM 60,800,000 – will be redivided into 12,160,000 ordinary shares. One ordinary share will replace a share with a nominal value of DM 5.–.

– The company's authorized share capital of DM 60,800,000 will be converted into € at the conversion rate of DM (1.95583) as defined by the European Union Council in accordance with Article 109 I paragraph IV, 1 of the EC treaty. The authorized share capital is therefore € 31,086,546.38.

The regular shareholders' meeting held on August 23, 2001 also decided to increase the company's authorized share capital redivided into 12,160,000 ordinary shares and converted from DM 60,800,000 to € 31,086,546.38 by € 17,271,439.75 (DM 33,780,000) from € 31,086,546.38) to € 48,357,986.13 (DM 94,580,000.01) by issuing 6,756,000 new ordinary bearer shares with a notional nominal value of € 2.56 (rounded) each, in order to carry out the merger. The new shares will be given to the shareholders of Schmierstoffraffinerie Salzbergen GmbH in return for the transfer of Schmierstoffraffinerie Salzbergen GmbH's net assets in the course of the merger, at a ratio of 6,756,000 shares of WASAG-CHEMIE Aktiengesellschaft with a notional nominal rounded value of € 2.56 (DM 5.–) each to a calculated 150,000 shares of Schmierstoffraffinerie Salzbergen GmbH with a value of DM 100.– each (a calculated 45.04 shares with a notional nominal value of € 2.56 each (rounded) for one calculated share of DM 100.–). The new shares are entitled to a share of profits from the beginning of the fiscal year in which the merger takes effect.

The rights issue resolution and the performance of the rights issue were registered in the Companies Register at the Essen County Court on 03.04.2002.

The movement in the subscribed capital in the reporting year is shown below:

	€ '000
H&R WASAG AG – Group	
Status on 01.01.	31,087
Rights issue through merger	17,271
Status on 31.12.	**48,358**

Approved capital

According to § 4 para. 4 of the articles of incorporation in the version which was valid until November 22, 2001, the Board is entitled to increase the authorized share capital once or several times by up to DM 30,000,000 by issuing new bearer shares with a nominal value of DM 5 (approved capital) subject to the approval of the Supervisory Board before October 10, 2002.

According to § 4 para. 4 of the articles of incorporation in the version which is valid from November 22, 2001, the Board is entitled to increase the authorized share capital once or several times by up to € 15,000,000.00 against cash or contributions in kind by issuing new ordinary bearer shares (approved capital) with the approval of the Supervisory Board before July 30, 2006 and to decide on the conditions of the rights issue with the approval of the Supervisory Board. The shareholders must be given a stock option. However, the Board of Directors is entitled to remove peak amounts from the shareholders' stock option with the approval of the Supervisory Board.

The Board is also entitled to rule out the shareholders' stock option with the approval of the Supervisory Board if the rights issue against a contribution in kind is conducted for the purpose of acquiring companies or participating interests in companies, or if ruling out the stock option is required to give the owners of the company an option on still to be issued convertible bonds or loans or option notes to the same degree that they would have been entitled to after exercising the option or conversion right. The Supervisory Board is entitled to redraft § 4 para. 4 of the articles of incorporation after the rights issue has been partially or wholly conducted or after the entitlement deadline expires. The Board of Directors made no use of the existing entitlement in 2001.

b) Capital reserves

	2001
	€ '000
H&R WASAG AG	
Status on 01.01.	0
Addition from merger	
(premium in accordance with § 272 para. 2 No. 1 HGB)	21,972
Withdrawals	–6,782
Status on 31.12.	**15,190**

Because of the capital reserves in accordance with § 272 para. 2 No. 1 HGB it is not necessary to create a statutory reserve (§ 150 para. 2 AktG).

	2001
	€ '000
H&R WASAG AG – Group	
Status on 01.01.	0
Addition from merger	21,972
Withdrawals	–19,149
Status on 31.12.	**2,823**

c) Differential amount from first-time consolidation

Negative goodwill of € 20,000 was created in the course of the first-time consolidation of the subsidiaries of the former SRS GmbH which joined the list of consolidated companies as a result of the merger of SRS GmbH at the time of the acquisition on May 1, 2001.

d) Net earnings / loss in balance sheet

The accumulated deficit of H&R WASAG AG is made up as follows:

	€ '000
H&R WASAG AG	
Loss brought forward	–20,558
Net income for year	13,776
Withdrawals from capital reserves	6,781
	0

Retained earnings in the group are made up as follows:

	€ '000
H&R WASAG AG – Group	
Group loss brought forward	–27,678
Group net income before utilization for capital consolidation	12,071
Utilization for capital consolidation	–3,542
Withdrawals from capital reserves	19,149
	0

7. Special account with reserve characteristics

This item relates solely to H&R Chemisch-Pharmazeutische Spezialitäten GmbH. This special item was formed in accordance with § 52 para. 16 EStG 1999 and results from the revaluation of stocks taking into account the requirement to reinstate original values (§ 280 HGB). They are released in each case at 1/5 of the amount originally booked.

8. Accruals

There are no deficits in accruals for pensions and similar obligations and anniversaries. The pension accruals are based on actuarial calculations on the basis of biometric calculations (guideline tables 1998 by Klaus Heubeck). For the purposes of the consolidated financial statements the opportunity was taken to spread the differential amount resulting from the use of the new guideline tables in instalments over four years.

The other accruals are made up as follows:

	31.12.2001 € '000	31.12.2000 € '000
H&R WASAG AG		
Tax accruals	1,239	281
Other accruals	1,830	709
	3,069	**990**
H&R WASAG AG – Group		
Tax accruals	1,257	501
Other accruals	11,276	3,370
	12,533	**3,871**

Other accruals reasonably reflect all identifiable risks. In H&R WASAG AG they relate mainly to bonus payments, severance payments and outstanding holidays and in the Group to bonus payments, severance payments, profit sharing, age-related part-time working hours, anniversaries, outstanding holidays, flexible working hours credit, accruals for anticipated losses and one pending court case.

9. Accounts payable

Accounts payable H&R WASAG AG

	residual term up to one year	residual term between one and five years	residual term of more than five years	total amount	of which through mortgage liens or similar rights secured
Verbindlichkeiten	€ '000	€ '000	€ '000	€ '000	€ '000
to banks	39	0	0	39	–
previous year € '000	(188)	(0)	(0)	(188)	–
Trade payables	300	0	0	300	–
previous year € '000	(1)	(0)	(0)	(1)	–
to affiliated companies	15,164	0	0	15,164	–
previous year € '000	(449)	(0)	(0)	(449)	–
to shareholders	0	0	0	0	–
previous year € '000	(0)	(0)	(0)	(0)	–
Others	2,087	0	0	2,087	–
previous year € '000	(172)	(0)	(0)	(172)	–
Total	17,589	0	0	17,589	–
Total previous year € '000	(810)	(0)	(0)	(810)	–

Accounts payable H&R WASAG AG Group

	residual term up to one year	residual term between one and five years	residual term of more than five years	total amount	of which through mortgage liens or similar rights secured
Accounts payable	€ '000	€ '000	€ '000	€ '000	€ '000
to banks	49	41	40	130	39
previous year € '000	(198)	(41)	(51)	(290)	–
Customers advances	181	0	0	181	–
previous year € '000	(479)	(0)	(0)	(479)	–
Trade payables	8,552	0	0	8,552	–
previous year € '000	(2,550)	(0)	(0)	(2,550)	–
to affiliated companies	451	0	0	451	–
previous year € '000	(66)	(0)	(0)	(66)	–
Others	5,460	0	0	5,460	–
previous year € '000	(2,355)	(0)	(0)	(2,355)	–
Total	14,693	41	40	14,774	39
Total previous year € '000	(5,648)	(41)	(51)	(5,740)	–

Other accounts payable contain:

	H&R WASAG AG	H&R WASAG AG – Group
Accounts payable		
	€ '000	€ '000
from taxes	1,266	1,701
(previous year)	(69)	(1,137)
as part of social security	20	955
(previous year)	(1)	(490)

10. Contingent liabilities

On the balance sheet date H&R WASAG AG had contingent liabilities from its joint liability for pensions amounting to € 6,080,000 (previous year: € 2,054,000), guarantees given to third parties amounting to € 2,071,000 (previous year: € 0), outstanding liability contributions € 1,187,000 (previous year: € 0), and other contingent liabilities of € 3,068,000 (previous year: € 107,000).

On the balance sheet date the H&R WASAG AG Group had contingent liabilities resulting from its joint liability for pensions amounting to € 1,473,000 (previous year: € 1,473,000), guarantees given to third parties amounting to € 2,071,000 (previous year: € 0), outstanding liability contributions € 1,187,000 (previous year: € 0), and other contingent liabilities of € 3,068,000 (previous year: € 107,000).

There are no further contingent liabilities as defined by § 251 HGB in conjunction with § 268 HGB.

11. Other financial obligations

Other financial obligations consist of a normal number of rental and leasing contracts for a business.

Explanatory comments on Profit and Loss Statement

12. Sales

Sales are distributed across the following divisions in the group:

	2001 € '000	2000 € '000
H&R WASAG AG – Group		
Chemical Pharmaceutical Raw Materials	148,105	0
Precision Plastics	34,083	31,263
Explosives	11,417	12,651
	193,605	**43,914**

Sales were mainly generated in the domestic market.

13. Other operating income

This item contains € 73,000 from the release of the special item with reserve characteristics.

14. Cost of materials

	2001 € '000	2000 € '000
H&R WASAG AG – Group		
Raw materials, supplies and merchandise	108,068	11,586
Purchased services	4,801	695
	112,869	**12,281**

15. Personnel expenses

	2001 € '000	2000 € '000
H&R WASAG AG		
Wages and salaries	2,572	1,137
Social security, pension and other benefits	714	349
(of which relating to pensions)	(522)	(339)
	3,286	**1,486**

	2001 € '000	2000 € '000
H&R WASAG AG – Group		
Wages and salaries	31,276	16,542
Social security, pension and other benefits	8,209	5,015
(of which relating to pensions)	(1,970)	(1,902)
	39,485	**21,557**

16. Amortization and depreciation in the H&R WASAG AG Group
Besides normal depreciation, this item relates to the depreciation on goodwill resulting from the capital consolidation in the individual companies.

17. Other operating expenses
Other operating expenses comprise mainly legal and consultancy costs, freight, third party repairs and maintenance costs, insurance premiums and third party supplies and services in the H&R WASAG Group.

18. Earnings from participating interests
In the course of the equity valuation of two associated companies, the Group incurred a loss of € 36,000 (previous year: € 12,000).

	2001 € '000	2000 € '000
H&R WASAG AG		
Income from profit and loss transfer agreements	15,852	4,844
Participating interests in affiliated companies	215	286
	16,067	**5,130**

Income from profit and loss transfer agreements comes from H&R Chemisch-Pharmazeutische Spezialitäten GmbH, Gaudlitz GmbH, H&R LubeBlending GmbH, H&R LubeTech GmbH and SYTHENGRUND Wasagchemie Grundstücksverwertungsges. Haltern mbH.

The income from participating interests in 2001 comes from SRS Grundstücksverwaltungs GmbH & Co. KG.

19. Interest income

	2001	2000
	€ '000	€ '000
H&R WASAG AG		
Other interest and similar income	381	134
(of which to affiliated companies)	(217)	(11)
Income from loans	4	0
Other interest and similar expenses	–548	–194
(of which to affiliated companies)	(–238)	(–110)
	–163	**–60**
H&R WASAG AG – Group		
Income from other long-term securities and loans	59	49
Other interest and similar income	282	221
(of which to affiliated companies)	(2)	(0)
Other interest and similar expenses	–346	–94
(of which to affiliated companies)	(–16)	(0)
	–6	**176**

20. Other taxes

Operating taxes are shown here. In the H&R WASAG AG Group these are mainly petroleum taxes, property taxes and energy taxes.

21. Consolidation balance

The share of earnings in 2001 of the SRS Group earned in the period before the consolidation cut-off date and included in the capital consolidation are shown here.

Other details

Employees (average for year)

	2001 Total	2000 Total
H&R WASAG AG		
Employees	3	1

	2001 Total	2000 Total
H&R WASAG AG – Group		
Manual workers	544	344
Employees	242	118
Employees on fixed-term contracts	44	0
Trainees	51	30
	881	**492**

Report on market segments

In accordance with § 297 para. 1 HGB there follows a report on the Group's operating segments. For this purpose the consolidated financial statements are derived from the divisions Chemical Pharmaceutical Raw Materials, Precision Plastics, Explosives and other activities, which are managed and monitored on an independent financial basis.

The Chemical Pharmaceutical Raw Materials segment comprises the following companies: H&R Chemisch-Pharmazeutische Spezialitäten GmbH, H&R LubeBlending GmbH, H&R ChemPharm GmbH, H&R LubeTech GmbH and SRS Grundstücksverwaltungs GmbH & Co. KG all of which are at the Salzbergen location. This covers all activities relating to the manufacture of chemical pharmaceutical products. The largest customer in this segment in 2001 was responsible for sales of € 83.2 m.

The Precision Plastics segment comprises the following company: GAUDLITZ GmbH in the Coburg location. This covers all activities relating to the manufacture of high-precision plastic parts and injection moulds The largest customer in this segment in 2001 was responsible for sales of € 8.7 m.

The report on Explosives covers the business of WASAGCHEMIE Sythen GmbH, WANO entertainment GmbH and WANO Schwarzpulver GmbH. This reflects the operations relating to all industrial explosives, ZEB's detonator and measurement engineering as well as black powder and fuses. The largest customer in this segment was responsible for sales of € 5.9 m.

Other activities mainly comprise rental activities in the Sythen and Kunigunde locations, but also the administration for the entire group in Salzbergen. For this purpose the activities of H&R WASAG AG, SYTHENGRUND Wasagchemie rundstücksverwertungsgesellschaft Haltern mbH, GRA Grundstücks-Verwaltungsgesellschaft mbH, B.-H. Beteiligungs-und Handelsgesellschaft mbH have been combined.

	Chem.-Pharm. Raw Materials		Precision-Plastics		Explosives		Other Activities		Consoli-dations		Total	
	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000
Sales	148,143	0	34,083	31,262	11,416	12,621	996	969	–1,033	–938	193,605	43,914
Amortization and Depreciation	5,850	0	2,193	2,276	355	412	177	180	1,571	0	10,146	2,868
Earnings from participating interests	0	0	0	0	0	0	15,852	4,843	–15,851	–4,843	1	0
Earnings from associated companies	0	0	0	0	0	0	–37	–12	0	0	–37	–12
Interest income	183	0	32	57	365	319	386	144	–684	–299	282	221
Interest expense	149	0	93	5	7	11	781	377	–684	–299	346	94
Net operating income	11,015	0	5,035	4,817	329	867	14,205	3,655	–18,127	–5,778	12,457	3,561
Segment assets (Total assets)	70,449	0	20,498	17,739	12,657	12,693	91,394	23,550	–86,079	–19,941	108,919	34,041
Investment in physical assets	6,115	0	4,567	5,670	156	435	34	33	0	0	10,872	6,138

The consolidation column in segment assets consists mainly of the consolidation of H&R WASAG AG's participation book values, the group goodwill resulting from the first-time consolidation of SRS GmbH and receivables and payables towards affiliated companies.

Statement of Cash Flows in accordance with DRS 2

			2001 € '000	2000 € '000	Variance € '000
1.		Results for period (including share of earnings of minority shareholders) before extraordinary items	12,071	5,467	6,604
2.	+/–	Write-offs / Write-ups of tangible assets	10,146	7,558	2,588
3.	+/–	Increase / decrease in long-term accruals	5	–40	45
4.	+/–	Other non-payment expenses/income	37	–562	599
	=	**Cash Flow in accordance with DVFA/SG (Sum of 1. to 4.)**	**22,259**	**12,424**	**9,835**
5.	+/–	Increase/decrease in **short-term** accruals	9	–4,916	4,925
6.	–/+	Profit /loss from retirement of fixed assets	–164	–190	26
7.	–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment and financing activities	5,248	–9,627	14,875
8.	+/–	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activities	–8,954	8,885	–17,839
9.	**=**	**Cash Flow from running operations (sum of 1. to 8.)**	**18,398**	**6,576**	**11,822**
10.		Contributions from the retirement of fixed assets	2,197	247	1,950
11.	–	Payments for investments in tangible assets	–10,872	–13,253	2,381
12.	–	Payments for investments in intangible assets	–671	–22	–649
13.	–	Payments for investments in financial assets	–215	–31	–184
14.	+	Contributions from departure of associated companies	0	25	–25
15.	**=**	**Cash Flow from investment activities (sum of 10. to 14.)**	**–9,561**	**–13,034**	**3,473**
16.	–	Payments to former shareholders of SRS-GmbH	–5,662	0	–5,662
17.	–	Payments for the repayment of loans and (financial) credits	–4,772	–2,054	–2,718
18.	**=**	**Cash Flow from financing activity (sum of 16. to 17.)**	**–10,434**	**–2,054**	**–8,380**
19.		**Changes in funds resulting from payments (sum of rows 9, 15, 18)**	**–1,597**	**–8,512**	**6,915**
20.	+/–	Changes in funds due to exchange rates, consolidated companies and valuation factors	0	2	–2
21.	+	Funds at the beginning of the period	4,895	13,406	–8,510
22.	**=**	**Funds at the end of the period (sum of 19. to 21.)**	**3,298**	**4,895**	**–1,597**

Emoluments paid to Supervisory Board and Board of Directors, Credits, Contingent liabilities

Total emoluments paid to the Board of Directors in the fiscal year 2001 amounted to € 747,000 (previous year € 828,000).

Former members of the Board and their surviving dependants received total payments of € 453,000 (previous year € 603,000); the pension accruals formed for this group of people came to € 3,423 (previous year € 3,511) as at December 31, 2001.

The Supervisory Board received € 46,000 (previous year € 46,000).

Essen, May 31, 2002

The Board of Directors

Dr. H. Hollstein M. E. Ostermann-Müller N. H. Hansen

Certificate of approval

After completing our audit, we are issuing the following certificate of approval for the annual statement of accounts and the consolidated financial statements as at December 31, 2001 as well as the combined management report of H&R WASAG Aktiengesellschaft, Essen:

Certificate of approval

We have audited the annual statement of accounts of H&R WASAG Aktiengesellschaft, Essen, including the company's bookkeeping, as well at its consolidated financial statements and its report on the situation of the company and the group for the fiscal year from January 1 to December 31, 2001. It is the responsibility of the company's legal representatives to draw up these documents in accordance with German commercial regulations. It is our duty to assess the annual statement of accounts including the bookkeeping and the consolidated financial statements prepared by the company as well as its report on the situation of the company and the group on the basis of the audit carried out by ourselves.

We conducted our audit of the annual statements and consolidated statements in accordance with § 317 HGB following the principles of proper auditing in Germany laid down by the Institute of Auditors (IDW). According to these principles the audit must be planned and conducted in such a way that it is sufficiently certain that mistakes and violations which seriously affect the portrayal of the assets, financial and earnings position of the company as communicated by the annual statements and consolidated financial statements following the principles of proper accounting and the report on the situation of the company and the group, will be detected. In defining the audit procedure, we take into consideration our knowledge of the company's business activities and the economic and legal environment in which it operates as well as expectations over possible mistakes. In the course of the audit, the effectiveness of the internal, accounts-related monitoring system as well as documentary evidence for the figures in the accounts, annual statements, consolidated statements and in the management report are mainly assessed on the basis of random checks. The audit comprises an assessment of the accounting and consolidation principles applied, the major judgements made by the company's legal representatives as well as an appraisal of the overall presentation of the annual statements and consolidated statements and the company and group management report. We believe that our audit represents a sufficiently safe foundation for our assessment.

Our audit has not led to any objections.

It is our conviction that the annual statement of accounts and the annual statements and consolidated financial statements following the principles of proper bookkeeping, give a picture of the assets, finance and earnings position of the company and the group which corresponds to the actual circumstances. The management report on the company and the group gives an overall accurate portrayal of the situation of the company and the group and presents the risks to future growth correctly.

Hamburg, June 12, 2002

Susat & Partner oHG
Auditors

Dr. Roser	Bischoff
Auditor	Auditor

H&R WASAG AG

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