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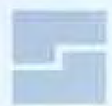
Messer Griesheim GmbH
Financial statements of the Messer Group
Financial year 2000



The Messer group is one of the worldwide leading companies in the field of industrial gases with its core regions being in Europe and North America. Messer has about 10.000 employees working in more than 500 affiliates, production sites and research centers.
Focus of our activities are products and services adapted to the requirements of markets and customers, as well as joint developments of new applications - for our customer's benefit.

Safety at Work, Health, Environmental Protection and Quality Management is our concept to meet and ensure high standards.

Innovation means to develop new high tech solutions - in cooperation with our customers.

Our aim is to support our customer in finding solutions, and hereby develop a trustful partnership on the way to mutual success.

Our tailor-made service packages provide our customers with clear competitive advantages.

To the Management Board of Messer Griesheim GmbH

We have audited the accompanying consolidated balance sheet of Messer Griesheim GmbH and subsidiaries as of December 31, 2000, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messer Griesheim GmbH and subsidiaries as of December 31, 2000, and the results of their operations and their cash flows for the year then ended, in conformity with International Accounting Standards as promulgated by the International Accounting Standards Committee.

International Accounting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected results of operations for the year ended December 31, 2000 and stockholders' equity as of December 31, 2000, to the extent summarized in Note 33 to the consolidated financial statements.

Frankfurt am Main, Germany
April 27, 2001

/s/ KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Dankert	Horn
Wirtschaftsprüfer	Wirtschaftsprüfer

To the Management Board of Messer Griesheim GmbH

We have audited the accompanying consolidated balance sheet of Messer Griesheim GmbH and its subsidiaries as of December 31, 1999, and the related consolidated statements of operations, of cash flows and of changes in stockholders' equity for each of the two years in the period ended December 31, 1999, all expressed in euro. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messer Griesheim GmbH and its subsidiaries at December 31, 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999, in conformity with the Standards of the International Accounting Standards Committee (IAS). We have not audited the consolidated financial statements of Messer Griesheim GmbH for any period subsequent to December 31, 1999.

As discussed in Note 31, the financial statements referred to above have been revised.

IAS varies in certain significant respects from the accounting principles generally accepted in the United States and as allowed by Item 18 to Form 20-F. The application of the latter would have affected the determination of consolidated results of operations expressed in euro for the year ended December 31, 1999 and the determination of consolidated stockholders' equity also expressed in euro at December 31, 1999 to the extent summarized in Note 33 to the consolidated financial statements.

Frankfurt am Main
April 27, 2001

/s/ PwC Deutsche Revision Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Lust
Wirtschaftsprüfer

ppa Dr. Fliess
Wirtschaftsprüfer

(Amounts in € thousands, unless otherwise stated)

	Note	2000	1999	1998
Net sales		1.695.923	1.491.584	1.477.008
Cost of sales		-844.534	-700.755	-695.702
Gross profit		**851.389**	**790.829**	**781.306**
Distribution and selling costs		-568.942	-531.338	-501.312
Research and development costs		-24.938	-20.206	-20.768
General and administrative costs		-127.722	-130.002	-101.829
Other operating income	4	38.010	34.288	44.343
Other operating expense	5	-21.723	-28.303	-12.289
Impairment of intangible assets and property, plant and equipment	6	-107.401	-3.649	—
Restructuring charges	7	-20.361	—	—
Operating profit		**18.312**	**111.619**	**189.451**
Equity method investments expense, net	14	-207.952	-13.803	-230
Other investment expense, net	8	-14.757	-2.538	-2.308
Interest expense, net	9	-88.520	-62.005	-48.203
Other financial (expense) income, net		-4.959	-1.644	1.573
Non-operating expense		**-316.188**	**-79.990**	**-49.168**
(Loss) income from continuing operations		**-297.876**	**31.629**	**140.283**
Income (loss) from discontinuing operations, net of tax expense of € 0, € 1.446 and € 625 for the years ended December 31, 2000, 1999 and 1998, respectively.	10	—	5.479	-3.718
Loss from disposal of discontinuing operations, net of tax benefit of € -946, € -11.588, and € 0 for the years ended December 31, 2000, 1999 and 1998, respectively.	10	-17.120	-2.753	—
(Loss) income before income taxes and minority interests		**-314.996**	**34.355**	**136.565**
Income taxes	11	138.232	-48.903	-44.323
(Loss) income before minority interests		**-176.764**	**-14.548**	**92.242**
Minority interests, net of income taxes	21	-7.610	-6.330	-8.341
Net (loss) income		**-184.374**	**-20.878**	**83.901**

Messer Griesheim GmbH Consolidated Balance Sheets

as of December 31
(Amounts in € thousands, unless otherwise stated)

	Note	2000	1999
Assets			
Intangible assets	12	131.309	148.707
Property, plant and equipment	13	2.041.522	1.964.942
Equity method investments	14	47.616	58.839
Cost method and other investments	15, 16	82.332	102.237
Loans to related parties	30	38.351	39.912
Deferred tax assets	11	64.549	17.425
Other long-term receivables, net and other assets		11.031	2.523
Non-current assets		**2.416.710**	**2.334.585**
Inventories	17	94.803	98.713
Trade accounts receivable, net	18	294.272	267.280
Other receivables and other assets	19	106.580	114.430
Receivables from related parties	30	34.194	180.898
Cash and cash equivalents		50.403	57.214
Current assets		**580.252**	**718.535**
Total assets		**2.996.962**	**3.053.120**

	Note	2000	1999
Stockholders' equity and liabilities			
Subscribed capital of Messer Griesheim GmbH		276.098	276.098
Additional paid-in capital		158.386	118.722
Retained (deficit) earnings		-58.973	269.074
Cumulative translation adjustment		84.204	53.113
Stockholders' equity	**20**	**459.715**	**717.007**
Commitments and contingencies	**26, 32**		
Minority interests	**21**	**86.594**	**78.108**
Provisions for pensions and similar obligations	22	139.230	141.467
Other provisions	23	76.522	65.496
Corporate debt, less current portion	24	1.214.543	983.137
Debt with related parties, less current portion	24	958	182
Deferred tax liabilities	11	64.033	170.668
Other long-term liabilities		22.715	28.227
Non-current liabilities		**1.518.001**	**1.389.177**
Other provisions	23	177.711	62.493
Corporate debt	24	479.753	485.431
Debt with related parties	24	3.673	1.135
Trade accounts payable		137.982	123.974
Liabilities to related parties	30	8.977	55.405
Miscellaneous liabilities	25	124.556	140.390
Current liabilities		**932.652**	**868.828**
Total stockholders' equity and liabilities		**2.996.962**	**3.053.120**

Messer Griesheim GmbH Consolidated Statements of Changes In Stockholders' Equity

as of December 31
(Amounts in € thousands, unless otherwise stated)

	Subscribed capital	Additional paid-in capital	Retained earnings (deficit)	Cumulative translation adjustment	Total stockholders' equity
Balance as of January 1, 1998	**276.098**	**88.965**	**307.935**	**40.829**	**713.827**
Paid-in capital	—	29.757	—	—	29.757
Dividend payments	—	—	-48.624	—	-48.624
Net income	—	—	83.901	—	83.901
Translation adjustment	—	—	—	-49.118	-49.118
Balance as of December 31, 1998	**276.098**	**118.722**	**343.212**	**-8.289**	**729.743**
Dividend payments	—	—	-47.550	—	-47.550
Net loss	—	—	-20.878	—	-20.878
Translation adjustment	—	—	—	61.402	61.402
Effect of adoption of IAS 19 (revised 1998)	—	—	-5.710	—	-5.710
Balance as of December 31, 1999	**276.098**	**118.722**	**269.074**	**53.113**	**717.007**
Paid-in capital	—	39.664	—	—	39.664
Dividend payments	—	—	-143.673	—	-143.673
Net loss	—	—	-184.374	—	-184.374
Translation adjustment	—	—	—	31.091	31.091
Balance as of December 31, 2000	**276.098**	**158.386**	**-58.973**	**84.204**	**459.715**

Messer Griesheim GmbH Consolidated Cash Flow Statements

for the years ended December 31
(Amounts in € thousands, unless otherwise stated)

	2000	1999	1998
(Loss) income before income taxes and minority interests	-314.996	34.355	136.565
Income taxes refunded (paid)	4.315	-19.691	-4.469
Results of discontinuing operations	17.120	-2.726	3.718
Depreciation and amortization of property, plant, equipment and intangible assets	320.426	195.675	147.145
Write-down of investments	15.545	3.190	2.383
Appreciation of property, plant and equipment and investments	-1.033	-709	-2.436
Gain on disposal of property, plant and equipment and investments	-13.375	-335	-13.302
Non-cash change in equity method investments	65.063	9.185	3.670
Interest expense, net	88.520	62.005	48.203
Other financial expense, net	4.959	1.644	-1.573
Changes in inventories	7.038	-5.728	21.665
Changes in receivables and other assets	-27.443	4.045	-85.102
Changes in provisions	129.356	31.320	-41.560
Changes in accounts payable and other liabilities	-38.648	35.524	-29.712
Other	4.165	9.416	-9.265
Cash flow from operating activities	**261.012**	**357.170**	**175.930**
Purchase of property, plant and equipment, and intangible assets	-321.533	-471.167	-464.189
Purchase of investments and loans to related parties	-81.757	-85.991	-169.656
Proceeds from the sale of property, plant and equipment, and intangible assets	34.090	40.587	69.815
Proceeds from the sale of investments	27.489	33.586	14.624
Interest received	6.596	9.888	8.057
Cash flow used in investing activities	**-335.115**	**-473.097**	**-541.349**
Capital increases	1.752	—	29.757
Net proceeds from additions to non-current corporate debt	205.670	93.699	324.713
Net (repayment of) proceeds from current corporate debt	-14.346	135.447	109.547
Dividends paid	-7.669	-47.550	-48.624
Interest paid	-94.443	-71.893	-56.260
Other financial expense, net	-4.959	-1.644	1.573
Cash flow from financing activities	**86.005**	**108.059**	**360.706**
Cash flow from operating, investing and financing activities	**11.902**	**-7.868**	**-4.713**
Effect of exchange rate changes on cash	1.216	2.073	-4.603
Cash from discontinuing operations	-19.929	2.045	1.224
Changes in cash and cash equivalents	-6.811	-3.750	-8.092
Cash and cash equivalents			
at beginning of year	**57.214**	**60.964**	**69.056**
at end of year	**50.403**	**57.214**	**60.964**
Supplemental cash flow information:			
Non-cash financing activities:			
Transfer of Cutting & Welding Division	37.912	101.134	—

1/ Background

The consolidated financial statements include the accounts of Messer Griesheim GmbH, Frankfurt am Main, Germany, and all companies which Messer Griesheim GmbH controls (collectively, the Messer Group or the Group).

The Messer Group is a significant global supplier of industrial gases. Messer produces and markets industrial gases (including oxygen, nitrogen, argon, helium, carbon dioxide, hydrogen and rare and high-purity gases), gas application processes and customer-site gas production systems. Messer's primary customers include major industrial, chemical and pharmaceutical manufacturers, and the food processing, health care and waste treatment industries.

The stockholders of the Group are Hoechst AG (a subsidiary of Aventis S.A., Strasbourg, France), Frankfurt am Main, Germany (66 2/3 %) and Messer Industrie GmbH, Königstein, Germany (33 1/3 %). Hoechst AG is the parent company. On December 30, 2000, the financial investors Allianz Capital Partners (ACP) and six private equity funds managed by affiliates of The Goldman Sachs Group, Inc. (GS) entered into an agreement with Aventis S.A., the parent of Hoechst AG, regarding the purchase of Hoechst AG's shares in Messer Griesheim GmbH. Pending approval of the relevant regulatory and anti-trust authorities, this transaction is expected to be finalized in the second quarter of 2001. For further discussion, see Note 32, "Subsequent events".

2/ Accounting principles

The consolidated financial statements of the Messer Group have been prepared in accordance with the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC). The Group applied all International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC) effective as of December 31, 2000, 1999 and 1998, respectively.

Consolidation

The complete list of Group ownership interests is provided in a joint listing and filed with the Commercial Register in Frankfurt am Main, Germany. Significant subsidiaries as of December 31, 2000 are as follows:

Name and Office of Subsidiary	Country of Incorporation or Residence	Ownership Percentage
Messer Griesheim Industries, Inc. (Malvern, Pennsylvania)	United States	100%
Messer France S.A. (Saint-Denis)	France	100%
Messer Griesheim Industriegase GmbH (Leipzig)	Germany	100%
Messer Hungarogáz Kft. (Budapest)	Hungary	100%
Messer U.K. Ltd. (Reigate)	United Kingdom	100%
Messer Trinidad & Tobago Ltd. (Port of Spain)	Trinidad & Tobago	100%
MG de México, S.A. de C.V. (Ocoyoacac)	Mexico	100%
Messer Austria GmbH (Gumpoldskirchen)	Austria	100%
Fedgas (Proprietary) Ltd. (Alrode/Transvaal)	South Africa	100%
Messer Singapore Pte. Ltd. (Jurong)	Singapore	100%
Messer Medical GmbH (Krefeld)	Germany	100%
Messer Nederland B.V. (Moerdijk)	Netherlands	100%
MG Generon, Inc. (Houston, Texas)	United States	100%
GVP, Inc. (Wilmington, Delaware)	United States	100%
Messer AGS Inc. (Malvern, Pennsylvania)	United States	100%
Messer Gases S.A. (Caracas)	Venezuela	100%
Air Gas Production Ltd. (Reigate)	United Kingdom	100%
Messer Griesheim do Brasil (São Paulo)	Brazil	99,99%
Messer Croatia Plin d.d. (Zapresic)	Croatia	99,96%
Messer Argentina S.A. (Buenos Aires)	Argentina	99,63%
Messer Belgium N.V. (Machelen)	Belgium	99,41%
Messer Polska Spólka z.o.o. (Chorzów)	Poland	98,54%
Messer Gases S.A. (Lima)	Peru	91,90%
P.T. Aneka Gas Industrie (Cikanang Bekasi)	Indonesia	90%
Tehnogas AD (Beograd)	Yugoslavia	60%

The consolidated financial statements include the accounts of Messer Griesheim GmbH and subsidiaries. In general, the difference between the acquisition cost of a subsidiary and the book value at the time of the acquisition of the portion of the net equity acquired is allocated to the subsidiary's assets and liabilities up to their respective fair values, in proportion to the shares acquired. Any remaining excess is capitalized as goodwill and amortized over the estimated useful life of the goodwill. Intercompany accounts and transactions are eliminated in consolidation.

The first time consolidation of two companies and the deconsolidation of one company had no significant impact on the Group's financial position, results of operations or cash flows in 2000.

Equity method investments

Investments in companies in which the group exercises significant influence or joint control, are accounted for using the equity method (equity method investments or investments at equity). The excess of cost of an investment over the Group's share of the investee's net assets at the acquisition date (basis difference) is being amortized on a straight-line basis over periods of 5 to 10 years. The Group's proportionate share of income (loss) from its equity method investments, including amortization of any associated basis difference, is included in "equity method investments expense". Equity method investments are adjusted for any decrease in value that are deemed to be other than temporary declines. The amount of impairment is limited to the investment basis and any funding commitments.

Intangible assets

The excess of the Group's cost of acquired businesses over the fair value of the assets acquired and liabilities assumed (goodwill) is capitalized and amortized on a straight-line basis over estimated useful lives ranging from 5 to 20 years. In determining the economic useful life of goodwill, the Group considers the stability of the acquired company's markets and the strength of the acquired company's market position. Amortization of goodwill is included in "other operating expense".

Intangible assets other than goodwill, including patents, licenses, trademarks, software and other similar assets, are capitalized at acquisition cost and amortized on a straight-line basis over their estimated useful lives of 3 to 20 years. Amortization of intangible assets, other than goodwill, is included as an expense in the related functional costs.

Property, plant and equipment

Property, plant and equipment are capitalized at acquisition or manufacturing costs, net of government grants, and depreciated over their estimated useful lives. The manufacturing costs of self-constructed assets are based on directly allocable itemized costs and appropriate overhead costs, including depreciation. Finance costs related to the construction of property, plant and equipment are capitalized as part of the manufacturing costs. In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged to the income statement. Repair costs are charged to expense when incurred.

Depreciation of property, plant and equipment is based on a straight-line basis over the assets' useful lives as follows:

Buildings	10 to 50 years
Plant and machinery	10 to 20 years
Other plant, factory and office equipment	3 to 20 years

When the Group leases assets under the terms of a long-term contract or other arrangement that transfers substantially all of the benefits and risks of ownership to the Group, the leased property is capitalized at the lower of the fair value of the asset or the present value of future minimum lease payments and the corresponding obligation is recorded as a liability. Leased assets are depreciated on a straight-line basis over the lives of the respective leases.

Research and development costs

Research costs are expensed as incurred. Development costs are charged as an expense in the period in which they are incurred until market introduction due to the uncertainty of the future economic benefit, unless such benefit can be demonstrated. If future economic benefit can be demonstrated, such expenditures are stated at cost, including the cost of materials, direct labor and an appropriate allocation of overhead, and amortized over the expected period of benefit.

Investments

Investments in which the Group does not exercise significant influence are accounted for under the cost method (investments at cost or cost method investments).

Inventories

Inventories are valued at the lower of cost or net realizable value at the balance sheet date. Inventory costs are determined by using the average cost method. Manufacturing costs include direct costs, indirect material, factory overhead and depreciation.

Receivables

Trade accounts receivable and other receivables are stated at net realizable value. Appropriate valuation allowances are made to account for the risks associated with receivable balances.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are comprised of highly liquid investments with a maturity of three months or less from the date of acquisition.

Impairment of long-lived assets

In the event facts and circumstances indicate that the Group's long-lived assets, including property, plant and equipment and intangible assets, may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the recoverable amount of the asset is compared to the asset's carrying amount to determine whether a write-down to the recoverable amount is required. The recoverable amount is defined as the higher of the asset's net selling price or value in use. Value in use is based on the discounted cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
The original values of current and non-current assets, except for goodwill, are reinstated when the reasons for write-down no longer exist.

Pensions and similar obligations

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation or the fair value of the plan assets, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Obligations for severance and early retirement benefits are generally determined through actuarial calculations using discount rates and salary trends prevailing in the respective countries.

Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

Other provisions

Other provisions are recognized when it is probable that a liability has been incurred and a reasonable estimate of the amount can be made.

Trade accounts payable and other liabilities
Trade accounts payable and other liabilities are carried at the expected settlement amount.

Derivative financial instruments
The Group enters into derivative financial instruments (mainly interest rate swaps and cross-currency forward contracts) with a zero-cost basis at inception to manage its exposure to foreign exchange and interest rate risks. The Group's derivative financial instruments do not qualify as effective hedges. Subsequent to initial recognition, derivative financial instruments are stated at the lower of cost or fair value. Declines in market values are recognized as losses in the income statement as a component of "interest expense, net" or "other financial expenses, net" depending on the underlying instrument. Appreciation in market values of financial instruments is not recognized as a gain until realized.

Deferred income taxes
Deferred income taxes are recorded for temporary differences between the carrying amount of assets or liabilities in the balance sheet and their associated tax bases, as well as for operating loss and tax credit carryforwards. Deferred taxes are based on the currently enacted tax rates. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for pensions and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred tax assets and deferred tax liabilities are offset only if they relate to income taxes levied by the same tax authority and the enterprise has a legally enforceable right to offset tax assets against tax liabilities.

Revenue recognition

Bulk supply sales
Bulk supplies are stored in tanks, which the Group owns and leases to the customer on the customer's premises. The Group delivers gases to customers by 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 in Germany typically have a term of two to three years. Bulk-supply contracts in the United States typically have a five to seven year term. Revenue is recognized on bulk supply sales when the gases are delivered to the tanks. Income from the leasing of tanks is recognized consistent with the terms of the leasing agreements.

Cylinder sales
Customers requiring small volumes of gases (including most specialty gases) are supplied products in cylinders which the Group typically owns and rents to the customer. Cylinder gases are generally sold by purchase orders or by contracts with terms ranging between one to two years in Europe and three to five years in the United States. Revenue is recognized on the gas sale when delivery occurs. Income on the rental of tanks is recognized on a basis consistent with the terms of the rental agreement.

On-site sales and pipeline sales
Customers that require large volumes of industrial gases (typically oxygen, nitrogen, carbon monoxide and hydrogen) and that have a relatively constant demand are typically supplied by plants built adjacent to or on these customers' facilities. The Messer Group owns and maintains these plants. As these plants are typically dedicated to the customer, the product supply contracts generally contain take-or-pay minimum purchase requirements and price escalation provisions. These contracts typically have terms of 10 to 15 years. Under the terms of the contract, revenue is recognized when delivery has taken place. At the end of the fiscal period, the Group will determine if the customer has taken the minimum delivery requirement in the contract. If the deliveries are below the minimum level, the Group will accrue the amount of revenue due from the customer. Contractual sales made through pipelines typically have similar terms and accounting treatment.

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

Reclassifications
Certain reclassifications have been made to the prior year consolidated financial statements in order to conform with current year presentation.

Use of estimates
The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and uncertainties
The Group's future results of operations involve a number of risks and uncertainties. Factors that could affect the Group's future operating results and cause actual results to vary materially from historical results include but are not limited to the following items.

The industrial gas business is highly competitive, which has resulted in a steady trend of decreasing prices. This highly competitive environment could potentially reduce the profitability and cash flows of the Group in the future. The Group supplies a cross section of industries including steel, metal working, primary metal, chemicals, oil refining, food and beverages, healthcare, electronics and glass and include long-term contracts over periods of up to 15 years. A significant decline in market demand in any one of these industries could adversely affect future operating results. No single customer represents a significant portion of total revenues. The majority of the Group's revenues are derived in Germany, the rest of Europe and the United States of America, which makes the Group sensitive to market or economic conditions in these geographic areas.

Energy is the single most significant production cost for the Group. Though the Group can pass through a portion of these energy costs to their customers, increases in energy costs can reduce the Group's profitability significantly.

The Group operates globally, making it subject to risks related to the differing political, social and economic conditions of the various countries in which it conducts its operations.

Financial statements reported in euro
On January 1, 2000, the Messer Group adopted the euro as its reporting currency and translated all amounts previously denominated in Deutsche Mark (DM) at the fixed exchange rate of € 1,00 = DM 1,95583, applicable since January 1, 1999, for all prior periods presented.

The Group's consolidated financial statements reported in euro depict the same trends as would have been presented if it had continued to present its consolidated financial statements in DM. The Group's consolidated financial statements will, however, not be comparable to the euro financial statements of other companies that reported their financial information in a currency other than the DM, prior to January 1, 1999.

New IAS accounting standards
In 1998 the IASC issued IAS 39 "Financial Instruments: Recognition and Measurement". IAS 39 is effective for fiscal periods beginning after

December 31, 2000. The standard significantly increases the use of fair values in accounting for financial instruments. In addition, it establishes specific criteria relating to hedge accounting.

In 2000 the IASC issued IAS 40 "Investment Property". IAS 40 is effective for fiscal periods beginning on or after January 1, 2001. This standard provides guidance on the valuation of investment property. In 2000 the IASC revised IAS 12 "Income Taxes". The revised IAS 12 is effective for fiscal periods beginning on or after January 1, 2001. IAS 12 has been revised to specify the accounting and disclosure requirements for the income tax consequences of dividends.

In 2000 the IASC revised IAS 19 "Employee Benefits". IAS 19 (revised 2000) is effective for fiscal periods beginning on or after January 1, 2001. The standard changes the definition of plan assets and introduces recognition, measurement and disclosure requirements for reimbursements.

The Group will adopt each of these standards effective January 1, 2001. Management does not expect a material impact on the Group's financial position or results of operations as a result of the implementation of these standards.

Currency translation

The financial statements of Group companies located outside the European Monetary Union are translated into euro. Assets and liabilities of these companies, as well as the Group's share of the equity of foreign subsidiaries, are translated into euro at the closing exchange rate on the balance sheet date. Differences resulting from movements in exchange rates from the previous year-end are included as a separate component of stockholders' equity.

The items in the income statement are translated into euro using average annual exchange rates. Foreign currency gains and losses from trade receivables and trade payables denominated in a currency other than the reporting currency are included in "other operating income" or "other operating expense."

The Group has subsidiaries operating in countries that are considered hyperinflationary. The Group applies the principles of IAS 29 "Financial Reporting in Hyperinflationary Economies", to the entities it considers affected by such economies. As such, the local currency financial statements in 2000 and the corresponding figures for the previous periods of the entities operating in Venezuela and Yugoslavia have been restated using appropriate indices to current values at the balance sheet date prior to translation into the Group's reporting currency.

Currencies, which are of particular importance to the Group, that have experienced exchange-rate fluctuations are shown below:

	Exchange rate applicable on the balance sheet date		Average annual exchange rate		
Selected currencies	**2000**	**1999**	**2000**	**1999**	**1998**
	€	€	€	€	€
1 U.S. Dollar	1,07	1,00	1,08	0,95	0,90
1 Pound Sterling	1,60	1,61	1,64	1,53	1,49
1 South African Rand	0,14	0,16	0,16	0,15	0,16
100 Hungarian Forint	0,38	0,39	0,38	0,40	0,42
1 Brazilian Real	0,55	0,55	0,59	0,51	0,77
100 Yugoslavian Dinar	1,70	5,68	2,62	6,80	8,52

3/ Segment information

Messer Group reports its segment information in accordance with IAS 14 "Segment Reporting", which is consistent with the provisions of the U.S. Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 131 "Disclosures about Segments of an Enterprise and Related Information".

Messer Group operates its business as a single business – the production, supply and distribution of industrial gases. The Group's segment reporting follows the management structure and internal management reporting system of the Messer Group. Based upon the 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**
Germany	Germany
Western Europe	France, Switzerland, Netherlands, Spain, Belgium, Italy and Great Britain
Eastern Europe	Austria, Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Poland, Finland, Bulgaria, Yugoslavia, Bosnia-Herzegovina and Greece
North America	United States of America and Canada
Latin America	Mexico, Brazil, Peru, Venezuela, Guatemala, Argentina, El Salvador, Trinidad and Tobago and Honduras
Asia/Africa	South Africa, Singapore, Indonesia, China, Korea, India, Egypt, Malaysia and Taiwan

Each of these geographic regions has a segment manager reporting directly to the Chief Executive Officer who effectively serves as the Chief Operating Decision Maker ("CODM"). The CODM makes decisions about resources to be allocated to the segments and assesses their performance using sales and operating profits.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Performance of the segments is evaluated on net sales and operating profit before income taxes.

The following tables present selected segment data as of and for the years ended December 31, 2000, 1999 and 1998:

Business areas	Germany	Western Europe	Eastern Europe	North America	Latin America	Asia/ Africa	Reconciliation/ Corporate	Total
Total sales								
2000	788.314	278.529	213.432	414.743	80.997	92.662	—	1.868.677
1999	748.203	265.357	191.114	372.199	45.700	68.336	—	1.690.909
1998	784.383	232.756	193.686	328.973	35.296	54.931	—	1.630.025
Inter-segment sales								
2000	116.566	16.043	15.294	20.407	3.148	1.296	—	172.754
1999	104.384	13.740	12.962	65.513	2.340	386	—	199.325
1998	95.982	7.990	16.660	29.247	3.012	126	—	153.017
Net sales								
2000	671.748	262.487	198.137	394.336	77.849	91.366	—	1.695.923
1999	643.820	251.616	178.151	306.685	43.360	67.952	—	1.491.584
1998	688.401	224.766	177.025	299.726	32.285	54.805	—	1.477.008
Operating profit								
2000	103.108	19.799	25.656	-7.490	-44.709	-17.791	-60.261	18.312
including restructuring charges of	546	2.128	—	1.760	—	—	15.927	20.361
1999	123.418	14.863	23.158	25.267	-33.397	-5.576	-36.114	111.619
1998	160.219	20.749	20.682	39.228	-8.884	1.887	-44.430	189.451
Depreciation, amortization and impairment of intangibles and property, plant and equipment								
2000	73.819	33.704	29.944	99.775	47.190	35.994	—	320.426
thereof impairment losses	23.150	0	3.469	31.645	27.050	22.087	—	107.401
1999	60.372	32.761	23.089	51.286	14.717	13.238	212	195.675
thereof impairment losses	3.649	—	—	—	—	—	—	3.649
1998	43.909	28.021	21.872	42.444	4.977	5.922	—	147.145
thereof impairment losses	—	—	—	—	—	—	—	—
Operating assets								
2000	662.879	334.297	297.625	699.164	416.950	196.986	51.175	2.659.076
1999	724.232	336.799	289.712	691.716	373.202	201.041	106.253	2.722.955

Business areas	Germany	Western Europe	Eastern Europe	North America	Latin America	Asia/ Africa	Reconciliation/ Corporate	Total
Operating liabilities								
2000	74.782	57.965	39.533	57.545	30.909	99.971	218.218	578.923
1999	200.452	58.703	38.980	77.675	20.105	28.150	124.405	548.470
Capital expenditures								
2000	115.377	32.967	31.388	53.424	59.243	30.667	-1.533	321.533
1999	81.338	25.610	58.482	91.615	125.017	89.105	—	471.167
1998	130.206	36.465	38.109	172.744	56.119	30.546	—	464.189
Interest income								
2000	-1.859	461	2.689	2.104	766	718	2.732	7.611
1999	-2.561	515	2.462	2.447	418	398	6.209	9.888
1998	685	370	4.076	783	791	224	1.128	8.057
Interest expense								
2000	2.816	5.290	4.226	27.885	16.310	3.534	36.070	96.131
1999	5.025	5.680	3.764	18.100	7.434	2.012	29.878	71.893
1998	1.935	4.850	2.597	17.392	5.746	2.248	21.492	56.260
Equity method investment expense, net								
2000	1.797	—	3.716	—	-6.372	-207.093	—	-207.952
1999	285	—	-619	—	1.244	-14.713	—	-13.803
1998	1.047	—	671	—	—	-1.948	—	-230
Income taxes								
2000	179.845	-7.557	-6.739	17.069	-487	-913	-42.986	138.232
1999	9.001	-5.291	-5.010	-3.004	-1.014	-24	-43.561	-48.903
1998	5.471	-1.957	-3.701	-7.352	34	-1.541	-35.277	-44.323
Equity method investments								
2000	256	7.456	—	—	9.137	30.767	—	47.616
1999	4.136	3.740	7.643	—	13.222	30.098	—	58.839

The United States of America is the only country, other than Germany, with sales greater than 10% of the Group's consolidated net sales.

Selected information relating solely to the United States of America is presented in the table below:

	2000	1999	1998
Net sales	360.715	280.661	279.223
Operating profit	-9.070	23.073	37.978
Capital expenditures	51.262	88.423	170.083
Operating assets	670.413	662.217	542.086

The reconciliation/corporate column primarily includes income and expenses related to corporate items that are included separately within Messer Griesheim GmbH, which are not allocated to the segments.

Segment operating assets are total assets excluding investments, deposits, certain receivables and deferred tax assets. Segment operating liabilities are total liabilities excluding deferred tax liabilities, certain provisions, derivative financial instruments, corporate debt and taxes payable.

The reconciliation of segment operating assets and liabilities to the consolidated total assets and liabilities at the end of each year is as follows:

	2000	1999
Assets		
Segment operating assets for total reportable business segments	2.607.901	2.616.702
Items excluded from segment assets	337.886	330.165
Other corporate assets	51.175	106.253
Total	**2.996.962**	**3.053.120**
Liabilities		
Segment operating liabilities for total reportable business segments	360.705	424.065
Items excluded from segment liabilities	1.871.730	1.709.535
Other corporate liabilities	218.218	124.405
Total	**2.450.653**	**2.258.005**

The reconciliation of segment operating profit to the consolidated net (loss) income for each year is as follows:

	2000	1999	1998
Segment operating profit for total reportable business segments	78.573	147.733	233.881
Items excluded from segment operating profit	-202.686	-132.497	-105.550
Other corporate income and expense	-60.261	-36.114	-44.430
Total	**-184.374**	**-20.878**	**83.901**

4/ Other operating income

	2000	1999	1998
Gains on disposal of intangible assets and property, plant and equipment	14.362	3.915	15.992
Legal settlement with foreign government	6.240	—	—
Release of provisions	3.265	2.028	4.982
Rental income	2.637	6.254	3.327
Appreciation of property, plant and equipment	1.026	571	2.268
Foreign currency exchange gains	783	6.091	3.444
Recovery of accounts receivable written-off	519	5.920	1.195
Insurance claims	355	3.434	—
Miscellaneous	8.823	6.075	13.135
Total	**38.010**	**34.288**	**44.343**

Gains on the disposal of intangible assets and property, plant and equipment in 2000 resulted primarily from the sale of land in Germany totaling T€ 9.189 and the sale of property, plant and equipment not used in business operations within the rest of the Group.

The release of provisions in 2000 includes the release of provisions for pensions and similar obligations totaling T€ 794.

5/ Other operating expense

	2000	1999	1998
Amortization of goodwill	9.322	8.181	7.976
Foreign currency exchange losses	4.493	5.042	410
Losses on disposal of intangible assets and property, plant and equipment	3.106	2.991	2.738
Product liabilities	865	3.344	—
Miscellaneous	3.937	8.745	1.165
Total	**21.723**	**28.303**	**12.289**

6/ Impairment of long-lived assets

	2000	1999	1998
Goodwill (see Note 12)	11.350	—	—
Property, plant and equipment (see Note 13)	96.051	3.649	—
Impairment of intangible assets and property, plant and equipment	107.401	3.649	—
Equity method investments (see Note 14)	208.572	—	—
Cost method investments (see Note 8 and 15)	15.545	3.190	1.745
Total	**331.518**	**6.839**	**1.745**

Impairment charges on equity method investments are recorded in "equity method investments expense" and impairment charges on cost method investments are included in "other investment expense, net".

7/ Restructuring charges

During 2000, and as a direct result of the anticipated changes in the Group's ownership, the Group has realigned itself and is planning to exit from the Asian and Latin American markets. The Group has recognized restructuring costs in connection with this realignment, as summarized below:

	2000	1999	1998
Severance costs	16.868	—	—
Other	3.493	—	—
Total	**20.361**	**—**	**—**

Severance costs include payments to former executive employees associated with the Asian and Latin American operations and who were released in connection with the Group's planned exit from these markets, and payments to executives upon termination of the Group's long-term incentive plan. These costs were recorded in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", which requires that certain criteria be met prior to accruing restructuring charges.

8/ Other investment expense, net

	2000	1999	1998
Income from cost method investments	1.103	124	782
Gain on disposal of cost method investments	2.349	175	48
Other income from cost method and other investments	407	1.135	214
Investment income	**3.859**	**1.434**	**1.044**
Write-off of cost method investments	-15.545	-3.190	-1.745
Losses on disposal of cost method investments	-229	-764	—
Other expenses from cost method and other investments	-2.842	-18	-1.607
Investment expense	**-18.616**	**-3.972**	**-3.352**
Investment expense, net	**-14.757**	**-2.538**	**-2.308**

9/ Interest expense, net

	2000	1999	1998
Interest income	7.611	9.888	8.057
Interest expense	-100.475	-84.596	-60.136
Capitalized finance costs related to the construction of fixed assets	4.344	12.703	3.876
Interest expense, net	**-88.520**	**-62.005**	**-48.203**

10/ Results from discontinuing operations

In 1999, the management board announced a plan to dispose of the Group's cutting and welding division (C&W). C&W manufactures products used for steel and aluminium materials in oxy-fuel and laser technology, and did not represent a core business area for the Group. In connection with this plan, on December 30, 1999, the Group entered into an agreement with Messer Industrie GmbH (MIG), the Group's minority shareholder, to acquire the C&W shares. The transaction was to be facilitated via a non-pro rata special dividend to MIG for the amount of the fair value of C&W, followed by (i) a purchase of the C&W shares by MIG, using the dividend as currency, and (ii) a cash payment from MIG to Hoechst for an amount equal to 66 2/3 % of the special dividend. At December 30, 1999, the T€ 150.341 carrying value of the C&W net assets exceeded its then estimated fair value of T€ 136.000. Accordingly, the Group recorded a T€ 14.341 loss and a related tax benefit of T€ 11.588 in 1999. Included in "receivables from related parties" at December 31, 1999 is T€ 136.000 due from MIG in connection with the sale.

In 2000, the Group declared the special dividend payable in the amount of T€ 136.000. However, the Group recorded an additional T€ 18.066 loss (and a reduction to related party receivables) mainly arising from renegotiations of the price to be paid by MIG. Accordingly, subsequent to settlement, the net difference between the special dividend payable to MIG (T€ 136.000), a reduction to contribution payable to C&W (T€ 24.695) and the adjusted book value of the receivable from MIG from the sale of the C&W net assets (T€ 98.091) has been reflected as a non-cash equity transaction (a contribution to paid-in capital).

The operating results of C&W have been classified as discontinuing operations in the consolidated statements of operations for all periods presented.

Summarized financial information of C&W are detailed below:

	1999	1998
Income statement		
Net sales	288.783	300.334
Operating profit	8.458	5.382
Profit (loss) before taxes on income	6.925	-3.093
Tax expense	1.446	625
Net income (loss)	**5.479**	**-3.718**
Cash flow statement		
Cash flow from operating activities	-108.044	-3.355
Cash flow used for investing activities	-11.234	-10.062
Cash flow from financing activities	121.323	14.641

11/ Income taxes

The components of the provision for income taxes from continuing operations are as follows:

	2000	1999	1998
Current income tax			
Germany	-1.207	-29.006	-13.976
Abroad	-9.058	-11.133	-5.364
Current income tax expense	**-10.265**	**-40.139**	**-19.340**
Deferred income tax benefit (expense)			
Germany	137.982	-6.225	-15.286
Abroad	10.515	-2.539	-9.697
Deferred income tax benefit (expense)	**148.497**	**-8.764**	**-24.983**
Total income tax benefit (expense)	**138.232**	**-48.903**	**-44.323**

In 2000, the German government enacted new tax legislation which, among other changes, will reduce the Group's statutory corporate tax rate for German companies from 40% on retained earnings and 30% on distributed earnings to a uniform 25%, effective for the Group's year beginning January 1, 2001. In 1999, various changes to the German corporation tax law were made effective, including the reduction of the tax rate applied to undistributed earnings from 45% to 40%. The effects of the reductions in the tax rate and other tax law changes on the deferred tax assets and liabilities of the Group's German companies were recognized in the year of enactment and resulted in deferred tax benefit for 2000 and 1999 of T€ 10.892 and T€ 4.265, respectively.

Prior to the 2000 tax law changes becoming effective, German corporation tax law applied a split rate imputation system to the income taxation of a corporation and its shareholders. Upon distribution of retained earnings in the form of a dividend, shareholders subject to German tax received a credit for corporation taxes paid by the corporation on such distributed earnings. In addition, the corporation received a tax refund to the extent such earnings had been initially subjected to a corporation income tax in excess of 30%. The tax refund was also distributable to the shareholder.

In general, prior to 2001 retained (undistributed) German corporate income was initially subject to a

federal corporation income tax currently at a rate of 40% for 2000 (40% for 1999 and 45% for 1998) plus a surcharge of 5,5% for each year on federal corporate taxes payable. Giving effect to the surcharge, the federal corporate tax rate was 42,2% for 2000 (42,2% in 1999 and 47,475% in 1998). Upon distribution of certain retained earnings generated in Germany to stockholders, the corporate income tax rate on the earnings was adjusted to 30%, plus a solidarity surcharge of 5,5% for a total of 31,65% for each year, by means of a refund for taxes previously paid. Under the new German corporate tax system, during a 15 year transition period beginning on January 1, 2001, the Group will continue to receive a refund or pay additional taxes on the distribution of retained earnings which existed as of December 31, 2000.

The income tax expense reflects the actual amount of distribution of that year's earnings of the German operations. As such, the refund of tax described above is reflected in the income tax expense reconciliation presented below.

For the years ended December 31, 2000, 1999, and 1998, income tax expense differed from the amounts computed by applying the German federal corporation income tax rate of 42,2% for 2000 and 1999, and 47,475% for 1998, to (loss) income from continuing operations as a result of the following:

	2000	1999	1998
(Loss) Income from continuing operations	**-297.876**	**31.629**	**140.283**
Corporation tax including solidarity tax*	-125.704	13.348	66.599
Tax reduction in connection with dividend payments to German taxpayers	—	—	-4.507
Tax losses of entities not benefited	94.598	29.938	—
Income not subject to taxation	-124.641	—	—
Taxable net appreciation of investments in consolidated subsidiaries	—	11.688	—
Non-deductible goodwill	4.460	5.145	4.019
Effect of German tax law changes	-10.892	-4.265	—
Income tax expense/benefit for previous years	2.759	-144	-5.307
Tax rate differences at foreign subsidiaries	429	-3.972	-18.115
Utilization of tax loss carryforwards not previously recognized	-230	-5.747	-7.501
Trade tax on income in Germany	862	732	10.398
Other non-deductible expenses	16.946	—	—
Other	3.181	2.180	-1.263
Income tax (benefit) expense from continuing operations	**-138.232**	**48.903**	**44.323**

*computed using the combined German corporation tax rate of 40% (1999: 40%, 1998: 45%) on retained earnings and the solidarity tax rate of 5,5% (1999: 5,5%, 1998: 5,5%).

The utilization of tax loss carryforwards lowered the tax charge by T€ 5.787, T€ 5.747 and T€ 7.501 for the years ending December 31, 2000, 1999 and 1998, respectively. Deferred tax assets are recognized for tax loss carryforwards only to the extent that realization of the related tax benefit is probable. Total tax loss carryforwards amount to T€ 480.890 and T€ 115.398 at December 31, 2000 and 1999, respectively, the majority of which have no expiration dates. Tax loss carryforwards resulted in deferred tax benefit amounting to T€ 122.304, T€ 6.792 and T€ 1.341 for the years ending December 31, 2000, 1999 and 1998, respectively.

Deferred taxes as of December 31, 2000 and 1999 are attributable to the following balance sheet items:

Deferred tax assets	**2000**	**1999**
Tax loss carryforwards	132.004	14.113
Property, plant and equipment	7.621	1.647
Inventories	532	30
Provisions for pensions	4.610	7.545
Other provisions	1.364	4.447
Other items	2.456	9.457
Total	**148.587**	**37.239**
Deferred tax liabilities		
Intangible assets	-13.330	-1.860
Property, plant and equipment	-113.598	-127.172
Investments	-108	-21.187
Inventories	-659	—
Other provisions	-16.193	-37.184
Other items	-4.183	-3.079
Total	**-148.071**	**-190.482**
Deferred tax assets (liabilities), net	**516**	**-153.243**

Net deferred income tax assets and liabilities in the consolidated balance sheets are as follows:

Non-current	**December 31, 2000**	**December 31, 1999**
Deferred tax assets	64.549	17.425
Deferred tax liabilities	64.033	170.668
Deferred tax assets (liabilities), net	**516**	**-153.243**

12/ Intangible assets

	Goodwill	Other Intangible Assets	Total
Acquisition cost			
Balance as of January 1, 1999	112.714	66.285	178.999
Additions	4.520	14.312	18.832
Disposals	-38	-6.569	-6.607
Transfers	-6.594	8.552	1.958
Exchange rate changes	3.670	2.791	6.461
Changes in the composition of Messer Group	3.143	3.888	7.031
Balance as of December 31, 1999	**117.415**	**89.259**	**206.674**
Additions	3.605	11.564	15.169
Disposals	—	2.378	2.378
Exchange rate changes	2.041	943	2.984
Balance as of December 31, 2000	**123.061**	**99.388**	**222.449**
Amortization			
Balance as of January 1, 1999	19.428	19.931	39.359
Additions	8.181	9.456	17.637
Disposals	—	-1.362	-1.362
Transfers	-661	661	—
Exchange rate changes	640	1.693	2.333
Balance as of December 31, 1999	**27.588**	**30.379**	**57.967**
Additions	20.672	12.261	32.933
Disposals	—	-1.454	-1.454
Exchange rate changes	412	1.282	1.694
Balance as of December 31, 2000	**48.672**	**42.468**	**91.140**
Book value as of December 31, 2000	**74.389**	**56.920**	**131.309**
Book value as of December 31, 1999	**89.827**	**58.880**	**148.707**

Goodwill totaling T€ 11.350 related to investments in Singapore and Austria was written-off in 2000. The write-off of the goodwill was based on analysis of projected discounted future cash flows, which were no longer deemed adequate to support the value of the goodwill associated with the related businesses.

13/ Property, plant and equipment

	Land and buildings	Plant and machinery	Other plants, factory and office equipment	Advance payments and construction in progress	Total
Acquisition or production costs					
Balance as of January 1, 1999	353.561	1.796.993	369.600	268.323	2.788.477
Additions	10.848	118.324	70.352	252.811	452.335
Disposals	-13.159	-43.598	-35.146	-7.727	-99.630
Transfers	1.892	204.634	6.198	-214.682	-1.958
Exchange rate changes	11.284	130.931	8.072	30.371	180.658
Changes in the composition of Messer Group	1.343	28.333	6.204	7.821	43.701
Balance as of December 31, 1999	**365.769**	**2.235.617**	**425.280**	**336.917**	**3.363.583**
Additions	26.490	143.015	26.456	110.403	306.364
Disposals	-20.355	-37.883	-21.005	-4.781	-84.024
Transfers	7.215	202.700	9.955	-219.870	—
Exchange rate changes	4.038	54.276	5.402	18.703	82.419
Changes in the composition of Messer Group	7.122	4.604	1.962	3.201	16.889
Balance as of December 31, 2000	**390.279**	**2.602.329**	**448.050**	**244.573**	**3.685.231**
Accumulated Depreciation					
Balance as of January 1, 1999	141.497	906.934	184.508	24	1.232.963
Additions	14.514	129.268	32.023	2.233	178.038
Appreciation	-439	—	-132	—	-571
Disposals	-9.133	-36.094	-20.036	—	-65.263
Exchange rate changes	3.933	45.913	3.075	553	53.474
Balance as of December 31, 1999	**150.372**	**1.046.021**	**199.438**	**2.810**	**1.398.641**
Additions	24.214	203.605	35.331	24.343	287.493
Appreciation	-71	-955	—	—	-1.026
Disposals	-14.127	-28.724	-18.438	-929	-62.218
Exchange rate changes	2.073	16.682	2.119	-55	20.819
Balance as of December 31, 2000	**162.461**	**1.236.629**	**218.450**	**26.169**	**1.643.709**
Book value as of December 31, 2000	**227.818**	**1.365.700**	**229.600**	**218.404**	**2.041.522**
Book value as of December 31, 1999	**215.397**	**1.189.596**	**225.842**	**334.107**	**1.964.942**

Changes in the composition of the Messer Group consist of assets that are acquired in connection with a business combination.

The Company leases certain property, plant and equipment under various operating and finance lease arrangements. Assets recorded under finance lease agreements included in property, plant and equipment consist of the following at December 31:

	2000	1999
Land and buildings	8.209	10.259
Machinery and equipment	225.072	206.201
Other leased assets	37.133	—
	270.414	216.460
Accumulated depreciation	-73.738	-62.754
Total	**196.676**	**153.706**

Amortization of property, plant and equipment under capital leases is included in depreciation expense. During the year ended December 31, 2000, the Group recorded impairment charges relating to property, plant and equipment aggregating T€ 96.051, included in additions to depreciation of property, plant and equipment, as follows:

- T€ 68.703 relating to values of filling stations and on-site plants located in Germany, the United States, Brazil, Singapore, Mexico and Argentina. Discounted future cash flows of these plants indicated that an impairment had occured.
- T€ 8.129 relating to plants located in Mexico and Trinidad and Tobago. The plants were purchased for production while additional plants were under construction. Upon completion of the additional plants, it was determined that there would be no future uses for the purchased facilities.
- T€ 19.219 relating to equipment and other assets (primarily in the United States and Trinidad and Tobago) to be disposed of. The impaired assets in the United States relate to on-site assets and assets used as spare parts. The assets are non-revenue producing and accordingly valued at disposal value. The impairment charge in Trinidad and Tobago relates to nitrogen compressors which were built specifically for Messer Trinidad and Tobago, but never put into operation. The valuation of these assets was determined based on previous experience and third party appraisals.

14/ Equity method investments

The following significant investments are accounted for under the equity method at December 31, 2000:

Name and headquarters of the company	Ownership percentage
Messer de Honduras S.A. de C.V., Tegucigalpa/Honduras	50,0%
Singapore Syngas Pte. Ltd., Singapore/Singapore	50,0%
Technische Gase Hoesch Messer Griesheim GmbH & Co. KG, Dortmund/Germany	50,0%
Bombay Oxygen Corporation Limited, Bombay/India	50,0%
Messer Egypt S.A.E., Cairo/Egypt	49,5%
Goyal MG Gases Limited, New Delhi/India	49,0%
Secomex Manufacturing (M) Snd. Bhd., Kuala Lumpur/Malaysia	49,0%
Neal and Massy Gas Products Limited, Port of Spain/Trinidad and Tobago	42,7%

In 2000, MG Odra Gas spol sr.o ceased to be accounted for using the equity method due to the acquisition of an additional interest by the Group, which increased its ownership percentage to 70% and thereby required consolidation.

The table below contains summarized financial information for the equity method investments as of and for the years ending December 31:

	2000 unaudited	1999 unaudited	1998 unaudited
Net sales	76.159	104.003	93.147
Operating profit	-16.322	859	8.112
Net (loss) income	-28.595	5.820	6.290
Property, plant and equipment	324.726	244.563	45.626
Current liabilities	78.073	67.933	30.051
Non-current liabilities	271.154	141.631	27.330
Stockholders' equity	87.465	134.253	67.655

Equity method investments, and changes therein, are as follows:

Balance as of January 1, 1999	43.247
Additions	10.393
Disposals	-15
Transfers	11.827
Exchange rate changes	2.572
Changes resulting from the at equity method	-9.185
Balance as of December 31, 1999	**58.839**
Additions	49.654
Disposals	-6.792
Transfers	16.123
Exchange rate changes	693
Changes resulting from the at equity method	-62.226
Changes in the composition of Messer Group	-8.675
Balance as of December 31, 2000	**47.616**

The carrying value of equity method investments exceeds the amount of underlying equity in net assets by T€ 1.532 and T€ 9.689 at December 31, 2000 and 1999, respectively. The basis difference in 2000 is related to Neal and Massy Gas Products Ltd. and is being amortized over 10 years. The additional basis difference in 1999 relates to equity method investments in Honduras, which was completely written off in 2000, and India, which was fully amortized at December 31, 2000. Results from equity method investments are summarized below:

	2000	1999	1998
Proportionate share of investees' income (losses)	2.883	-9.121	1.841
Amortization of basis differences	-2.263	-4.682	-2.071
Impairment charges on equity method investments	-208.572	—	—
Total	**-207.952**	**-13.803**	**-230**

Impairment charges in fiscal year 2000 related to the Group's equity method investments are summarized below:

Singapore Syngas Pte. Ltd.	165.270
Bombay Oxygen Corporation Ltd. (Messer Holdings Limited)	32.400
Other equity method investments	10.902
Total	**208.572**

The impairment charges on equity method investments was comprised of the following:

Increase in provision for risks	118.108
Write-off of equity method investments	62.846
Write-off of receivables	27.618
Total	**208.572**

Losses from equity method investments in 1999 include a provision totaling T€ 11.401 related to an equity investment in Malaysia.

Singapore Syngas Pte. Ltd.

The Group and Texaco Nederland B.V. are joint venture partners in Singapore Syngas Pte. Ltd. (Syngas) which is located in Singapore. The purpose of Syngas is to design and construct integrated gas plants for the production and distribution of synthesized gases, including carbon monoxide, hydrogen and other gases. Summarized information for Syngas as of and for the year ended December 31, 2000, 1999 and 1998, is set forth below. The December 31, 2000 financial statements of Syngas are currently being audited.

	2000 unaudited	1999 unaudited	1998 unaudited
Net sales	3.795	—	—
Operating loss	-33.671	-4.155	-307
Net loss	-41.353	-4.155	-307
Property, plant and equipment	199.823	122.121	25.077
Total assets	207.413	130.416	27.641
Stockholders' (deficit) equity	-44.353	61	52

Although, due to necessary impairment charges, the amounts within the above summarized financial statement data are expected to change significantly upon conclusion of the audit, the Group believes that, in view of the write-down of its investment and provisions for additional losses as described below, any adjustment to the Syngas financial data will not materially change the aggregate amount of losses recognized by the Group in connection with this investment.

The Group recorded impairment losses on its investment in Singapore Syngas Pte. Ltd. in the amount of T€ 165.270. This amount includes T€ 117.597 in addition to provisions to cover guaranteed risks concerning this joint venture, a T€ 44.829 to write-down of the book value of the investment and a T€ 2.844 write-down of receivables from Syngas.

In connection with this investment, the Group entered into the following significant agreements:

- In 1999, the Group and Texaco entered into an option agreement, whereby Texaco had a "put option" to sell 50% of its 50% ownership in Syngas to the Group at any time after March 1, 2000 and prior to the later of (a) the second anniversary of the project completion date and (b) March 1, 2002.
- In December 1999, Syngas entered into a debt finance agreement with a financial institution. The balance outstanding under this agreement was € 141 million at December 31, 2000. The joint venture partners guaranteed this debt finance agreement and the Group's portion of the guarantee is € 92 million at December 31, 2000.
- On February 15, 1998, Syngas entered into an agreement with a major customer (Celanese) for the supply of carbon monoxide gas for a period of 20 years. The agreement with Celanese required the Syngas plant to be able to produce carbon monoxide meeting certain specified properties and volume levels by July 1, 2000. The agreement also provided for penalty provisions if the required property and volume specifications were not reached by July 1, 2000, and/or the plant was not operational by July 1, 2000. The Group, as a joint venture partner, was also a party to such agreement. Although the plant was constructed by July 1, 2000, the plant did not meet the required specifications due to technical and operational problems in plant construction. As of December 31, 2000, the gas plant still did not meet required specifications and therefore liquidated damages in the amount of € 5,8 million are accrued. In March 2001, the Group, along with Syngas and Texaco, entered into a settlement agreement with Celanese for liquidated damages. The Group's portion of the settlement agreement was € 28,6 million.
  In view of the above operational and technical difficulties, the Group has made a determination that its investment in Syngas is impaired, based on a discounted cash flow analysis. The impairment charge of T€ 165.270 includes the estimated losses resulting from the above agreements. See Note 32 regarding subsequent developments affecting this investment.

Bombay Oxygen Corporation Ltd. (Messer Holdings Limited)

The Group has a 50% investment in Bombay Oxygen Corporation Ltd. Due to an existing agreement with another Indian joint venture partner, the Group contributed its shares in Bombay Oxygen Ltd. to Messer Holdings Ltd., a British Virgin Island company formed in 2000, resulting in a loss of T€ 7.116. In addition, the Group had guaranteed various borrowings of Bombay Oxygen Corporation Ltd. During the year, one of the financial institutions made a claim against the company for T€ 25.284, of which T€ 24.773 has been paid in 2000. The Group recorded a provision in its financial statements for the remaining claim of T€ 511 as of December 31, 2000. The Group is currently contesting the entire claim.

15/ Cost method investments

Cost method investments are comprised of investments in various companies that are not consolidated or accounted for by the equity method.

Balance as of January 1, 1999	96.710
Additions	35.474
Disposals	-1.577
Transfers	-10.786
Exchange rate changes	2.687
Changes in the composition of Messer Group	-42.531
Balance as of December 31, 1999	**79.977**
Additions	23.823
Disposals	-5.379
Transfers	-16.123
Exchange rate changes	-226
Balance as of December 31, 2000	**82.072**
Write downs	
Balance as of January 1, 1999	8.535
Additions	3.190
Disposals	-4
Exchange rate changes	684
Changes in the composition of Messer Group	-8.069
Balance as of December 31, 1999	**4.336**
Additions	15.545
Disposals	-311
Exchange rate changes	264
Balance as of December 31, 2000	**19.834**
Book value as of December 31, 2000	**62.238**
Book value as of December 31, 1999	**75.641**

During 2000, the Group recorded write-downs of cost method investments aggregating T€ 15.545, which related to investments in Germany, Italy, Turkey, Australia, British Virgin Islands, China, Thailand, Taiwan, Vietnam and Zimbabwe. The above write-downs were determined based on projected discounted cash flows expected to arise from future use.

16/ Other investments

Changes in other investments are summarized below:

Balance as of January 1, 1999	31.597
Additions	9.838
Disposals	-17.787
Appreciation	-138
Transfers	-1.041
Exchange rate changes	3.790
Other changes	63
Acquistions	274
Balance as of December 31, 1999	**26.596**
Additions	4.275
Disposals	-10.481
Exchange rate changes	-120
Other changes	-176
Balance as of December 31, 2000	**20.094**

Other investments relate primarily to loans.

17/ Inventories

	2000	1999
Raw materials and supplies	17.128	19.437
Work in progress	19.931	29.883
Finished goods and merchandise	57.744	49.393
Total	**94.803**	**98.713**

18/ Trade accounts receivable, net

	2000	1999
Trade accounts receivable (current)	325.765	288.897
Allowance for doubtful accounts	-31.493	-21.617
Trade accounts receivable, net	**294.272**	**267.280**

The Group participates in a factoring program with Eureka, a financial conduit. Due to the Group's residual risks and rewards in the transferred accounts receivable, the Group continues to include these transferred receivables in the consolidated balance sheet in accordance with International Accounting Standards SIC Interpretation 12. The Group retroactively applied SIC 12 for the prior periods.

19/ Other receivables and other assets

	2000	1999
Tax receivables	15.976	34.416
Prepaid assets	12.064	12.723
Advance payments	11.591	9.885
Receivable from sale of fixed assets	9.341	—
Interest receivable	3.801	6.838
Prepaid employee expenses	2.787	6.866
Receivables from suppliers and agents	2.236	2.731
Receivables from insurance companies	1.453	1.572
Security deposits	1.154	1.458
Miscellaneous	46.177	37.941
Total	**106.580**	**114.430**

20/ Stockholders' equity

In 2000, an increase in additional paid-in capital resulted from the disposition of C&W, see Note 10. Stockholders' equity at December 31, 1999 includes an amount totaling T€ 5.710 related to the first time application of IAS 19 (revised 1998). In 1998, a capital infusion of T€ 29.757 was recorded in additional paid-in capital.

21/ Minority interests

This item represents minority stockholder interests in the equity of consolidated subsidiaries. Significant minority interests are held by third party stockholders' in Germany, Switzerland, Bulgaria, Guatemala and China.

January 1, 1999	61.272
Dividend payments	-4.893
Profit after taxes	6.330
Exchange rate changes	507
Additions	26.233
Disposals	-11.341
December 31, 1999	**78.108**
Dividend payments	-5.974
Profit after taxes	7.610
Exchange rate changes	1.982
Additions	6.983
Disposals	-2.115
December 31, 2000	**86.594**

Additions in 2000 mainly relate to MG Odra Gas spol sr.o and in 1999 mainly relate to entities in China and Germany. Disposals in 2000 mainly relate to an entity located in Greece and in 1999 relate to the sale of entities located in Austria and France.

22/ Provisions for pensions and similar obligations

	2000	1999
Prepaid pension expenses included in other assets	450	125
Pension obligations	-133.816	-133.642
Similar obligations	-5.414	-7.825

The Group provides pension benefits to the majority of its hourly and salaried employees through both defined benefit and defined contribution pension plans. The benefits offered by the Group vary according to the legal, fiscal and economic conditions of the country in which the plans are established. Plan benefits are principally based on years of service and employee compensation. Provisions for similar obligations consist primarily of company or statutory severance benefits and early retirement benefits.

Certain commitments related to the Group's defined benefit obligations are covered by plan assets maintained in independent trust funds. The funds' net assets consist primarily of real estate, debt securities and marketable equity securities.

The pension provision is derived as follows:

	2000		1999	
	German plans	Foreign plans	German plans	Foreign plans
Present value of unfunded obligations	131.435	6.566	123.803	7.495
Present value of funded obligations	—	79.143	—	73.810
Fair value of plan assets	—	-83.646	—	-85.279
Present value of net obligations	**131.435**	**2.063**	**123.803**	**-3.974**
Unrecognized actuarial (losses) gains	-10.035	9.903	-3.665	17.353
Recognized liability for defined benefit obligations	**121.400**	**11.966**	**120.138**	**13.379**

The following table reconciles the funded status of the Group's employee benefit plans with amounts recognized in the Group's consolidated balance sheet as of December 31, 2000 and 1999:

	2000		1999	
	German plans	Foreign plans	German plans	Foreign plans
Change in projected benefit obligations				
Projected benefit obligations at beginning of year as previously reported	123.803	81.305	111.104	69.690
Transitional liability recognized in retained earnings	—	—	6.878	-1.168
Projected benefit obligations at beginning of year as restated	123.803	81.305	117.982	68.522
Foreign currency exchange rate changes	—	3.324	—	7.628
Service cost	2.990	5.109	2.556	5.693
Interest cost	8.318	5.189	6.844	4.544
Plan participant contributions	—	495	—	516
Actuarial losses -gains	4.436	-1.187	4.095	-4.576
Terminations	-154	-6.947	—	-108
Acquisitions and other	—	183	—	309
Benefits paid	-7.958	-1.762	-7.674	-1.223
Projected benefit obligations at end of year	**131.435**	**85.709**	**123.803**	**81.305**
Change in plan assets				
Fair value of plan assets at beginning of year	—	85.279	—	66.051
Foreign currency exchange rate changes	—	3.552	—	7.830
Actual return on plan assets	—	471	—	11.377
Employer contributions	—	2.353	—	2.413
Plan participant contributions	—	495	—	516
Terminations	—	-6.925	—	-1.994
Acquisitions and other	—	183	—	309
Benefits paid	—	-1.762	—	-1.223
Fair value of plan assets at end of year	**—**	**83.646**	**—**	**85.279**

The components of net periodic costs for defined benefit plans consist of the following:

	2000		1999	
	German plans	Foreign plans	German plans	Foreign plans
Service cost	2.990	5.109	2.556	5.693
Interest cost	8.318	5.189	6.844	4.544
Expected return on plan assets	—	-6.778	—	-5.695
Amortization of unrecognized net annual gains	—	-63	—	-306
Net periodic pension cost	**11.308**	**3.457**	**9.400**	**4.236**

The first time application of IAS 19 (revised 1998) led to an additional net expense of T€ 5.710, and is included as a component of stockholders' equity in 1999.

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

	German plans		Foreign plans	
	2000	1999	2000	1999
	(in %)			
Discount rate	6,5	6,5	6,9	7,0
Expected rate of wage increases	2,75	3,0	6,7	6,8
Expected rate of salary increases	1,75	2,0	6,7	6,8
Expected return on assets	N/A	N/A	5,8	5,9

Commencing in 1999, actuarial valuations for German entities were based on the German actuarial tables, "Heubeck tables 1998". The actuarial tables previously used were "PK Chemie 1996 R." The change in assumptions was based on updated information about expected future developments.

Expenses related to defined contribution plans totaled T€ 10.102, T€ 14.728 and T€ 13.668 during 2000, 1999, and 1998, respectively.

23/ Other provisions

Non-current	December 31, 1999	Additions	Release	Consumption	Changes in the composition of Messer Group	Exchange rate changes	December 31, 2000
Provisions on equity method investments	11.401	18.918	—	—	—	—	30.319
Tax risks	22.395	1.320	—	-3.272	—	56	20.499
Employee-related provisions	12.052	1.975	-39	-2.578	-99	5	11.316
Purchase and sales contracts	6.691	1.414	—	-767	—	-2	7.336
Other	12.957	1.271	-44	-7.346	—	214	7.052
Total non-current	**65.496**	**24.898**	**-83**	**-13.963**	**-99**	**273**	**76.522**
Current							
Provisions on equity method investments	—	99.190	—	—	—	—	99.190
Employee-related provisions	37.774	38.891	-585	-37.189	-79	576	39.388
Other	24.719	31.326	-1.803	-15.058	885	-936	39.133
Total current	**62.493**	**169.407**	**-2.388**	**-52.247**	**806**	**-360**	**177.711**

Employee-related provisions relate primarily to long-service bonuses, paid vacation, severance payments and to part-time employment of employees prior to their retirement. T€ 117.597 (of which T€ 18.407 is non-current) of the provision on equity method investments relates to the Singapore Syngas joint venture at December 31, 2000, as discussed in Note 14.

24/ Corporate debt and debt with related parties

	2000	1999
Non-current		
Due to banks	1.037.959	849.934
Finance leases	172.785	129.520
Loans to related parties	958	182
Other loans	3.799	3.683
	1.215.501	**983.319**
Current		
Due to banks	397.726	384.916
Bills of exchange	961	1
Finance leases	22.461	18.283
Loans to related parties	3.673	1.135
Commercial paper	—	2.852
Other loans	58.605	79.379
	483.426	**486.566**
Total	**1.698.927**	**1.469.885**
Fixed rate interest agreements	1.053.591	912.376
Floating rate interest agreements	645.336	557.509
Total	**1.698.927**	**1.469.885**
The weighted average nominal interest rates are:		
Due to banks	6,34%	5,81%
Finance leases	6,33%	5,77%
Other loans	5,41%	4,91%

The weighted average interest rate on current debt was 6,66% at December 31, 2000.

The Group had unused short-term credit lines of T€ 196.197 and unused long-term credit lines of T€ 7.341 at December 31, 2000.

Aggregate amounts of corporate debt maturing during the next five years and thereafter are as follows:

2001	483.426
2002	244.787
2003	126.550
2004	152.572
2005	242.192
Thereafter	449.400
	1.698.927

Future minimum lease payments under noncancelable finance and operating leases are as follows:

	Finance Leases	Operating Leases
2001	27.784	14.011
2002	27.450	9.333
2003	29.697	8.876
2004	22.225	7.506
2005	20.398	7.232
Thereafter	113.966	56.224
Total minimum payments	**241.520**	**103.182**
Amount representing interest	-46.274	
Obligations under finance leases	**195.246**	
Obligations due within one year	**22.461**	

Rental expenses under operating leases amounted to T€ 30.719, T€ 27.986, and T€ 27.078 for the years ended December 31, 2000, 1999 and 1998, respectively.

25/ Miscellaneous liabilities

	2000	1999
Accrued interest	23.464	25.983
Advance payments received on orders	11.494	21.622
Liabilities due to customers	10.623	11.431
Payroll liabilities	10.324	8.866
Taxes payable	7.180	9.043
Social security payable	3.728	3.906
Deferred income	2.433	3.040
Bills of exchange payable	122	2.096
Other liabilities	55.188	54.403
Total	**124.556**	**140.390**

26/ Commitments and Contingencies

Financial guarantees

Financial guarantees totaling T€ 297.446 at December 31, 2000 include T€ 5.862 for third parties. The remaining commitments are related companies, of which T€ 213.864 relates to Singapore Syngas in 2000. The guarantees to the credit of Singapore Syngas at December 31, 2000 include a completion guarantee amounting to T€ 120.903 and bank guarantees totaling T€ 92.961. The remaining financial guarantees of the Messer Group are mainly given as security for credit facilities.

Other financial obligations

Certain property, plant and equipment are pledged as security on corporate debt at December 31, 2000. At December 31, 2000 such pledges on property, plant and equipment totaled T€ 10.776.

Other financial obligations not included in the balance sheet relate to long-term commitments for capital expenditures of T€ 12.864 at December 31, 2000. Commitments for long-term purchase agreements of T€ 76.855 existed at December 31, 2000. Contingent liabilities for capital to be funded to equity and cost method investees totaled T€ 8.590 at December 31, 2000.

Legal contingencies

The Group is involved from time to time in various claims and lawsuits incidental to the ordinary course of our business. Management believes that the outcome of all pending legal proceedings, either individually or in the aggregate, will not have a material adverse effect on the Group's consolidated financial position or results of operations.

27/ Personnel expenses

Personnel expenses totaled T€ 393.280, T€ 439.725 and T€ 352.875 during 2000, 1999 and 1998, respectively.

28/ Number of employees at year end (unaudited)

The number of employees at December 31, 2000, 1999 and 1998 totaled approximately 10.050, 10.150 and 9.900, respectively.

29/ Derivative financial instruments

Exposure to interest rate, currency and credit risks arise in the normal course of the Group's business. The Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group's policy is to manage its exposure to such risks on an overall basis. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate contracts

The Group enters into interest rate contracts (swaps and caps) to manage interest rate risks on its corporate debt. Interest rate swaps are contractual agreements between two parties for the exchange of interest payments on a notional principal amount and agreed upon fixed or floating rates, for defined periods of time. The differential to be received or paid is accrued, as interest rates change, and recognized currently in the consolidated income statement as interest income or expense. At December 31, 2000 and 1999, the Company had notional principal amounts of interest rate contracts on outstanding debt of T€ 156.487 and T€ 164.604, respectively. These agreements terminate between April 2001 and September 2005.

Foreign Currency Contracts

From time to time, the Company enters into forward contracts as a hedge against foreign currency denominated assets and liabilities and currency commitments. The terms of these contracts generally do not exceed one year. Market value losses are recognized currently, and the resulting amounts generally offset foreign exchange gains or losses on the related accounts. At December 31, 2000 and 1999, forward exchange contracts outstanding totaled T€ 6.670 and T€ 41.257, respectively.

Credit Risk

The Group may be exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Counterparties to the Group's financial instruments represent, in general, international financial institutions. The Group does not have a significant exposure to any individual counterparty, based on the rating of the counterparties performed by established rating agencies. The amount of accounting loss due to credit risk that the Group would incur if parties to the financial instruments failed to perform according to the terms of the contracts would be T€ 558 and T€ 3.053 at December 31, 2000 and 1999, respectively.

The carrying amounts and fair values of the Group's financial instruments are as follows:

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Corporate debt	1.698.927	1.728.214	1.469.885	1.462.502
Currency derivatives	-3	277	-1.476	-960
Interest rate derivatives	-171	107	-110	2.426

The fair value of long-term debt is estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of currency and interest rate derivatives are based on quoted market prices for similar contracts.

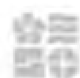
The fair value of all remaining financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate their carrying value due to the short-term nature of these instruments.

30/ Related parties

As of December 31, 2000 Hoechst AG was the majority stockholder of Messer Griesheim GmbH. Messer Griesheim GmbH has entered into several sale and service contracts with companies within the Hoechst group and is therefore committed to deliver and receive certain goods or services. The transactions are settled at contractually agreed market prices. Significant related party transactions are summarized below:

	2000	1999	1998
Net sales to companies within the Hoechst group	157	27.294	24.748
Net sales to equity method investees	19.691	18.626	8.620
Net sales relating to other investments	17.989	23.218	65.834
Services acquired from companies within the Hoechst group	—	5.884	28.943
Interest income from related parties	1.029	2.884	871
Interest expense to related parties	251	1.452	188

At December 31, 2000 and 1999 loans to related parties primarily related to a non-interest bearing note due from an equity method investment in Malaysia of approximately T€ 35.000. Additionally, the current portion of loans from related parties at December 31, 2000 includes a loan of T€ 3.093 from Messer Industrie GmbH payable upon demand by Messer Industrie GmbH, which bears interest at 4,9%.



Further significant related party transactions relate to Singapore Syngas Pte. Ltd. and Messer Egypt S.A.E. A detailed description of the relationship between Messer Griesheim GmbH and Singapore Syngas Pte. Ltd. can be found in Note 14.

Messer Griesheim GmbH and Messer Egypt S.A.E. (ME), an equity method investee of the Company, have agreed to construct an on-site air separation unit near the new steel production unit of EL Ezz Heavy Industries (EHI) in the Suez-Free-Zone, Egypt. Therefore a new company, Messer Gases Suez S.A.E. (MGS), was established in 1999. Its issued share capital will amount to US $9 million. The major shareholders are Messer Griesheim GmbH (49,5% ownership) and ME. MGS and EHI have signed a 20 year Gas Supply Agreement, which appoints MGS to design, build and operate the on-site air separation plant on the production grounds of EHI. The total financial requirements for implementing the project shall amount to a maximum of approximately US $20,5 million. As of December 31, 2000, costs of T€ 10.082 were incurred. The start-up is expected to occur in December 2001.

Receivables from related parties and liabilities to related parties, as disclosed in the balance sheet, primarily reflect the balance sheet impact of transactions with the Group's shareholders. At December 31, 1999, receivables from related parties and liabilities to related parties included T€ 136.000 and T€ 34.870, respectively, related to the sale of the Group's Cutting and Welding Division to its minority shareholder (see note 10).

31/ Revision of prior period financial statements

The 1999 and 1998 financial statements have been revised to consistently apply the accounting principles of the Group. In 1999, the adjustments include the expensing of start-up costs in the period incurred, the recognition of an impairment and a provision, adjustments to the Group's share of losses in an equity method investment, certain other less significant adjustments and the tax effect of such adjustments. In 1998, the adjustments include expensing of start-up costs in the period incurred, consolidating certain majority owned subsidiaries, adjustments to fixed assets, certain other less significant adjustments and the tax effect of such adjustments. The net effect of these adjustments resulted in the following impact for the years ended December 31:

	1999	1998
Income from continuing operations	-19.401	-21.825
Net (loss) income	-13.587	-12.736

32/ Subsequent events (unaudited)

Singapore Syngas Pte. Limited (Syngas)
The Group's Syngas joint venture partner has agreed to modify the original put option agreement. Under the modified agreement, it is expected that the put option will be exercised between May 1 and June 30, 2001, which will result in an obligation by the Group to increase its legal ownership in Syngas from 50% to 75% at that time. In connection with the Acquisition Transaction (see below), the Group will transfer its interest in Syngas and its wholly-owned subsidiary, Messer Singapore Pte Ltd. for a non-controlling 39% equity interest in a newly-formed company (Messer Singapore Holding GmbH). The other shareholders in Messer Singapore Holding GmbH will be Hoechst AG (39%), Messer Industrie (11%) and management (11%).

Concurrently with the planned transfer of the Syngas business, Messer Singapore Holding GmbH will indemnify the Group for its outstanding guarantee obligations in connection with the joint venture. To finance Messer Singapore Holding GmbH, the Group and Hoechst AG are required to make shareholder loans as necessary. The loans are to be allocated 66 2/3 % to Hoechst AG and 33 1/3 % to the Group. Under this agreement, the Group's funding obligations (shareholder loans and other financial support – including funding provided by the Group to its Singapore operations since September 1, 2000) will be limited to € 92 million.

In March 2001, Texaco and the Group entered into arrangements with Celanese which settled the claims of Celanese under the completion guarantee and amended the existing gas supply agreement between Syngas and Celanese. These amendments and modifications involved, among other things, cash payments by the Group to Celanese, the liability for which is included in the overall allocation of Syngas exposures of 33 1/3 % to the Group and 66 2/3 % to Hoechst.

The settlement amount allocated to and paid by the Group was € 28,6 million, of which € 19,8 million was financed by Hoechst. The repayment claim against the Group for this financing was waived by Hoechst on April 30, 2001.

Financing Transactions
Also in connection with the Acquisition Transaction described below, the Group obtained a € 400 million bridge loan commitment, and entered into a euro and US dollar-based senior facilities agreement with a syndicate of banks lead by GS in the aggregate amount of € 1.650 million.

The senior facility will be repayable in several tranches, beginning on October 20, 2001, will have a final maturity date in April, 2010, and will contain certain acceleration clauses upon the occurrence of certain defined events. The bridge financing is repayable upon successful completion of any bond offering by the Group or its new parent, Messer Griesheim Holding AG. The senior facilities agreement contains certain covenants, both qualitative and quantitative, including requirements to maintain certain financial ratios.

Acquisition Transaction
On December 30, 2000, Aventis S.A., ACP and GS (collectively, the Buyers) entered into an agreement with the parent company to the Group's majority stockholder (Hoechst AG), for the transfer and sale of its holdings in the Group (Acquisition Transaction).

In connection with the Acquisition Transaction, Hoechst AG will transfer its 66 2/3 % stockholding in the Group to an existing non-operating subsidiary (DIOGENES Vierte Vermögensverwaltungs Aktiengesellschaft to be renamed Messer Griesheim Holding AG), which was acquired by a newly formed company (Messer Griesheim Group GmbH) owned by the Buyers for cash and promissory notes. In addition, Messer Industrie GmbH transferred its 33 1/3 % stockholding in the Group for cash, and a non-controlling equity interest in Messer Griesheim Group GmbH.

As a result of the foregoing transactions, the Group will ultimately be owned by ACP (33,665%), investment funds affiliated with and managed by GS (collectively 33,665%) and Messer Industrie GmbH (32,67%).

Legal Proceedings
The Group has received a notice from Goyal MG Gases Limited alleging that the Group has breached a confidentiality clause contained in a shareholders' agreement among the Group, Goyal MG Gases and certain other shareholders. The notice also requests payment of Rupees 5,0 billion (€ 120 million) for damages allegedly suffered on account of lost business due to press announcements by the Group which prejudicially affected the business of Goyal MG Gases. We are in the process of investigating this matter and are of the view that the allegations have no merit.

33/ Reconciliation to U.S. GAAP

The Group's consolidated financial statements have been prepared in accordance with IAS, which, as applied by the Group, differs in certain significant respects from accounting principles generally accepted in the United States of America (U.S. GAAP). The effects of the application of U.S. GAAP results in certain differences to net loss and stockholders' equity of the Group as reported in accordance with IAS. These differences are set out in the tables below:

Reconciliation of net loss to U.S. GAAP:

	Note	2000	1999
Net loss under IAS		-184.374	-20.878
U.S. GAAP adjustments:			
Property, plant and equipment	a	6.214	-3.970
Provisions for pensions and similar obligations	b	542	755
Financial instruments	c	-2.495	2.546
Tax effect of US GAAP adjustments	d	334	201
Net loss under U.S. GAAP		**-179.779**	**-21.346**

Reconciliation of stockholders' equity to U.S. GAAP:

	Note	2000	1999
Stockholders' equity as reported in the consolidated balance sheets under IAS		459.715	717.007
U.S. GAAP adjustments:			
Property, plant and equipment	a	334	-5.880
Provisions for pensions and similar obligations	b	-2.682	-1.155
Financial instruments	c	558	3.053
Tax effect of U.S. GAAP adjustments	d	-224	-558
Stockholders' equity under U.S. GAAP		**457.701**	**712.467**

a. Property, plant and equipment
Under IAS 36, impairments of long-lived assets are determined based on a comparison of the asset's recoverable amount to the carrying value. The recoverable amount is defined as the higher of the asset's net selling price and value in use. Value in use is based on the discounted cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Under U.S. GAAP, if there is a triggering event, assets to be held and used are analyzed for impairment based on a comparison of book value to the undiscounted cash flows expected to arise from the continuing use of an asset. During 2000, the Group recorded impairments in accordance with IAS of approximately T€ 5.380 related to a plant in Argentina, which is not impaired under U.S. GAAP.

In accordance with IAS 23, foreign currency gains and losses on borrowing costs directly attributable to construction can be capitalized. In 1999, approximately T€ 1.400 of foreign currency losses were capitalized as part of capitalized borrowing costs in accordance with IAS that would not have been capitalizable under U.S. GAAP. In 2000, an additional T€ 140 of depreciation expense would have been recognized under U.S. GAAP as a result of not capitalizing these foreign currency losses.

In accordance with IAS 9, development costs are capitalizable once the related future economic benefit is certain. There were development costs relating to equipment in Austria of approximately T€ 2.000 capitalized in 1999 in accordance with IAS, which are not capitalizable under U.S. GAAP. Under IAS, these costs were subsequently expensed in 2000 due to a change in business strategy that indicated there would be no future benefit.

Additionally, under IAS, impairments must be reversed in certain situations while under U.S. GAAP impairments on assets to be held for use may not be reversed. During 2000 and 1999, the Group reversed impairment charges under IAS of T€ 1.026 and T€ 571, respectively, which are not reversed under U.S. GAAP.

b. Provisions for pensions and similar obligations
The Group's net obligation in respect of defined benefit pension plans and similar obligations is calculated using the projected unit credit method under IAS 19, which is the same valuation method required under U.S. GAAP. In reconciling its defined benefit pension plans and similar obligations from IAS to U.S. GAAP, the Company has applied Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions" (SFAS 87) effective January 1, 1999, as it was not feasible to apply it as of January 1, 1987, the date specified in the standard. The principal actuarial assumptions used by the Company's actuaries in determining pension provisions and related costs under SFAS 87 are the same as those utilized in applying IAS 19. In applying the late adoption rules under SFAS 87, pension provisions and related costs in 2000 and 1999 differ from those calculated under IAS 19 as the amortization components for the transitional liabilities differ in certain respects. Further, under U.S. GAAP, when the accumulated benefit obligation exceeds the fair value of the plan assets, the excess is immediately recognized as

an additional minimum liability. The cost of this is capitalized as an intangible asset up to the amount of any unrecognized net transition obligation plus the unrecognized prior service costs, and the remainder is charged through other comprehensive income. IAS 19 has no similar requirements equivalent to U.S. GAAP in such circumstances. These differences result in an increase (decrease) in pension obligations, net periodic pension cost and other comprehensive loss totaling T€ 8.576, (T€ 257), and T€ 2.068 respectively, as of and for the year ended December 31, 2000 (T€ 5.880, (T€ 76), and T€ 2.185, respectively, as of and for the year ended December 31, 1999).

Under IAS, the Group has established accruals for an estimated number of employees that are expected to elect participation in an early retirement program. Under U.S. GAAP, such accruals are only established when the employee has entered into a binding contractual agreement. In addition, the Group accrues certain amounts related to the early retirement program as a termination benefit that is recognized when the plan is adopted under IAS. Under U.S. GAAP, such amounts are accrued over the employees' remaining service period. These differences result in a decrease in expense of T€ 285 and T€ 679 for the years ended December 31, 2000 and 1999, respectively.

c. Financial instruments

In accordance with IAS, the Group recognizes losses from changes in fair values of currency and interest rate derivatives, however, the Group does not recognize income from gains related to such instruments. In comparison, U.S. GAAP requires the recognition of both gains and losses from changes in fair value unless certain hedging criteria are met. This adjustment reflects the recognition of gains of T€ 2.546 in 1999 and subsequent losses of T€ 2.495 in 2000 related to currency and interest rate derivatives.

d. Tax effect of U.S. GAAP adjustments

This reconciliation item includes all tax effects due to the aforementioned reconciling items.

Additional U.S. GAAP information

Income Statement

Certain items in the consolidated income statements would be classified differently under U.S. GAAP. These items include the reversal of certain provisions and allowances for doubtful accounts that would generally be recorded in the same line item as the provision for the allowance for doubtful accounts was originally recorded under U.S. GAAP rather than as other income.

Balance Sheet

Certain items in the consolidated balance sheets would be classified differently under U.S. GAAP. As discussed in note 18 to the consolidated financial statements, the Group participates in a factoring program with a financial conduit. Due to the Group's continued residual risks and rewards in the transferred accounts receivable, the Group continues to consolidate the receivables transferred under this program in accordance with International Accounting Standards SIC Interpretation 12 (SIC 12). In reconciling to U.S. GAAP, the Company has applied Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Services of Financial Assets and Extinguishments of Liabilities" (SFAS 125) to account for its factoring program. Under US GAAP, the Group would not be required to consolidate a qualifying special purpose entity to a factoring program, if control over the receivables has been transferred. Accordingly, transfers of receivables under the Group's factoring program qualify as sales under U.S. GAAP. The impact of the different treatment under U.S. GAAP would result in a decrease in both accounts receivable and corporate debt totaling T€ 51.129 as of both December 31, 2000 and 1999.

Additionally, in accordance with IAS all deferred tax assets and liabilities are classified as non-current. Under U.S. GAAP, deferred tax assets and liabilities would be classified as current or non-current depending on when the related benefit or expense is expected to be realized. As of December 31, 2000 and 1999, T€ 7.962 and T€ 6.504, respectively would be classified as current deferred tax assets and T€ 604 and T€ 11.833, respectively, would be classified as current deferred tax liabilities.

Cash Flow Statement

The cash flow statement is prepared in accordance with IAS 7.

Reporting of Comprehensive Income

SFAS No. 130 "Reporting Comprehensive Income" requires the reporting of comprehensive income, which includes all changes in stockholders' equity except those resulting from investments by or distributions to shareholders.

Statement of comprehensive income for the years ended December 31:

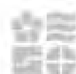
	2000	1999
Net loss in accordance with U.S. GAAP	-179.779	-21.346
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	31.091	61.402
Additional minimum pension liability	-2.068	-2.185
Comprehensive (loss) income, net of tax	**-150.756**	**37.871**

Hyperinflation

In accordance with IAS, the financial statements of certain subsidiaries of the Messer Group have been restated in accordance with IAS 29 (see Note 2). This treatment is different from that which would have been calculated under U.S. GAAP. No difference is included within the reconciliation of U.S. GAAP, as foreign private issuers applying IAS 29 are granted relief from such requirement.

Deferred taxation

Under U.S. GAAP, tax loss carryforwards and other credits that are available to reduce future taxes are recognized as deferred tax assets. Such amounts are reduced by a valuation allowance to the extent that it is more likely than not that the tax benefit related to the utilization of such tax loss carryforwards or credits will not be realized. Deferred tax assets amounted to T€ 200.320 and T€ 17.425, net of valuation allowances of T€ 51.733 and T€ 25.993, related to tax loss carryforwards at December 31, 2000 and 1999, respectively.



New U.S. Accounting Pronouncements

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" is effective for fiscal periods beginning after June 15, 2000. The statement requires that all derivatives, including embedded derivatives, be recognized in the balance sheet as either assets or liabilities and measured at fair value. In addition, all hedging relationships must be designated, documented and reassessed pursuant to the provisions in the standard. Adoption of this standard is not anticipated to have a material effect on the Messer Group's consolidated financial statements.

In September 2000, the FASB issued SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB No. 125". This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain financial statement disclosures. SFAS 140 is effective for transactions occurring after March 31, 2001. Adoption of this replacement standard is not anticipated to have a material effect on the Messer Group's consolidated financial statements.

Messer Griesheim GmbH
Frankfurt Airport Center 1, C9
60547 Frankfurt am Main, Germany

Telephone +49 69 69 50 80
Fax +49 69 69 50 82 76
www.messer.de
www.messergroup.com

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