100 % Messer

Acting independently and growing profitably

A report on the year 2004

Short profile of the Messer Group

Messer is a leading industrial gas enterprise with more than 60 companies operating in 32 countries in Europe and Asia as well as in Peru, including non-consolidated companies. The international activities are headed from Frankfurt/Main, while the central technical functions of Logistics, Engineering and Production as well as Applied Technology are controlled from Krefeld. The Messer Group had more than 4400 employees in 2004.

From acetylene to xenon, the Messer Group has one of the most diverse product portfolios on the market – it produces industrial gases such as oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium, shielding gases for welding, specialty gases, medical gases and many different gas mixtures.
The Messer Group has state-of-the-art research and competence centers in which it develops applied technologies for the use of gases in almost every sector of industry, in food technology and environmental technology, medicine as well as research and science.

www.messergroup.com

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Foreword

Dear Business Partners, Customers, and Employees,

After a history of over 100 years with highs and lows, our Group was restored to the 100% ownership of the founding Messer family in 2004. This was achieved not only in the industrial gases division with the relaunch of the Messer Group, but also in the welding and cutting technology division with the acquisition of the Messer Eutectic Castolin Group in June 2005, which means that both traditional divisions are now united under one roof again.

Above all, the original and long-term interest of the business, our responsibility for our partners and our employees as well as the trust of our investors and customers have given us the single-mindedness and strength to lead the Messer Group back into independence.

We are happy to be able to present to you today a Messer Group GmbH Annual Report for 2004 which clearly shows that we have taken the right road with you.

In 2004 the Messer Group was able to profit from the restructuring and focusing begun three years earlier and venture a relaunch. On May 6th, 2004, the holding company of the Messer family acquired the shares in the company held by various Goldman Sachs Funds and Allianz Capital Partners and at the same time sold the subsidiaries in Germany, Great Britain and the USA in order to finance this acquisition. The resulting establishment of the Messer Group GmbH as the holding company for all overseas subsidiaries of the Messer Group on May 7th, 2004 represented the successful relaunch as the largest family-owned industrial gases specialist. In a similar way, the Messer family was successful in reacquiring the sister company Messer Eutectic Castolin from the majority shareholder The Carlyle Group in January 2005.

In the course of re-establishing the Group, we have tightened up our internal processes, optimized our supply channels and outsourced non-core processes such as IT. We are therefore in a position to react more quickly and directly to our customers' requirements. At the same time, cooperating with new partners, for instance with the Chinese company Hangzhou Hangyang in plant construction, gives us a flexibility that is unique in the industrial gases market. Last but not least, our widespread presence in our markets brings us closer to the Messer Group's customers. This report on 2004 contains many examples of successful cooperation.

We would particularly like to thank our customers for their confidence in our products and services. We are also grateful for the many suggestions made by our customers, on the basis of which we are developing new technologies for better, safer and more environmentally friendly processes and procedures using industrial gases. We also thank the banks for providing the necessary credit capital, which we are using to achieve profitable growth through targeted investments. Another thanks goes to the partners of the Messer family holding company as well as our Supervisory Board, who are responsible for our business decisions and actively support their implementation. Finally, we would like to thank our employees for their commitment, loyalty, courage and 100% identification with our company.

Please continue to help us so that Messer can pursue further successful international development with its products and services. There are plenty of opportunities to do this. Let us grasp them together.

Yours

Stefan Messer
CEO

Dr. Hans-Gerd Wienands
CFO

Supervisory Board's report

Supervisory Board of Messer Group GmbH:

Dr. Jürgen Heraeus,
Chairman

Dr. Bodo Lüttge,
Deputy Chairman

Dr. Alexander Dibelius

Dr. Karl-Gerhard Seifert

Peter Wilhelm
Storm van's Gravesande

Company performance and projects

During the reporting period, the Supervisory Board has performed the tasks incumbent on it according to the law and the articles of association by providing advice to the Management Board. The Management Board has reported, verbally and in writing, to the Supervisory Board about the performance and situation of the company, in particular through its constituent meeting on May 14th as well as the subsequent rotational meetings on July 6th and November 8th, 2004.

Furthermore, the Supervisory Board was informed about important business transactions and decisions. Legal transactions requiring the Board's approval were submitted to the Board for it to decide on.

The Supervisory Board has satisfied itself in the plenum that the bookkeeping, the annual financial statement of the Messer Group GmbH and the consolidated financial statement for the year ending December 31st, 2004 as well as the business report of the Messer Group GmbH and the Messer Group have been audited and certified by the auditing company KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Düsseldorf. The audit reports were discussed at the Supervisory Board meeting with the assistance of the auditors. The Supervisory Board had no objections and agrees with the auditor's results.

The Supervisory Board has been delighted to play its part in the relaunch of the Messer Group as a family business. The fact that all objectives were fully met in the past financial year shows the advantageous set-up of the company. We would therefore like to take this opportunity to thank the Management Board as well as all the employees of the Messer Group for their efforts and the successful work carried out in the 2004 financial year.

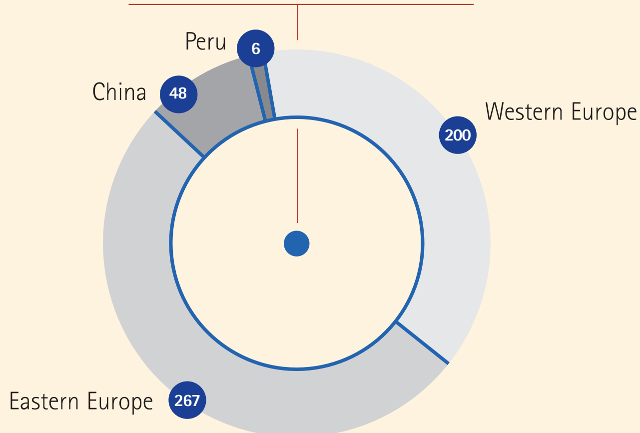
Sulzbach, April 20th, 2005
Supervisory Board

Dr. Jürgen Heraeus
Chairman

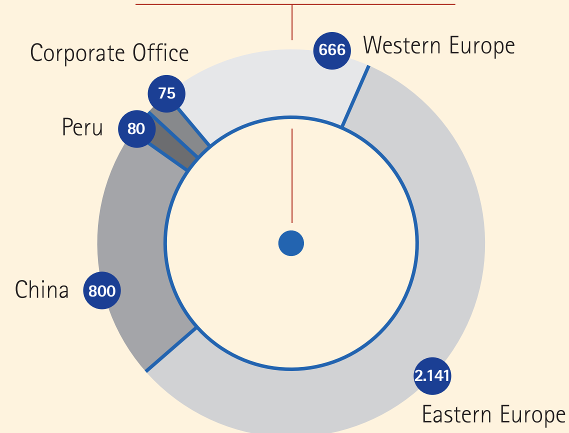
Consolidated key figures at a glance (pro forma financial data)

Net sales	521 million €
EBITDA	130 million €
EBITDA margin	25%
Investments	92 million €
Employees	3,762

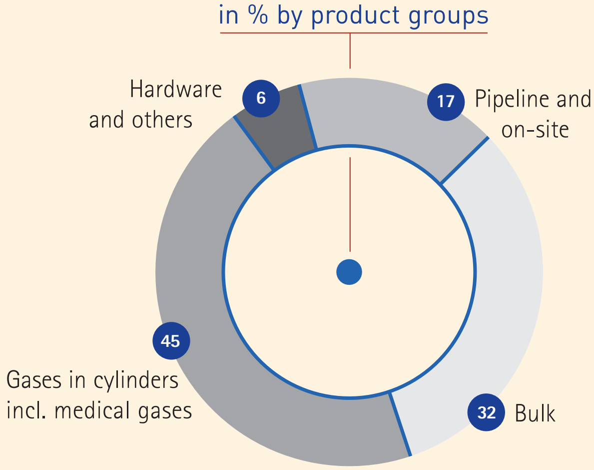
Net Sales (consolidated) 2004
in million € by region
521 Total Net Sales



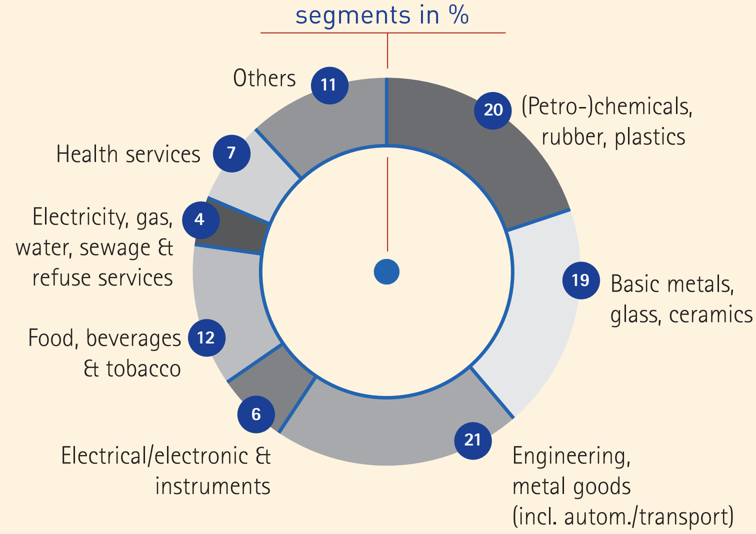
Number of employees 2004
by region
3,762 Employees



Net Sales 2004
in % by product groups



Net Sales by industry
segments in %



Agnieszka Mozuł is an office assistant at Messer Polska. Outside the office, however, she switches to “field work” in the shape of long walks with Berta, her parents’ 3-year-old dog. And since Berta, a cross between Tatra sheepdog and Caucasian Ovcharka, is quite a lively canine, these walks demand at least as much commitment from Agnieszka as her job does.

100% Messer – Formation of Messer Group GmbH

Messer becomes largest family owned industrial gas enterprise

On May 6th, 2004 the Messer Group in Germany, Great Britain and the USA sold its subsidiaries to the French Air Liquide Group.

The total value of the transaction, which was agreed on January 19th, 2004, is approximately €2.7 billion, including assumed financial indebtedness. At the same time, the Messer family, through its holding company, Messer Industrie GmbH ("MIG"), successfully completed the purchase of the shareholdings in the Messer Group of the two former co-partners, Allianz Capital Partners ("ACP") and the Private Equity Funds managed by Goldman Sachs ("Goldman Sachs Funds").

All closing conditions were met, in particular the authorization of the relevant cartel authorities in Europe and the USA, the complete takeover of the remaining Messer Group by MIG and the successful repurchase of the "Senior Notes" issued by Messer totaling €550 million with an interest rate of 10.375% and a due date of 2011. With regard to the latter condition, Messer Griesheim Holding GmbH made a public offer for the acquisition of all outstanding Senior Notes on April 21st, 2004.

In connection with the transaction, Messer at the same time successfully refinanced the business taken over by the Messer family with committed bank borrowings of €525 million. All the parties concerned were very satisfied with the speedy completion of the transactions.

In April 2001, ACP and Goldman Sachs Funds acquired a 67% stake in Messer from Hoechst AG what was then the biggest leveraged buy-out in Europe. Since then the Management, in close cooperation with the shareholders, has strengthened the operational business and focused the enterprise on its core markets in Europe and the USA by selling subsidiaries in Latin America, Africa and Asia.

Goldman Sachs was the sole financial consultant for the sale of the subsidiaries as well as for the new orientation of the ownership structure of Messer.

Restructuring successfully completed

In the 2004 financial year, the Messer Group continued the process of restructuring the Group that had not yet been completed by closing on May 6th, 2004. It did so by acquiring almost all of the unsold holding from Messer Griesheim GmbH/Air Liquide Deutschland GmbH through the Messer Group's management company, Messer Group GmbH. In connection with the financing of the buy-back of shares from the financial investors, a large number of securities had to be provided by the subsidiaries at the same time. The Code of Conduct was revised: while retaining the basic values, restrictions dating back to the involvement of the American Goldman Sachs Fonds were abolished. Pending legal disputes and procedures, for which indemnities were taken over through the share purchase agreement with Air Liquide, have been continued and in some cases already successfully completed. After the share purchase agreement with Air Liquide, the Messer Group is subject to a non-competition clause relating to the industrial gases sector in Germany, Great Britain, and the USA of three years until May 6th, 2007. The use of the "Messer" name for competitive purposes – once again exclusively relating to the industrial gases sector – is prohibited in these markets for four years until May 6th, 2008.

Since Autumn 2004, the Messer Group worldwide has been working with AON Jauch&Hübener as international insurance broker. A renewal was drawn up for the Messer Group, beginning on January 1st, 2005, which allowed the insurance structure of the Messer Group to be optimized while clearly reducing the overall premiums.

Successful refinancing of the Messer Group

In connection with the restructuring of the Messer Group, it was necessary to repay or refinance most of the outstanding financial liabilities existing at the time of closing on May 6th, 2004. This concerned all the existing liabilities under the Senior Facilities Agreement dated April 28th, 2001 as well as the High Yield Bond for €550 million issued on May 16th, 2001. The securities provided in favour of the syndicate banks were released concurrently. Parallel to this, many of the loans which our overseas subsidiaries had taken out with local banks had to be repaid.

100% Messer – Formation of Messer Group GmbH

The refinancing took place through a new Senior Facilities Agreement which was signed with the leading banks Bayerische Hypo- und Vereinsbank AG and ING Bank N.V. on April 21st, 2004. Syndication took place in July 2004.

This new loan agreement originally made long-term loans totaling €525 million available to the Messer Group under typical market terms and conditions. The loan can be drawn down by Messer Finance S.A. Luxembourg and selected foreign subsidiaries of Messer Group GmbH. Messer Finance S.A. acts as a group finance company for all those subsidiaries that cannot draw down loans directly under the Senior Facilities Agreement. As far as our subsidiaries in Peru, Poland, Slovakia, the Czech Republic and Hungary are concerned, the necessary loans are available in the local currency or, in the case of Peru, in USD, thus limiting the currency risks of the Messer Group to a few non-euro countries.

The lines of credit currently not being utilized amount to €175.2 million, which means that, along with its substantial liquid assets, the Messer Group also has large cash reserves.

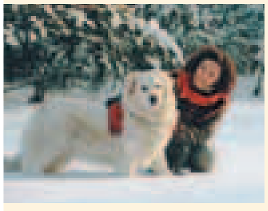
Messer Group – Facts and figures

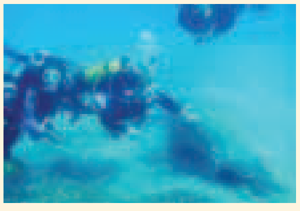
We are 100% Messer with

- more than 4400 employees
- around 60 operational companies
- over 120 Group locations in 32 countries
- specialty gas plants in Austria, Belgium, France, Hungary and Switzerland
- 30 air separation units in Europe and China
- more than 1200 distribution partners
- strong market share in Eastern Europe
- competence centers for application technologies in France, Austria, Switzerland and Germany

In order to secure the new syndicated loan, the leading companies in the Messer Group have provided standard securities.

Concerning treasury division, the Messer Group has a risk management system which is primarily concerned with the imponderables of the international financial markets. In order to minimize the potential interest and currency risks, Messer uses standard derivatives.





Our employees are one of the greatest assets of our company, for they too give 100% in their jobs. In doing so, they often bring strengths and interests to bear which also motivate them outside the sphere of work. This is what led to the array of pictures contained in this business report, which show the importance of the "human factor" in determining the success of the Messer Group and all its customers.

2004 – Independent, profitable and successful

The combination of the company's independence and the people who use this freedom shapes the distinctive profile of the new Messer Group.

The re-establishment of the Messer Group after more than 100 years of the company's existence provided a unique opportunity to review and improve internal structures. New cooperative partnerships make us flexible and skilled in plant construction and engineering, we have developed short supply lines, and we have invested in new technical development centers. Thanks to the outsourcing of our IT activities, we can concentrate wholeheartedly on our core business – the production and distribution of industrial gases.

Engineering & Production

Cooperation in plant construction – Messer Group and Hangzhou Hangyang

Free and willing to make decisions, we are able to explore new avenues in the production of our gases. We are continuously expanding our business in Europe and Asia through strategic cooperative partnerships and investment.

On December 11th, 2004, Stefan Messer, Messer Group CEO, and Mao Shaorong, CEO of Hangzhou Hangyang Co. Ltd., China's biggest manufacturer of air separation units, signed a cooperation agreement for the joint promotion and development of both companies. Messer's new cooperation partner owns the largest production facility and the biggest scientific research center for air separation units, gas liquefiers and pressure vessels in China.

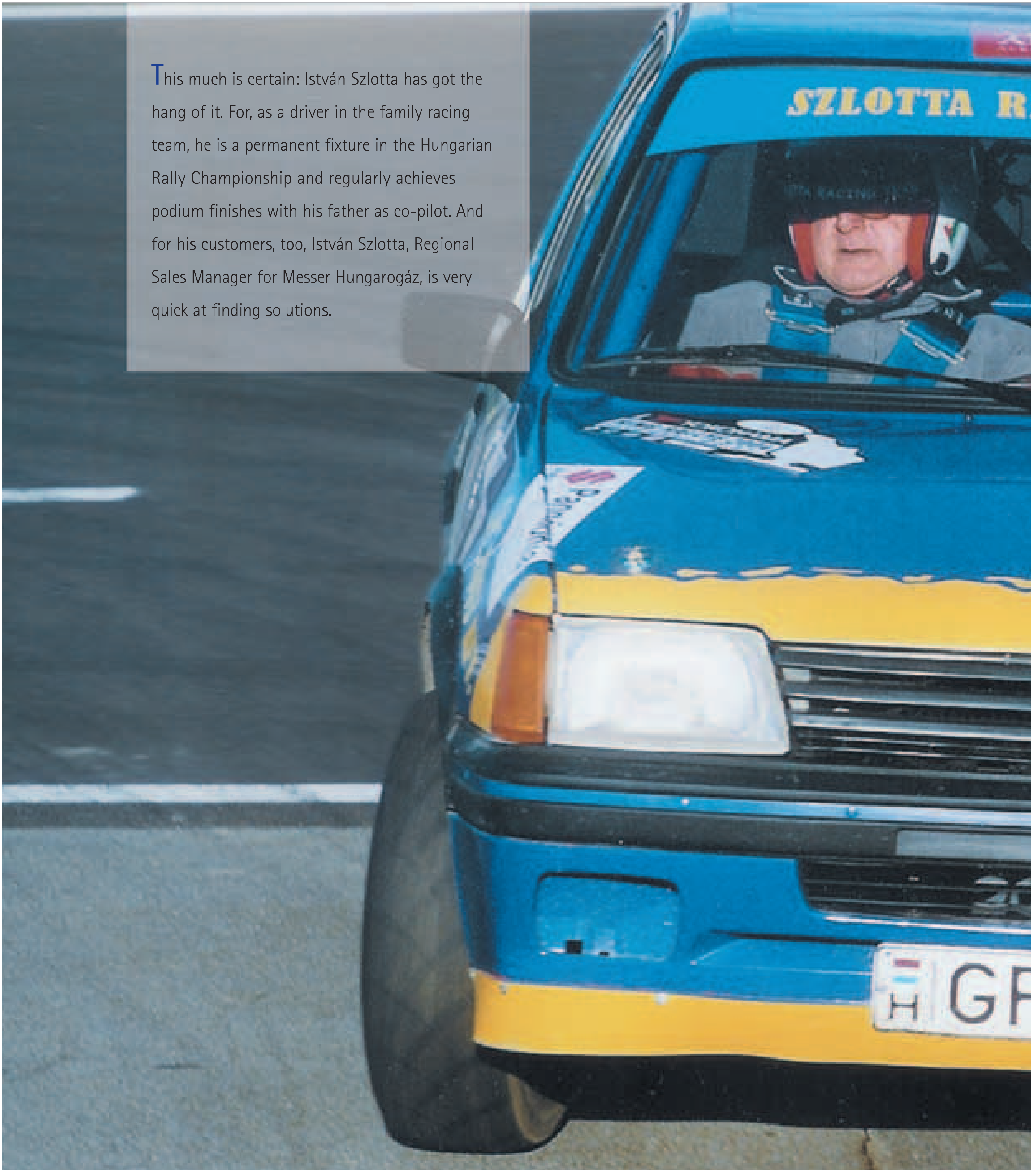
The agreement with Hangyang encompasses many areas of cooperation, both in the sphere of technology and commerce:

- Hangyang's components for air separation units to be distributed jointly in the Messer Group's sales area.
- Messer will provide product development know-how to Hangyang and support the company in improving the efficiency and productivity of its air separation units.
- Messer and Hangyang will utilize their partnership to get better conditions for the purchase of equipment from third parties.

Messer and Hangzhou Hangyang signed a cooperation agreement regarding the production of cryogenic components.

Our cooperation had already borne fruit before the agreements were even signed. For example, after several orders in China, Messer has ordered the first air separation unit for the European market with a capacity of 21,000 standard cubic meters per hour, with an option for two further units of the same size. Hangyang, in turn, has agreed to incorporate the Messer Group's optimization proposals into their design.

This much is certain: István Szlotta has got the hang of it. For, as a driver in the family racing team, he is a permanent fixture in the Hungarian Rally Championship and regularly achieves podium finishes with his father as co-pilot. And for his customers, too, István Szlotta, Regional Sales Manager for Messer Hungarogáz, is very quick at finding solutions.




ALLYE TEAM AJKA
PL-524

Centralized monitoring of production plants in the European Control Center in Budapest

The Messer production facilities are monitored round the clock from the Control Center in Budapest.

The Messer Group operates on-site facilities for the production of nitrogen, hydrogen and oxygen across Europe. Most of these facilities are installed on customer sites; they are mostly either unmanned or only manned on a part-time basis.

Prior to the formation of Messer Group GmbH, unmanned production facilities were monitored from the control center of Messer Griesheim GmbH in Krefeld. Since May 2004, this has been done by the European Control Center in Budapest on the site of Messer Hungarogáz. This centralized control center is manned round the clock by an operator who also services the air separation unit in Budapest. Nine nitrogen, three hydrogen and one oxygen plant of the Messer Group are monitored from here. At night and on the weekends, the air separation unit in the Finnish town of Imatra is also controlled from here. An elaborate system of multilingual fax and SMS messages makes it possible to ensure the reliable transfer of inform-ation. Especially the colleagues in Budapest have impressed with their proactiveness and their willingness to undergo language training.

Supply
Logistical challenge to provide a flexible supply service to our customers

Independent action requires effective planning – our pro-ximity to our customers is backed up with well thought-out solutions for the optimal supply and delivery of our products.

2004 was a particularly challenging year for the "Logistics, Sourcing and Filling" division, for it was essential to guarantee the Messer Group's reliability of deliveries from the very beginning ie, from the formation of Messer Group GmbH.

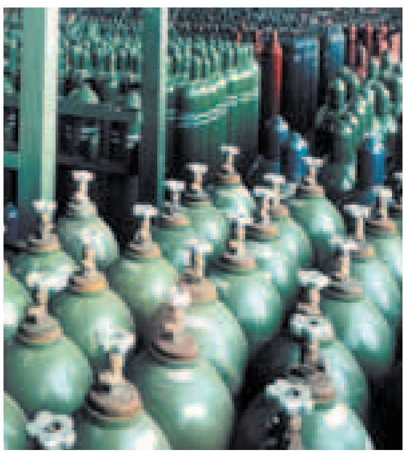
To achieve this, it was necessary to reorganize our entire logistics network in a very time frame to reflect the new corporate structure. In particular, this meant renegotiating or extending a multitude of product supply contracts, implementing new cross-border supply concepts, quickly bringing our tanker and container fleet up to as uniform as possible a Europe-wide technical standard, and working together with our carriers to make our distribution centers fit for the new challenges ahead.

We build up our proximity to the customers by optimized supply chains.

Creation of a European production network

The development of a new specialty gases concept for the Messer Group made good progress in 2004. The aim of the project was to create a European production network. Our production sites for specialty gases at Machelen (Belgium), Mitry-Mory (France), Gumpoldskirchen (Austria), Budapest (Hungary), and Lenzburg (Switzerland), have been integrated and technically optimized in such a way that the Messer Group is no longer dependent on external suppliers. At the same time, the helium supply situation was also optimized.

Formation of Messer GasPack



Inventary and procurement management of cylinders will be optimized on a Europe-wide basis.

On January 1st, 2005 Messer GasPack has taken over all of the European subsidiaries' stocks of gas cylinders and ameliorate inventory and procurement management on a Europe-wide basis. The aim is to optimize investments in this area while maintaining the same level of customer service. We want to achieve this ambitious target through a series of measures such as increasing the circulation frequencies, reducing excess capacity, using unused cylinders in countries where there is new demand, technical standardization, bundling our purchasing activities and centralizing the placing of inspection orders. An important factor for the success of Messer GasPack is the speedy implementation of the Group-wide BABEL tracking system for gas cylinders. France, Belgium, Austria and Slovakia have already been able to introduce the program in 2004. In 2005, a basic version of this program will be available to all other European subsidiaries. The SAP harmonization is also very important for Messer GasPack. This and the resulting harmonization of the stocks of gas will significantly ease the cross-border processing of orders and transports. In 2005, we will support this project, which was launched in December 2004, with a large number of resources.

Application Technology

Our technologies reflect our customers' needs

The Messer Group is bundling its application technology developments, the training of its employees and the technical support of its customers in four new European competence centers. This means that Messer is investing in progress.

Expenditure on technology development in 2004 In 2004, we spent approximately €6 million on development and improving application techniques for gases. With a total of more than 300 different technologies, Messer is improving the processes of its customers from different sectors. The objective of these gas applications is to achieve improvements in productivity and capacity, advancements in quality or compliance with stricter environmental requirements. Thus, for example, the low temperatures of nitrogen or carbonic acid allow sensitive foods to be frozen much more quickly. Cake or meat can thus stay fresh for longer. Oxygen is used in the metal industry in order to increase the temperatures in combustion and smelting processes. In biological wastewater treatment, the effectiveness of microorganisms that crack the harmful substances in natural ways is maximized through the addition of oxygen. Some applications would not even be possible without gases: the use of supercritical CO_2 allows specific individual substances to be dissolved out of natural products, for instance, caffeine from coffee beans or carotene from carrots. If someone has an idea for a completely new process, it is fully developed by our Application Technology, usually in close cooperation with our customers, then patented and finally introduced to the market. Together with the specialists in the local subsidiaries, the technology managers at Application Technology in Krefeld have a wide-ranging spectrum of expertise which can be used to support the sales departments of the our subsidiaries in finding solutions to their customers' problems.

Flexible performance-enhancing technologies for our customers

Increase in performance of electric arc furnaces through ultrasonic injection of oxygen The global increase in demand for steel has led to many electric arc furnaces being operated close to capacity. As a cost-effective way of increasing the performance of existing facilities, we are now offering the new "Coherent Jet" process in cooperation with the steelworks equipment supplier TechInt. This involves an ultrasonic oxygen jet being directed onto the molten pool by specially designed oxygen burners, which leads to a remarkable reduction in melting time. The first reference plant is now operational at Štore Steel in Slovenia.

Thermocool® – economic CO_2 storage for industrial cooling processes CO_2 in the form of dry ice snow or pellets is often used for quick and safe cooling in industrial processes. In addition to the actual cooling or freezing process, the consumption of this coolant is influenced to a large extent by its storage as liquid CO_2 and by the material yield when converted to dry ice. In order to significantly increase the CO_2 yield for this application, the Thermocool® process was developed by Messer France, where the use of a cold/heat pump on the storage tank makes it possible to be flexible to a large extent when setting the operating parameters of the tank, such as pressure and temperature, and to adjust them in accordance with the particular extraction conditions. In addition to the very flexible operation of the system, this process offers users clear economic advantages. The cooling/freezing capacity can be increased by up to 15% when the other parameters are constant. The patented process is already being used successfully at several customer sites. In 2004, we entered this technology in the competition for the 28th Innovationspreis der Deutschen Wirtschaft (Innovation prize of German industry).

Messer has entered the innovative Thermocool® process for the Innovation prize of German industry.

Waste air cleaning with the DuoCondex® procedure – our answer to the Kyoto Protocol The reduction of gas emissions during chemical processes or recycling procedures, for instance the recycling of fridges, is a market segment that is seeing strong growth due to the increasing number of legal regulations (EU harmonization, Kyoto Protocol, etc.). In addition to constantly growing demand, the ever more stringent limits are also placing great requirements on the waste air cleaning procedures used. Messer has developed the DuoCondex® process for these applications. DuoCondex® systems use the cooling energy of liquid nitrogen to condense (liquefy) and freeze out vaporous or gaseous pollutants (eg, solvents, petrol fumes, CFCs) from the waste gas flows of industrial facilities. The process allows secure compliance with the latest waste air limits with very favourable operating costs and gives our customers additional benefits by recycling the recovered substances.

Gekko® – Robot for cleaning glass facades (cooperation with UCS) Our investment in Unique Cleaning Systems in Geyer, Germany, has given us access to a new technology: a robotic system for the automatic cleaning of glass facades. The unique movement and climbing technology of this Gekko® system in combination with a module for jet cleaning glass surfaces with CO_2 pellets leads to clearly improved cost structures for the cleaning of glass facades compared to conventional methods. In addition, the Gekko® also allows areas which are difficult to access to be cleaned, which with conventional cleaning methods would involve greater expense in order to ensure the safety of the cleaners. The Messer Group is actively supporting UCS with the market launch of the Gekko® system and is thereby developing a new CO_2 demand in its territory.

The Gekko® cleans glass facades in an environmentally friendly way using dry ice.

Messer Group innovation prize awarded for third time

On April 1st, 2004 the Messer Group awarded its International Messer Innovation Prize, worth a total of €45,000, for the third time as part of the "Messer – a continuing success story" event held in the "EXPLORA" museum in Frankfurt/Main. The prize went to researchers and research teams from Germany, France and Korea who deserved their accolade by virtue of their innovative developments and new ideas for the use of industrial gases.

Messer awarded the International Messer Innovation Prize for the third time.

The aim of our International Messer Innovation Prize is to motivate young people on their path to success and spur them on to be committed to their ideas and developments. Under the motto "Geniuses At the Start", researchers and research teams whose work is concerned with the use of industrial gases for new products or processes had until October 31st, 2003 to apply. In addition, there was a special contest for the employees of the Messer Group. The international jury from industry and research had to judge more than 40 applications from all over Europe and Asia – and also from China and the USA for the employee prize.

In addition to originality and cutting-edge nature of the ideas, the decisive assessment criteria for the submitted entries were technical maturity, the significance of industrial gases for innovation as well as the prospects of a successful, possibly joint, implementation. The prize was awarded for the first time in 1998 to mark the company's centenary, and the second competition followed in 2000. The Messer Group would like to continue this successful tradition in future.

We are focusing on our core business. To this end, we are developing state-of-the-art electronic instruments for data protection and data sharing in collaboration with our partners. At the same time, we are creating new distribution channels.

Information Technologies

Reorganization of IT within the Messer Group

The decision to outsource parts of IT within the Messer Group to an external IT partner created a very special focus on the Corporate IT Division in 2004. As IT outsourcing is a very complex subject, which in future will impact on all the processes of the Messer Group's core business, a concept was developed together with Accenture Service GmbH which will drive the outsourcing process forward as quickly as possible. Part of this concept is reflected in the individual projects that were initiated or successfully completed in 2004.

Transfer of servers, data and applications

When Messer Group GmbH commenced its operations in May 2004, we were faced with the task of ensuring that the computer systems at the two new German locations in Krefeld and Sulzbach operated smoothly for all users.

On schedule for the launch of the Messer Group GmbH on May 7th, 2004, the servers as well as all the data and applications of the Messer Group GmbH, which had been installed in the former computer center in Frankfurt/Main, were transferred to the server farm in Kronberg.

SAP consolidation

The aim of the "SAP consolidation" project was to move the existing SAP systems in 11 of the 13 European Messer Group companies earmarked for consolidation to the server farm in Kronberg, Germany, within a project term of three months.

The technical implementation of the project was completed on schedule by the end of 2004 in Austria, Croatia, the Czech Republic, Finland, Hungary, Italy, Poland, Slovakia, Slovenia, Spain and Switzerland.

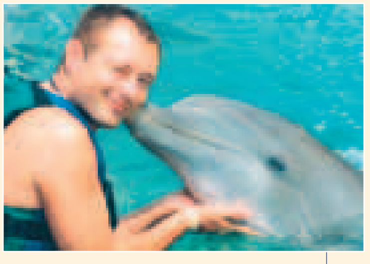
The advantages of consolidating all the SAP systems across the companies of the Messer Group lie in an integrated system management and a standardized security concept. SAP consolidation has created the basis for the "SAP harmonization" project. This was started in December 2004 with the aim of harmonizing all the companies into one SAP system. In the first project phase, the departments of the companies will define the processes on the basis of a business model.

BABEL – Group-wide tracking system for gas cylinders

The “BABEL” project is concerned with the development of a Group-wide tracking system for gas cylinders. The aim of the project is to give each cylinder a unique bar code and then to track it all the way through the supply chain from filling to the customer and back again to Messer using mobile scanners. For this purpose, all the movement data is sent from the scanners to a central system in the computer center in Kronberg, Germany.

The data obtained in this way opens up a multitude of new ways for optimizing internal processes and requirements planning. Another aim is to offer Messer customers better-quality billing as well as to market new services with a unique selling point on the basis of the system (for example: inventory tracking at the customer site). A welcome spin-off is that existing and future legal requirements concerning batch tracking are comprehensively covered by the system.

The “BABEL” project reached many important milestones in 2004, including the highly successful go-live of a new release and the beginning of the roll-out in France, Belgium and Slovakia. The introduction of the first levels is planned for 2005 in all the local subsidiaries which have access to the computer center in Kronberg. Messer Austria has been using the system at increasing levels of development since June 2002 as the pilot country.



László Bíró,
Head of Application Technology,
Hungary

Tamás Ruppert,
Technician/Operator
Filling Station, Hungary

Introduction of Webshop

After the introduction of an electronic buying platform, Messer customers in Austria and France can now order online. This internet application opened up another distribution channel within the Messer Group in 2004. It allows existing customers to get information about the Messer product range and to select their products from the new Webshop themselves. Orders are automatically relayed from a portal to the Messer SAP system and processed from there.


The Webshop was successfully introduced in Austria – the first customer that used the new buying system was presented with a gift.

One of the advantages of the new system is that Messer customers can order their products 24/7. Likewise, the amount of inputting is reduced by the direct connection of the Webshop to the Messer SAP system. Errors which could occur with manual transmission of order data to the SAP system will therefore be avoided in future. It has been possible to access the Webshop via the Messer website since the project was launched. Customers are automatically directed to the Webshops of the countries that are already connected.

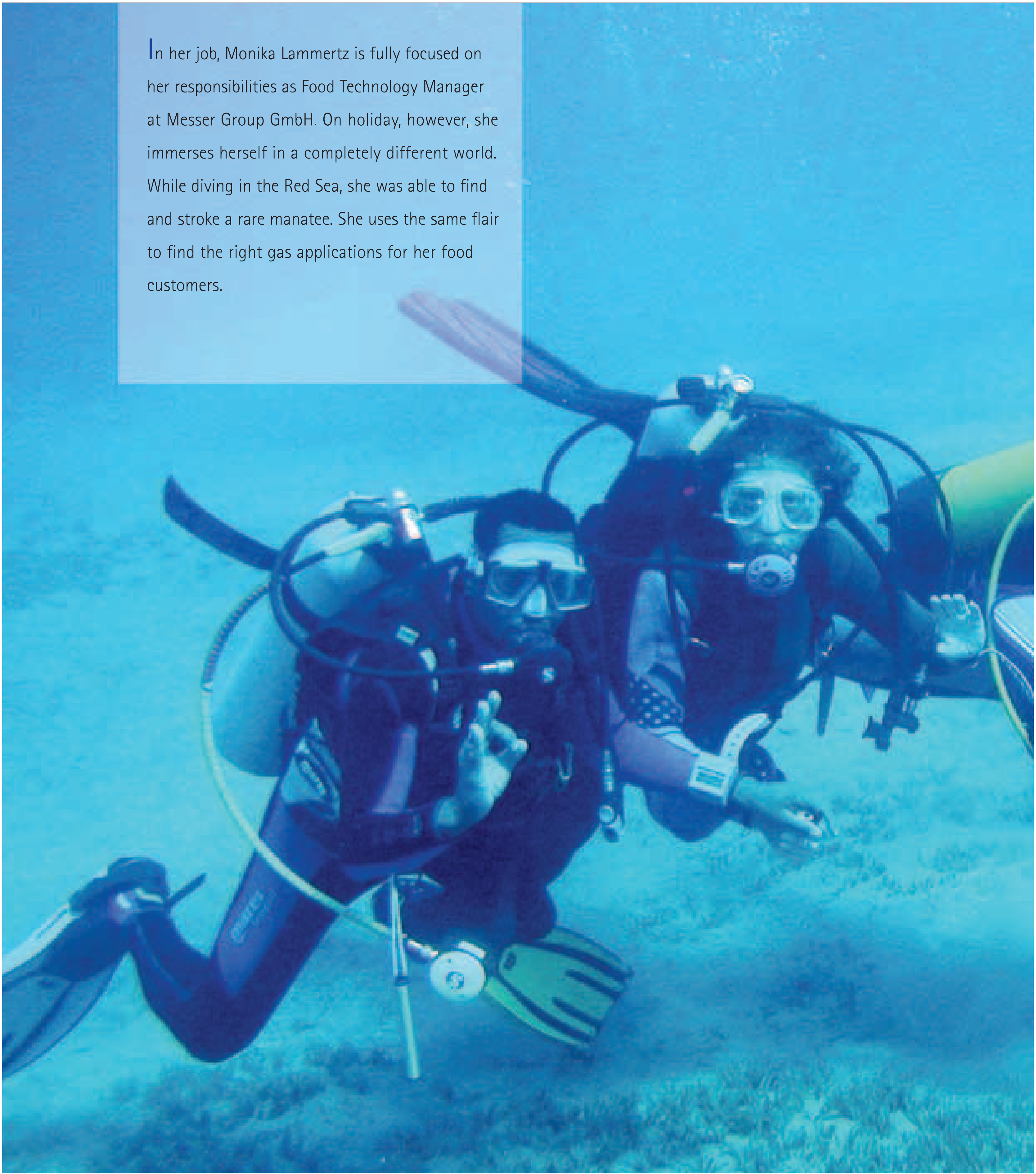

Francesco Maniscalco, Sales Manager Area North West, Italy


Jorge Francisco, Sales Representative, Portugal


Joanna Karvonen, Head of HR and Communications, Finland


Jaromír Köppl, Area Sales Manager, Czech Republic

In her job, Monika Lammertz is fully focused on her responsibilities as Food Technology Manager at Messer Group GmbH. On holiday, however, she immerses herself in a completely different world. While diving in the Red Sea, she was able to find and stroke a rare manatee. She uses the same flair to find the right gas applications for her food customers.



Messer Austria, Austria

The largest ground freezing project in Europe is being carried out by Messer in Vienna – a new subway station is being built under the Danube Canal.

Messer technology makes Vienna tunnel construction possible In the Austrian capital, Messer is carrying out the largest ground freezing project in Europe. About eight meters under the Danube Canal, two 80 m long subway tunnels are being built, which will lead to the Ernst Happel Stadium. Liquid nitrogen is being used to freeze the ground underneath the Danube Canal in order to prevent subsidence as the tunnels are dug. The listed Schützenhaus der Staustufe Kaiserbad (house from which the Kaiserbad Sluice was operated), which was constructed next to the Danube Canal by the Viennese architect and art theorist Otto Wagner between 1904 and 1906, will thus be preserved undamaged. Every day, up to 11,000 liters of nitrogen per hour are withdrawn from four large storage tanks. The new subway station under the Danube Canal is due to open at the end of 2007.

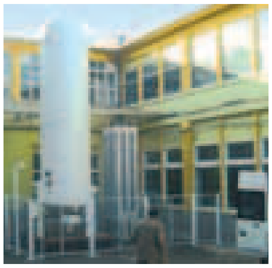
Messer supplies nitrogen to FACC, the largest Austrian supplier to the aerospace industry.

Nitrogen for the aerospace industry FACC is the largest Austrian supplier to the aerospace industry and has been a customer of Messer Austria since 1996. Messer supplies nitrogen for inerting, a process that protects the manufactured components from igniting during thermosetting. Already in 1996, Messer installed an on-site membrane system for 340 cubic meters of nitrogen at the Ried site and expanded this facility to 480 cubic meters of nitrogen in 2001. In 2004, a nitrogen supply with a liquid nitrogen tank was installed at Ort in the Innkreis region. The liquid nitrogen is vaporized by an air vaporizer with a capacity of 3,000 cubic meters per hour and fed into the autoclaves via a pipe. In this way, Messer technology is facilitating the safety of aircraft production.

Messer Chimco Gas, Bulgaria

Metal furniture welded with Messer gases The Bulgarian subsidiary managed to win six new customers for the Ferromix® X4 shielding gas for the welding of plain steels. The firm Nikrom produces tables and chairs from tubular metal for the domestic market as well as for a Swedish furniture company. Production is based in Lovech, as is that of the firm Technokorosa, which manufactures mattress frames and metal beds from steel. In both companies, welding is carried out by robots as well as by hand, which means that they also buy other gases from Messer Chimco Gas.

Messer Romania Gaz, Romania



Kuhnke in Romania uses liquid nitrogen for inerting during the soldering of electronic components.

Geared up for international markets Messer Romania Gaz has been operating in Romania since 1998, the first of what is now three Messer companies based there: In 1999, the joint venture companies Messer Magnicom Gaz and Messer Energo Gaz were formed. The group's head office is in Bucharest, while production and filling of acetylene and air gases takes place at the other sites in Deva and Rm Vulcea.

Messer Romania Gaz supplies the Romanian subsidiary of the German firm Kuhnke with liquid nitrogen for inerting in a soldering machine for electronic components. By installing a tank on the customer site, Messer Romania Gaz managed to ensure supplies to the customer within just a few weeks of being approached.

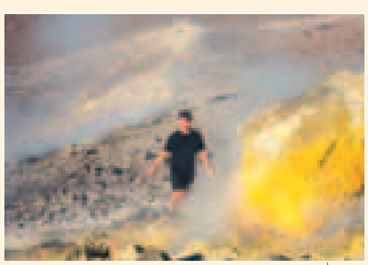
The new acetylene plant of Messer Energo Gaz in Deva, with a capacity of 260 cubic meters of acetylene per hour, was completed at the end of 2004 and is currently in the test phase.

Messer Sarajevo Plin, Bosnia-Herzegovina

Successful negotiations with BH Steel Negotiations with the BH Steel steelworks about the supply of gases were successful – supplying BH Steel steelworks with large quantities of liquid oxygen, nitrogen and argon as well as further cooperation leading up to the opening of a new air separation unit were agreed for 2005.

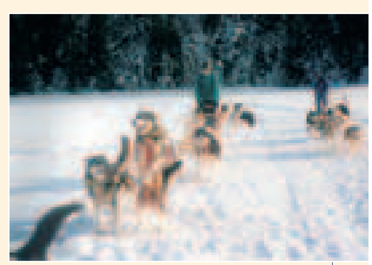
Optimization of internal processes Messer Sarajevo Plin has expanded its capacity in order to meet demand from its customers for industrial gases: A new filling plant for carbon dioxide came on stream in Rajlovac while the carbonic acid plant in Kiseljak near Sarajevo was shut down. A nitrogen filling installation

Kurt de Boeck, Sales Representative, Belgium



Lubomír Betuš, Sales Specialty Gases, Czech Republic

Gabriela Garus-Mazurek, Manager Assistant and Interpreter, Poland



Mario Gonçalves, Head of Maintenance Customer Plants, France was built in Lukavac. Bosnia's first liquid gas filling station was opened in Sarajevo by Messer Sarajevo Plin, making it the leader for this technology on the domestic market.

In 2004, the Messer Group acquired a majority stake of Plin Sarajevo d.d., the Bosnian parent company of Messer Sarajevo Plin.

Messer Croatia Plin, Croatia

Capacities in Croatia were increased with the start-up of another carbon dioxide production plant.

Product quality improved CO_2 production capacities were expanded by the start-up of a second-hand CO_2 plant from Spain. The quality of the carbonic acid was raised sufficiently to allow the soft drinks manufacturer Coca-Cola to issue the required supplier certificate.

N_2O (laughing gas) quality control was improved by the installation of a new chromatograph, which also laid the foundations for quality control according to the Pharmacopoeia. At the same time, Messer Croatia Plin received the certificate for medical oxygen, which is associated with strict regulations.

The Croatian President visited the Croatian Messer subsidiary's plant with the newly built CO_2 production facility in Kutina.

High level of efficiency secures continued cooperation Together with our business partner INA Naftaplin, Croatia's largest company, Messer launched the pilot project EOR (Enhanced Oil Recovery) in Croatia – a modern process that has seldom been used in Europe before now. This future-oriented project, which, through the addition of CO_2, significantly extends the useful life of oil fields and makes oil production more economically viable, represents a contribution by Messer Croatia Plin to the development of the Croatian economy. Without any breakdowns and plant stoppages, it was possible to pump large quantities of liquid CO_2 into the oil wells of INA Naftaplin. This project was implemented in cooperation with the Hungarian sister company Messer MOL Gas, which once again confirmed the merits of successful teamwork on major regional projects.

A new filling installation for gas mixtures and argon came into operation at Messer Croatia Plin and led to a growth in sales in 2004.

Increasing capacity and improving customer service Capacity utilization in the air separation units was increased, a new 200-bar filling installation for gas mixtures and argon put into operation and the sale of shielding gases and argon 4.8 increased. Through the massive introduction of 200-bar bundles, Messer Croatia Plin has increased its market share of compressed gases.

The new telemetric level monitoring system was fitted to tanks which we had set up on our customers' sites. The same telemetric monitoring system was installed on our storage tanks in Zaprešić and Dugi Rat.

Messer Tehnogas, Serbia and Montenegro

The name was changed from Tehnogas to Messer Tehnogas in 2004. The old administrative building in Belgrade was sold and the company relocated to Rakovica (Belgrade) where the existing site with the acetylene plant and filling installation is located.

Messer Tehnogas AD was successfully certified in 2004.

Change in capital structure Through the gradual share buyback from the company shares of private shareholders and the state, the Messer Group was able to increase its stake to over 83%.

ISO 9001:2000 certification In October 2004, Messer Tehnogas successfully completed the certification process for quality management systems and started preparations for the acquisition of the EMAS ISO certificate in 2005.

Messer Tehnogas is concentrating on its core business after outsourcing its logistics operations to Hoyer in Serbia.

Modernization of gas filling installations The two existing sites in the southern Serbian city of Nis were amalgamated at the air separation site, including the new 200-bar filling installation for gaseous oxygen and carbon dioxide which was completed in December 2004. In December 2004, the existing filling capacities in Rakovica (Belgrade) were augmented with capacities for the filling of argon and argon mixtures (200 bar each).

Outsourcing of logistics business Messer Tehnogas concluded a deal to outsource its logistics to Hoyer d.o.o. (Serbia), the newly formed member of the Hoyer Group. The relevant agreement came into effect on November 1st, 2004.

Stabilization of on-site business

U.S. Steel Serbia (Smederevo) The largest Serbian steel producer, Sartid AD, the most important business partner for Messer Tehnogas in Serbia and Montenegro, was taken over by U.S. Steel Kosice at the end of 2003. Privatization through this strong overseas partner led to an expansion of the steel business and a considerable increase in the consumption of technical gases. The investment plans of U.S. Steel Serbia (USSS) in Smederevo require additional gas capacities. Messer and USSS signed a contract to build a new air separation unit in Smederevo. The air separation unit in Smederevo is an important production source for the Messer companies in the region. Large parts of the air separation unit will be made in China by Hangyang. Shipping is due to start in May 2005. Transportation of the parts – up to 25 meters in length and 70 tons in weight – by sea from Shanghai to Constanza, Romania, and on along the Danube and by road to Smederevo will present Messer with a major logistical challenge.

HIP Petrohemija (Pancevo) HIP Petrohemija, one of the largest wholly state-owned chemical companies in Serbia, is one of the most important customers of Messer Tehnogas and is receiving strong support from the government in the current consolidation process. Messer Tehnogas extended the existing supply contract until the end of 2008.

Position in domestic market retained Messer Tehnogas retains its long-standing dominant position in the Serbian and Montenegrin domestic market for technical and medical gases. Its customers include all the large indigenous companies in every branch and sector of industry as well as the local subsidiaries of global corporations (Coca-Cola, Interbrew, Efes, Lafarge, etc.).

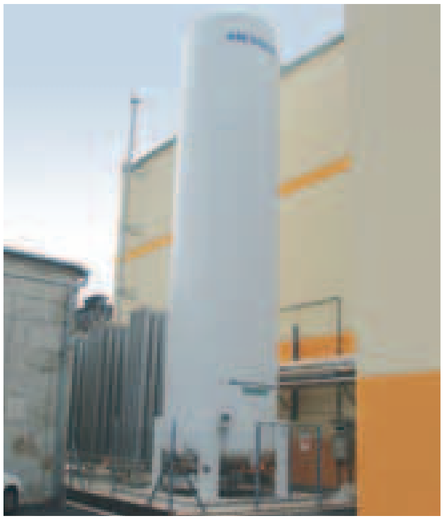
Eszter Hajdu, Financial Controller, Hungary

Lia Bekridaki, Secretary, Greece

Corinna Wulfleff, Assistant to GM Applications, Germany

Silvia Argilaga, Invoicing, Sales, Spain

Messer Technogas, Czech Republic



The partnership between Spolchemie and Messer Technogas began in 2001 with the installation of an on-site nitrogen production plant.

Continuation of partnership in the chemical industry Spolchemie is one of the largest chemical manufacturers in the Czech Republic and now specializes in three basic areas of production: inorganic chemicals, synthetic resins and organic dyestuffs. In many product groups, Spolchemie is the leading Czech producer, in some even a leading European producer.

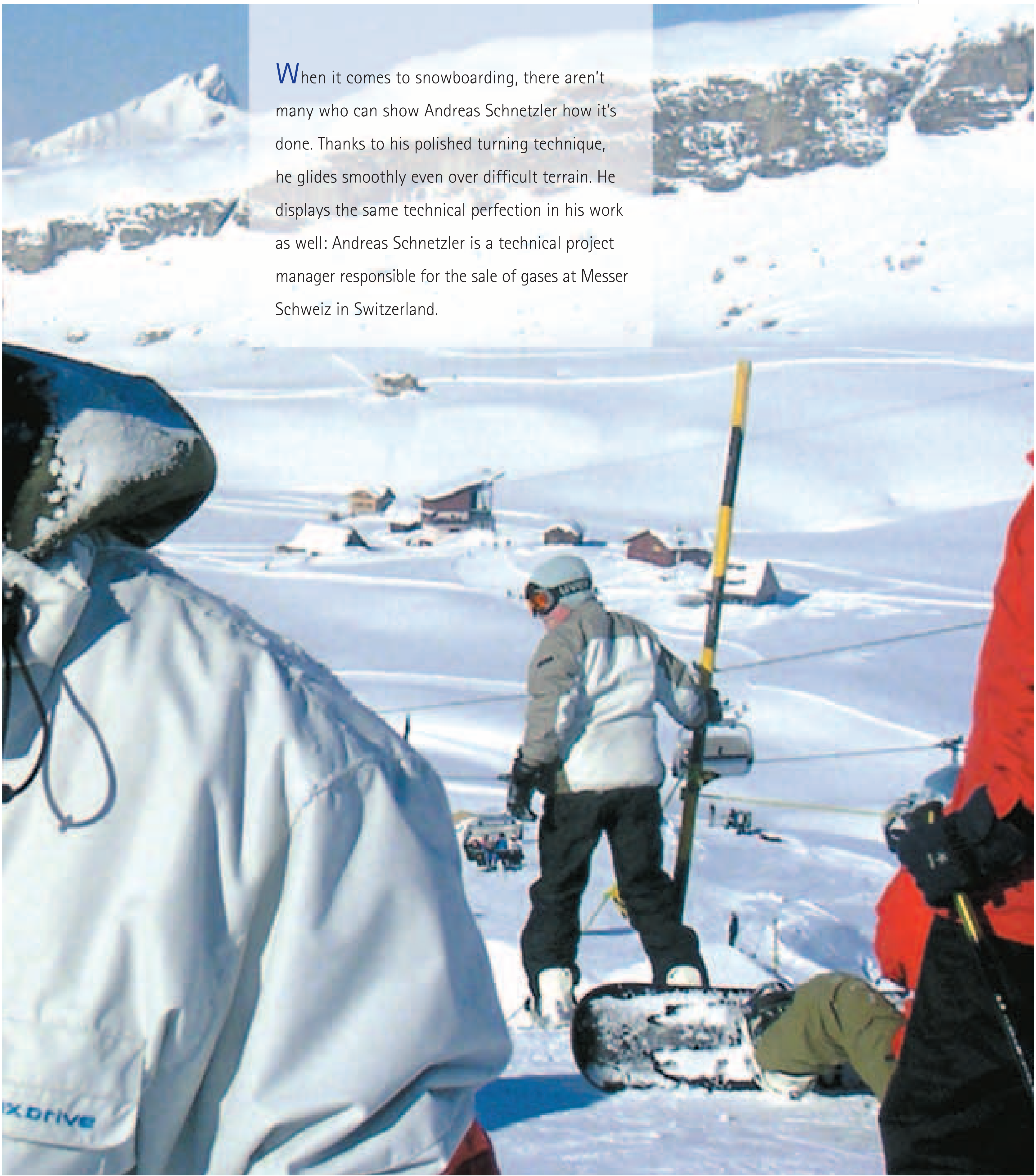
The partnership with Messer Technogas began in 2001 with the installation of an on-site nitrogen production plant with a capacity of 400 cubic meters per hour and oxygen supplies totaling 1.5 million cubic meters per year. In 2004, Messer Technogas signed a contract to supply nitrogen for the inerting and cooling of the new production plant for synthetic resins.

New customers won in electronics sector In 2004, Messer Technogas signed contracts with four electronics companies for the supply of nitrogen for soldering. These four companies – Siemens, Meta, ILV and Dioflex – have a total annual demand of 350,000 cubic meters.

Successful relationship with the automotive industry In 2002, Intier Automotive, a Czech subsidiary of the automotive subcontractor Magna International, decided to start the production of seat components in the Czech Republic. At the time, Intier also began negotiations with the Messer Group with regard to the supply of gases, the provision of other services and the additional supply of welding products. These negotiations were concluded with the official signing of a contract between the two firms. Messer will supply liquid argon and CO_2 through to filler wire and hardware.

The Czech Messer subsidiary supplies many gas-related products to the automotive subcontractor Intier.

When it comes to snowboarding, there aren't many who can show Andreas Schnetzler how it's done. Thanks to his polished turning technique, he glides smoothly even over difficult terrain. He displays the same technical perfection in his work as well: Andreas Schnetzler is a technical project manager responsible for the sale of gases at Messer Schweiz in Switzerland.



Messer Tatragas, Slovakia

The quality of food is being improved thanks to liquid nitrogen – in Slovakia, products destined for export undergo rapid freezing with nitrogen.

Successful freezing with liquid nitrogen The company JAV-AKC in Neded manufactures vegetable and animal products that are used as a basis for soup mixtures, pies or sausages. Rapid freezing can preserve or even improve the quality of the products to be exported. Thanks to the very good test results, JAV-AKC has opted for the freezing process with liquid nitrogen from Messer.

Experience vital in ensuring timely gas supplies The British company Utilux UK Ltd., Suffolk, has established a branch in Dolný Kubín in the north of Slovakia. The firm produces a wide range of connections for the electronics industry. Grieson® and oxygen supplied by Messer Tatragas are used in the soldering process. The gas supplies were put in place in a very short time frame, enabling Utilux to commence production in Slovakia according to plan. Experience and references with regard to the supply of liquid gases, and Grieson® in particular, contributed to the overall success of this deal.

Supply reliability for industry The contract with Volkswagen, Bratislava, for the supply of argon was increased by a further 120,000 cubic meters per year in connection with the start of production of the Audi off-road vehicle "Q7".

Messer Slovenija, Slovenia

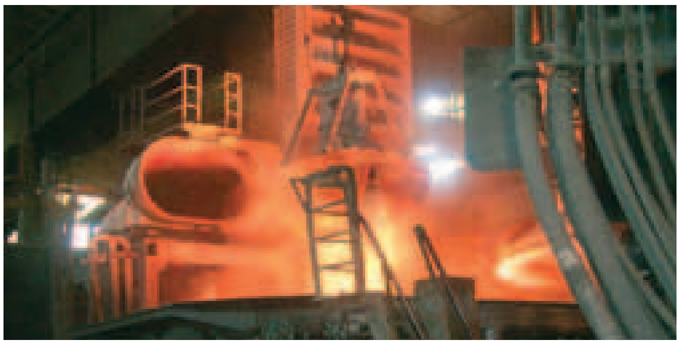
A central gas supply for air gases and specialty gases was installed at the leading Slovenian pharmaceutical company Lek.

Successful use of gases in the pharmaceutical industry Messer Slovenija cooperated intensively with Lek d.d. in 2004. Being part of the Sandoz Group, a pharmaceutical company with 55 years of tradition, Lek d.d. is one of the leading Slovenian enterprises.

In addition to the start-up of the cryobank in Mengeš, a central gas supply for oxygen, CO_2 and nitrogen for reactors and fermenters was installed. Successful tests in pill production were carried out together with specialists from Lek. The pills were laid out and dried under a nitrogen atmosphere. At the same time, the laboratory was fitted with a supply system for specialty gases.

Pills were laid out and dried under an inert atmosphere – the tests in pill production were successful.

Increase in production with simultaneous reduction in costs Of the three steelworks in Slovenia, Štore Steel d.o.o. is the only one to have been privatized. The new owners have tailored their production to the global market conditions and are focusing on modernizing their technology.



The electric arc furnaces of Štore Steel were modernized.

The aim was to increase production while cutting costs at the same time. By providing good advice through its application engineers and cooperating with furnace specialist TechInt, Messer Slovenija was able to convince the customer that we are the right partners. The technical modifications to the electric arc furnaces were carried out by TechInt. Messer Slovenija built a completely new tank farm and installed the entire pipeline network. The project was successfully completed in record time.

Messer Slovenija supplies 6 million cubic meters of oxygen for an annual steel production of 160,000 tons.

Messer Polska, Poland

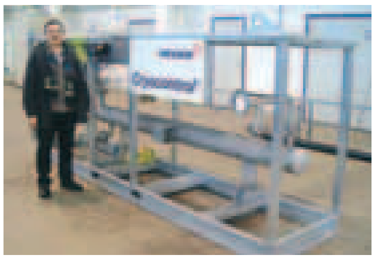
As a supplier of CO_2, especially to the beverage industry, Messer is preserving its position as leader in the Polish market. The Polish company also has a large market share of liquid and compressed argon, mixed gases and acetylene.

The most important investment of the past year was the further development and modernization of our plant for the filling of technical gases and the production of medical and food gases at our main factory in Chorzów. All the processes in this modern, efficient plant are now computer-controlled. This ensures that the purity level of the filled gases is always high.

New contracts with the metal industry More and more companies from the metal industry are investing in modern equipment for the treatment of alloy and carbon steel, among other things in plasma and laser machines. In this area alone, Messer Polska registered growing demand for technical gases.

Messer Hungarogáz, Hungary

Messer Hungarogáz was able to implement Messer application technologies in all sectors in order to modify or increase the efficiency of customer processes.



A Messer Cryocontrol® plant for reactor cooling was developed for the Hungarian pharmaceutical company Richter Gedeon.

Industry It has been possible to conclude a contract with Richter Gedeon Rt., one of the largest Hungarian pharmaceutical producers, for the installation of a cryo-control plant for reactor cooling and the supply of 200,000 cubic meters of liquid nitrogen per year. The plant is expected to start its operations in July 2005.

Videoton, a privately owned Hungarian Group, is the largest and most important independent Contract Electronic Manufacturer (CEM) in Central Europe. In July 2004, Messer Hungarogáz won the bid for the contract to supply liquid nitrogen to a subsidiary of Videoton Holding Rt. and has since been responsible for all gas supplies.

A unit for inerting coal grinding plants and connected machinery, coal dust hoppers, etc. with carbon dioxide for the purpose of fire protection in the cement factory was delivered to Duna-Dráva Cement Kft. in Vác and Beremend, one of the largest cement and concrete producers in Hungary and part of the HeidelbergCement Group.

Chemistry and environment A contract was signed with the wastewater treatment plant in Dág – operated by Északdunántúli Vízmű Rt – to supply oxygen for partial oxygenation in order to improve the efficiency of the aeration system. Partial oxygenation is being used in tests at two other wastewater treatment plants.

Metallurgy Our technologies were also used to optimize the production processes of customers from the metal industry. At Elektronikai és Mechanikai Kft. in Vác, a liquid nitrogen supply was installed for the heat treatment process. GE Hungary Rt. (General Electric), Budapest, uses gaseous helium for inerting purposes in inert gas soldering with robot systems.

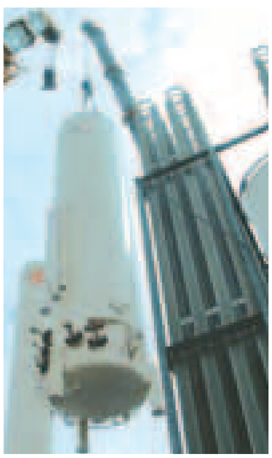
Welding and cutting A laser cutting machine was put into operation at Kröll Hungária Kft., an air engineering company. An additional laser cutting machine was installed at TFT Laser & Stanz Kft..

The behaviour of food in connection with the use of carbon dioxide and nitrogen was examined at the frozen food producer Mirelite in Budapest.

Food At Vita-Sütő Kft. in Kisbér, the bakery products produced there are frozen in a cabinet freezer using liquid nitrogen from Messer. Successful tests of IQF freezing in a cryo-tumbler were carried out at Mirelite Kft. in Budapest, one of the leading frozen food producers in Hungary. Individual parts of ready meals are sprayed with different sauces during freezing. The test examined the behaviour of food when liquid carbon dioxide and liquid nitrogen were used.

During a symposium for producers of bakery products, Messer Hungarogáz informed more than 30 participating firms about the applications of cryogenic gases. The Messer subsidiary supplies dry ice to Hungarian winegrowers for mash cooling and nitrogen for sparging.

Start-up of new nitrogen generator at TVK In 2003, Messer Hungarogáz signed a contract for the expansion of a nitrogen production plant with its biggest on-site customer, Tiszai Vegyi Kombinát Rt. (TVK). The new plant was delivered on schedule on August 1st, 2004. TVK uses the nitrogen for technical processes and for the inerting of installations and equipment. Instrument air is used in the operation of pneumatic systems and the purging of technical installations. TVK is the market leader in the chemicals sector in Hungary and is one of the most important strategic partners of Messer Hungarogáz.



A new nitrogen generator was installed on schedule by Messer Hungarogáz on the site of TVK, the largest chemical manufacturer in Hungary.

Contract extension with GE Hungary Rt. (General Electric) At the beginning of 2004, an agreement was concluded with General Electric, the biggest customer of Messer Hungarogáz, to supply all the gas requirements of the five Hungarian GE production plants.

Homecare in Hungary Messer Hungarogáz has been in the homecare business since the beginning of 2004. It specializes in long-term oxygen therapy. Messer Hungarogáz now supplies almost 1,800 patients with conventional 20-liter oxygen cylinders, FREELOX liquid oxygen systems with mobile tanks and other accessories. This represents a market share of 30%.

Messer Hungarogáz supplies almost 1,800 patients with systems for the use of medical oxygen.

Messer Hellas, Greece

Messer Hellas was able to continue its successful cooperation with the DEMOCRITOS Research Institute, our customer for liquid helium, thereby substantially increasing helium sales.

At the same time, a reorganization of the filling installation allowed the efficiency of the cylinder gas filling process to be improved considerably.

Artificial snow made by Messer Messer Hellas supplied around 200 tons of liquid nitrogen for the creation of artificial snow from water, compressed air and liquid nitrogen for the annual international snowboarding event NOKIA TOTALLY BOARD 2004 in Thessaloniki.

Messer Suomi, Finland

Streamlined processes raise production capacity For the first time in the history of Messer Suomi, more than 10,000 cylinders (single cylinders and bundles) were filled in a month in the filling plant in Tuusula. The capacity utilization of the air separation unit in Imatra rose by 17% to 74% in 2004. There was also growth in the other business areas. This was achieved by a reorganization and streamlining of business activities. The link-up in December of the air separation unit to the "European Control Center" in Budapest has further facilitated the smooth operation of the plant. The carbon dioxide recovery plant built in Koskenkorva in 2003 has quickly achieved good rates of utilization. As a result of extensive business deals, the capacity utilization rose by 50% in 2004 to an impressive 85% for the year.

Pasquale Aiezza, Production, Italy

Successful customer projects in various sectors The most important business deal in the area of technical gases was concluded with Rautaruukki in January. Rautaruukki is a well-known Finnish firm in the steel and metal industry which has operations in 24 countries and a net turnover of over €3.5 billion.

In the second half of 2004, Messer Suomi channeled more resources into the use of application technology. Thereafter Messer Suomi was able to win several important new customers from the food industry. These include Apetit Kala Oy, the Finnish market leader in packaged fish products, and Lidl Finland Ky, a subsidiary of the well-known German Lidl Group.

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Elme Messer Gaas, Estonia

Five years of Elme Messer Gaas Founded in March 1999 as a joint venture, Elme Messer Gaas (EMG) has, in 2004, been supplying the Baltic market for five years. Messer now has around 215 employees in the four local subsidiaries which have been set up in Estonia, Latvia, Lithuania and Kaliningrad. With one air separation unit – the only one with modern technology in the Baltic states – one acetylene plant, one hydrogen production facility, six filling plants and a total of 60 delivery stations for cylinder gas, Elme Messer Gaas has a market share of around one third.

Hu Mingwei, Driver, China

Doriano Mazzini, Purchasing/Accounting, Italy

Tamás Bándy, Head of Production, Hungary

Antje Seel, Manager Assistant, France

Since 1971, Vera Vilimanović (right) has been a member of the “Abrasevic” folk dance group, with whom she has appeared all over Europe. And in her job, too, she knows every step – no wonder, after all she has been with Messer Tehnogas AD for over 28 years, where she presently works as a sales manager in Kraljevo.

Messer Danmark, Denmark

Messer Danmark was established in 2004.

Messer Danmark – the newest member of the Messer Group In Denmark, the Messer name has long been associated with high-quality welding machines and equipment which were distributed in cooperation with Hede Nielsen, Denmark's largest supplier of gases. The formation of Messer Danmark has brought the Messer Group a decisive step closer to its many Danish customers, who had previously been supplied by the German organization. When asked, around 99% of them confirmed in writing that they wish to be supplied by Messer Danmark, after the sale of the German organisation.

In the area of food technology, among other things, Messer Danmark has already scored a success with the installation of a second Siber transport refrigeration system for the company Netto in Nørre Snede.

Messer France, France

Messer France was able to strengthen its position in the French market through innovative ideas and achieved a growth in turnover of more than 6%. The specialist in carbon dioxide applications has increased its market share in this sector to 24%. Helium sales, too, were increased by more than 14%.

Creative ideas from the hexagon for food technology Thanks to good cooperation between Messer France and the Slovakian subsidiary Messer Tatragas, it was possible to provide the customer Moypark with a used three-tier tunnel for freezing breaded chicken fillets. Messer France is supplying the liquid nitrogen for this new production line, and Moypark is already planning a further 15% increase in production.

Innovation at the IPA food exhibition in Villepinte, Paris The Vibrofreezer, a patented innovation from Messer, was presented to the assembled trade visitors at the IPA exhibition's Messer France stand. It allows products consisting of small pieces to be frozen or cooled individually in a freezer without rotating parts and with minimum space requirement. It is also possible to use it as a vertical conveyor to a weighing appliance or packaging machine. Around 50 prospective customers made appointments for further information or trials.

Messer France presented the new Vibrofreezer at the IPA in Paris.

Oxygen improves the quality of steel and iron The Oxijet® system for the ultrasonic injection of oxygen into cupolas was installed at our customers De Dietrich Thermique and CFFC. The steel melting process is made more efficient by the injection of oxygen. The Pulsox® system, as used at Fiday Gestion, also involves the injection of oxygen in order to increase throughput and reduce production costs.

Messer Benelux, Belgium and Netherlands

Preferred supplier of medical gases The growth in the medical gases business at Messer Benelux was three times greater than the total market growth: Messer was chosen by 110 pharmacists with over 700 oxygen patients as their exclusive supplier of medical gases for the next five years.

Organization streamlined The organizational integration of Messer Belgium and Messer Netherlands into Messer Benelux has generated significant synergies.

Messer Italia, Italy

Historical cobblestones polished up with carbon dioxide The Dry Gun System from Messer was used to remove chewing gum from the cobblestones in the historical town center of Ferrara in an environmentally friendly and effective way. Dry ice pellets were blasted onto the surfaces under high pressure without corroding them – the freezing effect of the carbon dioxide embrittles the dirt, causing it to flake off. AGEA, the firm responsible for the public utilities of the municipality of Ferrara, announced that it will also use this innovative procedure to clean historical monuments in the Emilia Romagna region.

The dry ice blasting process from Messer was used to remove chewing gum from the cobblestones in the historical town center of Ferrara.

Safe target practice with carbon dioxide Carbon dioxide from Messer is being used in an unusual and completely new way at the Carabinieri Academy in Turin: during target practice with real firearms – but without ammunition – the recoil of the gun is simulated by the ejection of CO_2. Messer Italia installed a complete supply system in the practice area. Messer is therefore a pioneer and the only supplier of CO_2 for such simulation systems.

Italian Carabinieri can enjoy safe target practice thanks to the use of carbon dioxide.

Messer Carburos, Spain

At its air separation unit in Vilaseca, Tarragona, Messer Carburos produces oxygen and nitrogen which are supplied to major customers in the chemical and petrochemical industries via an approximately 90-km-long pipeline network. The pipeline business accounts for three quarters of the company's total turnover, which was increased by more than 10% in the 2004 financial year.

Gases from the air separation unit are supplied to customers via a pipeline network.

Portugal also gets cylinder gases from modern filling plant The filling plant in Vilaseca, Tarragona, which went into operation in September 2003, supplies cylinder gases to both the Spanish and Portuguese markets. Gas centers for the distribution of cylinder gases were opened in four other regions of Spain – the Basque region, Galicia, Asturias and Madrid – in order to expand the distribution network across the entire Iberian Peninsula.

The filling plant's laboratory facilities were completed in order to allow comprehensive product analysis. At the same time, the facilities were adapted to meet the requirements for the analysis of medical gases. This made it possible to submit a dossier to the Health Ministry for authorization for the production of medical oxygen and nitrogen, which, according to the Medicines Act, will become mandatory for all gas producers from June 2005.

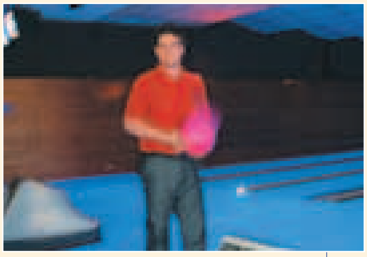
Intermarché is an important customer in the food sector.

Wide range of international customers Repsol Petróleo, part of the Repsol Group, has substantially increased the contractual gas quantities. Apart from the Repsol Group, Messer's most important customer in Spain, the company has other international and Spanish customers in the chemical industry such as La Seda de Barcelona, Ercros, Celanese, BASF, DOW and Bayer, which are also based at the Tarragona industrial site. It also has bulk customers such as Kautex, Goldschmidt, Polidux/Repsol and TI Group in the chemical and environmental protection sectors as well as the food industry customers Intermarché, Cocederos de Mariscos and Airbox.

Francisco Moreno, Sales Representative, Spain

Vaclar Vajner, Service Technician Automation, Switzerland

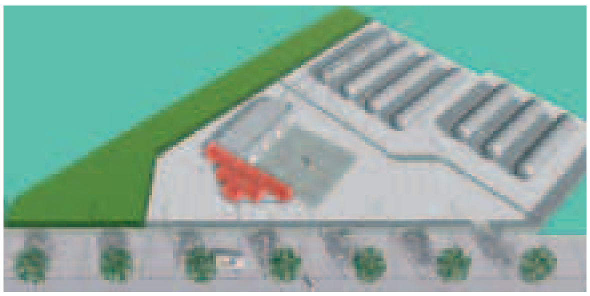
David Engrand, Regional Sales Representative, France



Maxime-William Bourhis, Referee for Pressure Vessels, France

Messer Schweiz, Switzerland

Leading position consolidated with second plant for hydrogen The supply of hydrogen in pipelines to the Monthey chemical complex (including for the firms Ciba and Syngenta) on the shores of Lake Geneva, Switzerland, has been wholly taken over by the Swiss Messer subsidiary. The decisive factor was the outstanding technical concept, in particular the implementation time, reliability of supply, environmental protection and low costs. The plant can be operated from Lenzburg and is also monitored by the Messer Control Center in Budapest. A trailer station allows customers in western Switzerland to be supplied with hydrogen in trailers.



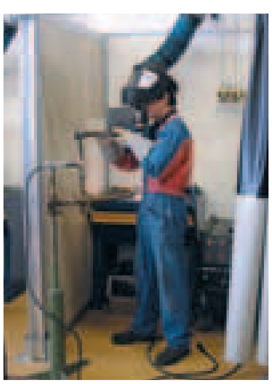
The supply of hydrogen to chemical customers at Monthey has been wholly taken over by Messer in Switzerland.

First installation for preventive fire protection in Switzerland Die The installation of a permanent inerting system for fire protection in the refrigeration building at Emmi in Ostermundigen is a first for Switzerland. The ambient air, which is cooled to –28°C, is set to a maximum oxygen content of 15 vol. % by adding nitrogen, thereby virtually reducing the fire risk to zero. Emmi is the leading producer and supplier of milk products and cheese in Switzerland.

Messer Schweiz, based in Lenzburg, received pan-European accreditation for medical gas supply systems.

Logistics transferred to freight forwarding companies Logistics has been transferred to the Swiss firms Setz and Indermühle, who have also offered employment to most of the affected employees. In addition to the cost savings, the main result is a much quicker delivery service to customers in all areas of Switzerland.

Europe-wide certificate for medical gas supply systems One year after the formation of the Medical Gas Supply Systems department, Messer Schweiz now has pan-European accreditation. This means that Messer is authorized to plan, build, install and inspect medical gas supply systems including the necessary connecting devices on a Europe-wide basis.



The competence center for welding technology in Dällikon was upgraded.

Success for MESSER Schweisstechnik in Dällikon The MESSER Schweisstechnik Division based in Dällikon was very successful in marketing welding robot systems in 2004: the customers Hovalwerk AG in Vaduz, Bunorm AG in Aarwangen and FHS Frech-Hoch E. AG in Sissach each had one MOTOMAN® robot system installed.

The competence center for welding technology was upgraded with facilities for customer training courses in welding.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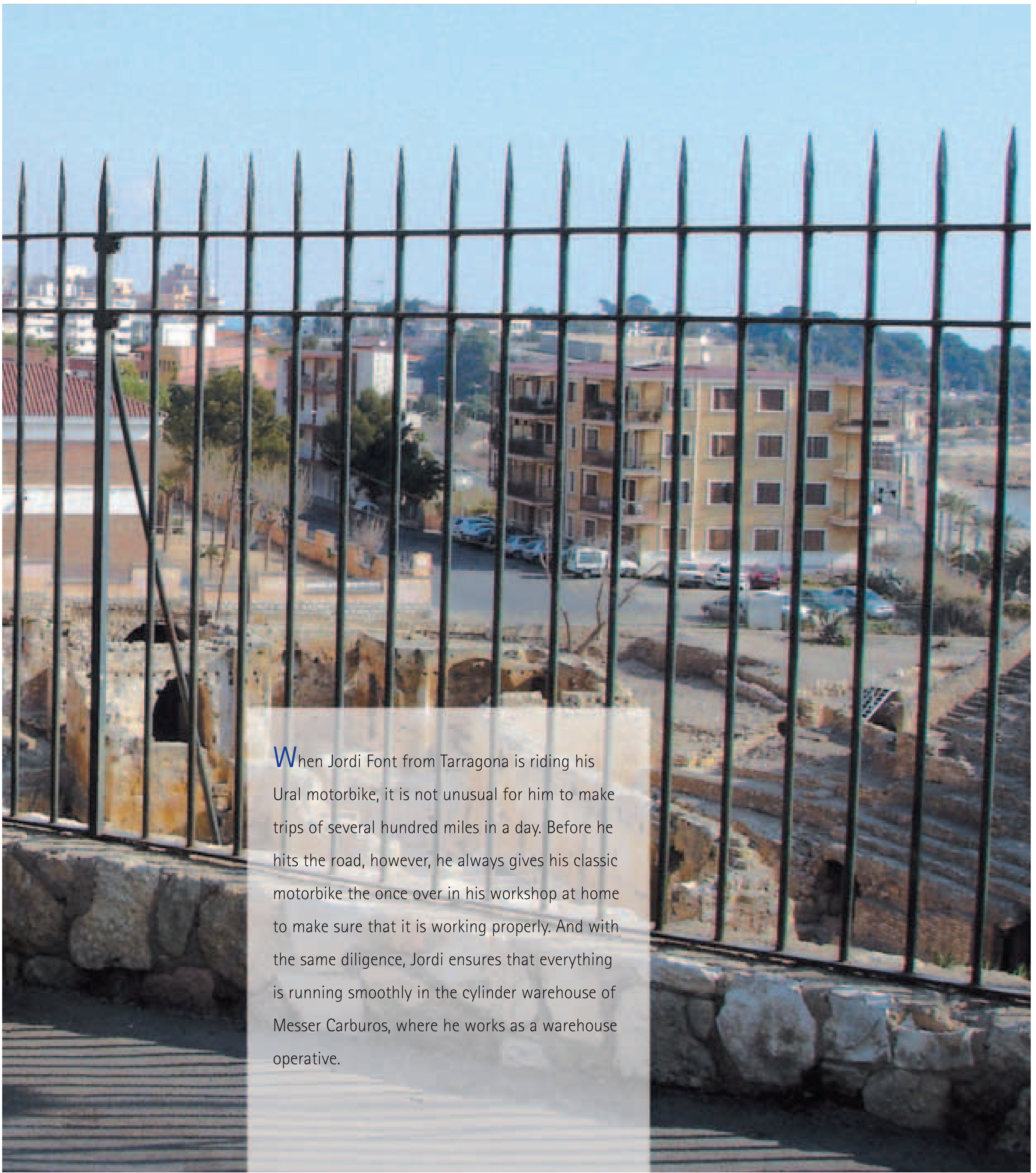


When Jordi Font from Tarragona is riding his Ural motorbike, it is not unusual for him to make trips of several hundred miles in a day. Before he hits the road, however, he always gives his classic motorbike the once over in his workshop at home to make sure that it is working properly. And with the same diligence, Jordi ensures that everything is running smoothly in the cylinder warehouse of Messer Carburos, where he works as a warehouse operative.

Messer Gases del Peru, Peru

Messer Gases del Peru, the only Latin American member of the Messer Group, is looking ahead to the future.

Despite reducing its main product prices by 20% due to strong competition, Messer Gases del Peru was able to achieve its previous year's turnover and look ahead to the future.

Core area: health care 26% of Messer Gases del Peru's turnover is generated by its involvement in the country's public and private health service through the distribution of oxygen concentrators and the supply of liquid nitrogen to hospitals that look after patients at home.

Successful on land and water Peru is a world leader in fishing. The fishing enterprises prefer our products and services for repairing their boats and industrial facilities because of their high quality. This accounts for 15% of total turnover.

Mining production increased by 5% compared with the previous year. Peru is one of the world's largest mining countries. The growing demand for minerals (copper, gold, zinc and silver) and the resultant price increases led to an upturn in this industry in 2004. Messer is the leading gas supplier in this sector: we supply three of the five biggest mines in Peru and two of the world's leading mining companies.

Messer is the leading industrial gas supplier to the Peruvian mining industry.

Market for welding electrodes Messer Gases del Peru has a market share of 6% in the total market for welding electrodes in Peru. Our aim is to strengthen our position in this market and increase our market share to 16% in the course of the next two years.

Franky Ferreira is literally making great leaps – especially on the end of a bungee rope. In his job, however, he prefers not to be quite so adventurous, because, as a maintenance engineer at Messer France in Mitry-Mory, the most important thing as far as he is concerned is to provide reliability for customers at all times.

Messer China, China

The third air separation unit at Xiangtan Iron & Steel Group in Hunan Province went into operation in March – plus it is a good way of promoting the products of the Messer Group.

Two more air separation units for major steel customer At the end of 2002, the Messer Group and its joint venture partner Xiangtan Iron & Steel Group struck a deal on the construction of a third air separation unit with the aim of supporting the growth pursued by Xiangtan Iron & Steel Group. The construction of air separation unit No. 3 with a total output capacity of 14,000 standard cubic meters of oxygen per hour was completed on schedule and the plant went into operation in March 2004. In addition, the two joint venture partners decided to further expand the gas production capacity of XMG by constructing air separation unit No. 4 with an output capacity of 16,000 standard cubic meters per hour and a liquefier with a daily output of 230 tons of air gases. After the start-up of the fourth air separation unit in the first six months of 2005, our joint venture with Xiangtan Iron & Steel Group will represent an investment of over US $40 million, making it the biggest Chinese company in the Messer Group. Xiangtan Iron & Steel Group will then become one of our largest customers.

Construction of the fourth air separation unit was begun on the site of the steel manufacturer Xiangtan Iron & Steel Group.

Hydrogen and helium for GE Quartz Messer China signed a five-year contract with GE Quartz for the supply of hydrogen and helium to its new production plants in Wuxi in Jiangsu Province. GE Quartz already has four production plants worldwide. The fifth, and first in Asia, will now receive supplies from Messer.

15 million US dollar investment in Eastern China In the Jiangsu Yangtze Chemical Industry Park in the eastern Chinese city of Zhangjiagang, the Messer Group has laid the foundation stone for the construction of a hydrogen plant with a capacity of 4000 standard cubic meters per hour. In the second project phase, an air separation unit will be built. The Messer Group is investing a total of 15 million US dollars in the Yangtze Delta. The gases produced will be used, among other things, in the production of oleo

The Messer Group has laid the foundation stone for the construction of a hydrogen plant in the eastern Chinese city of Zhangjiagang – in the future, other companies in the region are to be supplied with industrial gases via a pipeline system.

chemicals and fatty acids for the manufacture of soap, detergents and edible oil by the Malaysian firm Taiko Palm-Oleo Co. Ltd. (Taipoko) based in Zhangjiagang. In the future, the Messer Group plans to supply other companies in the Chemical Industry Park and the region with industrial gases via a pipeline system.

Messer participates in South China growth In Foshan, Guangdong Province, Messer has commissioned an air separation unit as well as a gas filling plant exactly one year after the foundation stone was laid. The air separation unit has already reached the planned capacity. Around 200 tons of air gases are produced daily in this southern Chinese city. With the gross domestic product in Foshan growing by more than 16%, the Messer Group is confident that demand for industrial gases will increase greatly and is gearing up for increased supplies to its customers in the lighting, electronics and manufacturing industries.

Stefan Messer (right) strengthens the cooperation between the Messer Group and its Chinese partners.

Messer China is a competent partner for the automotive industry Sangang Messer Shanghai has signed a contract with Schäffler China to supply liquid nitrogen for use in heat treatment. Schäffler is the largest producer of ball bearings for the automotive industry. Sangang Messer Shanghai was able to extend the contract with automobile manufacturer Shanghai General Motors for the compressed air supply systems (20,000 cubic meters per hour). The compressed air is mainly used in the paint shop as well as for pneumatic valves.

Messer teams up with largest manufacturer to build plants The Messer Group will in future get large parts of its cryogenic production plants for industrial gases built in China. A cooperation agreement with the plant engineering and construction company Hangzhou Hangyang Co. Ltd. in Hangzhou provides for the supply of components for air separation units as well as the exchange of know-how to improve the efficiency and potential of air separation units. The Chinese partner is the largest manufacturer of air separation units, gas liquefiers and pressure vessels in China and also runs a research center.

Cindy Chen loves challenges – both professional and private. No mountain is therefore too steep for the office administrator who works at Messer China – something she proved on a Messer Employee Club excursion to Chongming Island. Even though the climb up the artificial wall was very strenuous, Cindy did not give up until she had reached her goal. The very quality that colleagues and customers value in her.

1. Reorganization of the Messer Group

The financial year 2004 was one which involved many changes for the Messer Group. Until May 7, the Messer Group was held indirectly by Messer Holding GmbH (formerly Messer Griesheim Group GmbH & Co.KGaA) via the intermediary company Messer Griesheim Holding GmbH (formerly Messer Griesheim Holding AG). The latter held all the shares of Messer Griesheim GmbH, which, in turn, held the investments in the operating entities of the then Messer Group and managed the Group's operating activities. The shareholders of Messer Holding GmbH until May 6, 2004 were Allianz Capital Partners, private equity funds managed by Goldman Sachs, Messer Industrie GmbH ("Messer Industrie") and Messer Employee GmbH & Co. KG.

Messer Griesheim GmbH, together with its subsidiaries in the United Kingdom and the USA, was sold on May 6, 2004. A corresponding agreement had been signed on January 19, 2004 with L'Air Liquide International S.A. for the sale of the shares, whereby Messer Griesheim Holding GmbH agreed to sell its operating activities in Germany, United Kingdom and the USA. It was also agreed that the Group's remaining operating activities, in particular those in China, Western Europe and Eastern Europe would remain with Messer Group GmbH. On May 6, 2004, Allianz Capital Partners, the private equity funds managed by Goldman Sachs and Messer Employee GmbH & Co.KG also sold their shares in Messer Holding GmbH to Messer Industrie in accordance with a number of other sales agreements which were already in place. As the result of these transactions, ownership of the new Messer Group was restored to the Messer family.

Since May 7, activities of Messer Group are headed from Sulzbach im Taunus.

The new Messer Group, which is controlled by the Messer family, thus came into existence on May 7, 2004. At that stage, Messer Group GmbH (hereafter referred to as "Messer GmbH") took over its role as the management holding company of the new Messer Group (hereafter referred to as "Messer" or the "Messer Group"). Products, services and technologies continue to be marketed under the "Messer" name.

The central functions, comprising logistics, engineering and production and application technology, are managed out of Krefeld.

With effect from May 7, 2004, the worldwide operations of the Messer Group are being managed out of Sulzbach im Taunus. Certain technical functions, comprising logistics, engineering and production, and application engineering, continue to be managed centrally out of Krefeld.

The Messer Group thus has operations in the main European markets (with the exception of Germany and Great Britain) as well as in China and Peru. Technical expertise centers have been set up to serve the Messer Group. Teams of support experts covering the various gas technologies and specialists for applications such as cold grinding, recycling and cryoengineering are located in Germany. Research and development activities for industry, metallurgy, heat treatment and burner engineering are performed in Austria. In France, the focus is on the development of technologies for use in the food-processing, pharmaceutical and biotechnology sectors. In Switzerland, expert know-how has been built up for the welding and cutting sectors.

Messer reports a net profit of K€ 17,526 for the period from May 7, 2004 until December 31, 2004 on net sales of K€ 352,820. This result demonstrates that we have been able, as the new Messer Group, to maintain our strong position in those countries and markets in which the group currently operates.

2. Review of economic development

Economic climate

The global economy saw a sharp upturn in 2004. This came about in spite of the adverse effect of a number of political and economic issues, such as worldwide terrorism and the Iraq war, which had taken their toll on the global economy in 2003. Economic growth was particularly strong in the Asian region, driven primarily by increased production and demand in China. Industrial countries also saw production expand rapidly during the early months of 2004. The economic upswing continued to strengthen in the USA, even though demand did not rise quite as quickly as in the second half of the previous year. The European Union also saw an increase in the rate of growth, albeit at a comparatively moderate pace. At the beginning of the year, the increase in the gross domestic product in real terms had accelerated across the euro region and in the new member states of the EU. Generally speaking, economic activity was held back by the increase in raw material prices, whereby this effect was offset partly by the momentum from the expanding regions of the world. It should be stressed, however, economic development was different in each country.

Significant developments

In the following section, we describe the main developments and trends affecting the financial period from May 7 to December 31, 2004.

Reduction of net working capital

Measures were initiated during the financial period to reduce the level of net working capital, comprising inventories, trade accounts receivables and trade accounts payables. At December 31, 2004, the net working capital amounted to K€ 57,965 (May 7, 2004: K€ 80,491).

Refinancing

In conjunction with the reorganization of the Messer Group, it was necessary to settle most of the debt outstanding at May 6, 2004. The Messer Group was therefore refinanced by a new Senior Facility Agreement (SFA), with an original total volume of K€ 525,000. Messer's actual debt at December 31, 2004 was K€ 335,347, including K€ 28,194 local debt not included in the SFA. The first repayments of the debt raised in conjunction with the transaction at were made in line with schedule.

Capital expenditure

Worldwide capital expenditure during the financial period to December 31, 2004 amounted to € 70.2 million and thus represented 19.9% of net sales recorded for the period. In addition to Western and Eastern Europe, a significant amount was invested in China, where capital expenditure represented 57% of the net sales generated in that region. The high level of capital expenditure in China can be attributed to the start of construction of two further customer-specific air separation plants and the completion of an air separation and helium filling plant in 2004.

Purchase of shares of minority shareholders

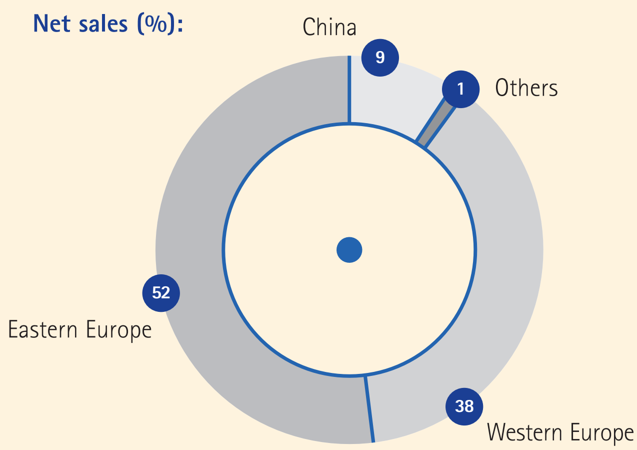
During the course of the financial period, Messer acquired shares in Messer Tehnogas A.D. from that entity's minority shareholders.

3. Review of the overall position

The general upturn in the global economy and the boom in China are having an impact on the economic position of the Messer Group. The currencies of most of the new EU member states stabilised initially during the period and then appreciated in value. This impact was partly offset by a 12% depreciation in value of the Renminbi (which is linked to the US Dollar).

Results of operations

Messer generated net sales of K€ 352,820 during the financial period to December 31, 2004, which can be analysed by region as follows:



Net sales of K€ 133,459, or 37.8% of worldwide net sales, were recorded in Western Europe. The operating profit for this region for the period from May 7, 2004 to December 31, 2004 was K€ 11,757 and thus accounted for 33% of Messer's total operating result.

Business developed very differently in the various countries. France was able to reinforce its strong market position in the food-processing sector thanks to its technical expertise centre in Mitry-Mory. Spain also reported improved figures. Cylinder business was strengthened by a filling plant which was taken into operation in 2003 at the industrial site of Vilaseca in Tarragona, south of Barcelona: overall, a total of 90,500 cylinders were filled during the full year 2004 to supply the Spanish and Portuguese markets. Pipeline business continues to perform positively; Spain was able to extend and expand agreements in place with existing pipeline customers. In Switzerland, Messer was able to strengthen its leading position following the commissioning of a new on-site hydrogen plant to feed the supply network of a chemical park and the opening of a European technical expertise centre for welding and cutting technologies. In addition, the first plant for fire prevention was constructed in Switzerland. Efficiency improvements were achieved by outsourcing bulk and cylinder transport to two transport companies. Furthermore, one of Messer's Swiss entities was awarded a certificate for its medical gas supply facilities, which is expected to result in revenue increases in the medical gas sector. The Benelux countries increased net sales particularly in the bulk-market for medical gases, whereas revenue from cylinder gas sales fell marginally as a result of the intense competitive situation. The integration of activities in Belgium and the Netherlands 3 years ago is now bearing fruit: net sales in the Netherlands rose by 8.5%.

Two new entities were incorporated in Denmark and Portugal during the financial period for 2004. The plan is to broaden the range of industrial gases on offer in Denmark. The entry into the Portuguese market will allow Messer to increase the range of cylinder and bulk supply gases sold to customers in the chemical, metallurgy, automotive, food-processing, gas production and environmental care segments.

In Eastern Europe Messer recorded an operating profit of K€ 25,774 for the financial period to December 31, 2004 on sales revenue of K€ 181,704. This corresponds to 51.5% of total sales and 73% of the total operating result. This region is growth-orientated and offers an even greater range of opportunities as a result of the entry of several states into the European Union. Messer's longstanding strong position in this region was further reinforced in 2004. Messer is the market leader in many of the countries in this region.

Following the acquisition of a liquid carbon dioxide plant at the end of 2003, Messer has been able to expand its leading position in the CO_2 market in Poland. The first liquid petroleum gas station was opened in Bosnia-Herzegovina.

A number of Messer entities won awards in Eastern Europe. For example, Messer's gas analysis laboratories in Bulgaria and Romania received ISO 9001:2000 certification in 2004. The gas calibration laboratory in Hungary was recognized by the Hungarian certification agency. Messer Hungarogáz thus became the first, and at the moment only, certified analysis laboratory in Hungary.

Overall, Messer profited in 2004 from increased demand for industrial gases and new application technologies in Eastern European countries. Net sales rose in Serbia by 60% mainly as a result of high demand from on-site customers. Business relationships with longstanding customers in the private sector were strengthened and expanded. Strong demand for industrial gases resulted in the signature of a new contract for on-site business and for a new air separation plant in Serbia to be constructed in the coming years. Numerous new contracts were signed with larger-sized companies in Hungary in various sectors. The subsidiary in Slovenia was engaged to install a new "tank farm" at the facilities of the only privatized Slovenian steel factory and to expand the supply network. Positive momentum is also generated due to stricter environmental-care regulations being implemented throughout the region: Messer has been preparing for such regulations for a long time and is therefore in a position to offer tailored solutions to its customers. As an example, Messer has been able to establish valuable customer relationships in the area of unleaded soldering.

The payment morale of customers in countries involved in the Balkan conflict remains difficult. Payment arrears and the risk of default require intense efforts to collect receivables. The negative impact caused by this situation has partly been offset by making inroads into new markets arising from the forthcoming privatisation of state entities and strong demand for the Group's products.

China is currently one of the fastest growing markets in the world. Messer operates with 15 entities in the Asian region, including 8 joint ventures. In 5 of these joint ventures Messer is the majority shareholder. Messer therefore has a solid position in the core industrial centres and is investing selectively in all growth sectors in the region. During the financial period ended December 31, 2004, Messer generated an operating profit in China of K€ 3,140 on sales of K€ 33,312. In addition to the steel industry, the main sources of growth are the chemical, automotive and electronics industries. Messer has thus been able to participate in China's growth in 2004 and strengthen its position there. Following on from the opening of a further air separation units and a helium filling plant in 2004, hydrogen facilities and two further customer-specific air separation units will go into operation in 2005, in order to meet increased demand for industrial gases from customers in the manufacturing, lighting and electronic industries.

Messer's profit before minority interest for the period from May 7 to December 31, 2004 amounted to K€ 24,016. The operating profit for the period was K€ 35,297 (10% of net sales) on a gross profit of K€ 198,181 (56% of net sales). The operating profit includes K€ 3,496 from the recognition as income of the excess of Messer's interest in the net fair value of assets and liabilities acquired as part of business combinations. The profit before tax and minority interest was affected above all by the net interest expense of K€ 14,052; as a result of the refinancing measures taken, interest expense represents a major cost for Messer. This impact on the result was partially offset by the positive financial result arising from currency exchange gains. The overall result benefits from the low level of tax expense, made possible by the optimal allocation of debt and the relating interest expense for tax purposes.

Net assets

As a result of the change of control, the cost of assets and liabilities acquired in conjunction with the reorganization was based on their estimated fair values.

The balance sheet total (total assets/total equity and liabilities) decreased by only 0.5% between May 7, 2004 (the opening balance sheet date) and December 31, 2004. Intangible and tangible fixed assets account for the bulk of total assets (78%). Liquid assets account for a further 10%.

The equity ratio improved from 46.9% to 49.3%. This was attributable to the net profit for the period from May 7 to December 31, 2004 and a capital increase of K€ 13,144 made by the shareholder. Non-current debt accounts for 22.8% of total equity and liabilities. Net debt increased from K€ 140,640 at May 7, 2004 to K€ 205,986 at December 31, 2004. A further loan was raised in September 2004 as part of the reorganization measures.

Financial position

Despite the high net interest expense, Messer's liquidity is adequately secured by unused credit lines of € 175.2 million and by high cash balances.

Bolstered by its excellent position in existing markets and the expansion of new markets, plans are in place to reduce debt in the coming years in order to reduce interest expense.

4. Other disclosures

Infrastructure improvements – our European technical expertise centres

Messer operates its own technical research centres, where it develops products and services that are tailored to the needs of the market and customers, as well as new application technologies. Almost € 3 million was invested in 2004 to expand the infrastructure of Messer's development activities.

A technical center was constructed in Gumpoldskirchen, Austria, where work is performed for metallurgic projects and cold industrial applications. The newly constructed burner test-stand allows Messer to develop, test and demonstrate tailored burner solutions for customers in the area of hot-melt metallurgy.

The Group's existing technical center in Mitry-Mory, France has been expanded. Development activities in France have focused on food processing, pharmaceutics and environmental care technologies.

A new technical center for cold grinding has been constructed near to Krefeld, Germany, where Messer plans to develop new applications for the use of liquid nitrogen in pulverisation and recycling processes by carrying out pulverization trials on behalf of customers.

The Group has also set up a new welding support center near to Krefeld. In conjunction with the support centres in Budapest and Shanghai as well as the technical center in Dällikon, Switzerland, Messer is able to put innovative process designs to the test and carry out projects jointly with customers.

Technical expertise centres have been built-up in our main European markets, such as Austria, France and in Switzerland.

Research and development

Creative ideas generate benefits, both in the form of technological progress and cost-effective processes. 15 inventions have been notified to the patent/license/trademarks department since the new Messer Group came into existence on May 7, 2004. The build-up of Messer's development activities is clearly perceptible in that notifications of 11 of the inventions have been received since the beginning of the 4th quarter 2004. By the end of 2004, patent applications had been submitted for 7 of the inventions. In January 2005, it was decided to establish a program to reward significant inventions in order to encourage such activities within Messer.

Capital expenditure and other significant events during the financial year

Significant investment activities were carried out during the financial year to improve and develop application processes for gases. Capital expenditure in 2004 related principally to facilities for new products, investment to replace and maintain existing equipment and to expand capacities. Existing technical centres were thus expanded and new ones opened. The investment strategy is to increase Messer's value through profitable growth. Profitable operations will provide the necessary financial flexibility to make this possible.

The uniform European environmental-care policies, mandatory standards and increasingly strict regulations constantly call for new ideas and for the highest possible standards for existing processes. Messer has invested in and developed new environmental-compatible processes and technologies in a whole range of areas during the past financial year.

Capital expenditure for property, plant and equipment during the financial period amounted to approximately € 70.2 million (19.9% of group net sales).

Our employees

As part of the reorganization of the Messer Group, 84 employees transferred to Messer Group GmbH from the entities sold to Air Liquide in Germany. By the end of 2004, the workforce of Messer Group GmbH had increased by a further 7 employees and 3 trainees. On average, Messer employed 3,762 persons worldwide.

The social skills and integrity of staff serve to strengthen the bond within Messer. The personal qualities and social abilities of an employee are considered to be as important as his/her technical abilities. The development of an individual's skills is aimed at offsetting any shortcomings within the Group and at building on existing strengths. Messer's success depends to a large extent on the commitment, know-how, motivation and performance of its employees. Internal and external training measures and attractive remuneration, social and incentive packages have been put in place to ensure that success can be maintained on a sustainable basis. Our aim is to create a well-trained and motivated workforce which has a long-term interest in remaining with Messer.

Safety, environmental care and quality

Safety is a key principal in Messer's guidelines. The accident ratio is well below the international average. Messer's worldwide commitment to the environment is also reflected in various management systems in place throughout the Group which have been certified in accordance with ISO 9001, ISO 14001, EMAS or Responsible Care standards. These systems serve as tools which can be used continuously to develop and enhance relationships with interested parties, customers, enterprises, employees and the environment itself. Additional environmental restrictions will probably require Messer to adopt the existing standards to these new obligations. Messer Austria for example, became the first company in Eastern Europe to be registered under the EMAS program. EMAS stands for Environment Management and Auditing Scheme, and is a European Union system, under which enterprises give a voluntary commitment to work towards specific objectives in the area of environmental care.

New IT strategy

A significant proportion of IT systems of the reorganized Messer Group have been outsourced to an external service provider. All historical data and applications of the Messer Group have been transferred into a new "server farm" during the reorganisation process.

As part of an European SAP consolidation project, 11 of the existing SAP systems were transferred to a uniform server farm in Germany. The remaining two systems will be transferred to Germany at the beginning of 2005. The aggregation of all SAP systems has the advantage of allowing a uniform management system and standardized security concept to be put in place across the Messer organisation.

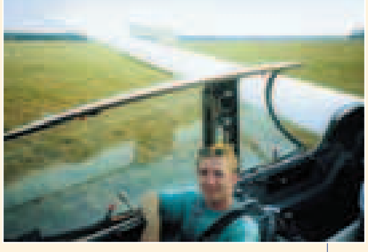
Other projects are in progress to optimise existing processes and requirement forecasting. Messer is keeping apace with new technological developments by allowing its customers in selected countries to order online. This has provided an opening for new sales channels within the Messer Group and allows entries to be recorded directly in the relevant systems. One major advantage is the ability to order supplies independently of time constraints.

5. Future developments

Outlook

It is likely that general business conditions will not change significantly in 2005. It is anticipated that 2005 will see a further moderate expansion of total production in the industrialized countries, and that China will record a higher level of growth. If the prospects for earnings and the general monetary situation remain favourable, it can be assumed that Messer will take the opportunity to invest.

The entry onto the markets in Denmark and Portugal are expected to create momentum for expansion and a chance to stabilise the position in Western European markets. The steel and metal sector will continue to grow, giving rise to an expectation of a positive impact for Messer, in particular from China. Capital expenditure in 2004 will enable us to participate in the growth of the Chinese market and to strengthen Messer's market position there. As a result of a cooperation agreement with a Chinese engineering company, we will be able, in addition to supplying components for air separation plants, to exchange know-how in order to improve the efficiency and potential of air separation plants as a whole.



*Jacek Konieczny,
Sales Representative,
Poland*

*Ma Xucheng,
Driver,
China*

*Ermelinda Tinetti,
Sales Representative Specialty Gases,
Spain*

Selling activities in 2005 will focus on Messer's specific regional strengths. In Western Europe, we will focus on achieving growth with our profitable cylinder-gas business and our innovative know-how in the area of application technology. In Eastern Europe, we will aim to generate growth by increasing volumes of bulk supply sales and expanding Messer's successful on-site business. Business relationships have already been significantly strengthened by means of an agreement with our largest on-site customer in Serbia. In China, in addition to a selective expansion of customer-specific production facilities, the focus will be on successively improving capacity utilisation in the area of the bulk supply business.

We anticipate that operating activities will progress positively in 2005. At the same time, the level of capital expenditure will be increased to allow Messer to meet the specific needs of its customers.

Significant risks for future development and risk management

Messer's future results are dependant on the development of its gas business and whether the overall economic situation continues to improve. The main risks which could be significant for Messer are as follows:

- The industrial gas business is highly competitive, which has resulted in a continued trend of decreasing selling prices for gases. This highly competitive environment could reduce Messer's earnings and cash flows in the future. This situation will be exacerbated by the entry of several Eastern European countries into the EU.

- Messer supplies a cross selection of industries and sectors (including steel, metal, chemicals, oil-refining, food and beverages, healthcare and glass) on the basis of long-term contracts over periods of up to 15 years. A significant reduction in market demand in any one of these industries or sectors could adversely affect future operating results. However, Messer's revenues are not dependant on any single customer.

- Messer operates globally, making it subject to political, social and economic conditions of the various countries and to the resulting risks arising in each local market. This also includes exchange rate risks.

- The continuing tense situation in the Middle East and increasing energy requirements, particularly in China, give reason to believe that oil and energy prices will continue to rise with a corresponding impact on the cost of power, fuel and primary products. Although Messer is often able to pass on cost increases partially to its customers, it is possible that price increases for energy costs could adversely affect the Group's profitability.

- Our worldwide operations are subject to country-specific laws and requirements such as air emissions and waste disposal. Risks for liability from non-compliance are part of the current and past activities of the Messer Group. Any changes in applicable standards and requirements may make it necessary for Messer to take measures to adapt to the new situation.

- Despite very accurate planning, maintenance and control procedures, technical plant and equipment can break-down. Messer is currently expanding its supply structure such that supplies to customers are safe-guarded even in emergency situations.

- Messer relies on cash flows from operating activities to repay debt. This is dependent to a large extent on the ability to generate positive cash flows from operating activities.

- Debt can restrict the ability to finance necessary investments. This applies to new and replacement investment as well as to the necessary level of expenditure for research and development and marketing activities.

- The number of European and even global standards requiring a more environmentally-compatible approach is on the rise. Messer mitigates the related risks by pursuing a strategy of continuously developing new and innovative concepts.

Risk management

Messer uses a risk management system to manage operating and financial risks. In order to monitor and manage the risks to which Messer is exposed, we use various management and control systems, including forecasting and reporting systems in place across the group. Regular reporting by subsidiaries and equity investments ensures that all significant risks are identified and communicated to management at an early stage. Insurance policies have been concluded as protection against potential claims and liability risks to which Messer is exposed; these policies ensure that the financial impact can be kept within defined limits or completely avoided. The scope of these insurance policies is continuously being optimized.

As a result of Group reorganization, Messer has implemented state-of-the-art technologies to reduce the risk emanating from electronic data processing. Unauthorized access to data and systems and a significant loss of data are virtually ruled out. The efficiency, operational availability and reliability of systems are constantly monitored. Messer's security concept also includes a detailed emergency plan.

Financial risks

The main financial risks to which Messer is exposed arise from exchange and interest rate changes. Risk management tales account of the unpredictability of financial markets and is aimed at minimising the potential adverse impact on the net financial result. Corresponding hedges are transacted to minimise these risks.

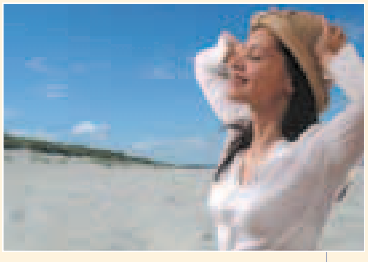
Group Treasury is responsible, following the guidelines set by management, for managing interest rate, currency and liquidity risks. Group Treasury identifies and measures financial risks and hedges them. The guidelines contain general risk management principles and specific rules for defined areas such as the exchange rate risk, interest rate risk, the use of derivative financial instruments and the investment of surplus cash.

Income and the cash flow from operating activities are generally not affected by changes in market interest rates, since Messer does not have any significant interest-bearing assets. Credits/loans subject to variable interest rates are hedged using interest swaps and caps (cash flow hedges for future interest payments). This means that credits/loans with variable interest rates are converted, in substance, to ones with fixed or capped interest rates. In the case of swaps, differences arising on the fixed rates of the swap contract and variable rates, based on agreed reference amounts, are settled at specified dates. In the case of interest caps, settlement is only required at the agreed dates if the CAP has been exceeded. At the balance sheet date, derivative financial instruments had only been entered into with renowned international financial institutions. Currency and interest risks are deemed to be mitigated.

Management considers, as a result of the overall assessment of the risk situation, that risks are limited and manageable and that they do not endanger Messer's going concern status.

Friedrich Moser, Technology Manager Food, Germany

Fabrizio Guratti, Operator, Administration, Italy



Katarzyna Ożana, Accountant, Poland

Mária Horák, Erzsébet Sipios, Zsuzsanna Gábeli, Hungary

6. Events after the balance sheet date

In January 2005, Messer Group GmbH settled K€ 11,300 of its liabilities to the shareholder Messer Griesheim Vierte Vermögensverwaltungs GmbH.

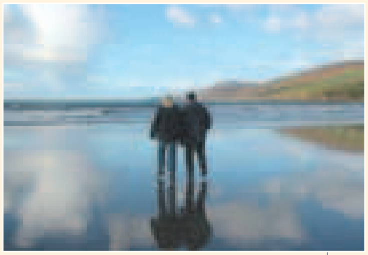
Also in January 2005, Messer acquired further shares (approx. 14%) in the subsidiary, Messer Tehnogas AD, Serbia.

Our thanks to Messer employees

Management would like to thank all employees for their services and personal efforts during the short financial year 2004 which brought with it many changes for all people involved. Your commitment has made a vital contribution to Messer's success in 2004.

Sulzbach, March 23, 2005

Messer Group GmbH



Dr. Bernd Hildebrandt, Head of Technology Management Welding & Cutting, Germany

Samu Salo, Technical Director, Finland

Consolidated Income Statement

(amounts in € thousands unless stated otherwise)

	Note	May 7 – Dec. 31, 2004
Net sales		352,820
Cost of sales		(154,639)
Gross profit		**198,181**
Distribution and selling costs		(125,522)
General and administrative costs		(43,884)
Other operating income	4	9,802
Other operating expenses	5	(3,280)
Operating profit		**35,297**
Income from equity method investments		1,324
Other investment income (expense), net		651
Interest expense, net	6	(14,052)
Other financial income (expense), net	7	6,590
Financial income (expense), net		**(5,487)**
Income before income taxes and minority interests		**29,810**
Income taxes	8	(5,794)
Income before minority interests		**24,016**
Minority interests, net of income taxes	23	(6,490)
Net income		**17,526**

Consolidated Balance Sheet
(amounts in € thousands unless stated otherwise)

	Note	As at Dec. 31, 2004	As at May 7, 2004
Assets			
Intangible assets	9	520,638	516,457
Property, plant and equipment	10	495,292	478,274
Equity method investments	11	16,323	17,738
Other non-current investments	12,13	15,664	14,837
Deferred tax assets	8	4,284	2,597
Other non-current receivables and assets		4,228	3,736
Non-current assets		**1,056,429**	**1,033,639**
Inventories	14	21,707	21,961
Trade accounts receivable, net	15	105,041	113,266
Other receivables and other assets	16	34,559	69,884
Cash and cash equivalents	17	129,361	115,471
Current assets		**290,668**	**320,582**
Total assets		**1,347,097**	**1,354,221**
Equity and Liabilities			
Share capital and additional paid-in capital		647,996	634,852
Net income		17,526	—
Currency translation reserve		(961)	—
Equity	22	**664,561**	**634,852**
Minority interests	23	**61,507**	**66,871**
Provisions for pension and similar obligations	18	12,861	6,632
Other provisions	19	16,931	16,508
Non-current debt	20	306,682	235,228
Deferred tax liabilities	8	47,546	47,730
Other liabilities		403	2,981
Non-current liabilities		**384,423**	**309,079**
Other provisions	19	12,063	7,465
Current debt	20	28,665	20,883
Trade accounts payable		68,783	54,736
Other current liabilities	21	127,095	260,335
Current liabilities		**236,606**	**343,419**
Equity and liabilities		**1,347,097**	**1,354,221**

Consolidated Statement of Changes in Equity

(amounts in € thousands unless stated otherwise)

	Share capital	Additional paid-in capital	Net income	Currency translation reserve	Equity
Balance as at May 7, 2004	**25**	**634,827**	**—**	**—**	**634,852**
Capital increase	—	13,144	—	—	13,144
Net income	—	—	17,526	—	17,526
Currency translation differences	—	—	—	(961)	(961)
Balance as at Dec. 31, 2004	**25**	**647,971**	**17,526**	**(961)**	**664,561**

Consolidated Statement of Cash Flows

(amounts in € thousands unless stated otherwise)

	May 7 – Dec. 31, 2004
Income before income taxes and minority interests	**29,810**
Income taxes paid	(7,194)
Depreciation and amortization of property, plant and equipment and intangible assets	52,035
Write-downs of investments	100
Other non-cash income	(3,496)
Change in equity method investments	(320)
Interest expense, net	14,052
Other financial (income) expense, net	(6,590)
Change in inventories	151
Change in receivables and other assets	7,181
Change in provisions	11,459
Change in trade accounts payable and other liabilities	10,532
Cash flow from operating activities	**107,720**
Purchase of property, plant and equipment and intangible assets	(70,217)
Purchases of equity and other investments	(4,265)
Purchases of minority interests	(1,977)
Proceeds from disposals of property, plant and equipment and intangible assets	1,096
Proceeds from disposals of investments	885
Interest and similar income received	2,356
Cash flow from investing activities	**(72,122)**
Proceeds from non-current debt	90,201
Repayment of debt	(6,292)
Repayment of shareholder loan	(90,000)
Dividends paid to minority shareholders	(1,894)
Interest and similar expenses paid	(13,606)
Other financial income (expense), net	6,590
Cash flow from financing activities	**(15,001)**
Cash flow from operating, investing and financing activities	**20,597**
Currency translation impact on cash and cash equivalents	(6,707)
Change in cash and cash equivalents	**13,890**
Cash and cash equivalents at the beginning of the period	**115,471**
at the end of the period	**129,361**

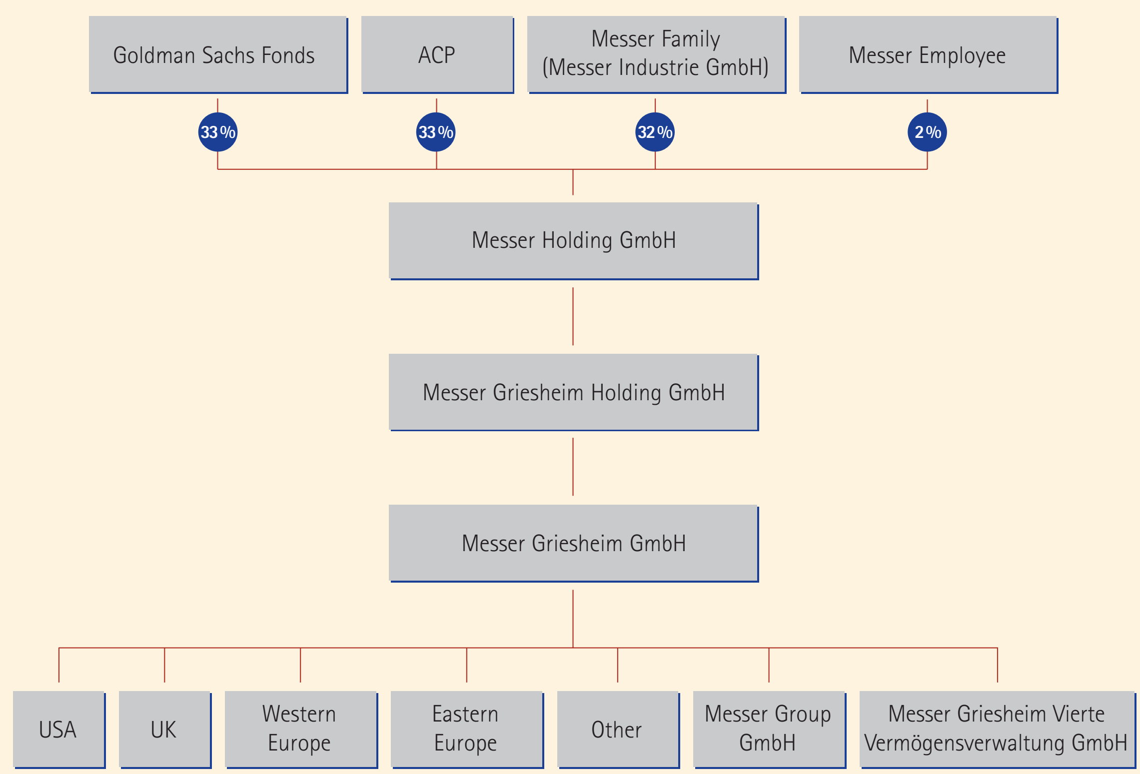
Notes to the Consolidated Financial Statements (amounts € thousands unless stated otherwise)

1. General information

Messer Group GmbH (the "Company" or "Messer GmbH") is a holding company with its registered office in Sulzbach/Taunus, Germany. The Messer Group manufactures and markets industrial gases (in particular oxygen, nitrogen, argon, helium, carbon dioxide, hydrogen and specialty gases, and gas application processes) and customers-site gas systems (so-called on-site facilities) to produce gases. The main customers of the Messer Group ("Messer" or "Messer Group") include major enterprises in the manufacturing, chemical, steel-production, pharmaceutical and food processing industries and the waste disposal sector.

At December 31, 2004, Messer Industrie GmbH ("Messer Industrie"), in which the Messer Family has bundled its investments, was the sole shareholder of Messer GmbH via its investment in Messer Holding GmbH (formerly Messer Griesheim Group GmbH, and before that Messer Griesheim Group GmbH & Co. KGaA) and that company's wholly-owned subsidiary, Messer Griesheim Vierte Vermögensverwaltungs GmbH.

The structure of the Group before reorganization was as follows:



Prior to May 7, 2004, the Messer Group was held indirectly by Messer Holding GmbH via Messer Griesheim Holding GmbH (formerly Messer Griesheim Holding AG), which was merged into Messer Holding GmbH in 2004. The latter held all of the shares of Messer Griesheim GmbH, which, in turn, held the investments in the operating entities of the Messer Group and managed all operating activities. Until May 6, 2004, the shareholders of Messer Holding GmbH were Allianz Capital Partners ("ACP") (33.08%), private equity funds managed by Goldman Sachs ("Goldman Sachs Funds") (33.08%), Messer Industrie (32.11%) and Messer Employee GmbH & Co. KG ("Messer Employee") (1.73%), in which the investments of certain employees of the Messer Group were bundled.

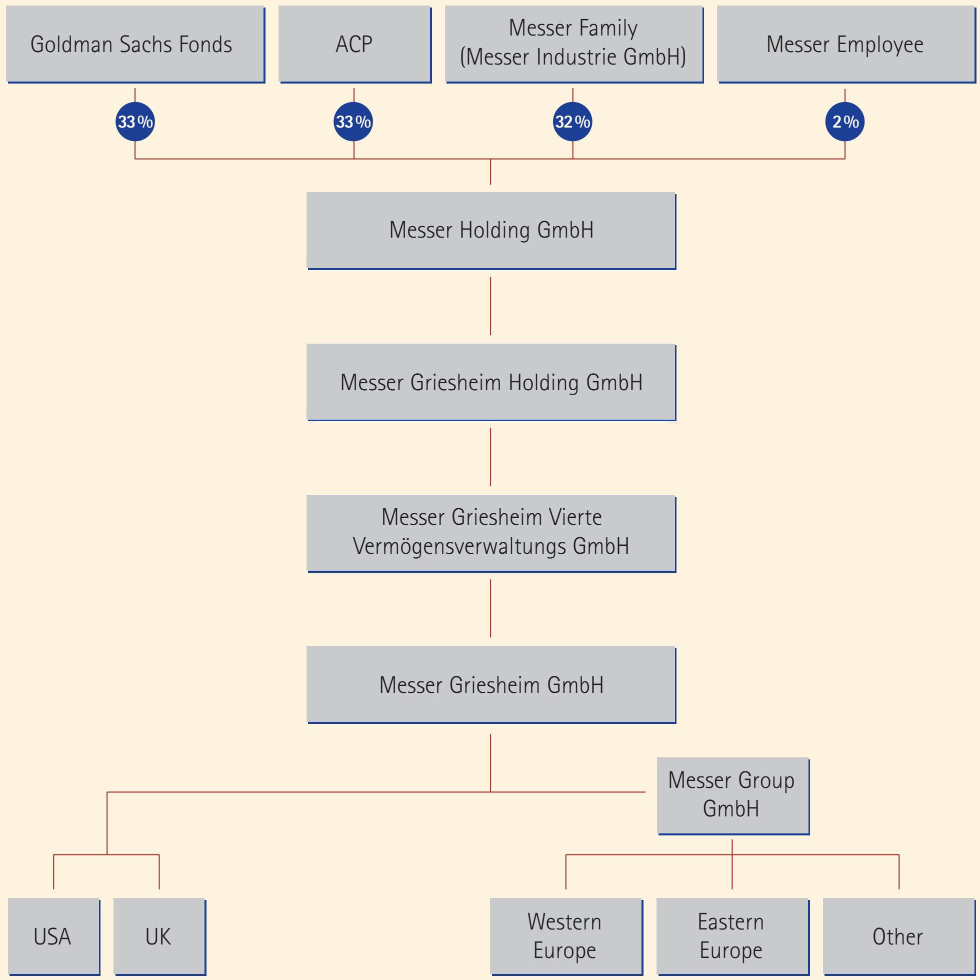
On May 6, 2004, Messer Griesheim GmbH, the largest operating entity of the Messer Group, was sold. Prior to this, on January 19, 2004, a corresponding agreement relating to the sale of this investment was signed with L'Air Liquide International S.A. ("Air Liquide"), whereby it was agreed that Messer Griesheim Holding GmbH, or one of its subsidiaries, would sell Messer's operations in Germany, the United Kingdom and the USA to Air Liquide. The remaining operations, in particular the operations in Europe and China, would stay with the Messer Group. It was agreed that the sale would take the form of a share deal involving all of the shares of Messer Griesheim GmbH. The purchase consideration for the operations in Germany, the United Kingdom and the USA, amounting to approximately € 2.7 billion, would be settled by Air Liquide partly in cash and partly (approximately € 1.1 billion) by the assumption of liabilities.

The operations in Germany, the United Kingdom and the USA were sold in legal terms in the form of the sale of Messer Griesheim GmbH, as a share deal. In parallel, the shareholder structure of Messer Holding GmbH was changed. The shareholders of Messer Holding GmbH at that time (the Messer family via the holding company Messer Industrie, ACP, the Goldman Sachs Funds and the employees holding an investment in Messer Employee), agreed that Messer Industrie would acquire the shares in Messer Holding GmbH held by the other shareholders (in total 67.89%). The corresponding agreements were signed on April 1, 2004.

The intended transactions were subject to a number of conditions precedent, all of which had been fulfilled by May 6, 2004.

Prior to completion of the transactions, it was necessary to separate the assets and liabilities of Messer Griesheim GmbH to be sold to Air Liquide from those which were to pass, either directly or indirectly, into the ownership of Messer Industrie. The organizational changes necessary to achieve this had already been commenced prior to December 31, 2003 and were completed in the period between January 19, 2004 (signature date) and May 6, 2004 (completion date). In conjunction with the reorganization, investments in entities which were to remain within the Messer Group were transferred by Messer Griesheim GmbH to the newly incorporated Messer GmbH. A purchase price of K€ 976,722 was agreed for the acquisition of these investments by Messer GmbH. In addition, Messer Holding GmbH contributed its investment in Messer Griesheim GmbH to Messer Griesheim Vierte Vermögensverwaltungs GmbH, which at that stage was a fully owned subsidiary of Messer Holding GmbH.

The structure of the Group after reorganization was as follows:

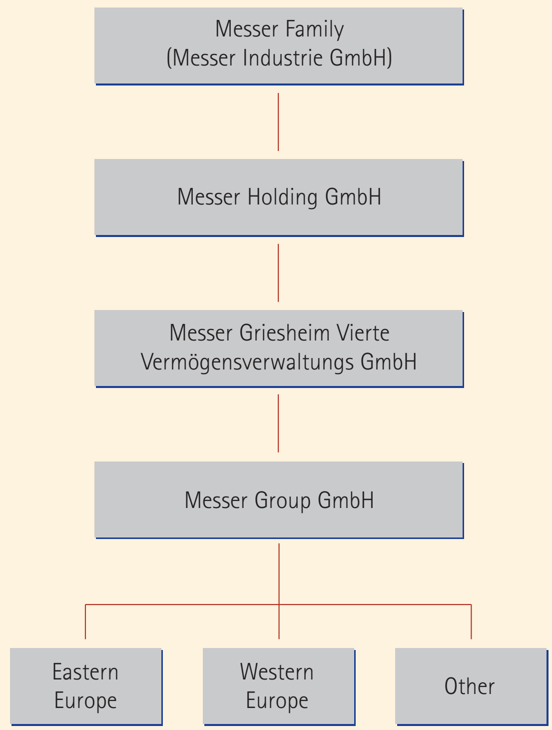


In conjunction with the reorganization of the Messer Group, it was necessary to settle most of the debt outstanding at the closing transaction date. This involved primarily the debt relating to the Senior Facilities Agreement dated April 28, 2001 and to the High Yield Bond issued on May 16, 2001.

At the same time, it was also necessary to settle most of the bank liabilities of foreign subsidiaries with local banks. On April 21, 2004, a new Senior Facilities Agreement was signed with the objective of refinancing the restructured Messer Group.

The purchase consideration due by Air Liquide to Messer Griesheim Vierte Vermögensverwaltungs GmbH for the sale of the shares in Messer Griesheim GmbH was settled at the closing date partly in cash, partly by the transfer of Messer GmbH shares and partly by the transfer of receivables from and payables to Messer GmbH and its subsidiaries to Messer Griesheim Vierte Vermögensverwaltungs GmbH. At the same time, the investments of ACP, the Goldman Sachs funds and Messer Employee in Messer Holding GmbH were acquired by the Messer family.

The structure of the Messer Group after completion of all of the above agreements is as follows:



The above transactions have been accounted for as an acquisition of shares in subsidiaries by Messer GmbH as at the completion date of the purchase agreement with ACP, Goldman Sachs funds and Messer Employee. At that date, control over the remainder of the Messer Group was transferred to Messer GmbH and thus to the Messer family. As a result, the purchase consideration was allocated to the acquired assets and liabilities as at May 6, 2004 (the transaction completion date) based on their fair values and an opening consolidated balance sheet was drawn up as at May 7, 2004. This balance sheet has been presented along with the balance sheet at December 31, 2004 for comparison purposes and to show the opening situation after the acquisition. Due to the fact that control was transferred to Messer GmbH as at May 7, 2004, there is no income statement for the previous year.

2. Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adapted by the International Accounting Standards Board. The Group applied all International Accounting Standards and interpretations of the Standing Interpretation Committee ("SIC") which were mandatory at December 31, 2004.

Consolidation principles A full list of the investments of the Group has been filed with the Commercial Registry in Frankfurt. The principal subsidiaries at December 31, 2004 were as follows:

Name and registered office of subsidiary	Country	Shareholding
Messer Austria GmbH (Gumpoldskirchen)	Austria	100%
Messer France S.A. (Asnières CEDEX)	France	100%
Messer Hungarogáz Kft. (Budapest)	Hungary	100%
Messer Nederland B.V. (Moerdijk)	Netherlands	100%
Sauerstoffwerke Lenzburg AG (Lenzburg)	Switzerland	100%
Messer Croatia Plin d.d. (Zaprešić)	Croatia	99.96%
Messer Belgium N.V. (Machelen)	Belgium	99.77%
Messer Polska Spólka z.o.o. (Chorzów)	Poland	99.40%
Messer Carburos S.A. (Vilaseca/Tarragona)	Spain	89.97%
Messer Tehnogas AD (Belgrad)	Serbia	67.71%

In March 2004, the IASB issued IFRS 3 "Business Combinations", which replaced IAS 22. In accordance with IFRS 3, all business combinations are required to be accounted for using the purchase method. Identifiable assets and liabilities must be recognised at their fair value at the date of acquisition. Goodwill is subject to an annual impairment test rather than being amortized systematically. IFRS 3 is required to be applied to all business combinations with a contract date on or later than March 31, 2004. The consolidated opening balance sheet at May 7, 2004 complies with IFRS 3.

The consolidated financial statements at December 31, 2004 include Messer GmbH and all subsidiaries in which it has, either directly or indirectly, the majority of the voting power, or over which it has control. Entities which are immaterial for the net assets, financial position and results of operations due to the fact that they are dormant or only have a minor level of operations are not included in the consolidated financial statements. The cost of the business acquisition has been allocated to the assets and liabilities of the various subsidiaries at their fair value. Any excess is recognised as goodwill which is subject to an annual impairment test. Intra group receivables and payables, revenue, income and expenses and intra group profits and losses in inventories and property, plant and equipment are eliminated on consolidation. Intra group sales of goods or services are transacted on the basis of market prices or arm's length transfer prices.

During the period from May 7 to December 31, 2004, Messer GmbH acquired approximately 5% of the shares of Tehnogas AD, Serbia, from the minority shareholders of that entity. This gave rise to an excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over cost amounting to K€ 3,496 which was recognised as income.

Intangible assets and goodwill The difference between the cost to the Group of acquired entities and the fair values of the identifiable assets and liabilities acquired is recognised as goodwill, which is subject to an annual impairment test.

Other intangible assets such as patents, licenses, brand names, software, etc. are measured at cost and amortized over their estimated useful lives of 3 to 20 years. The amortization expense on intangible assets is included within the related expense line item.

Property, plant and equipment Property, plant and equipment are recognized initially at cost (acquisition or manufacturing cost) less government grants received and depreciated over their estimated useful lives. The manufacturing cost of self-constructed assets include all directly attributable costs and an appropriate portion of overheads, including depreciation. Borrowing costs relating to the construction of an item of plant and equipment are recognized as part of the manufacturing costs. In the event that there is a statutory requirement to restore an item to its original condition, cost also includes the present value of future expected payments for disassembly and recultivation.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount are recognized as a gain or loss in the income statement. Repair costs are recognized as expense as incurred.

Property, plant and equipment are depreciated over their estimated useful lives:

Buildings	10 - 50 years
Plant and machinery	10 - 20 years
Other equipment, fixtures and fittings	3 - 20 years

Items leased under the terms of long-term agreements or other arrangements which transfer substantially all of the risks and rewards incidental to ownership to the Group, are recognised as assets and measured at the lower of the fair value of the assets or the present value of the lease payments during the fixed lease term. The corresponding obligation is recorded as a liability. Leased assets are depreciated on a straight-line basis over the estimated useful lives or the fixed lease term, if shorter.

Investments in associated companies Investments in entities over which the Group has a significant influence, or which are jointly controlled, are accounted for using the equity method (associated companies or equity investments). The Group's share of such entities is included in the line item "Income from investments in associated companies". In the event of impairment, the carrying amounts of the investments, including goodwill, are written down.

Inventories Inventories are stated at the lower of cost (acquisition or manufacturing cost) or net realizable value at the balance sheet date, using the average cost method. Manufacturing cost includes all directly attributable costs and an appropriate portion of material and production overheads, including depreciation.

Accounts receivable Trade accounts receivable and other receivables are stated at their nominal values less allowances to take account of related risks.

Cash and cash equivalents Cash and cash equivalents include all cash balances and demand deposits, as well as short-term liquid financial investments which can be readily converted to cash. Restricted cash is included in other non-current receivables and other assets.

Impairment losses on non-current assets An impairment test is carried out whenever there is an indication that items of non-current assets, in particular property, plant and equipment and intangible assets, are impaired. This involves comparing the recoverable amount of an asset with its carrying amount in order to determine whether an impairment loss is required to be recognised. The recoverable amount is defined as the higher of an asset's net selling price or its value in use. Value in use corresponds to the present value of future cash flows which the Group expects to generate from using the asset and from its disposal at the end of its useful life. Impairment losses on assets (excluding goodwill) are reversed for current and non-current assets when the reasons for impairment no longer exist.

Provisions for pensions and similar obligations The net obligations for defined pension benefit plans are computed separately for each plan, whereby the future pension benefits of employees are estimated on the basis of their service in current and past periods. The fair value of plan assets is offset against the present value of the obligation. The present value of the obligation is measured by an actuary using the projected unit credit method. If the benefits offered by a plan are improved, then the proportion relating to employees' past service is recognized as expense in profit or loss over the average period up to the date on which the benefits vest.

For the purposes of computing the obligation, accumulated actuarial gains or losses which exceed 10% of the higher of the present value of the defined benefit obligation or the present value of plan assets are recognized in profit or loss over the average remaining period of service of the employees covered by the relevant plan. Otherwise, actuarial gains or losses are not recognized.

Obligations for end-of-employment contract compensation and for early retirement benefits are measured on the basis of actuarial computations, taking into account the interest rates and salary trends applicable in each of the countries concerned.

Obligations to defined contribution pension plans are recognized in the income statement in the relevant period.

Other provisions Other provisions are recognized when the occurrence of an obligation is probable and the amount of the obligation can be reliably measured.

Trade payables and other liabilities Trade payables and other liabilities are stated at their repayment amount.

Derivative financial instruments In conjunction with its operating activities, the Messer Group is exposed to a number of financial risks, in particular the effect of exchange rate and interest rate changes. The risk management system considers primarily the unpredictability of the financial markets and aims at minimizing the potential negative impact on the net financial result.

Risk management is handled by Group Treasury in compliance with guidelines approved by executive management. Group Treasury identifies, evaluates and hedges financial risks. The guidelines contain the general principles applicable for risk management and the particular rules for specific areas, such as exchange and interest rate risks, the use of derivative financial instruments and the investment of surplus cash.

Income and operating cash flows are, to a large extent, unrelated to market interest rates, since the Messer Group does not hold any significant interest-bearing assets. Loans or credits subject to variable interest rates are hedged partly with the aid of interest rate swaps and caps (cash flow hedges of future interest payments). Under these arrangements, loans with variable interest rates are converted in substance to ones with fixed or maximum rates. In conjunction with the interest rate swaps, the difference between the fixed interest rate for a pre-determined period and the variable interest rate is settled at specified intervals (computed by reference to an agreed amount). In the case of interest rate caps, amounts are only required to be settled at the specified dates if the CAP ceiling has been exceeded.

On acquisition, derivative financial instruments are recognized in the balance sheet at cost. Subsequent to initial recognition, they are measured at their fair value. The treatment of gains and losses resulting from derivative financial instruments depends on the nature of the hedged item. Each derivative contract is designated on acquisition as either (1) a hedge of the estimated recoverable amount of a recognized asset or liability (a fair value hedge) or (2) the hedge of a forecast transaction or firm commitment (a cash flow hedge).

Changes in the fair value of derivatives which are designated as fair value hedges, and which are highly congruent with changes in the value of the underlying transaction, are recognized directly in the income statement together with any changes in the fair value of the hedged assets or liabilities.

Changes in the fair value of derivatives which are designated as cash flow hedges and which are highly congruent with the value of the underlying transaction, are recognized directly in equity. When the forecast transaction or firm commitment results in the recognition of an asset or liability, then the gains and losses previously recognized in equity are removed from equity and taken into account in the measurement of the cost of the asset or liability. In all other cases, the gains or losses previously recognized in equity are transferred to net profit or loss in the same period as that in which the hedged forecast transaction or firm commitment impacts the income statement.

Certain financial derivatives provide an effective economic hedge for risk management purposes, but do not meet the criteria for hedge accounting specified by IAS 39. Changes in the fair values of financial derivatives which do not meet the criteria for hedge accounting in accordance with IAS 39 are recognized directly in profit or loss.

When a hedging transaction expires or is sold, or when a hedging transaction no longer meets the criteria for hedge accounting in accordance with IAS 39, any accumulated gains or losses recognized up to that date in equity remain there and are not removed from equity until the forecast transaction or firm commitment is recognized in profit or loss. However, any gains and losses accumulated directly in equity are recognized as income or expense in the income statement when it is no longer expected that the forecast transaction or firm commitment will occur.

Deferred taxes Deferred taxes are recognized on timing differences between the carrying amounts of assets and liabilities for group accounting purposes and their corresponding tax bases, and on tax credits carryforwards. Deferred taxes are measured using currently enacted tax rates. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be generated in the future which can be offset against the unused tax losses. Deferred tax assets and liabilities are only offset if they relate to taxes imposed within the same tax jurisdiction and the entity has a legal right to offset the tax assets and liabilities.

Revenue recognition

a) Bulk supply sales Bulk supplies are stored in tanks which are owned by Messer and leased to customers on their own premises. The gases are delivered to customers in tanker trucks, tube trailers or rail cars from which it transfers the gases to the leased tanks. The agreements used in the bulk supply business typically have a two to three year term. Revenue is recognized on bulk supply sales when the gases are delivered to customer. Income from the rental of tanks is recognized according to the terms of the lease agreements.

b) Cylinder sales Customers requiring small volumes of gases (including most speciality gases) are supplied products in cylinders, which the Group typically owns and leases to the customer. Cylinder gases are generally sold by individual purchase orders or by contracts, with terms ranging between one and two years in Europe. Revenue is recognized when the cylinders are delivered to the customer. Income on the rental of cylinders is recognized according to the terms of the lease agreements.

c) On-site sales and pipeline sales Customers requiring large volumes of industrial gases (typically oxygen, nitrogen, and hydrogen) and with a relatively constant demand are usually supplied by plants adjacent to or on those customers' facilities. Messer owns and maintains these plants. The product supply contracts usually run for 10 to 15 years and contain minimum purchase requirements or prices and price escalation clauses. Revenue is recognized when the gas is delivered, which corresponds to the date of transfer of risk and passage of title. If the customer does not take delivery of the minimum purchase requirements, the additional revenue is recorded up to the contractual minimum. Similar terms and financial treatment usually apply with regard to sales made via pipelines.

Distribution and selling costs Distribution and selling costs include all expenses which are related to the sale and marketing of a product. This primarily includes expenses for the sales department, representatives' commissions, packaging and delivery, freight, transportation insurance, insurance coverage for receivables, the hedging of foreign currency receivables, bank fees for exports, advertising (related to products), technical advice for customers, samples and exhibitions.

Use of estimates The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Principal estimates required to be made in preparing the financial statements include those related to the measurement of deferred tax assets and the pension provision. Other estimates are used in the computation of the allowance for bad debts and the inventory valuation. Actual results could differ from those estimates.

The application of International Financial Reporting Standards (IFRS) IFRS is the term used for all new IASB accounting standards issued since 2002, replacing the previous term IAS or International Accounting Standards. Standards issued by the IASB prior to the change in terminology continue to retain the abbreviation "IAS".

The new rules resulting from the "Improvement Project" issued in December 2003 are mandatory for financial periods commencing after January 1, 2005. They have not been applied in these consolidated financial statements.

In February 2004, the IASB issued IFRS 2 "Share-based Payment". This Standard requires an entity to reflect in its income statement and balance sheet the effect of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. The Standard becomes effective for annual periods beginning after December 31, 2004. IFRS 2 does not have any impact on the consolidated financial statements of the Messer Group.

In March 2004, the IASB issued IFRS 3 "Business Combinations". IFRS 3 replaces IAS 22 and applies to business combinations for which the agreement date is on or after March 31, 2004. Basically, the standard requires all business combinations within its scope to be accounted for in accordance with the purchase method. The amortization of goodwill is prohibited. Instead, goodwill is required to be tested annually for impairment in accordance with IAS 36 "Impairment of assets". Messer has applied IFRS 3 in full and tested goodwill for impairment.

In March 2004, the IASB issued IFRS 4 "Insurance contracts". This Standard applies to virtually all insurance agreements which result in insurance obligations for an entity and to all reinsurance agreements entered into by an entity. IFRS 4 is mandatory for annual periods commencing after January 1, 2005.

In March 2004, the IASB issued the IFRS 5 "Non-current assets held for sale and discontinued operations". IFRS 5 sets out requirements for the classification, measurement and presentation of non-current assets held for sale and replaces IAS 35 "Discontinued Operations". The Standard specifies that non-current assets classified as held for sale are carried at the lower of their carrying amount or their fair value less costs to sell. Those assets are not depreciated and are required to be presented separately on the face of the balance sheet. The Standard becomes effective for periods commencing after December 31, 2004.

In March 2004, the IASB issued an amendment to IAS 39 "Financial Instruments", which deals with fair value hedge accounting for a portfolio hedge of interest rate risk. The amendment simplified the application of IAS 39 by introducing rules for the use of fair value hedge accounting for a portfolio hedge which were simpler than those contained in earlier versions of the Standard. The amendments to IAS 39 are mandatory for financial periods commencing on or after January 1, 2005.

In conjunction with the issue of IFRS 3 in March 2004, the IASB also revised IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets". Under the new rule, goodwill and intangible assets with an indefinite useful life are required to be tested annually for impairment. If there is an indication that an asset is impaired, then additional impairment tests are required during the year. It is not permitted to reverse an impairment loss recognized for goodwill. When an entity cannot determine how long an intangible asset will generate cash flows for the entity, the useful life of the asset is required to be treated as indefinite. Such assets are subject to the same impairment test requirements as goodwill and may not be amortized. The revised Standards are mandatory for goodwill and intangible assets acquired in business combination for which the agreement date is on or after March 31, 2004. In the case of other goodwill and other intangible assets, the revised Standards are mandatory for financial periods beginning on or after March 31, 2004.

Currency translation The financial statements of group entities located outside the European Monetary Union are translated into Euro in accordance with the functional concept contained in IAS 21. The functional currency is the currency in which a foreign entity primarily generates and expends cash. Since the functional currency of all group entities is the local currency, assets and liabilities of these subsidiaries are translated into Euro at the closing exchange rate as at the balance sheet date. Income statement items are translated into Euro at average annual exchange rates which approximate to the exchange rates prevailing at the date of transaction. Currency translation differences are recognized in a separate line item within equity and have no impact on profit or loss.

Exchange gains and loss on foreign currency trade accounts receivable and payable are included in the line items "Other operating income" and "Other operating expenses".

The following summary shows the exchange rate development of the currencies which are of particular importance to the Messer Group:

Selected currencies	ISO-Code	Closing rate Dec. 31, 2004	Closing rate May 7, 2004	Average rate May 7 – Dec. 31, 2004
		€	€	€
100 Polish Zloty	PLN	24.46	20.71	22.59
100 Chinese Renminbi	CNY	8.86	10.09	9.68
1000 Hungarian Forint	HUF	4.07	3.98	4.03
100 Serbian Dinar	CSD	1.27	1.44	1.37

3. Segment information

The Messer Group reports segment information in accordance with International Accounting Standard IAS 14 "Segment Reporting".

Messer operates its business as a single business – the production, supply and distribution of industrial gases. Messer's segment reporting follows the management structure and internal management reporting system. As a result of the specific characteristics of the industrial gas market, Messer's business operations are separated into geographic regions. The geographic regions and principal countries included in each segment are as follows:

Geographic regions	Countries
Western Europe	France, Switzerland, Netherlands, Spain, Belgium, Italy, Denmark, Portugal and Algeria
Eastern Europe	Austria, Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Poland, Finland, Bulgaria, Serbia, Bosnia-Herzegovina, Greece, Romania, Macedonia and Turkey
Other	China and Peru
Corporate	Germany, Luxembourg

Each region has a Chief Operating Decision Maker ("CODM") reporting directly to central management. The CODM makes decisions about resources to be allocated to the segments and assesses their performance on the basis of sales and operating results.

The accounting policies of the segments are the same as those described in Note 2 "Accounting policies". Performance of the segments is evaluated on the basis of sales (excluding inter-segment sales) and operating results before tax.

The following tables present selected segment information for the financial year 2004:

May 7 – Dec. 31, 2004

Geographical regions	Western Europe	Eastern Europe	Other	Corporate	Total
Total sales	133,881	182,227	37,657	(945)	352,820
Inter-segment sales	(422)	(523)	—	945	—
Net sales	**133,459**	**181,704**	**37,657**	**—**	**352,820**
Operating profit (loss)	11,757	25,774	4,413	(6,647)	35,297
Depreciation and amortization of intangible assets and property, plant and equipment	18,374	25,931	4,979	2,751	52,035
Interest income	1,560	2,906	117	(2,227)	2,356
Interest expenses	4,827	10,486	988	107	16,408
Income from investments in associated companies	—	464	860	—	1,324
Income tax expense (benefit)	2,711	3,415	102	(434)	5,794

Balance sheet segment information for the Messer Group:

Dec. 31, 2004

Geographical regions	Western Europe	Eastern Europe	Other	Corporate	Total
Operating assets	408,986	707,511	94,256	90,130	1,300,883
Operating liabilities	60,074	44,901	15,524	14,393	134,892
Capital expenditure	19,245	27,058	19,065	4,849	70,217
Investments in associated companies	—	3,994	12,329	—	16,323

May 7, 2004

Geographical regions	Western Europe	Eastern Europe	Other	Corporate	Total
Operating assets	411,343	686,086	94,846	82,916	1,275,191
Operating liabilities	56,826	42,456	8,461	57	107,800
Investments in associated companies	—	3,601	14,137	—	17,738

The column "Corporate" primarily includes income and expenses as well as assets and liabilities relating to corporate items which are not allocated to the segments. These relate primarily to consolidation procedures and corporate management expenses.

Operating assets are defined as total assets less investments, assets deposited as collateral, certain receivables and well as deferred tax assets and tax receivables. Operating liabilities are defined as total liabilities less deferred tax liabilities, certain provisions, derivative financial instruments, minority interest, corporate debt and taxes payable.

The pricing of inter-segment sales is based on the arm's length principle.

Segment operating assets and liabilities are reconciled to consolidated assets and liabilities at the reporting date as follows:

	Dec. 31, 2004	May 7, 2004
Assets		
Segment operating assets of all reportable segments	1,210,753	1,192,275
Corporate	90,130	82,916
Other assets	46,214	79,030
Total	**1,347,097**	**1,354,221**
Liabilities		
Segment operating liabilities of all reportable segments	120,499	107,743
Corporate	14,393	57
Other liabilities	486,137	544,698
Total	**621,029**	**652,498**

Segment operating profit is reconciled to the consolidated net income as follows:

	May 7 – Dec. 31, 2004
Operating profit of all reportable segments	41,944
Corporate	(6,647)
Other expenses	(17,771)
Total	**17,526**

4. Other operating income

	May 7 – Dec. 31, 2004
Income from the recognition of the excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over cost	3,496
Exchange rate gains from operating activities	1,109
Derecognition of liabilities	945
Other	4,252
Total	**9,802**

5. Other operating expenses

	May 7 – Dec. 31, 2004
Write-downs on receivables	1,063
Exchange rate losses from operating activities	679
Other	1,538
Total	**3,280**

6. Interest expense, net

	May 7 – Dec. 31, 2004
Interest income	2,356
Interest expense	(16,408)
Interest expense, net	**(14,052)**

Interest expense for the period under report relate primarily to the Senior Facilities Agreement. Interest income relates mainly to cash held on bank accounts.

7. Other financial income (expense), net

	May 7 – Dec. 31, 2004
Foreign currency exchange gains	8,080
Foreign currency exchange losses	(2,578)
Other	1,088
Total	**6,590**

8. Income taxes

	May 7 – Dec. 31, 2004
Current income taxes	(8,727)
Deferred income taxes	2,933
Income taxes	**(5,794)**

In the following table, in which the reconciliations of the consolidated companies based on specific-company local tax rates are aggregated with the effects of consolidation procedures, the expected tax expense is reconciled to the actual tax expense reported in the income statement. For the purposes of computing the expected tax expense for 2004, the income before tax has been multiplied by the applicable combined corporation income tax rate of 26.38% in Germany.

	May 7 – Dec. 31, 2004
Tax rate in %	26.38%
Income before tax	**29,810**
Expected tax expense including solidarity surcharge	7,862
Income from the recognition of the excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over cost	(921)
Deductible amortization of goodwill	(1,426)
Tax rate differences at foreign subsidiaries	(2,603)
Tax losses of group entities not used in the reporting period	2,730
Other (net)	152
Actual tax expense	**5,794**
Effective tax rate in %	**19.44%**

At December 31, 2004 unused tax losses of the Messer Group available for carryforward amounted to K€ 44,677. Deferred tax assets were recognized on these tax losses to the extent that it is probable that amounts will be recovered. The recognition of deferred tax assets in 2004 on tax losses available for carryforward resulted in tax income of K€ 1,770. Tax legislation in Germany permits tax losses to be offset against 60% of the taxable income for each tax period.

The tax losses of the Messer Group expire as follows:

Expiry within	Dec. 31, 2004
1 year	334
2 years	750
3 years	555
Later than 3 years	2,411
Unrestricted carryforward	40,627
Total	**44,677**

No deferred tax liabilities were recognized at December 31, 2004 on temporary differences between the carrying amount of investments and their retained earnings on the one side and the tax base of foreign investments on the other. These amounts may give rise to a tax expense when distributed by the subsidiary or on sale of the investment. The amount of unrecognized deferred tax liabilities for potential future distributions cannot be estimated at present.

Deferred taxes at December 31, 2004 relate to the following balance sheet items:

	Dec. 31, 2004	May 7, 2004
Deferred tax assets		
Tax losses available for carryforward	3,081	1,311
Property, plant and equipment	1,506	2,464
Inventories	117	26
Pension provisions	1,096	1,948
Other provisions	2,151	2,458
Other	2,793	496
Total	**10,744**	**8,703**
Deferred tax liabilities		
Intangible assets	(24,306)	(25,560)
Property, plant and equipment	(28,500)	(26,056)
Other provisions	(35)	(352)
Other	(1,165)	(1,868)
Total	**(54,006)**	**(53,836)**
Deferred tax liabilities, net	**(43,262)**	**(45,133)**

Deferred tax assets and liabilities, after offset at an individual company level, are made up as follows:

Deferred taxes	Dec. 31, 2004	May 7, 2004
Deferred tax assets	4,284	2,597
Deferred tax liabilities	(47,546)	(47,730)
Deferred tax liabilities, net	**(43,262)**	**(45,133)**

9. Intangible assets

	Goodwill	Other intangible assets	Total
Acquisition cost			
Balance as at May 7, 2004	**341,524**	**199,988**	**541,512**
Additions	—	4,746	4,746
Disposals	—	(160)	(160)
Translation differences	7,184	903	8,087
Balance as at December 31, 2004	**348,708**	**205,477**	**554,185**
Accumulated amortization			
Balance as at May 7, 2004	**—**	**(25,055)**	**(25,055)**
Additions	—	(8,879)	(8,879)
Disposals	—	155	155
Translation differences	—	232	232
Balance as at December 31, 2004	**—**	**(33,547)**	**(33,547)**
Carrying amount at May 7, 2004	**341,524**	**174,933**	**516,457**
Carrying amount at December 31, 2004	**348,708**	**171,930**	**520,638**

Other intangible assets comprise mainly customer bases and licences, with carrying amounts at December 31, 2004 of K€ 103,206 and K€ 57,220 respectively.

The customer bases relate primarily to the purchase price allocation made at May 7, 2004. The licences comprise mainly rights to the "Messer" name.

Review for impairment of goodwill allocated to cash-generating units The separate legal entities of the Messer Group operating in various countries have been identified as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The following table shows the split of goodwill at December 31, 2004:

	K€
Messer Austria GmbH	41,930
Messer France S.A.	74,570
Messer Hungarogáz Kft.	42,036
Messer Croatia Plin d.d.	11,818
Messer Belgium B.V.	30,724
Messer Polska Spólka z.o.o.	31,561
Messer Carburos S.A.	21,914
MG Odra Gas spol.s.r.o.	18,169
Messer Tatragas s.r.o.	15,292
Messer Technogas s.r.o.	11,508
Other	49,186
	348,708

The recoverable amount computed for each operating entity is derived on the basis of its value in use, which is defined as the present value of the future cash flows expected to be derived from the operating entity. The value in use is higher than the fair values less costs to sell. Using past actual results as the starting point, the sustainable future profit of each of the entities was measured on the basis of detailed forecasts covering periods up to 2009. The future profit for periods subsequent to the detailed forecasting period were based, as a general rule, on the final period of the detailed forecasts, using an annual (inflation-adjusted) growth rate of 0.75%. The forecast cash flows during the detailed planning phase were discounted using a discount factor of 7.7%, and the cash flows for the later phase were discounted using a discount factor of 6.95%.

The comparison of the recoverable amount with the carrying amount of the assets and liabilities of each entity at December 31, 2004 did not give rise to any impairment loss on goodwill.

10. Property, plant and equipment

	Land and buildings	Plant and machinery	Other facilities, factory and office equipment	Advance payments and construction in progress	Total
Acquisition cost					
Balance as at May 7, 2004	**158,746**	**697,734**	**168,203**	**29,881**	**1,054,564**
Additions	5,007	22,135	12,576	25,753	65,471
Disposals	(201)	(15,320)	(5,331)	—	(20,852)
Reclassifications	887	14,590	3,330	(18,807)	—
Translation differences	(1,307)	(10,721)	2,853	(1,884)	(11,059)
Balance as at December 31, 2004	**163,132**	**708,418**	**181,631**	**34,943**	**1,088,124**
Accumulated depreciation					
Balance as at May 7, 2004	**(60,230)**	**(428,341)**	**(85,410)**	**(2,309)**	**(576,290)**
Additions	(3,480)	(28,989)	(10,687)	—	(43,156)
Disposals	142	14,870	4,748	—	19,760
Translation differences	491	6,778	(694)	279	6,854
Balance as at December 31, 2004	**(63,077)**	**(435,682)**	**(92,043)**	**(2,030)**	**(592,832)**
Carrying amount at May 7, 2004	**98,516**	**269,393**	**82,793**	**27,572**	**478,274**
Carrying amount at December 31, 2004	**100,055**	**272,736**	**89,588**	**32,913**	**495,292**

The Group leases items of property, plant and equipment under operating and finance lease arrangements. Assets capitalized under finance leases and reported as property, plant and equipment comprise the following:

	Dec. 31, 2004	May 7, 2004
Land and buildings	4,750	5,007
Machinery and equipment	3,289	3,464
	8,039	**8,471**
Accumulated depreciation	(3,851)	(4,184)
Total	**4,188**	**4,287**

Depreciation on property, plant and equipment recognized as assets under finance leases is included in depreciation expense.

11. Equity method investments

The following investments in associated companies are stated at Messer's share in the equity of the relevant entity at December 31, 2004:

Name and registered office of company	Shareholding (%)
Elme Messer Gaas A.S., Tallinn/Estonia	50.0
Foshan Messer Griesheim Gas Co. Ltd., Foshan, Guangdong/China	49.0
Sangang Messer Shanghai Gas Products Co., Ltd., Shanghai/China	47.99

The following table shows summarized financial information for the investments in associated companies:

	May 7 – Dec. 31, 2004
Net sales	23,343
Operating profit	2,805
Net income	2,691
Property, plant and equipment	19,869
Current liabilities	6,229
Non-current liabilities	1,827
Equity	36,545

Investments in associated companies developed as follows:

Balance as at May 7, 2004	**17,738**
Disposals	(1,004)
Translation differences	(1,735)
Changes due to “at equity” accounting	1,324
Balance as at December 31, 2004	**16,323**

Changes due to at equity accounting include the Group's share of profit of these investments.

12. Other investments

Other investments comprise investments in various entities that are not consolidated or accounted for using the equity method.

Acquisition cost	
Balance as at May 7, 2004	**4,209**
Additions	2,924
Disposals (change in group reporting entity)	(2,166)
Translation differences	39
Balance as at December 31, 2004	**5,006**

13. Other financial assets

Other financial assets developed as follows:

Balance as at May 7, 2004	**10,628**
Additions	1,480
Disposals	(884)
Translation differences	(466)
Other changes	(100)
Balance as at Dec. 31, 2004	**10,658**

Other financial assets comprise mainly loans receivable from non-consolidated associated companies, from other companies in which the Group holds investments and from Stefan Messer GmbH.

14. Inventories

Inventories consist of the following:

	Dec. 31, 2004	May 7, 2004
Raw materials and supplies	6,103	5,624
Work in progress	962	1,334
Finished goods and merchandise	14,642	15,003
Total	**21,707**	**21,961**

15. Trade accounts receivable

	Dec. 31, 2004	May 7, 2004
Trade accounts receivable (current)	125,289	133,559
Allowance for doubtful accounts	(20,248)	(20,293)
Trade accounts receivable, net	**105,041**	**113,266**

16. Other receivables and other assets

	Dec. 31, 2004	May 7, 2004
Tax receivables	8,547	10,254
Receivables from related parties	5,717	36,171
Current marketable securities	3,696	3,325
Receivables from employees	2,656	2,604
Derivative financial instruments	2,490	—
Prepaid expenses	2,384	5,308
Sundry receivables from operating activities	2,167	1,954
Other loans	1,945	3,584
Advance payments	1,313	2,233
Other	3,644	4,451
Total	**34,559**	**69,884**

Receivables from related parties relate mainly to receivables from Messer Holding GmbH. The reduction from K€ 36,171 at May 7, 2004 to K€ 5,717 at December 31, 2004 was due primarily to the offset of a receivable from, and a liability to, Messer Holding GmbH.

Derivative financial instruments include the fair values of interest rate caps and cross currency swaps.

Sundry receivables from operating activities include primarily deposits for leased buildings and gas cylinders.

17. Cash and cash equivalents

Cash and cash equivalents are defined by Messer as cash and demand deposits as well as short-term, high liquid investments that are readily convertible to cash.

18. Provisions for pensions and similar obligations

	Dec. 31, 2004	May 7, 2004
Provisions for pension obligations	8,774	2,432
Provisions for similar obligations	4,087	4,200
Total	**12,861**	**6,632**

Pension benefits are provided to employees in a number of countries through both defined benefit and defined contribution pension plans. The benefits vary according to the legal, fiscal and economic circumstances in each country. Plan benefits are generally based on years of service and the level of employee compensation. Provisions for similar obligations relate mainly to company or statutory severance benefits and early retirement benefits.

Some of the obligations for defined benefit pension plans are covered by plan assets held in independent trust funds. The net assets of these funds are invested primarily in real estate, fixed-income securities and marketable equity securities.

Provisions for pension obligations are derived as follows:

	Dec. 31, 2004	
	German plans	Foreign plans
Present value of unfunded obligations	6,763	5,240
Fair value of fund assets	—	(3,343)
Present value of obligations	**6,763**	**1,897**
Unrecognized actuarial gains (losses)	(382)	496
Obligations for defined benefit pension plans	**6,381**	**2,393**

The following table reconciles the funded status of defined benefit pension plans with the amounts recognized in the consolidated financial statements at December 31, 2004:

	Dec. 31, 2004	
	German plans	**Foreign plans**
Change in the present value of pension obligations:		
Present value of defined benefit plan obligations at beginning of year	—	5,526
Pension obligations transferred to the Group	5,982	—
Translation differences	—	(21)
Service cost	213	176
Interest cost	186	123
Employee contributions	—	23
Actuarial losses (gains)	382	(496)
Benefits paid	—	(91)
Present value of defined benefit plan obligations at end of year	**6,763**	**5,240**
Change in plan assets:		
Fair value of plan assets at May 7, 2004	—	3,133
Return on plan assets	—	73
Employer contributions	—	181
Employee contributions	—	47
Benefits paid	—	(91)
Fair value of plan assets at end of year	**—**	**3,343**

Pension obligations transferred to the Group in Germany relate primarily to obligations for employees who transferred from Messer Griesheim GmbH to the Messer Group; these obligations were transferred to the Group in return for consideration.

The total cost for defined benefit pension plans consists of the following:

	May 7 – Dec. 31, 2004	
	German plans	**Foreign plans**
Service cost	213	176
Interest cost	186	123
Expected return on plan assets	—	(89)
Pension cost	**399**	**210**

The amount of unrecognized actuarial gains and losses exceeding 10% of the present value of the defined benefit obligation, based on an individual entity approach, is amortized over the average remaining working lives of the employees participating in the plans.

The following table shows the principal actuarial assumptions used for these plans (expressed as weighted averages):

	Dec. 31, 2004	
	German plans	Foreign plans
	%	%
Discount rate	5.25	4.25
Expected rate of salary increases	2.75	1.55
Expected return on plan assets	**—**	**4.25**

The cost of defined contribution plans during the reporting period was K€ 140.

19. Other provisions

	May 7, 2004	Consumption	Additions	Translation differences	Dec. 31, 2004
Non-current					
Investment risks	3,892	(92)	—	—	3,800
Environmental risks	4,656	(50)	—	2	4,608
Purchase and sales contracts	1,183	(32)	5	(1)	1,155
Employee-related provisions	477	(8)	423	30	922
Litigation	4,225	(14)	400	(11)	4,600
Other	2,075	(239)	57	(47)	1,846
Total non-current provisions	**16,508**	**(435)**	**885**	**(27)**	**16,931**
Current					
Employee-related provisions	3,332	(2,046)	4,429	204	5,919
Litigation	—	—	300	—	300
Purchase and sales contracts	247	(219)	35	5	68
Other	3,886	(679)	2,574	(5)	5,776
Total current provisions	**7,465**	**(2,944)**	**7,338**	**204**	**12,063**

Non-current employee-related provisions at December 31, 2004 relate primarily to obligations for long-service awards. Other current provisions at December 31, 2004 relate mainly to outstanding supplier invoices, bonuses and vacation entitlements.

20. Debt

In conjunction with the reorganization of the Messer Group described in note 1 above, it was necessary to settle most of the debt outstanding at the transaction closing date. A new Senior Facilities Agreement ("SFA") was put in place on April 21, 2004 to refinance the new Messer Group and syndicated in July 2004.

Under this new agreement, long-term credit facilities, originally totaling K€ 525,000, were made available to the Messer Group at prevailing market conditions. The facilities can be drawn down by Messer Finance S.A., Luxembourg, and selected foreign subsidiaries of Messer GmbH. Unused credit lines at December 31, 2004 amounted to € 175.2 million.

The principal entities of the Messer Group have secured the new syndicated loans with collateral arrangements customary for such transactions.

Loan balances and maturities at December 31, 2004 were as follows:

Description	Interest rate	Credit line (in € million)	Actual balance (in € million)	Due
€ 210.0 million Term Facility A[1]	6.61%	204.8	181.9	May 6, 2011
€ 95.0 million Term Facility B[2]	5.03%	72.7	51.5	May 6, 2012
€ 95.0 million Term Facility C[3]	5.53%	95.0	73.8	May 6, 2013
€ 50.0 million Term Facility D	—	50.0	—	May 6, 2011
€ 66.8 million Revolving Facility[4]	—	57.3	—	May 6, 2011
€ 3.2 million Ancillary Facility[5]	—	1.1	—	Oct. 28, 2005
€ 5.0 million Ancillary Facility[6]	—	1.5	—	July 31, 2006
Other local credit lines[7]	6.07%	28.1	28.1	no fixed date
		510.5	**335.3**	

(1) Variable weighted interest rate at December 31, 2004, foreign currency amounts translated using the closing rate at December 31, 2004
(2) Variable weighted interest rate at December 31, 2004, foreign currency amounts translated using the closing rate at December 31, 2004, € 17.3 million used as a guarantee facility
(3) Variable weighted interest rate at December 31, 2004
(4) € 9.5 million used as a guarantee facility
(5) € 2.1 million used as a guarantee facility
(6) € 3.5 million used as a guarantee facility
(7) (Variable weighted interest rate at December 31, 2004, foreign currency amounts translated using the closing rate at December 31, 2004

For the facilities under the SFA we include interest rate cap and swap agreements to hedge the interest rates; these arrangements are such that at least € 250.0 million or 66.67% of the debt under the SFA are hedged against interest rate change risks until mid-2007.

The following table gives an overview of Messer's debt:

	Dec. 31, 2004	May 7, 2004
Non-current		
Due to banks	302,087	229,283
Finance leases	482	462
Other	4,113	5,483
	306,682	**235,228**
Current		
Due to banks	26,226	15,811
Finance leases	982	1,302
Other	1,457	3,770
	28,665	**20,883**
Total debt	**335,347**	**256,111**
Debt with variable interest rates (hedged)	250,265	
Debt with variable interest rates (not hedged)	85,082	
Total debt	**335,347**	
The weighted average nominal interest rates for debt are:		
Due to banks (including hedges)	6.22%	
Finance leases	8.28%	
Other loans	7.77%	

The average interest rate on debt (including interest rate swap agreements) at December 31, 2004 was 6.25%.

Debt matures as follows:

2005	28,665
2006	24,654
2007	29,354
2008	28,509
2009	27,982
After 2009	196,183
	335,347

Messer also has obligations under long-term leases. Future lease payments are as follows:

	Finance leases	Operating leases
2005	1,024	2,016
2006	365	1,713
2007	44	1,142
2008	83	1,000
After 2008	—	823
Total minimum lease payments	**1,516**	**6,694**
Interest portion	**(52)**	
Obligations under finance leases	**1,464**	
Obligations due within one year	**982**	

Rental and operating lease expense for the reporting period amounted to K€ 4,778.

21. Other current liabilities

	Dec. 31, 2004	May 7, 2004
Taxes payable	7,461	7,836
Liabilities to related parties	86,000	224,944
Payroll liabilities	5,990	4,871
Accrued interest	4,870	157
Other liabilities to customers	3,483	5,996
Deferred income	2,629	1,429
Social security payable	2,327	1,785
Fair value of derivative financial instruments	886	—
Advance payments received on orders	364	422
Bills of exchange payable	233	227
Liabilities to non-consolidated group companies	166	512
Miscellaneous	12,686	12,156
Total	**127,095**	**260,335**

Liabilities to related parties amounting to K€ 86,000 at December 31, 2004 and K€ 224,944 at May 7, 2004 relate to a liability to the shareholder, Messer Griesheim Vierte Vermögensverwaltungs GmbH. The reduction of the liability was due mainly to the repayment of K€ 90,000 and an increase of capital reserves of K€ 13,144.

The liability to Messer Griesheim Vierte Vermögensverwaltungs GmbH at December 31, 2004 relates to a short-term liability of K€ 6,000 and a conditional liability of K€ 80,000. In accordance with the agreement dated September 28, 2004, Messer Griesheim Vierte Vermögensverwaltungs GmbH waived a receivable of K€ 80,000 in order to increase the equity of Messer GmbH. However, since the liability is reinstated if various conditions contained in the agreement are met, this financing instrument is accounted for, in line with IFRS requirements, as debt (measured at cost) rather than as equity.

22. Equity

Share capital and additional paid-in capital The share capital and additional paid-in capital of the Messer Group at May 7, 2004 amounted to K€ 634,852. During the reporting period, additional paid-in capital was increased by a debt waiver of K€ 13,144 by Messer Griesheim Vierte Vermögensverwaltungs GmbH, so that issued and additional paid-in capital of the Messer Group at December 31, 2004 amounted to K€ 647,996.

23. Minority interests

This item comprises the portion of third party shareholders' interest in the equity of consolidated subsidiaries. Significant minority interests are held by third party shareholders in Serbia, the Czech Republic and China.

Balance as at May 7, 2004	**66,871**
Dividends paid	(1,894)
Income after tax	6,490
Disposals	(5,239)
Translation differences	(4,721)
Balance as at December 31, 2004	**61,507**

24. Personnel expense

Personnel expense, comprising wages, salaries and payments for social security and pensions, amounted to K€ 65,772 for the reporting period from May 7 to December 31, 2004.

25. Number of employees (annual average)

The average number of employees was as follows:

	2004
Western Europe	666
Eastern Europe	2,141
Other	880
Corporate	75
Total number of employees	**3,762**

26. Commitments and contingencies

Financial guarantees Obligations from issuing guarantees were as follows:

	Maximum potential obligation	Amount recognized as liability
in € million	**Dec. 31, 2004**	**Dec. 31, 2004**
Financial guarantees	36.3	3.8

Financial guarantees relate mainly to commitments to cover the contractual obligations of principal debtor. Pledges given to secure the liabilities of group companies were eliminated on consolidation and are thus not included in the above amounts.

Other financial obligations In addition to the financial guarantees described above, the Group has, in connection with its production program, given commitments to purchase various goods and services over extended periods at market prices.

The Group has also committed to purchase or invest in the construction and maintenance of various production facilities. Obligations under these agreements represent commitments to purchase plant and equipment at market prices in the future. At December 31, 2004, purchase and capital expenditure commitments amounted to K€ 6,716.

At December 31, 2004, substantially all of the assets of the Group were pledged as collateral in accordance with the loan agreement dated April 21, 2004.

On the sale of the shares of Messer Griesheim GmbH, Messer Holding GmbH gave certain specified warranties and indemnification commitments to the purchaser. If Messer Holding is called upon to make payments under these commitments, they will be financed by the Messer Group (see also Note 21 "Other current liabilities").

Obligations under long-term service agreements amounted to K€ 31,543. Obligations amounting to K€ 29,446 may be terminated in return for termination fees of between K€ 3,000 and K€ 300, depending on the termination date.

27. Derivative financial instruments

At December 31, 2004, the Group is party to interest rates caps with a positive fair value of K€ 866, interest rate swaps and interest rate floors with a negative fair value of K€ 886 and a cross currency swap with a positive fair value of K€ 1,624.

Hedging instruments used by the Group during the reporting period gave rise to losses of K€ 748.

28. Litigation

Various lawsuits are pending or threatened by the Indian company Goyal MG and / or its major shareholders. Messer has received notice from Goyal MG alleging that Messer has breached a confidentiality clause contained in a shareholders' agreement between Messer, Goyal MG and certain other shareholders. The notice requests payment of Rupees 5 billion (approximately € 84.4 million) for alleged loss of profits due to certain press announcements by Messer which allegedly prejudicially affected the business of Goyal MG.

During 2001, Goyal MG defaulted on a bank loan. As a result, the Messer Group, as guarantor, was required to repay the loan of US Dollar 4.7 million (€ 3.4 million) in full. Messer is currently seeking reimbursement from Goyal MG of this amount.

29. Related parties

Messer Industrie and Stefan Messer GmbH Prior to the change in shareholders on May 6, 2004, Messer Industrie was, indirectly, a minority shareholder of Messer GmbH. As a result of the change in shareholders, Messer Industrie now indirectly holds all of the shares of Messer GmbH.

At December 31, 2004, a receivable balance of K€ 908 is due from Messer Industrie, primarily in connection with the consolidated tax filing status in place for value added tax purposes.

Stefan Messer is a Director (Geschäftsführer) of Messer Industrie, Messer GmbH and Stefan Messer GmbH. At December 31, 2004, a loan receivable of K€ 2,090 is due from Stefan Messer GmbH.

Messer Eutectic Group (MEC Group) The Carlyle Group, a private equity company, signed a contract with Messer Industrie on November 8, 2004 for the sale of its 100% investment in MEC Acquisition GmbH, which, in turn, held 51% of the shares of MEC Holding GmbH. As a result of this transaction, Messer Industrie, which acts as the holding company for the Messer family and has its registered office in Königstein, increased its investment in the MEC Group, together with a co-investor, to 74.8%. The MEC Group was founded in October 2000 to amalgamate the businesses of the Messer Cutting & Welding Group and the Swiss Castolin Eutectic Group. Messer Industrie had contributed the Messer Cutting & Welding Group to MEC Holding GmbH as a contribution in kind. Prior to that, MEC Holding GmbH had acquired the Castolin Eutectic Group via a leveraged buy-out transaction.

Messer Industrie will continue this business as the majority shareholder of the MEC Group. All transactions of the MEC Group with Messer entities are therefore deemed to be related party transactions. The consolidated financial statements at December 31, 2004 do no include any transactions with the MEC Group.

Messer Holding GmbH At December 31, 2004, current receivables of K€ 5,132 are due from Messer Holding GmbH in conjunction with the payment of subsequent costs relating to the sale transaction with Air Liquide.

30. Events after the balance sheet date

In January 2005, Messer GmbH settled K€ 11,300 of its liabilities to the shareholder, Messer Griesheim Vierte Vermögensverwaltungs GmbH. Also in January 2005, Messer acquired further shares (approx. 14%) in the subsidiary Messer Tehnogas AD, Serbia.

31. Disclosures pursuant to § 292a HGB

The requirements of § 292a (1) HGB relating to the preparation of the consolidated financial statements of Messer GmbH in accordance with International Financial Reporting Standards (IFRS) have been met.

The consolidated financial statements have been prepared in accordance with the following accounting policies which diverge from German law:

- foreign currency receivables and payables are translated using the closing exchange rate at the balance sheet date and gains and losses arising on translation are recognized in the income statement
- long-term provisions are measured at their present value
- deferred taxes are accounted for using the liability method; deferred tax assets are recognized on tax

losses available for carryforward
- leased assets are allocated in accordance with the classification rules contained in IAS 17
- pension provisions are measured using the projected unit credit method, taking account of future salary increases and the corridor rule contained in IAS 19
- the measurement of financial instruments
- goodwill is only subject to impairment losses (no scheduled amortization)

No accounting policies were applied in accordance with German law which do not comply with IFRS.

32. Management Board and Supervisory Board

The Management Board (Geschäftsführung) of Messer Group GmbH during the reporting period comprised the following:

- Stefan Messer, Industriekaufmann, Königstein im Taunus
- Harald Pinger, Dipl.-Kaufmann, Wiesbaden (until October 5, 2004)
- Dr. Hans-Gerd Wienands, Attorney, Kerpen (from October 5, 2004)

The Supervisory Board (Aufsichtsrat) of Messer Group GmbH during the reporting period comprised the following:

- Dr. Jürgen Heraeus, Chairman, Entrepreneur, Chairman of the Supervisory Board of Heraeus Holding GmbH,
- Dr. Bodo Lüttge, Deputy Chairman, Dipl. Kaufmann,
- Dr. Alexander Dibelius, Managing Director, Goldman Sachs & Co. oHG,
- Dr. Karl-Gerhard Seifert, Chemist, Chairman of the Executive Board of AllessaChemie GmbH,
- Wilhelm Peter Storm van's Gravesande, Consultant

The remuneration of the Supervisory Board during the reporting period amounted to K€ 108.

Sulzbach, March 23, 2005

Stefan Messer

Dr. Hans-Gerd Wienands

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Dr. Uwe Bechtolf
Dr. Andreas Donnerhack
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Johann Ringhofer
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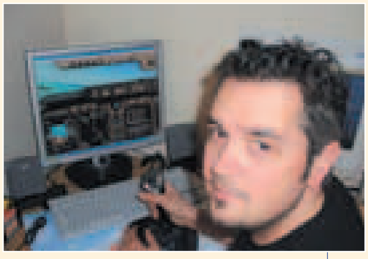
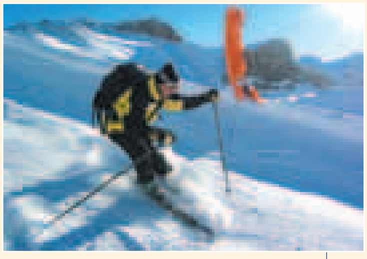
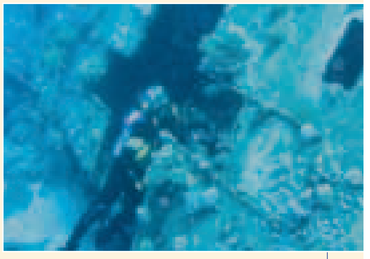


Michael Holy, Head of Business Development, Germany



Marcin Kalembka, Sales Application Technology Metallurgy, Poland

Yang Xiaolin, Office Clerk, China



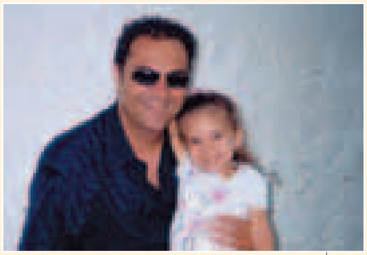
Christoph Launer, Manager Process Optimization, Logistics/Filling, Germany

Pictures of our fellow employees

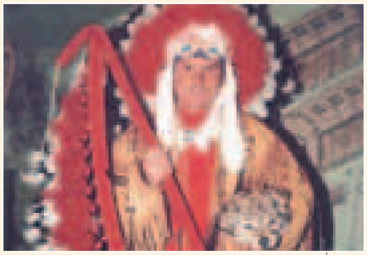
The photographs featured in this annual report are not only of the people at Messer, but were taken by them too. As part of a photography competition, the entire workforce was invited to send in pictures of themselves pursuing leisure activities, playing sports or engaging in their hobby. The response was incredible: over 140 pictures were sent in from the "Messer countries", with many of them well above the level of "snapshots" in terms of quality.

In fact, the photos were so good that it was decided to feature them throughout the report as a central theme. Unfortunately, not all the pictures submitted could be included due to lack of space. Nevertheless, we would like to thank everyone who sent us pictures for their dedication and commitment to the company. It demonstrates once again that its employees make Messer more than "just" a specialist in gases and their applications.

Pavel Čempulka, Sales Representative, Czech Republic



Apostolos Apostolellis, Marketing Manager, Greece



François Mas, Customer Service Technician, France

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