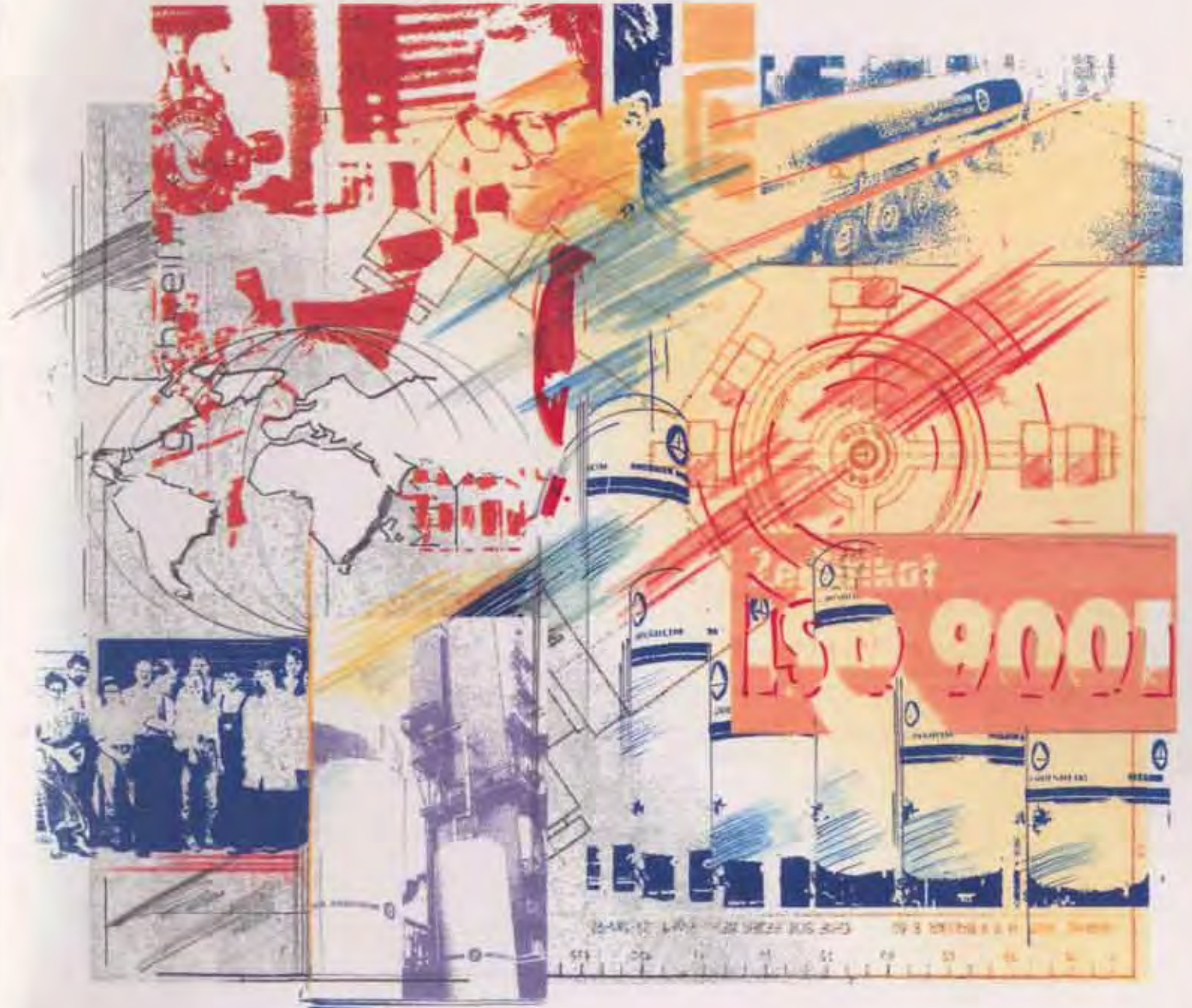


Annual Report 1993



At a Glance

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Messer Griesheim GmbH
– a member of the Hoechst Group

The pulp used to produce the paper on which this annual report is printed was bleached by an environmentally friendly oxygen process.

Messer Griesheim Worldwide	DM million	1993	1992	1991	1990	1989
Sales		2 324	2 426	2 455	2 272	2 186
Cash flow		343	396	473	330	316
Capital expenditure on fixed assets		477	494	458	286	207
thereof abroad		194	234	201	160	106
Personnel expenses		697	697	675	666	649
Number of employees, annual average		9 091	9 343	9 659	8 523	8 419

Messer Griesheim GmbH	DM million	1993	1992	1991	1990	1989
Sales		1 371	1 483	1 510	1 528	1 464
Cash flow		199	259	310	249	227
Subscribed capital		474	452	432	432	390
Stockholders' equity*		813	821	739	702	640
as % of balance sheet total		45	49	50	49	48
Net income for the year		15	75	90	95	95
Capital expenditure on fixed assets		227	181	181	126	101
Investments		105	127	222	29	116
Depreciation on fixed assets and investments**		143	173	201	162	109
Research and development expenses		58	68	73	80	78
Personnel expenses		395	441	433	465	449
Number of employees, annual average		4 418	4 682	4 754	5 241	5 212

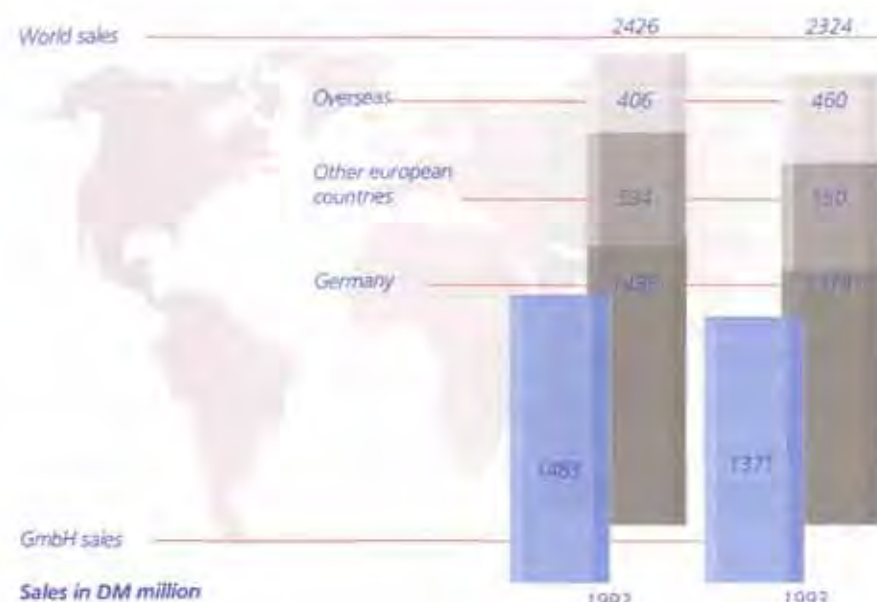
* incl. 50% special reserve items subject to future taxation

** incl. valuation adjustments permitted solely by virtue of provisions of tax law (special reserve items subject to future taxation)

All the world figures for 1993 stated in this annual report relate to Messer Griesheim GmbH together with its subsidiaries and associated companies. The annual accounts of Messer Griesheim GmbH and its eight largest subsidiaries are included in the consolidated financial statements of the holding company Hoechst AG.

Only Industrial Gases Achieve Growth in the International Markets

The expectations placed in the year under review were unfulfilled. In contrast to the growth achieved in previous years, world sales for 1993 (DM 2,324 million) were 4.2% down on the year before. Industrial gases accounted for the lion's share of business in the international markets.



The proportion of world sales attributable to industrial gases increased from 81 to 85%, thereby continuing the company's emphasis on its core business.

Trading results with industrial gases and welding and cutting products

were satisfactory in North America, Venezuela and South Africa. In eastern Central Europe, industrial gases business yielded pleasing results in those countries undergoing economic reconstruction. Progress was achieved, for example, by the subsidiaries in the Slovak and Czech Republics, in Hungary and Slovenia. While most of the subsidiaries and associated companies in western Europe were able to maintain sales at the previous year's level, the economic downturn in Germany had an adverse effect on business, especially with welding and cutting products.

GmbH Business in Recession

Messer Griesheim GmbH sales totalled DM 1,371 million, 7.6% down on 1992.

Our main field of activity – industrial gases – was hit by the recession in the steel, metalworking, automotive and automotive components industries. The slump in the engineering and chemical industries was the primary reason for the sluggish sales performance. However, the sales

losses incurred by industrial gases through the declining sales of customers in many branches of industry were merely offset by sales of gases for new applications.

The downturn in sales is largely due to losses in terms of welding and cutting products. Sales of welding and cutting systems across the board fell well short of our expectations. The economic and structural problems of customers in the metalworking industry and the decline of exports necessitated a new approach for this area of our activities.

At the end of the year, the Cutting Systems Business Unit moved to a modern plant in Groß-Umstadt on the outskirts of Frankfurt am Main. On 1.1.1994, along with all other welding and cutting product activities, this business unit became part of the new subsidiary Messer Griesheim Schweißtechnik GmbH + Co.

Balance Sheet Structure of Messer Griesheim GmbH

Despite the difficult trading conditions and the structural measures which were implemented in the year under review, Messer Griesheim GmbH achieved a positive result. The net income for the year decreased from DM 75 to DM 15 million, and the pretax profit fell from DM 141 to DM 19 million. The cash flow totalled DM 199 as against DM 259 million in the previous year.

The decline in the pretax profit and the cash flow was largely due to special expenses and provisions totalling DM 96 million for structural measures in respect of industrial gases, welding and cutting products and administration.

A number of measures relating to financial policy are reflected in the development of the balance sheet.

The stockholders' equity, which includes 50% of the special reserve items subject to future taxation, totalled DM 813 million, marginally below the previous year's figure (DM 821 million). The decline in the net income for the year was offset by a capital increase of DM 42 million by the stockholders and an increase in the special reserve items subject to future taxation. The continuation of the high level of investment in industrial gases business caused the fixed assets and investments to increase by 7 to 77% of the balance sheet total of DM 1,788 million (up DM 104 million). The reduction in inventories and receivables reduced the current assets by DM 95 to DM 404 million.

On account of the higher balance sheet total, the proportion of stockholders' equity fell from 48.8 to 45.5%. The stockholders' equity and long-term liabilities covered the fixed assets and investments and more than half of the inventories.

GmbH takes Steps to Increase Profitability

Cost-cutting measures implemented in the year under review have strengthened the value of the company:



The central administration in Frankfurt am Main was decentralized to a large extent to the operational business units; data processing and other central services are being run as service departments.

The company's management and its support staff are now located in the 'Corporate Office' in the Frankfurt Airport Center whose principal duties are concentrated on strategic functions as well as the control and monitoring of the company's international activities.

The central commercial and technical functions of the Industrial Gases Division have been brought together in Krefeld. In Germany, Messer Griesheim maintains close contacts with customers through sales, advisory and service support organized in five regions; sales activities have been broken down into Technical Gases, Specialty Gases and Technical Sales for the main groups of customers.

Further measures are aimed at improving the company's customer contacts and market presence. Customers were informed about new gas applications at the opening of the new industrial gas works in Siegen. In East Germany, industrial gas plants went on stream in Erfurt and Güstrow; a plant was built in Dresden, and an air separation plant is under construction to the south of Halle.

Customers will gain from the cost benefits and quality improvements we achieve. Four more German plants and product units have been awarded DIN/ISO 9001/9002 certificates. The company will continue its efforts to promote quality.

Measures taken in the different areas of activity are geared to success. The pipeline networks, which cover a total of more than 500 kilometres for supplying gaseous oxygen and nitrogen in the Rhine/Ruhr area, will be linked up; this will ensure reliable supplies to industrial bulk consumers. In the year under review, a modern air separation plant in Duisburg was completed which feeds air gases into the network; another plant went on stream in Dormagen in early 1994.

Business with Technical Gases is growing thanks to increased sales of oxygen for environmental applications; for the first time ever, sales of oxygen for environmental processes in West Germany outstripped sales of gases for welding and cutting. Increasing numbers of major gas consumers are being supplied with non-cryogenic production systems for oxygen or nitrogen; such systems do not work on the liquefaction principle of the air separation plants, but on the basis of diaphragm or Pressure Swing Adsorption (PSA) technology. The main areas of growth are recycling, safety engineering and waste air treatment. By way of this alternative method of gas supply, Messer Griesheim through cooperative arrangements with CarboTech-Anlagenbau in Germany and ACM Technologies in the USA offers users a technical and economic competitive edge.

In the Specialty Gases product segment, the most promising prospects of increased sales are with rare gases such as helium, xenon and krypton, as well as with high-purity gases for medical applications, for example. Product availability has been strengthened and quality standards raised in this respect. Messer Griesheim has broadened its delivery base in Europe through a long-term contract for the supply of liquid helium from a plant in Orenburg/Russia.

am Main, Peco Resistance Welding Technology in Munich and Steigerwald Strahltechnik in Puchheim near Munich also form part of Messer Griesheim Schweißtechnik GmbH + Co. as of 1.1.1994. On a financially sound footing, the company will exploit its opportunities with a customer-oriented product range and will underpin its success through cooperation with the other welding and cutting products companies within the Group in Europe and overseas.

Capital expenditure worldwide



GmbH Capital expenditure

Capital expenditure on fixed assets in DM million

The emphasis of Plant and Equipment activities is placed on high-purity gas supply systems, vessels and cryogenic equipment. The fabrication of large gas storage tanks and transport containers is being restructured and will be transferred to another location in the Frankfurt area in 1994.

As part of the restructuring of the Welding and Cutting Products Division mentioned above, the production of cutting systems was relocated in Groß-Umsstadt. The German sales organization for Polysoide orbital welding equipment is also based here. In addition, the Kristeler Strasse works (oxy-fuel technology and medical equipment) in Frankfurt

High Level of Investment Maintained

As a sign of confidence in the ability of the company and its staff to perform and compete effectively, Messer Griesheim made further substantial investments in 1993, notwithstanding the economic and structural crisis in Germany. Expenditure on tangible fixed assets totalled DM 477 million worldwide, only slightly below the previous year's record figure (DM 494 million). Germany accounted for 58%, the rest of Europe 16% and North America most of the balance. The investments in tangible fixed assets were spread over production and

distribution facilities for various industrial gases companies in Europe, North America and South Africa (see pages 6 to 9).

Messer Griesheim GmbH invested more in tangible fixed assets than in 1992. Expenditure increased from DM 181 to DM 227 million and was incurred primarily by the building projects in Germany referred to above, the extension of the Technical Centre in Krefeld, plant and equipment for cylinder treatment and for the safe disposal of residual gases in the Krefeld specialty gases works.

The financial investments of Messer Griesheim GmbH totalled DM 105 million (1992: DM 127 million) and mainly concerned capital increases in subsidiaries and associated companies in North America, the UK, the Netherlands, Croatia and Slovenia.

Customer-Oriented Research and Development

Expenditure on research and development at Messer Griesheim GmbH totalled DM 58 million in the year under review, corresponding to 4% of sales. The R&D effort targeted gas applications processes for environmental protection and improvements in filling and metering equipment for tankers. One of the innovative areas of Messer Griesheim research is the development of an identification system for compressed gas cylinders based on the use of microchip tags.

The core R&D activities are located in Germany. However, the subsidiaries in Belgium, France, the UK, Austria, South Africa and the USA also develop technical solutions. The results of this work are made available to customers in Europe and overseas through the Messer Griesheim companies in the individual countries.

Fewer Staff Worldwide

On average, 9,091 staff were employed within the Group in 1993 (1992: 9,343), including 4,429 in the international subsidiaries and associated companies (1992: 4,222).

Of the 4,662 staff in Germany (1992: 5,121), 4,418 were employed in Messer Griesheim GmbH (1992: 4,682). The decline is due to

Worldwide



GmbH

Number of employees

structural measures implemented in all areas of the company in order to adapt to market changes. Mindful of its social responsibility, the company agreed the reduction in the number of employees with the staff representatives in the context of a package of compensatory benefits and welfare arrangements. These included, for example, transfers, early retirement, severance payments and outplacement counseling. When the streamlining process is completed, the number of employees worldwide will fall below 9,000 in 1994. Messer Griesheim is promoting the further internationalization of the company through cross-border personnel management; staff development programs will be a central component of personnel management policy.

Geared to the Future

The investments and structural measures will enhance the competitive strength of Messer Griesheim in readiness for the economic recovery in Europe. The company plans to develop the home market within the European Union and the American market, as well as gas business in eastern Central Europe, Asia and the Pacific. An investment budget in

excess of DM 400 million is also earmarked for 1994.

The profit situation of Messer Griesheim GmbH will show a marked improvement in 1994 as a result of the cost-cutting measures.

Subsidiaries and Associated Companies

Holdings in Western Europe

In Germany Messer Griesheim acquired a 49% holding in CarboTech-Anlagenbau GmbH, Essen. This commitment gives the company additional know-how and a competitive edge in terms of the supply and installation of non-cryogenic gas production systems. As of 1.1.1993, MG Piesteritz, Wittenberg, was merged with the parent company following the acquisition of the remaining 49%. For the majority of the German industrial gases companies, trading results fulfilled expectations and surpassed the previous year's figures. As already reported, all activities associated with welding and cutting products were brought together as of 1.1.1994 in Messer Griesheim Schweisstechnik GmbH + Co. Oxytechnik was sold to a subsidiary of the Bremer Vulkan Verbund AG, and the holding in Eisenmann & Gissel Robotersysteme was disposed of.

The other western European subsidiaries and associated companies continued to expand their gases business with high levels of investment. An air separation plant went on stream at Carbuos Messer Griesheim in Tarragona/Spain, an air separation plant in Eggborough and an industrial gas works in Manchester at MG Gas Products (formerly Distillers MG) in the UK, an acetylene works in Moerdijk at Messer Griesheim Nederland as well as industrial gas works in Schwaz and Thalheim at Messer Griesheim Austria. In Austria, work will commence in 1994 on the construction of a specialty gas works. In Switzerland, the industrial gases activities of Schweisstechnik AG will be transferred to Sauerstoffwerk Lenzburg AG; the company's holding in Sauerstoffwerk Lenzburg will be increased in 1994. Schweisstechnik AG will continue to market the complete range of welding and cutting products. The industrial gases companies made further significant investments in storage tanks, gas cylinders and transport vehicles. A substantial investment budget is also provided for 1994.

All the industrial gas companies plan to further strengthen their distribution networks to provide customers with fast, allround delivery facilities. Increasing numbers of non-cryogenic production systems for Technical Gases are being installed on customers' sites. Efforts are being intensified in the areas of on-site training, demonstrations and cost efficiency calculations for new processes as well as safety information and quality measures. All the plants in the UK, for example, have already been awarded quality certificates; applications for certification are in the pipeline in other countries.

The welding and cutting products companies in Belgium, France, the UK and Switzerland were for the most part able to maintain their market shares despite difficult trading conditions.

Holdings in Eastern Central Europe

At an investment cost of DM 220 million, Messer Griesheim has formed or acquired a total of eleven subsidiaries and associated companies in Poland, the Czech and Slovak Republics, Hungary, Slovenia and Croatia since 1989, including two companies in Croatia in the course of 1993. Around 1,000 staff are employed in these countries, whose markets are characterized by difficult economic conditions marked by devaluations of the national currencies ranging from 10% (in the Czech Republic) to over 90% (in Croatia). Nevertheless all 11 companies increased sales and, for the most part, yielded profits.

In the Czech Republic, MG Odra Gas modernized an air separation plant and built an industrial gas works. In Slovakia, MG Tatragas brought several industrial gas plants up to western standards. Messer Griesheim Hungaria extended its gas products range to include carbon dioxide with two plants in Hungary. Industrial gas works were expanded in Poland and Slovenia. A large proportion of the investments in the six countries went on storage tanks, gas cylinders and transport vehicles; increased expenditure is planned in these areas. The companies' objective is to supply customers with gases technology to western European standards, supported by the know-how of the parent company.

Holdings Overseas

Another positive trading performance was achieved in the North American markets. A contributory factor were new gas capacities created through the construction or expansion of production facilities in Blytheville/Arkansas, Wake Forest/

North Carolina, Darlington/South Carolina, Lake Charles/Louisiana and Tijuana/Mexico on the southern Californian border. Plants are under construction in Norfolk/Nebraska and Mapleton/Illinois. MG Industries now operates more than 20 production facilities for air gases in the key industrial areas of the east and south of North America. Business with non-cryogenic systems for on-site gas production has established itself as a major contributor to earnings. The acquisition of American Cryogenic has opened up the carbon dioxide market to MG Industries in the eastern regions of the USA. As the largest subsidiary in the Messer Griesheim Group, MG Industries is aiming for growth in selected market segments with high-tech gas applications for medicine and environmental protection; the acquisition of Advanced Gas Techno-

recession. However, the company's entry into the industrial gases business is expected to provide good business prospects.

Despite high inflation, Messer Griesheim de Venezuela increased both profits and sales with special electrodes, welding and cutting equipment. The customers include companies in the metalworking industry throughout South America. The company works closely together within the Group with the companies in the USA, Canada and Mexico.

Positive trading results with industrial gases and welding and cutting products were also achieved in South Africa. Fedgas invested in storage tanks, steel cylinders and a non-cryogenic production system for oxygen: it is the first plant of its kind in South Africa.



39 of the 47 Messer Griesheim subsidiaries and associated companies are located in 15 European countries



In North America, Messer Griesheim is strengthening its network of distribution and production facilities

logy in Houston/Texas is intended to serve this objective. Business with welding and cutting products is also being expanded in America, particularly exports of, for example, cutting systems for steel fabricators in Asia.

In Mexico, sales of welding and cutting products were dampened by the

Overview of Subsidiaries and Associated Companies

□ = Indirect holdings

Domestic	I = Industrial Gases W = Welding and Cutting Products	Currency	Capital (x 1000)	Holding in %
Buse Gase GmbH & Co., Bad Hönningen	I	DEM	1 000	51
□ C. Franzel & Söhne KG, Vienna	I	ATS	2 400	51
CarboTech-Anlagenbau GmbH, Essen	I	DEM	3 300	49
Cryotec Tief- und Tieftemperatur-Technik GmbH, Pullach	I	DEM	100	50
Messer Griesheim Industriegase GmbH, Leipzig	I	DEM	100	100
Messer Griesheim Schweißtechnik GmbH + Co., Groß-Umstadt	W	DEM	500	100
Oxysaar Hüttensauerstoff GmbH, Völklingen	I	DEM	500	75
Sauerstoff- und Stickstoffrohrleitungsgesellschaft mbH, Krefeld	I	DEM	500	50
Technische Gase Hoesch Messer Griesheim GmbH & Co. KG, Dortmund	I	DEM	1 000	50
MGVG Messer Griesheim Versicherungsvermittlungsgesellschaft mbH, Frankfurt am Main		DEM	50	100

Europe

Belgium				
LOxhydrique Internationale S. A., Machelen/Brussels	IW	BEF	114 000	99
□ Messer Griesheim Belgium S. A., Machelen/Brussels	W	BEF	15 000	100
France				
Airgaz S. A., Saint-Denis/Paris	I	FRF	270 000	100
□ Société Industrielle de l'Anhydride Carbonique S. A., Saint-Denis/Paris	I	FRF	7 400	100
□ Soprogaz S. N. C., Beauvais	I	FRF	100	50
Polysoude S. A., Nantes	W	FRF	21 000	100
□ Messer Griesheim France S. A., Nantes	W	FRF	7 200	100
□ Soudures Nevax S. A., Rungis	IW	FRF	3 400	100
United Kingdom				
MG Gas Products Ltd., Reigate	I	GBP	31 000	100
□ Air Gas Production Ltd., Reigate	I	GBP	50	50
Messer Griesheim Ltd., Cramlington	W	GBP	400	100
Italy				
Messer Griesheim Italiana S. p. A., Milan	IW	ITL	1 000 000	98,1
Croatia				
MG Croatia Plin AG, Zaprešić	I	DEM	44 500	84,4
MG Tehnicki Plinovi AG, Kariska Iva	I	DEM	2 165	99,1
MG Tehnoplina AG, Kutina	I	DEM	5 817	99,7
Netherlands				
Messer Griesheim Nederland B.V., Amsterdam	IW	NLG	36 000	100

Europe

Europe	I = Industrial Gases W = Welding and Cutting Products	Currency	Capital (x 1000)	Holding in %
Austria				
Messer Griesheim Austria Ges. m. b. H., Gumpoldskirchen	IW	ATS	60 000	100
Poland				
MG Chorzów GmbH, Chorzów	I	PLZ	61 747 593	76
Switzerland				
Schweisstechnik AG, Dällikon	W	CHF	4 400	100
□ Sauerstoffwerk Lenzburg AG, Lenzburg	I	CHF	1 000	40
Slovakia				
MG Slovnaft GmbH, Bratislava	I	SKK	257 000	51
MG Tatragas GmbH, Bratislava	I	SKK	400 000	76
Slovenia				
MG Ruše GmbH, Ruše	I	SIT	1 942 716	91,2
Spain				
Airgas S. A., Tarragona	I	ESP	10 000	100
Carbueros Messer Griesheim Gases Industriales S. A., Tarragona	I	ESP	320 100	33,3
Czech Republic				
MG Odra Gas GmbH, Ostrava	I	CZK	520 200	49
MG Technogas GmbH, Prague	I	CZK	1 000	100
Hungary				
Messer Griesheim Hungaria GmbH, Budapest	I	HUF	1 811 930	97,5
MG Hungarogaz GmbH, Budapest	I	HUF	770 000	100

Overseas

Mexico				
Messer Griesheim de México S. A. de C.V., México D.F.	W	MXN	510	100
North America				
Messer Griesheim Industries, Inc., Malvern/Pennsylvania, USA	IW	USD	100 570	100
□ ACM Technologies, Inc., Independence/Ohio, USA	I	USD	900	33,3
□ Narox, Inc., Hopewell/Virginia, USA	I	USD	150	50
□ MG Industries of Canada Ltd., Toronto, Canada	I	CAD	985	100
□ Gases Industriales M.G.I. S. A. de C.V., Tijuana, Mexico	I	MXN	25	100
South Africa				
Fedgas (Pty.) Ltd., Alrode/Transvaal	IW	ZAR	20 000	100
Venezuela				
Messer Griesheim de Venezuela S. A., Caracas	W	VEB	16 500	100

Financial Statements of Messer Griesheim GmbH 1993

Balance Sheet

Assets	Notes	31.12.1993 DM'000	31.12.1992 DM'000
Intangible fixed assets		28.292	30.391
Tangible fixed assets		596.207	475.183
Investments		759.680	680.268
Fixed assets and investments	1	1.384.185	1.185.842
Inventories	2	122.399	151.647
Accounts receivable, trade	3	192.863	239.916
Other receivables and other assets	4	46.877	91.094
Receivables and other assets		239.740	331.010
Cheques, cash on hand, in the Deutsche Bundesbank and Postbank, and cash in banks		39.910	11.425
Prepaid expenses		1.724	4.291
Current assets		403.773	498.373
Total assets		1.787.958	1.684.215

Stockholders' Equity and Liabilities	Notes	31.12.1993 DM'000	31.12.1992 DM'000
Subscribed capital		474.000	432.000
Capital reserve		78.000	78.000
Revenue reserves		202.000	202.000
Net income for the year		15.000	75.000
Stockholders' equity	5	769.000	787.000
Special reserve items subject to future taxation	6	87.769	68.815
Provisions for pensions and similar obligations	7	198.456	191.339
Other provisions	8	183.330	104.406
Provisions		381.786	295.745
Corporate debt		365.625	318.623
Accounts payable, trade		62.596	47.230
Miscellaneous liabilities		91.782	138.302
Liabilities	9	520.003	504.155
Deferred income		29.400	28.500
Total stockholders' equity and liabilities		1.787.958	1.684.215

Statement of Income	Notes	1993 DM'000	1992 DM'000
Net sales	10	1.371.223	1.483.191
Cost of sales		-630.477	-737.213
Gross profit		740.746	745.978
Distribution/selling costs		-474.000	-452.430
Cost of research and development		-58.091	-67.651
General administration costs		-52.691	-63.415
Other operating income	11	+49.013	+40.028
Other operating expenses	11	-35.708	-32.413
Operating profit		169.269	180.097
Result from investments	12	-17.252	-19.305
Interest expense (balance)	13	-33.716	-20.093
Other financial results	14	-3.472	-
Profit from ordinary activities		114.829	140.699
Extraordinary result	15	-96.300	-
Pretax profit		18.529	140.699
Taxes on income	16	-3.529	-65.699
Net income for the year		15.000	75.000

Auditors' Report

According to our audit, performed in conformity with our professional duties, the accounting records and the annual financial statements comply with German legal requirements. The annual financial statements present a true and fair view of the net worth, as well as the financial and earnings position of Messer Griesheim GmbH in accordance with the generally accepted German accounting principles. The management report is in agreement with the annual financial statements.

Frankfurt am Main, February 4, 1994

C & L TREUHAND-VEREINIGUNG
DEUTSCHE REVISION
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Seif Lust
Wirtschaftsprüfer Wirtschaftsprüfer

Notes to the Financial Statements

General Remarks

To the extent that items of the balance sheet and the statement of income have been summarized for the purpose of greater clarity they are explained below.

Messer Griesheim GmbH is not required to present group accounts and a group management report as Messer Griesheim GmbH is consolidated in the group accounts of Hoechst AG, Frankfurt am Main. The group accounts of Hoechst AG are published and filed with the Commercial Register (Handelsregister) in Frankfurt am Main; they are announced in the Federal Gazette (Bundesanzeiger).

Accounting and Valuation Principles

Intangible assets acquired for valuable consideration are capitalised at acquisition cost and amortized at ordinary rates of depreciation.

Fixed assets are valued at acquisition or production cost. In the case of company-constructed tangible fixed assets, the cost of production is calculated on the basis of the valuation principle for products as explained below under inventories. Assets possessing a limited useful life are written off as a general principle by declining-balance rates of depreciation over their estimated useful life. The maximum rates of depreciation allowed for tax purposes are thereby applied. The straight-line method of depreciation is, however, applied as soon as this results in higher depreciation allowances. Extraordinary depreciation allowances are made additionally where a permanent diminution in value is probable. The total acquisition or production costs of assets of minor value are written off in full in the year of addition; they are treated as a disposal in the same year.

Investments are valued at acquisition cost less any write-offs. Long-term loans bearing no interest or low rates of interest are discounted.

Inventories are stated either at acquisition or production cost or, if lower, at replacement cost or at net realizable value at the balance sheet date. In calculating the production cost of products, allowance is made for straight-line depreciation and appropriate portions of the factory and administrative

overheads on the production side. Interest on debt is not capitalized as part of the cost of production. Allowance is made for the obsolescence and diminished fitness for use of individual articles by specific valuation adjustments. General allowances are made on a reasonable scale for losses in value that cannot be specifically identified in advance.

Trade receivables and other receivables are carried at their nominal value less specific valuation adjustments and allowances for general and special credit risks. Bills receivable are discounted to their present value.

Upward revaluations in respect of fixed assets and investments as well as current assets are made only insofar as there is no option to retain the lower valuation.

Provisions are valued at the amount necessary according to prudent business judgment. Liabilities are carried at their repayment value.

Deferred taxes are calculated for timing differences in the calculation of profit on the basis of commercial and tax law accounting. A resulting balance on the assets side is not carried in the balance sheet, a balance on the liabilities side is being carried.

Receivables originally stated in foreign currency are translated into DM at a rate of exchange no higher than the buying rate on the date of acquisition. If the buying rate on the balance sheet date is lower, this is the rate used for translation. Liabilities originally stated in foreign currency are translated at a rate of exchange no lower than the selling rate on the balance sheet date. If the rate on the date that the liability is incurred is higher than the selling rate on the balance sheet date, the higher rate is used.

Notes to the Balance Sheet and the Statement of Income

Movements of Fixed Assets and Investments

	Acquisition or production cost			Depreciation/write-offs			Book values		
	1.1.1993	Additions	Disposals	31.12.1993	For the year 1993	Appreciation 1993	Accumulated up to 31.12.1993	31.12.1993	31.12.1992
	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000
Concessions, patents, licenses, trade marks and similar rights	5 256	948	67	6 137	1 087	—	4 968	1 169	1 320
Goodwill	29 234	—	—	29 234	1 949	—	2 111	27 123	29 071
Intangible fixed assets	34 490	948	67	35 371	3 036	—	7 079	28 292	30 391
Land and equivalent rights and buildings including buildings on leasehold land	332 452	43 343	3 785	372 012	15 054	—	152 767	219 245	192 790
Plant and machinery	805 654	34 233	14 531	845 356	31 280	—	727 822	117 534	114 940
Fixtures, fittings, tools and equipment	282 074	26 093	22 553	286 212	36 349	—	236 407	49 805	60 852
Payments on account and assets in course of construction	106 601	103 022*	—	209 623	—	—	—	209 623	106 601
Tangible fixed assets	1 527 381	226 693	40 871	1 713 203	102 683	—	1 116 996	596 207	475 183
Subsidiaries	945 231	95 289	550	1 039 970	15 521	—	310 353	729 617	650 398
Associated companies	20 457	5 000	4 307	21 150	13	—	1 053	20 097	19 418
Other loans	12 951	4 413	1 731	15 633	3 500	28	5 661	9 972	10 452
Investments	978 639	104 702	6 588	1 076 753	19 034	28	317 067	759 686	680 268
Total	2 540 510	332 343	47 526	2 825 327	124 753	28	1 441 142	1 384 185	1 185 842

* balance from additions of DM 143 788 thousand and transfers to operating fixed assets of DM 40 760 thousand

1 Fixed Assets and Investments

For economic reasons, exceptional depreciation amounting to DM 4392 thousand was carried out in respect of fixed assets in the year under review (1992: DM 696 thousand). The additions to fixed assets of minor value amounted to DM 8810 thousand.

The additions in respect of affiliated and associated companies relate to increases in capital, the acquisition of shares and the formation of new companies. Foreign risks were accounted for by write-offs.

2 Inventories

	31.12.1993 DM '000	31.12.1992 DM '000
Raw materials and supplies	36194	41371
Work-in-progress	32738	47341
Finished goods and merchandise	31092	60421
Advance payments	2355	2314
Total	122399	151647

3 Accounts Receivable, Trade

	31.12.1993 DM '000	31.12.1992 DM '000
Amounts owed by customers	177186	212271
Amounts owed by affiliated companies	15570	19052
Amounts owed by associated companies	107	8593
Total	192863	239916

Receivables owed by customers with a payment period of more than one year amount to DM 479 thousand (1992: DM 997 thousand).

4 Other Receivables and Other Assets

	31.12.1993 DM '000	31.12.1992 DM '000
Other receivables owed by affiliated companies	9201	6922
Other receivables owed by associated companies	1341	1866
Other assets	36335	62306
Total	46877	91094

Other assets include receivables with a payment period of more than one year in the amount of DM 202 thousand (1992: DM 221 thousand).

5 Stockholders' Equity

The subscribed capital has been increased by DM 42000 thousand to DM 474000 thousand through the contribution of receivables due to the stockholders. It is proposed to distribute the net income for the year of DM 15000 thousand to the stockholders.

6 Special Reserve Items Subject to Future Taxation

The special reserve items contain amounts allowed under Section 6 FördergebietsG (Region Development Law). In addition, the special reserve items consist of valuation reserves created solely by virtue of provisions of tax law as allowed under Section 7d EStG, Section 6b EStG and Section 13 EStR (Income Tax Regulations), Section 82d EStDV (Income Tax Directive), Section 14 BerlinFG (Berlin Promotion Law), Section 4 FördergebietsG (Region Development Law) and Section 1 EntwHStG (Development Aid Tax Law).

The net income for the year was decreased by DM 15400 thousand in that write-offs of assets in the year under review or in previous years were implemented, maintained or special reserve items subject to future taxation formed solely in accordance with tax regulations. The tax measures will result in corresponding income in subsequent years which is subject to a total statutory tax burden of DM 47100 thousand.

7 Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations are created to cover rights to future benefits and current benefit payments arising in connection with retirement pension commitments. The value of these provisions is calculated in accordance with accepted actuarial principles and represents the German "Teilwert" (similar to an entry-age normal liability) on the basis of an interest rate of 6 percent as required by tax law.

8 Other Provisions

	31.12.1993 DM '000	31.12.1992 DM '000
Taxes	23300	22000
Uncertain liabilities	96278	51637
Risks in respect of uncompleted business	62252	27769
Maintenance and repair	1500	3000
Total	183330	104406

DM 1300 thousand of the provisions for taxes result from a deferred tax burden (1992: DM 0).

The provisions for uncertain liabilities mainly concern personnel and other expenses relating to structural measures as well as holiday remuneration, compulsory social security contributions and long-service jubilee bonuses.

The risks in respect of uncompleted business contain primarily risks in respect of purchase and sales contracts, guarantees, warranties and compensation claims.

9 Liabilities

	31.12.1993 DM '000	Remain- ing term up to 1 year DM '000	31.12.1992 DM '000	Remain- ing term up to 1 year DM '000
Liabilities due to banks (corporate debt)	315625	31875	318623	32998
Advance payments received for orders	11683	11683	13376	13376
Accounts payable, trade	62596	62596	47230	47230
Liabilities due to affiliated companies	37009	33509	79774	76274
of which: due to stockholders	(11255)	(11255)	(12162)	(12162)
Liabilities due to associated companies	10661	10661	335	335
Other liabilities	82409	32409	44617	44617
of which: corporate debt	(30000)	—	—	—
of which: tax liabilities	(509)	(509)	(2687)	(2687)
of which: social security liabilities	(4238)	(4238)	(2710)	(2710)
Total	520003	182753	504155	235030

The corporate debt covers pecuniary obligations and loan liabilities due to outside third parties. The liabilities with a remaining term of more than five years amount to DM 121250 thousand due to banks (1992: DM 100000 thousand), DM 3500 thousand due to affiliated companies (1992: DM 3500 thousand) and DM 50000 thousand due to other lenders (1992: DM 0).

10 Net Sales

	1993 DM '000	1992 DM '000
Domestic	1275452	1333641
Other European countries	80666	101648
Overseas	15105	27702
Total	1371223	1463191

Of the net sales in the year under review, 87% were attributable to business in industrial gases and 13% to business in welding and cutting products.

11 Other Operating Income and Other Operating Expenses

The largest single items of the other operating income concern income from the disposal of fixed assets and investments, income from the reversal of accruals, income from other business and income from the adjustment of special reserve items subject to future taxation in the amount of DM 10227 thousand (1992: DM 4614 thousand). The largest single items of the other operating expenses concern initial costs in respect of other business and valuation adjustments in respect of fixed assets amounting to DM 29181 thousand (1992: DM 14233 thousand) which were undertaken solely for reasons of tax law. The amount of DM 29181 thousand results from transfers of DM 23047 thousand (1992: DM 17373 thousand) to the valuation adjustments, which are offset by reversals of DM 3866 thousand (1992: DM 3140 thousand) to the credit of depreciation in the statutory financial statements.

12 Income from Investments (Balance)

	1993 DM '000	1992 DM '000
Income from profit and loss transfer agreements	464	947
Income from investments	20821	35190
of which: from affiliated companies	(20817)	(35181)
Income from taxes charged on to dependent companies	474	7103
Expenses from absorption of losses	-22665	-9507
Write-offs of investments	-15334	-23038
Income from disposal of investments	3493	—
Losses from disposal of investments	-4307	—
Total	-17252	-19305

13 Interest Expense (Balance)

	1993 DM '000	1992 DM '000
Income from loans carried under investments	644	834
Other interest earned and similar income	3170	6700
of which: affiliated companies	(1030)	(320)
Interest paid and similar expenses	-37730	-27627
of which: affiliated companies	(-3597)	(-3812)
Total	-33716	-20093

14 Other Financial Results

	1993 DM'000	1992 DM'000
Income from write-ups of loans	28	-
Depreciation of loans	-3 500	-
Total	-3 472	-

15 Extraordinary Result

The extraordinary result comprises exclusively expenses in connection with the structural measures implemented in the year under review in the areas of welding and cutting products, industrial gases and administration.

16 Taxes on Income

The taxes on income refer only to the profit from ordinary activities.

Cost of Materials

	1993 DM'000	1992 DM'000
Cost of raw materials supplies and merchandise	200 624	299 647
Cost of bought-in services	148 222	164 510
Total	408 846	464 163

The cost of bought-in services includes in particular outside supplies of energy.

Personnel Expenses

	1993 DM'000	1992 DM'000
Wages and salaries	314 512	359 739
Compulsory social security contributions and expenses related to pensions and benefits	80 014	81 478
of which: pension costs	(26 961)	(26 287)
Total	394 526	441 217

Number of Employees

	1993	1992
Production	2 105	2 252
Distribution	1 191	1 202
Research and development	419	453
Administration	703	775
Total (annual average)	4 418	4 682

Other Taxes

Other taxes are shown under the expenses of the individual areas of activity. They amount to DM 8 821 thousand (1992: DM 11 271 thousand).

Commitments and Other Financial Obligations

Commitments not included in the balance sheet concern liabilities resulting from the issue and transfer of bills in the amount of DM 11 413 thousand (1992: DM 14 617 thousand) and guarantees of DM 98 780 thousand (1992: DM 113 272 thousand). Obligations of DM 17 602 thousand exist with respect to share capital not yet fully paid in and extended contingent liability.

The other financial commitments not appearing in the balance sheet relate to commitments of DM 138 215 thousand in respect to capital investment projects that have commenced. The execution of the individual investment projects is spread in part over several years. There are also commitments in the following five years under long-term tenancy and lease contracts in the total amount of DM 90 146 thousand (of which DM 2 500 thousand due to affiliated companies).

List of Subsidiaries and Associated Companies

This list has been filed with the Commercial Register (Handelsregister) in Frankfurt am Main.

Emoluments of the Supervisory Board and the Board of Management

The total emoluments of the Supervisory Board amount to DM 203 thousand. The total emoluments of the Board of Management amount to DM 2 235 thousand and those of former members of the Board of Management and their surviving dependents to DM 1 529 thousand. Pension provisions in the amount of DM 12 686 thousand exist for former members of the Board of Management and their surviving dependents. There were loans to members of the Supervisory Board amounting to DM 3 thousand at December 31, 1993. DM 2 thousand was repaid in 1993. The rate of interest is 4.5%.

Stockholders

Höchst AG 66.70 %
Messer Industrie GmbH 33.30 %

Honorary Chairwoman
of the Company
Thea Messer

Stockholders' Committee

Wolfgang Hilger, Chairman
Hans Messer, Deputy Chairman
(from 15. 3. 1993)
Horst Burgard
Jürgen Dormann
Johannes P. Müller-Doll
(until 15. 3. 1993)

Supervisory Board

Wolfgang Hilger, Chairman
(until 15. 3. 1993)
Hans Messer, Chairman
(from 15. 3. 1993)
Marlies Drückes, Deputy Chairwoman
Heinz Bierbaum (from 15. 3. 1993)
Oswald Bommel
Horst Burgard
Jürgen Dormann
Dietrich Hoffmann (until 15. 3. 1993)
Rolf Kaul
Fritz Klingelhöfer (from 15. 3. 1993)
Manfred Luft (until 15. 3. 1993)
Helmut Maucher
Günter Metz
Alfred Reinhard
Heinz Riesenhuber (from 15. 3. 1993)
Ralf Tänzer (until 15. 3. 1993)

Board of Management

Hans Messer, Chairman
(until 15. 3. 1993)
Herbert Rudolf, Chairman
(from 15. 3. 1993)
Andreas Lueken
Paul Wilhelm
Falk Wynands

Directors

Arno Palmen
Winfried Schmidt

Departmental Directors

Willi Brinkmann
Jörg Reiner Dimke
Lothar Döllinger
Jürgen Grosskopf
Christoph Mix
Wolfram Peschke
Alexander von Ratsch
Alexander Sauer
Edgar Selmer

Frankfurt am Main, February 4, 1994

Messer Griesheim GmbH
Board of Management

Rudolf Lueken
Wilhelm Wynands

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