Financial Report of Messer Group

Financial Year

08

Audit opinion

The consolidated fiinancial statements prepared by the Messer Group GmbH, Sulzbach, Germany, comprising the consolidated balance sheet, the consolidated income statement, the statement of income and expenses recognized directly in equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2008 to 31 December 2008 were audited by the Wirtschaftsprüfungsgesellschaft KPMG AG. The consolidated financial statements and the group management report were prepared according to the International Financial Reporting Standards (IFRS). Dated 5 March 2009 an unrestricted audit opinion was provided.

Below are shown excerpts from the consolidated financial statements 2008. The complete financial statements 2008 can be viewed at anytime in the Bundesanzeiger.

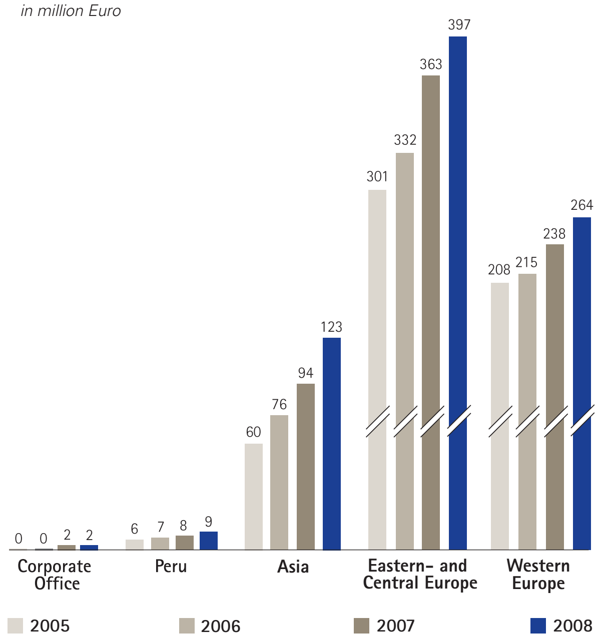
Key Messer Group figures at a glance

as of 31 Dec. 2008

		2005	2006	2007	2008
Net sales	*in million Euro*	575	630	705	795
EBITDA	*in million Euro*	138	144	154	172
EBITDA margin	*in percent*	24	23	22	22
Investments	*in million Euro*	108	153	173	194
Employees		4,005	4,247	4,380	4,696

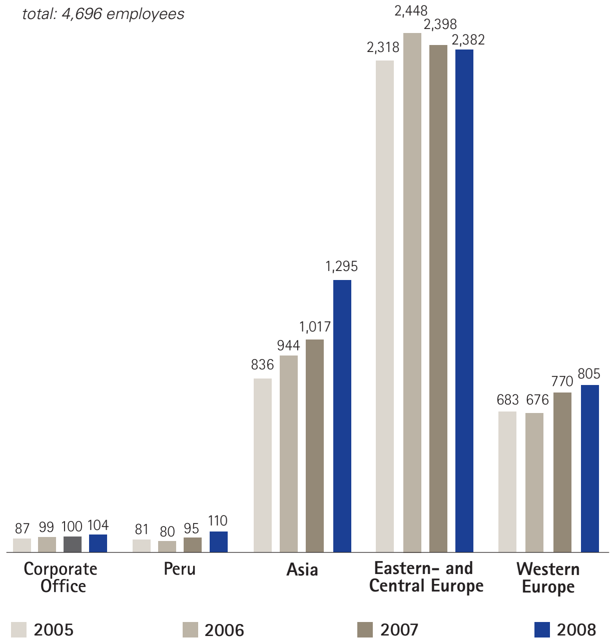
Net sales (consolidated) by region

in million Euro



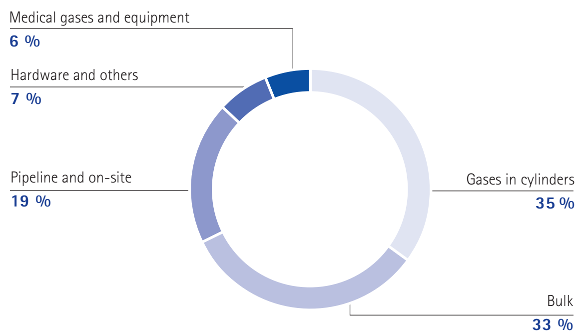
Number of employees by region

total: 4,696 employees



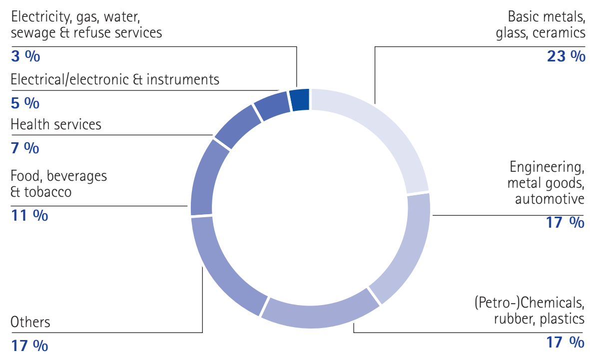
Net sales by product groups

in percent



Net sales by industry segments

in percent



1. Organization of the Messer Group

Messer Group GmbH ("the Company"), which has its registered office in Sulzbach, near Frankfurt am Main, acts as the management holding company of the Messer Group (the "Messer Group" or "the Group"). Products, services and technologies are sold under the proprietary names of 'Messer' and 'ASCO'.

The Messer Group has its own operating facilities in each of the main European markets (with the exception of Great Britain and Scandinavia) as well as in China, New Zealand, Vietnam, Algeria and Peru. Over the past year, the Messer Group has been able to strengthen its presence in Europe, Turkey, China and Vietnam by constructing 13 air separation plants – in some cases already completed – and also to expand it by acquiring ASCO Carbon Dioxide Ltd., New Zealand.

In Germany, teams of experts are in place for the various gas technologies. One highly specialized center of expertise handles applications in areas such as cold grinding, recycling and cryogenics and another is responsible for developments in the area of welding and cutting. The Group's center of expertise for application processes used in the manufacturing, metallurgy, heat treatment and burner engineering sectors is located in Austria. The center of expertise in France specializes in processes used in the food-processing, pharmaceutical and biotechnology sectors.

The Group Management Report contains a review of operations during the financial year 2008 and the outlook for the coming years. The comments made are subject to the proviso that the impact of the financial crisis on the real economy cannot, at present, be predicted with any degree of certainty. Using past experience as a guide, we are working on the basis that the global economic downturn will not have any permanent adverse impact on the earnings and cash flows of the Messer Group due to the fact that we are not dependent on any single customers or markets. We also generate a part of our sales in countries whose economies continue to performing well in spite of the financial crisis, albeit less strongly than in previous years (China for instance). Our business is also characterized by the fact that long-term supply contracts are in place with many customers. At the same time, we have also initiated and implemented programs to reduce costs and capital expenditure in order to counter the potential impact of the financial and economic crisis. There are, however, no plans to cutback the workforce.

2. Review of economic development

Economic environment

According to surveys of the International Monetary Fund (IMF) and the OECD, the global economy was suffering severely at the end of 2008 as a result of the financial crisis. The prospects for growth were dampened even further in the final months of 2008 by a number of factors, including reduced equity coverage within the finance sector, a high degree of uncertainty amongst companies and consumers and a loss of confidence in the banks. The risk of a long period of recession has caused consumer spending to fall, companies to invest less and unemployment figures to rise. With the market for corporate bonds as good as closing down in September and the market for high-interest debt practically non-existent throughout the whole of the year, funding and operating conditions for companies are likely to further deteriorate in the coming year.

Weaker worldwide demand is causing raw material prices (particularly for oil) to fall. Compared to its highest level, the price of oil fell by 50 % despite the fact that the OPEC reduced production volumes. This is a clear indicator of a global economic downturn. Lower prices for oil, metals and food will help consumers in the major industrial countries and in the emerging economies. At the same time, however, it will also weaken growth prospects in those very same emerging economies. From our perspective, China is still performing better than many European countries and the USA, largely as a result of its more robust financial situation and the fact that it has not so far been hard hit by the financial crisis.

Significant developments

In the following section, we describe the main developments and trends affecting the financial year ended December 31, 2008.

Change in net operating assets

Measures were implemented during the year aimed at reducing the Group's working capital (inventories, trade receivables and trade payables). Net current assets nevertheless increased to K€ 67,754 at the year-end (December 31, 2007: K€ 58,600) with net sales and hence receivables both up on the previous year. In addition to higher receivables, the increase was mainly attributable to higher inventory levels (primarily advance payments and project materials). Overall, however, the ratio of net current assets to net sales increased slightly from 8.3 % at the end of 2007 to 8.5 % at December 31, 2008.

Financing arrangements

The terms and conditions of our existing financing arrangements remain unchanged. We refer to our comments in the section of this report dealing with the Group's financial position.

In January 2009, Messer Group GmbH, as borrower, concluded a new, unsecured Senior Facilities Agreement for an amount of € 100 million (SFA II). The new credit is equal in rank (pari passu) to the existing Senior Facilities Agreement (SFA I)/Note Purchase and Guarantee Agreement (NPA). We refer to the disclosures made on events after the reporting period.

Capital expenditure

Our capital expenditure policy is based on economic principles, namely that we only invest in projects which will enhance the Group's supply capability and/or which create opportunities for profitable growth. Since 2007, our focus in Europe has been on constructing new, and expanding existing, production facilities in order to eliminate supply bottlenecks and hence reduce the high ratio of bought-in products. In China, we were mainly intent on playing our role in the expansionary projects undertaken by our on-site customers. Capital expenditure in 2008 (excluding first-time consolidations) totalled € 193.1 million and was therefore equivalent to 24.3 % of total net sales. Most of the capital expenditure incurred in 2008 was spent on construction projects involving 13 air separation plants, two of which are located in Germany. We took advantage of the opportunities available to achieve profitable growth by increasing our investment in one company in China to 85 %, by raising our shareholding in our Turkish company to 100 % and by acquiring a majority interest in ASCO Carbon Dioxide Ltd., New Zealand.

A new air separation plant in Spain commenced operations in 2008 as part of our strategy to secure further growth with the existing pipeline system in Tarragona and in the liquid gases bulk supply segment. Similarly, the air separation plant in Bosnia-Herzegovina (Zenica) was also successfully commissioned in 2008. This plant covers the current oxygen requirements for the steel production of our on-site customer and also provides an opportunity to strengthen our position in the liquid gases bulk supply market in this country.

Good progress was made in 2008 with the construction of air separation plants in Poland (Rybnik) and for on-site customers in Germany (Siegen), Switzerland (Canton Wallis) and Rumania (Resita). All of these facilities have been designed with a view to supplying the principal customer and serving the liquid gases bulk supply market. All of the plants will start operations in 2009 in line with schedule. The foundation stones were also laid for air separation plants in Turkey (Istanbul) (start of operations 2009) and for a second one in Germany (Salzgitter) (start of operations 2010). Construction of two further air separation plants was commenced in China as part of the process of supporting existing customers to expand their steel production facilities. These two plants will start operations in 2009 in line with schedule. The construction of our first air separation plant for a steel factory in Vietnam is making progress, albeit with some delays, and will now be commissioned in 2009.

Coordinating all of these air separation plant projects posed a tremendous challenge in logistics terms, requiring the organization of large-scale transportation of material and equipment to our new air separation plants in Switzerland, Poland and Rumania, extensive documentation and customs clearance. All components arrived on time at the various construction sites.

Working together with reference customers, new techniques were developed at our centers of expertise which found immediate usage in the market. Our centers of expertise in Europe and Asia are continually being expanded in order to provide greater opportunities to test new ideas. The new generation of burners was added to the combustion testing facilities in Gumpoldskirchen. New facilities were added to the center of expertise in Mitry-Mory, France, vastly increasing the scope for testing Variosol technologies. The cold grinding technical center near to Krefeld was retrofitted with a sub-cooler, thus enabling cold grinding operations to be reproduced even more accurately.

The Group also continued to invest in cylinder-filling capacities for industrial gases. New ultra-modern filling plants were commissioned in Italy (Settimo) as part of the move to a new site and in Germany (Siegen) in conjunction with the re-entry into the German market.

Changes in the group reporting entity

As a result of the expansion of business activities in Vietnam, Messer Haiphong Industrial Gases Co., Ltd. and Messer Vietnam Industrial Gases Co., Ltd. were taken into the group reporting entity with effect from January 1, 2008 and fully consolidated with effect from that date.

The two German companies, Messer Produktionsgesellschaft mbH Siegen and Messer Produktionsgesellschaft mbH Salzgitter were both founded in 2008 and have been fully consolidated since the date of foundation.

The Messer Group acquired 24.97 % of Foshan MS Messer Gas Co., Ltd., China (a related company) on April 1, 2008 and a further 16.59 % on December 29, 2008 and therefore now holds 85 % of the shares of this entity.

The Messer Group acquired a majority shareholding in ASCO Carbon Dioxide Ltd., New Zealand, with effect from September 1, 2008, thus extending the Messer Group's CO_2 know-how, particularly in the areas of CO_2 production and recovery. The equipment and facilities set up in New Zealand are being marketed by the Swiss parent company, ASCO Kohlensäure AG, in which the Messer Group acquired a majority shareholding in 2007.

Messer set up the joint venture bECO2 B.V., Belgium, together with a Belgian partner in November 2008. From 2010 onwards, the joint venture (in which Messer has a 70 % interest) will operate a production plant which recovers CO_2 from industrial exhaust air and enables it to be re-used.

As a result of the start of business operations of Balti Messer OÜ., Estonia, – a production joint venture between the BLRT Group and the Messer Group – Balti Messer OÜ. is included in the consolidated financial statements as an associated company.

The remaining minority interests at Messer Aligaz Sanayi Gazlari AS, Turkey, and Messer Mostar Plin d.o.o., Bosnia-Herzegovina, were acquired during the financial year 2008, with the result that the Messer Group now wholly owns these entities.

The two Chinese companies, Messer North China Industrial Gas Co., Ltd. and Messer International Trading (Shanghai) Co., Ltd. were wound up in June 2008.

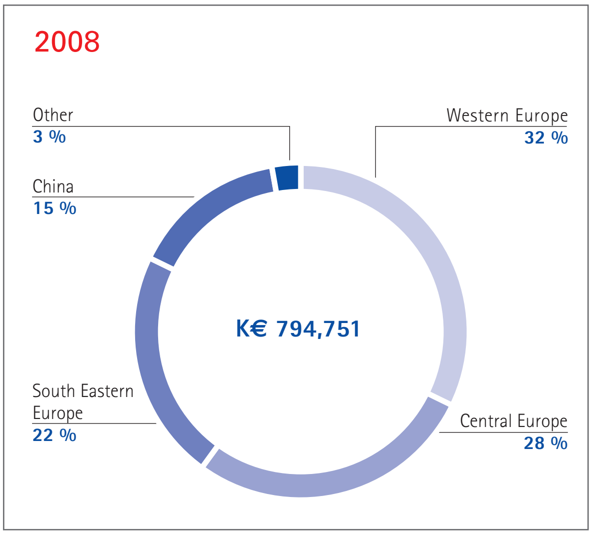
Messer Hungarogáz Kft., Hungary, was merged into Messer Magyarorszag Vagyonkezelö Kft., Hungary, (its 100 % direct parent company), with effect from April 1, 2008. Messer Magyarorszag Vagyonkezlö Kft. subsequently changed its name to Messer Hungarogáz Kft. Messer Schweiz Verwaltungs AG, Switzerland, was merged into Messer Schweiz AG, Switzerland (100 % parent company) on August 31, 2008.

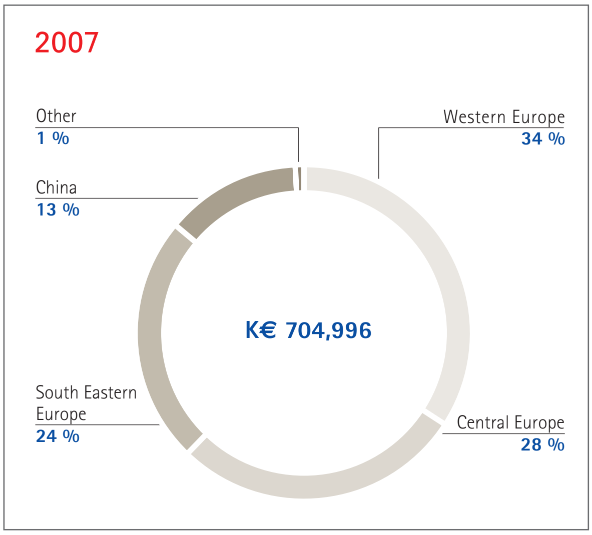
3. Review of operations

Despite less favourable business conditions at the end of the financial year 2008, our strong market position in many countries and the economic dynamism in China enabled the Messer Group to continue to perform well. Thus, even though the micro-economic climate has deteriorated significantly since the beginning of the 4th quarter 2008, the budgeted targets were achieved.

Earnings performance

Messer Group generated worldwide net sales of K€ 794,751 in 2008, which can be analyzed by region as follows:





The financial year 2008 saw another sharp rise in sales revenue, combined with higher energy, raw material and bought-in product costs. In some cases, purchase prices increases were quite drastic. Competition on the industrial gases market remained tough. Despite these adverse factors, we were nevertheless able to consolidate our market presence in all regions and increase market share in some areas. Business developed in the various regions as follows:

Western Europe

Net sales rose by 8 % compared to one year earlier, partially reflecting the fact that ASCO Kohlensäure AG, Switzerland was included for the first time for a full year. The majority shareholding in this company had been acquired in May 2007. In 2008, a majority shareholding was also acquired in a New Zealand company that supplies ASCO Kohlensäure AG. Excluding the contribution made by the two ASCO companies, net sales generated in Western Europe increased by some 4 %.

This positive development in Western Europe was helped in particular by good sales performances in Italy and Switzerland. Messer Medical S.r.l., commenced operations in **Italy** with effect from January 1, 2008. This company, which specializes in business with medical gases, had previous been spun out of Messer Italia S.p.A. In November 2008, both companies moved premises to Settimo near Turin, the location of the new cylinder-filling plant. In **Switzerland**, industrial gases business performed well in all areas. Helium business did particularly well, benefiting throughout the year from the long-term contract in place with the European Organization for Nuclear Research (CERN) to supply the world's largest particle accelerator. Construction work on the air separation plant in Visp continued in line with schedule. When completed, this plant will supply gases to the local chemical company as well as supplying bulk liquid gases for the Swiss and North Italian markets. As early as the first half of the year, the pipeline business in **Spain** suffered from temporary breaks in production for two major customers. The performance with liquefied gases was also held back during the final quarter of 2008 by the fact that liquefaction module for the new air separation plant in Tarragona (which had otherwise successfully started operations in September) was out of action. It was taken back into production in February 2009.

Central Europe

Net sales were up by 13 % compared with the previous year, partly (6 %) as a result of the strength of the Polish, Czech and Slovakian currencies against the euro during the first nine months of the year.

The strongest sales performance in the region came from **Poland**. Excluding the additional positive currency effect, net sales generated on this market rose by 11 %. The main contributory factor was bulk liquid gases business in advance of the start of operations of the new air separation plant in Rybnik/Upper Silesia (planned for the beginning of 2009). **Austria** profited in particular from a strong performance with helium sales. Following on from newly constructed the helium storage tank, a 200 ton CO_2 tank was also taken into operations in Austria in a further measure to ensure product availability.

South Eastern Europe

Messer was able to participate up to the end of the year in the dynamic growth in this region, in particular in the Balkans. Net sales generated in South Eastern Europe increased by 6 %. If the previous year's figures are adjusted for the sale of business activities in Greece in 2007, the comparable net sales growth was even higher at 8 %.

The fastest growth rates were recorded in Bosnia-Herzegovina, Serbia and Bulgaria. A new Messer company, Messer BH Gas d.o.o., commenced operations in **Bosnia-Herzegovina**. It constructed an air separation plant in Zenica and has operating the plant successfully since the end of the year. As well as supplying gases to a major customer in the steel industry on a long-term basis, the plant will also enable Messer to strengthen its market position generally in Bosnia-Herzegovina. Construction work on an air separation plant in Resita, **Rumania**, which will service a local steel factory and supply liquefied gases for the Rumanian market, is continuing in line with schedule. In **Turkey**, the remaining minority interests (45 %) in Messer Aligaz Sanayi Gazlari AS were acquired in February 2008. The business strategy on this market was subsequently realigned, including laying the foundation stone (in October 2008) for a new air separation plant. The plant should commerce operations in mid-2009.

China

Net sales rose sharply once again (+27 %) despite the snow chaos in February and the devastating earthquake in May. Part of the increase (10 %) was due to changes in the group reporting entity.

The largest contribution to the sales increase in China came from the companies operating in Central China. This was attributable in particular to the strong performance of Hunan Xianggang Messer Gas Products Co., Ltd. with Messer's largest on-site customer by far. With a fifth air separation plant commissioned in mid-2007 for the steel factory customer – which is also a joint venture partner – net sales were up by € 7 million (+17 %) in this area alone. The Group's companies operating in South China also performed well. Foshan MS Messer Gas Co., Ltd., which has been consolidated since April 2008 when a majority shareholding was acquired, was able to benefit from improving capacity utilization at the second air separation plant and from higher selling prices. The strong performance of Messer companies operating in Eastern China reflected primarily good levels of business with helium and the successful start of operations (at the beginning of 2007) of an air separation plant in a chemical park in the Shanghai region.

Other countries

Business operations developed very positively in **Peru**, with net sales up by 14 % compared with the previous year. In addition to a good sales performance with cylinder and bulk gases, business also benefited from stronger demand from an on-site customer operating in the steel sector. Sales volumes to this customer did not drop off until towards the end of the year at which stage the steel market began to feel the effects of the economic crisis. The two companies in **Vietnam** were both able to increase net sales, particularly in the northern part of the country, despite a sharp deterioration in macro-economic conditions from mid-2008 onwards. Construction work on the air separation plant in the North of Vietnam was delayed as a result of slower-than-planned progress during the second half of the year in the construction of the steel factory which is being built for the on-site customer. Construction is now expected to be completed by the 4th quarter 2009.

Once the contractual agreement not to use the Messer brand name in **Germany** expired on May 7, 2008, we turned our sights increasingly to re-entering the German market, operating as Messer Industriegase GmbH (formerly: Gase.de Vertriebsgesellschaft mbH). It quickly became apparent that the Messer brand continues to have a positive resonance with customers even after four years during we were not able to use the name on the German market. The German subsidiary has already created a solid basis for the future by winning two major on-site customers. The construction of air separation plants for these two customers in Siegen and Salzgitter is progressing in line with schedule and will strengthen our market position significantly.

Overall the **Messer Group** recorded a net profit before minority interests of K€ 45,711 for the financial year 2008. The gross profit amounted to K€ 410,597 (52 % of net sales) and the operating profit amounted to K€ 79,569 (10 % of net sales). With impairment losses on goodwill, other intangible assets and property, plant and equipment roughly at the same level as in the previous year, the operating profit for 2008 was up by K€ 12,182 The profit before tax and before minority interests is stated after a net interest expense of K€ 21,767, marginally offset by income from associated companies and other equity investments. Taking into account all of the above factors, the profit attributable to the Group (i. e. after deduction of minority interests) totalled K€ 33,125 and was therefore K€ 4,211 higher than in the previous year.

Net assets position

The balance sheet total (total assets/total equity and liabilities) as at December 31, 2008 amounted to K€ 1,649,131. As in the previous year, non-current assets accounted for the largest proportion (82 %) of this amount. Tangible and intangible assets represented the largest combined item on the assets side of the balance sheet (79 %). The carrying amount of these two items together increased by 9.2 % in 2008 as a result of further investments. Cash at bank accounted for 4 % of the balance sheet total.

The equity ratio (including minority interests) was almost unchanged at 58 %. Gross debt accounted for 24 % of the balance sheet total and increased by K€ 62,388 compared to one year earlier. The repayment of debt and the positive foreign exchange impact on the US$-denominated USPP were more than offset by new debt raised to finance investments. Net debt increased by K€ 71,569 to K€ 333,180 (December 31, 2007: K€ 261,611).

Financial position

The liquidity position of the Messer Group is adequately safeguarded by the stable levels of cash flows generated, existing and unutilized credit lines totalling € 64.5 million, the loan agreement concluded in January 2009 for an amount of € 100 million ("SFA II") and high cash balances.

Consolidated cash flow statement

	Jan. 1.–Dec. 31, 2008	Jan. 1.–Dec. 31, 2007
Income before income taxes	**58,480**	**48,551**
Cash flow from operating activities	141,255	159,698
Cash flow from investing activities	(180,588)	(149,681)
Cash flow from financing activities	30,675	(5,994)
Change in cash and cash equivalents	**(8,658)**	**4,023**
Cash and cash equivalents at the beginning of the period	**75,044**	**72,315**
Currency translation impact on cash and cash equivalents	(1,130)	(1,294)
Cash and cash equivalents relating to first-time consolidations	607	–
at the end of the period	**65,863**	**75,044**

The **cash flow from operating activities**, at K€ 141,255, was K€ 18,443 lower than in the previous year, mainly as a result of higher levels of trade and other receivables relating to operations, the effect of which was only partially offset by the T€ 9,929 increase in profit before tax.

The **cash outflow for investing activities** went up by K€ 30,907, mainly reflecting higher capital expenditure on property, plant, and equipment and on other intangible assets totalling K€ 186,877 (2007: K€ 147,853). A total of K€ 4,270 (2007: K€ 25,370) was used to acquire shares of minority shareholders and to purchase shares in other companies.

The **cash flow from financing activities** was a cash inflow of K€ 30,675 compared with a cash outflow in the previous year of KT€ 5,994. This was largely due to debt raised to finance investment in property, plant and equipment and equity investments. These inflows were higher than the amounts used to make scheduled repayments of debt. Most of the new debt was raised in China in order the finance capital expenditure for that market.

In 2009, the Messer Group will require further capital to fund its expanding business operations and scheduled capital expenditure and to repay loans and interest as they fall due. These funds will be generated out of cash flows from operating activities, existing funds, new debt and credit lines available to the Group. The Messer Group's strong position in the various markets in which it already operates, combined with expansion into new markets, will enable it to maintain its robust financial position.

4. Other disclosures

Corporate culture

A sustainable approach to running the business is the cornerstone of our corporate strategy and enables us to achieve success on a long-term basis. Our approach considers factors relating to the environment, mankind and society, as well as achieving success in business terms.

Our commitment to integrity is not only restricted to our products and applications: it also determines all facets of our business activities and provides the foundation for our guiding principles and strategies.

Within the Messer Group, cooperation is based on reliability, honesty, transparency and open communication. We respect and value the different cultural and social customs of all the countries in which we are represented. The Messer Group is committed to being open and honest so that customers, business partners and the general public can rightfully perceive the company as a trustworthy organization. Our mission statement is based on six core principles which are supplemented by guidelines applicable to all employees and a code of conduct which serves as the basis for all business processes within the Messer Group.

A further important aspect of our corporate culture is a close relationship between industry and science: a good example of this is the integration of our welding center of expertise in Germany into the facilities of the Hochschule Niederrhein in Krefeld. Working together with this university, the tenth largest in Germany, we aim to achieve synergy benefits in the field of joining technology. The proximity of our Krefeld site to the university and the latter's infrastructure provide good opportunities to cooperate in fields of joint interest. The close contact maintained with the university's Materials and Joining Technology departments enables technical knowledge to be exchanged and facilitates joint work on innovative projects. By offering facilities for doctorate work, we are able to give a helping hand to students, a policy which may stand us in good stead at a later date when it comes to finding well-trained employees in the future.

Our employees

The Messer Group had an average worldwide workforce in 2008 of 4,902 employees, each contributing to the success of the business with his or her extensive knowledge, ideas, know-how, longstanding experience, motivation and active commitment. In 2007, the Group had had an average worldwide workforce of 4,364 employees. The increase in 2008 was attributable mainly to the growth of business in China and the recruitment of employees for newly acquired and newly founded companies.

We make full use of our employees' experience, always endeavouring to promote greater professionalism. Indirectly, this also contributes to making young people enthusiastic about our business and helps us to acquire well-trained staff for the future. We endeavour to promote the necessary willingness of employees with the aid of individual performance and results-related income components and remuneration systems, internal/external training measures, career promotion systems and social facilities.

We are fully aware that the success of the business is founded on the commitment and expertise of our employees. Since it is considered to be a crucial aspect of business to develop employee skills from an early stage, the Messer Group particularly focuses on the training of young people. Investing in the education and training of the younger generation are considered key aspects of maintaining the underlying strength of the business and ensuring a future for Germany as a business location. Internal training is therefore considered a top priority for the Messer Group with an apprenticeship ratio in Germany at over 5 %. We train school leavers in the areas of industrial business studies, office communications, mechatronic engineering, IT data processing and IT support. We are also once again trying to attract more university leavers in Germany. In order to deal with the shortage of trained personnel in Serbia, Messer has answered its own call for better training by setting up a welding technology center at the University of Belgrade.

As at December 31, 2008 approximately 90 % of our employees were working in non-German speaking countries. A good communication network is particularly important in an organization with international operations. In addition to the annual conference for managers, various other annual meetings are held at which specialist staff have the opportunity to discuss new technological developments or report on relevant legal changes (know-how transfer) and to formulate new strategies. All newly appointed executives and managers are prepared for their future tasks during an initial induction phase over a period of several weeks during which they are get to know group entities and segments at close quarters. As well as providing a good insight into the activities of the Group, this process also helps to strengthen international networking and intercultural competence.

Uniform guidelines relating to "ideas management" are in place throughout the Messer Group. One of the core objectives of these guidelines is to ensure that suggestions for improvement are implemented throughout the whole of the Group. All employees are encouraged to apply their experience and knowledge in order to make suggestions for improvement in areas outside their immediate area of responsibility. An ideas management team was set up to investigate whether suggestions from the various group companies can be applied in other countries. In some countries, including Germany, employees have the option to submit suggestions directly using an appropriate IT tool. It is already evident that the number and quality of improvement suggestions has been raised following implementation of the guidelines. Employees submitting suggestions can receive interesting rewards for their ideas.

Safety, environmental care and quality

Safety, environmental protection and quality are firmly embedded within Messer's corporate principles and have a very high priority. Messer is committed to the protection of its employees and to the safe manufacture, use and handling of its products. The working standards employed are designed to ensure the health and well-being of each individual. The environment must always be protected. Work standards are continually being improved in order to avoid any danger for people or the environment. It will only be possible for us to achieve all of our work safety objectives in the future if we maintain a safe and healthy business environment, aimed at meeting the needs and requirements of our customers and employees and complying with all existing legislation.

The accident rate of 1.9 working accidents per million hours worked is lower than in the previous year, and the number of days lost through accidents remained constant (416 days lost). The severity of accidents was reduced to 49 days lost per million hours worked.

At the winter session of the European Industrial Gases Association (EIGA) in 2008, the Messer Group received various awards for exemplary work safety. Elme Messer Gaas A.S., Lithuania, Messer Mostar Plin d.o.o., Bosnia-Herzegovina, and Messer Technogas s.r.o., Czech Republic, each won silver safety awards for having operated for 500,000 working hours or ten years in a row without an accident resulting in lost working days. Gold safety awards were won by Messer Algérie SpA., Algeria, and by Messer Odra Gas spol s.r.o., Czech Republic, and Messer Tatragas spol s.r.o, Slovakia. Messer France S.A.S., France, won a bronze award.

During 2008, internal SHEQ audits were performed at seven subsidiaries and risk analyses of cylinder filling plants were performed at eight subsidiaries. The Messer Group has been a member of the Action Group for the European Road Safety Charter since June 2008. By signing this charter we have committed ourselves to supporting the common aim of the EU programme of action to halve the number of road deaths in Europe by 2010. For logistical reasons, a large proportion of our products are transported by road. We therefore attach great importance to transporting industrial gases as safely as possible and to ensuring that our employees and tanker drivers act carefully. Increasing safety awareness and achieving a greater understanding of risks are objectives which can be considered just as important as improving safety measures. Our endeavours to improve safety on European roads have become a part of our corporate philosophy. We are currently in the process of drawing up a new handbook covering all safety aspects of transporting industrial and medical gases in tanks/cylinders by road. Every driver will be required to participate in a training course on how to act in emergency situations. A new system of compiling statistical data with regard to road safety is being developed to measure how successful we have been.

The Messer Group attaches great importance to using resources efficiently and in an environmental friendly way. Our new air separation plants are constructed very much with energy efficiency in mind. Once built, we continue to work on reducing their average energy consumption. This helps to protect the environment as much as possible on the one hand and improves the efficiency of the Group of the other. Messer's commitment to the environment is also evident in the fact that its management systems are certified to ISO 9001, ISO 14000, ISO 14001 and ISO/IEC 17025 standard. These systems serve as important tools for developing and intensifying relationships with customers, employees and the environment. At present, ten Messer companies are certified to ISO 14001 standard (environment). The latest to receive ISO 9001 and 14001 certification are the new sales locations in Sulzbach and Siegen and the cylinder filling plant in Siegen. Two of our special gas laboratories – in Mitry-Mory, France, and Machelen, Belgium – were certified in 2008 as being compliant with the special laboratory norm ISO/IEC 17025. The competence obtained through these measures is the key to transparent earnings, trust and international comparability.

In 2009, further SHEQ audits and risk analyses will be carried out at subsidiaries, environmental issued documented, protective equipment procured and permits obtained where necessary. The depth of our commitment in this area reflects our understanding of the fact that safety and environmental care will represent an even greater focal point of industrial activities in the coming years.

IT environment within the Messer Group

All IT support work for the Messer Group has been handled since mid-2006 by Messer Information Services GmbH ("MIS"), a joint venture set up together with the MEC Group which is based in Groß-Umstadt, Germany. This IT company covers the complete range of requirements of both groups. Running and further developing the IT infrastructure for the Messer Group and the MEC Group are central to MIS's daily operations.

Based on the strategic IT project "Server Based Computing Rollout", numerous group entities have been integrated into the MIS's global infrastructure which covers the various national companies of the Messer Group and the MEC Group. The consolidation of databases and tools and the use of a standardized office landscape for the Citrix technologies used by Messer entities help to save costs whilst at the same time optimising the IT security and infrastructure of the whole Group. In the period since the start of the project in 2005 through to the end of 2008, the number of employees with access to data and IT applications via the new Citrix infrastructure has increased from 300 to 1,305.

The "Disaster Recovery" project was set in motion in 2008 and will culminate in the near future with the construction of an emergency computer center. Disaster recovery, which focuses on the backup of data and the recovery of damaged or lost data after unforeseeable catastrophes, such as fire, floods and storms, represents an integral component of a state-of-the-art IT strategy.

A further focus is on the harmonization of SAP applications used throughout the Messer Group. Following completion of a prototype project in March 2007, the process of rolling out the project to the Group's companies has now started. At the end of 2008, ten companies were working on the newly harmonized SAP platform. A further three joined in February 2009. When the SAP harmonization project is completed, some 22 European Messer Group companies will be working within a single SAP system. Standardizing production and logistics systems creates opportunities to reduce costs on a sustainable basis. It also enables Messer to present itself its customers with a uniform high quality of services across borders, achieving a greater depth of service and helping to increase supply loyalty.

5. Future developments

Outlook

The real gross national product (GNP) of the developed industrial countries is likely to contract in 2009. Growth rates of the emerging markets will slow down perceptibly, but could still exceed 5 %. It remains to be seen whether the global efforts being undertaken to stabilize the finance sector and to stimulate investment will be sufficient to reduce the scale of the global economic downturn. If the wide range of measures already adopted fail to restore confidence in the financial markets, it is likely that a longer-term recession could take hold. The US economy and consumers will almost certainly suffer most from less favourable and more restrictive financial conditions. Reduced consumer confidence is also likely to have a negative impact on European economies. It is predicted, for example, that unemployment figures will rise in Germany for the first time since 2005. A further consequence of the economic downturn is that the drop in prices of raw materials seen in 2008 will continue.

In Europe, the addition of new air separation plants will successively reduce the proportion of products/materials bought in by Messer. Taking advantage of the new production capacities will not, however, revolve around a straight-forward volume strategy. More to the point, the objective will be to focus on profitable expansion of business with existing customers. We also see an enormous potential for demand in region such as South Eastern Europe where the current usage of industrial gases per person is not even one half of the level prevalent in Western Europe. This applies to all sectors, one good example being the steel processing industry in Turkey. Our investment in an air separation plant near to Istanbul is seen as an important step towards tapping the potential of this market and creating an even wider basis for strategic growth there. The Chinese market will continue to grow, even though our forecasts have become more modest than in recent years, reflecting the knock-on effects of the global economic downturn, especially on the steel and chemical industries.

With the contractual agreement not to use the Messer brand in Germany having expired in May 2008, the Messer Group now has a presence in almost all parts of Europe. The German company, Messer Industriegase GmbH, will use the strong brand awareness that still exists to strengthen its position on the Germany market. The two major on-site customers already gained in Siegen und Salzgitter provide a good base from which to grow.

As far as energy costs are concerned, we expect a perceptible reduction in costs as a consequence of our long-term procurement strategies and the economic downturn.

We will continue to forge successful alliances with our customers and business partners in order to sell our products and technologies.

In the medium-term forecasts for 2009 and 2010, we plan further organic sales revenue growth and, above all, a sustainable improvement in profitability. The start of operations of air separation plants in Spain and Bosnia-Herzegovina in 2008, the completion of plants in Germany, Poland, Rumania, Switzerland, Turkey and Vietnam in 2009 and the completion of one plant in France and of the second plant in Germany in 2010 will boost our product capacities at a sustainable level. This will also be complemented by the new CO_2 production plant that will be completed in Belgium at the beginning of 2010. The product bottlenecks experienced in the past and the resulting additional costs caused by buying-in products at higher prices (in some cases involving a certain dependence on competitors) will therefore be successively reduced. Transport costs can also be reduced and logistics further optimized by entering into swap contracts with competitors on terms that are normal for the industry. All of these factors will result in improved operating margins in the medium term.

Our forecasts for the main key performance indicators of the Messer Group for the financial years 2009 and 2010 are as follows:

in Percent	2009	2010
Sales growth rate*	8.4	12.0
EBITDA margin	20.7	23.4
CapEx/net sales	21.1	16.7
Working capital/net sales	11.8	11.7
Debt/balance sheet total	27.9	27.0

* *Before adjustment for currency impact and changes in group reporting entity.*

Significant opportunities and risks affecting the future development of the Group

As an international supplier of industrial gases, the Messer Group is exposed to opportunities and risks which inevitably arise in connection with entrepreneurial activities. It is the task of all concerned to take advantage of opportunities when they arise, whilst at the same time ensuring that risk is kept to a minimum. Future earnings will depend both on the operating performance of the gases business and on the state of the economies in individual countries. The main risks which could be significant for the net assets, financial and earnings position of the Messer Group are as follows:

- The industrial gases business is subject to intense competition. The level of competition is increasing in conjunction with the process of globalization. This highly competitive environment could reduce Messer's earnings and cash flows in the future.

- We supply a cross selection of industries and sectors (including steel, metal processing, chemicals, petrochemicals, food and beverages, healthcare and glass) on the basis of long-term contracts over periods of up to 15 years in Europe and up to 30 years in Asia. A significant reduction in market demand in any one of these key industries or sectors could adversely affect future operating results. However, the Messer Group's revenues are not dependant to any significant degree on any single customer.

- The Messer Group operates globally, making it susceptible to local political, social and economic conditions and to the resulting risks arising in each market. Eastern European currencies have come under pressure in the wake of the financial crisis; exchange rate fluctuations have therefore gained even more importance.

- Expansion in various markets involves greater demands being placed on the Group's infrastructure. We endeavour to avoid business interruptions for our customers through regular maintenance and monitoring of equipment. In the event of breakdowns or defects, emergency plans and instruments are in place to reduce the financial consequences of a business interruption at one of our customers. The Messer Group is currently expanding its supply structure to ensure that supplies to customers are safeguarded even in emergency situations.

- The reoccurrence of crisis situations within oil-producing countries, the growing demand for energy in emerging economies, particularly in China and India, give reason to believe that – notwithstanding the current recession – oil and energy prices will continue to rise in the long term with a corresponding impact on the prices of materials and primary products necessary for the Group's business. Although Messer is often able to pass on cost increases partially to its customers, it is possible that price increases for energy could adversely affect the profitability of the Messer Group.

- We require funding to finance our growth and ambitious capital expenditure program. We are therefore dependant on the finance sector remaining stable and liquid.

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

- The Group has recognized goodwill in the consolidated balance sheet. The application of IAS 36 (i. e. the performance of impairment tests) could result in the requirement to recognize impairment losses on goodwill, if the business prospects of a group subsidiary deteriorate compared to the original date of measurement.

- Enterprises are confronted from time to time with allegations that they have infringed industrial rights or legal obligations that defective products have been supplied or that environmental protection laws have not been adhered to. Regardless of their prospects of success, this type of claim can result in very high defense costs. In cases like these, the Messer Group defends itself energetically with the support of both in-house and external experts.

- The importance of information technology for day-to-day work is constantly growing. Our IT center in Germany gives us the scope to create a modern and efficient infrastructure and to improve our business processes where necessary. This concentration does, however, mean that there is a greater risk of business interruption due to natural hazards or human error. In order to avoid these risks, the IT center has its own IT risk management system.

- The integration of new member states into the EU entails risk in that many previously state-run businesses will need to be privatized and restructured in accordance with EU and International Monetary Fund requirements. The number and scale of state grants could be drastically reduced, culminating is numerous closures and mergers in these countries, and an adverse impact on the Group's net sales. In these circumstances, the downward pressure on selling prices would probably increase.

- Our international operations are subject to a wide range of country-specific environmental legislation and regulations in areas such as gas emissions, groundwater pollution, the use and treatment of dangerous substances as well as ground surveys and decontamination. This can give rise to liability risks in conjunction with either past or current operations. New environmental requirements, partially resulting from the adoption of EU directives in the new EU member states, necessitate that our existing environmental standards (which are already at a very high level) are brought into line with the new requirements. This may result in higher production costs and modifications to the production process. The financial year 2008 shows, however, that the implementation of stricter environmental regulations often results in a more efficient production process and a higher quality product.

- The sale of entities or business activities can result in retrospective risks for the Group. Whenever a risk is probable, appropriate provision is recognized in the consolidated financial statements.

- Economies have weakened all around the world in the wake of the financial crisis. The Messer Group is being affected to a different extent in the various countries involved and is observing developments very carefully. Programs have already been initiated and implemented to reduce costs and capital expenditure in order to count the potential impact of the financial and economic crisis. The potential future deterioration in the creditworthiness of our customers increases the risk of bed debts and even the discontinuation of joint projects. The structure of the Messer Group's receivables is disclosed in the notes to the consolidated financial statements.

The risks presented above are not the only ones to which the Messer Group is exposed. Some risks, which have not yet been identified or which are not considered to be significant from today's perspective could have an adverse impact on the Messer Group if general business or economic conditions were to change. At present, however, we do not see any significant macro-economic risks for the Messer Group. No risks were identified in 2008, either individually or in aggregate, which could have a material adverse impact on the going concern status of the Messer Group. No such risks are pending in the foreseeable future.

We see opportunities for the Messer Group in the balanced presence it enjoys in growth industries and dynamic markets. Our broad customer base and diversified product portfolio enable us to overcome a weaker economic phase without losing sight of our long-term objectives. The recession which has set in during the fourth quarter of 2008 caused energy prices to drop, a trend that is likely to continue. This will have a direct positive impact on our cost of sales and selling expenses. Tax rate reductions in a number of countries are reducing the Group's tax expense. Some markets that are relevant for us continue to perform positively. This will result in ongoing demand for our products, thus creating the opportunity for a sustainable improvement in the performance of the Messer Group. Through investment, we have the opportunity to respond to tougher competition and to maintain our market position. We are taking advantage of the opportunities arising from internationalization – in particular in the light of positive developments on the emerging economies and the eastwards expansion of the EU – by purposefully expanding our facilities in these regions. This also enables us to engage in new markets with long-term growth potential. The investments we are making are helping us to strengthen our competitiveness. We are convinced that this is an important aspect of getting through the financial crisis. We are aware, however, that it is not easy to expand business during a time of economic crisis. The number of European and even globally valid standards requiring a more environmentally compatible approach is on the rise. The Messer Group supports this by pursuing a strategy of continuously developing new and innovative concepts (e. g. CO_2 recycling in conjunction with the current debate on climate change).

Risk management

Risk management is an important component of the decision-taking and business processes of the Messer Group. The management structure and reporting processes which are in place ensure that not only developments that could jeopardize its going-concern status are reported regularly and in good time to the relevant levels, but also that other developments which pose a threat to the achievement of short-term performance targets (such as EBITDA or cash flow) are reported. This allows management to initiate measures at an early stage to mitigate any business and/or financial risks. Risk managers have been designated at each of the subsidiaries with responsibility for ensuring the proper functioning of local reporting systems. Working together with local risk managers, the group risk manager prepares a risk report for the Messer Group as a whole at the start of each year which is discussed by the Executive Management and communicated to the Supervisory Board of the Messer Group in good time. Risk management is directed at safeguarding the going-concern status of group entities and increasing the value of the business.

Messer is adequately insured against potential claims or liability risks, to which it is exposed; these policies ensure that the financial impact can be kept within defined limits or completely avoided. The scale of insurance coverage is continuously optimized in response to the specific situation of Group companies.

Internal audits were performed at four Messer Group entities during the financial year 2008. This included testing compliance with corporate guidelines and sample testing of controls applied to vouchers within the various business processes, in order to check the effectiveness and commercial sense of processes as well as the accuracy and reliability of financial reporting. Critical issues were clarified and recommendations made to improve the transparency of business processes. Recommendations made by the Internal Audit department were prioritized and implemented before the end of the financial year. Messer Group entities will again be subject to regular internal audits in 2009, primarily in Western Europe.

The Group's Safety, Health, Environment, Quality (SHEQ) departments continue to carry out audits and risk analyses in order to reduce the accident ratio even further.

State-of-the-art technologies are employed in the IT area in order to keep the risk from electronic data processing to a minimum. Unauthorized access to data and systems and a significant loss of data are virtually ruled out. The efficiency, operational availability and reliability of systems are constantly being monitored and improved. Messer's security concept also includes a detailed emergency plan. In order to minimize risks, the various technologies employed by the Messer Group are regularly tested to ensure that IT-based business processes are safe.

Tax laws and competition regulations can also give rise to business risks. For this reason, the Group obtains a full range of advisory services from in-house and external experts.

Financial risks

Despite the prevailing adverse economic environment and potential drops in sales and earnings, we need to ensure that the Messer Group is at all times able to comply with the covenants contained in the Senior Facilities Agreements, Note Purchase and Guarantee Agreement. One of the principle covenants in this context is the Net debt/EBITDA Covenant. We have therefore initiated and implemented programs to reduce costs and capital expenditure in order to counter the potential negative impact of the financial and economic crisis and to ensure that we comply with the commitments made in the Senior Facilities Agreements, Note Purchase and Guarantee Agreement.

Financial risks can also arise for the Messer Group from changes in exchange and interest rates.

The management of interest rate, currency and liquidity risks is carried out by Group Treasury based on guidelines laid down by management. Group Treasury identifies, measures and hedges these financial risks. Treasury guidelines contain general risk management principles and specific rules for defined areas such as the exchange rate risk, interest rate risk, the use of derivative financial instruments and the investment of surplus cash.

Income and operating cash flows are, to a large extent, unrelated to market interest rates, since the Group does not hold any significant interest-bearing assets. Loans or credits subject to variable interest rates are hedged partly with the aid of interest rate swaps (cash flow hedges of future interest payments). Under these arrangements, loans with variable interest rates are converted in substance to ones with fixed rates. In conjunction with the interest rate swaps, the difference between fixed interest rates and variable interest rates is settled at specified intervals (computed by reference to an agreed amount). At the balance sheet date, derivative financial instruments had only been entered into with renowned international financial institutions. In view of these measures, an exchange rate and interest rate change risk are regarded as minimal.

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

Events after the reporting period

Messer Group GmbH, as borrower, concluded a new, Senior Facilities Agreement for an amount of € 100 million (SFA II) on January 19, 2009. The new credit is equal in rank (pari passu) to the existing Senior Facilities Agreement (SFA I)/ Note Purchase and Guarantee Agreement (NPA). The lenders are banks that are party to the existing Senior Facilities Agreement. All amounts outstanding in connection with the SFA II, together with any amounts still outstanding under the SFA I, are repayable on February 2, 2012. The terms and conditions of the SFA II are, in most respects, identical with those of the SFA I. The principal differences are:

- the initial margin of the SFA II is 1.5 % p. a. The agreement includes a mechanism to adjust the margin based on the change in the net debt/EBITDA ratio of the Messer Group (consolidated).

- The SFA II is unsecured whereas the SFA I (and the NPA) are secured by guarantees and shares pledged as collateral. The existing collateral remains in place for the SFA I/NPA arrangements and are not available to the lenders under the terms of the SFA II.

On February 27, 2009, ASCO Kohlensäure AG, Switzerland, acquired a majority shareholding in ASCO Carbon Dioxide SARL, France. This latter entity manufactured dry-ice-making equipment which is sold by ASCO Kohlensäure AG. The Purchase Agreement provides for the remaining shares to be transferred, subject to conditions precedent, with effect from September 30, 2010. For this reason the Company will be consolidated as a 100 % subsidiary with effect from February 27, 2009.

In February 2009, Messer concluded a cooperation agreement with the Chinese steel manufacturer, Panzhihua Iron & Steel (part of the Pangang Group) relating to the acquisition of four existing air separation plants and the construction of three new ones in the Chinese province of Sichuan. Messer holds a 60 % interest in the joint venture which will be investing in excess of € 100 million in the plants referred to. This move clearly underlines Messer's long-term commitment to the Chinese industrial gases market. From today's perspective, the arrangements will fulfil the criteria for a lease as stipulated by IFRIC 4. For this reason revenues will be recognized from the date on which the lease arrangements commence on the basis of the present value of the minimum lease payments.

Messer Danmark A/S, Denmark sold the cylinder business (along with 4,000 gas cylinders, its customer base and existing receivables) on March 4, 2009 with effect from April 1, 2009.

Our thanks to Messer employees

Management would like to express its gratitude to all employees for their loyalty, commitment and personnel efforts during the financial year 2008. Your commitment has made a vital contribution to Messer's success in 2008. Despite the financial and economic crisis, it is not intended to lay off staff as part of our current programs to reduce cost and make capital expenditure savings. We firmly believe that this approach will best serve the interests of the business as the Messer Group continues to grow.

The management of Messer Group GmbH has fairly presented the business performance, the results of operations and financial condition of the Messer Group to the best of its knowledge and has appropriately evaluated and described the opportunities and risks which are relevant for the future development of the Messer Group.

Sulzbach/Taunus, March 5, 2009

Messer Group GmbH

Consolidated Income Statement

in K€	Jan. 1- Dec. 31, 2008	Jan. 1- Dec. 31, 2007
Net sales	794,751	704,996
Cost of sales	(384,154)	(330,739)
Gross profit	**410,597**	**374,257**
Distribution and selling costs	(258,911)	(239,323)
General and administrative costs	(74,054)	(66,926)
Other operating income	22,465	14,475
Other operating expenses	(14,959)	(9,546)
Impairment losses on intangible assets and property, plant and equipment	–	(2,994)
Impairment losses on goodwill	(5,569)	(2,556)
Operating profit	**79,569**	**67,387**
Result from equity method investments	920	(12)
Other investment results, net	(87)	(151)
Interest result, net	(21,767)	(16,639)
Other financial result, net	(155)	(2,034)
Financial result, net	**(21,089)**	**(18,836)**
Profit before income taxes	**58,480**	**48,551**
Income taxes	(12,769)	(9,750)
Profit after income taxes	**45,711**	**38,801**
of which attributable to:		
shareholders of the parent company	**33,125**	**28,914**
minority interests	**12,586**	**9,887**

Consolidated Balance Sheet

in K €		Dec. 31, 2008	Dec. 31, 2007
Assets	Intangible assets	514,410	522,613
	Property, plant and equipment	782,515	664,589
	Investments accounted for using the equity method	26,015	24,922
	Investments in other companies and financial investments	6,703	8,118
	Deferred tax assets	8,333	8,978
	Other non-current receivables and assets	10,911	10,669
	Non-current assets	**1,348,887**	**1,239,889**
	Inventories	38,766	32,170
	Trade receivables	152,666	135,723
	Non-current assets held for sale	–	138
	Income tax assets	4,210	3,473
	Other receivables and other assets	38,739	32,826
	Cash and cash equivalents	65,863	75,044
	Current assets	**300,244**	**279,374**
	Total assets	**1,649,131**	**1,519,263**
Equity and Liabilities			
	Share capital and additional paid-in capital	667,305	649,305
	Other reserves	5,905	5,905
	Retained earnings	148,421	119,507
	Profit after income taxes	33,125	28,914
	Fair value reserve	12,793	8,747
	Currency translation reserve	5,162	12,580
	Equity attributable to shareholders of the parent company	**872,711**	**824,958**
	Minority interests	**80,333**	**66,806**
	Equity	**953,044**	**891,764**
	Provisions for employee benefits	18,107	17,646
	Other provisions	15,692	13,903
	Non-current financial debt	332,509	266,741
	Deferred tax liabilities	46,506	47,392
	Other non-current liabilities	13,157	10,360
	Non-current liabilities	**425,971**	**356,042**
	Other provisions	15,401	16,465
	Current financial debt	66,534	69,914
	Trade payables	115,062	105,924
	Income tax liabilities	2,862	3,305
	Other current liabilities	70,257	75,849
	Current liabilities	**270,116**	**271,457**
	Total equity and liabilities	**1,649,131**	**1,519,263**

Statement of Income and Expenses recognized directly in Equity

in K €	Jan. 1- Dec. 31, 2008	Jan. 1- Dec. 31, 2007
Translation adjustments relating to foreign subsidiaries	(5,853)	(2,369)
Change arising from the fair value measurement of hedging instruments used to hedge interest rate and currency risks related to the US Private Placement	7,056	10,989
Deferred taxes	(2,220)	(3,461)
Change arising from the fair value measurement of a hedging instrument in an equity method investment	(768)	–
Unrealized gains/(losses) on held for sale assets	78	69
Unrealized (losses)/gains on available-for-sale financial assets	(100)	100
Income and expenses recognized directly in equity	**(1,807)**	**5,328**
Profit after income taxes	45,711	38,801
Total income and expenses recognized in equity	**43,904**	**44,129**
of which attributable to minority interests	14,150	8,895
of which attributable to shareholders of the parent company	29,754	35,234

Consolidated Cash Flow Statement

in K€	Jan. 1- Dec. 31, 2008	Jan. 1- Dec. 31, 2007
Profit before income taxes	**58,480**	**48,551**
Income taxes paid	(15,821)	(15,544)
Depreciation and amortization of property, plant and equipment and intangible assets	91,602	85,938
Impairment losses on non-current financial assets	173	225
Other non-cash income	(3,402)	(1,948)
Change in investments in equity method investments	(920)	400
Interest result, net	20,540	15,569
Other non-cash financial result	365	2,437
Change in inventories	(5,240)	(5,805)
Change in receivable and other assets	(21,943)	8,613
Change in provisions	1,269	3,940
Change in trade payables and other liabilities	16,152	17,322
Cash flow from operating activities	**141,255**	**159,698**
Purchase of property, plant and equipment and intangible assets	(186,877)	(147,853)
Purchase of investments and other non-current assets	(5,207)	(9,638)
Acquisition of subsidiaries	(2,409)	(1,454)
Acquisition of shares of other shareholders	(359)	(10,100)
Proceeds from disposals of property, plant and equipment and intangible assets	9,945	11,057
Proceeds from disposals of investments and loans	436	3,994
Interest and similar income	3,883	4,313
Cash flow from investing activities	**(180,588)**	**(149,681)**
Changes in capital by shareholders of the parent company	10,800	(9,120)
Proceeds from non-current financial debt	70,026	14,747
Proceeds from current financial debt	–	23,305
Repayment of non-current financial debt	(18,099)	–
Repayment of current financial debt	(6,619)	(7,229)
Dividends paid to minority shareholders	(6,896)	(9,994)
Contributions by minority shareholders	5,192	3,720
Interest and similar expenses paid	(24,629)	(19,923)
Other financial result, net	900	(1,500)
Cash flow from financing activities	**30,675**	**(5,994)**
Change in cash and cash equivalents	**(8,658)**	**4,023**
Cash and cash equivalents at the beginning of the period	**75,044**	**72,315**
Exchange rate impact on cash and cash equivalents	(1,130)	(1,294)
Additions of cash and cash equivalents resulting from first-time consolidations	607	–
at the end of the period	**65,863**	**75,044**

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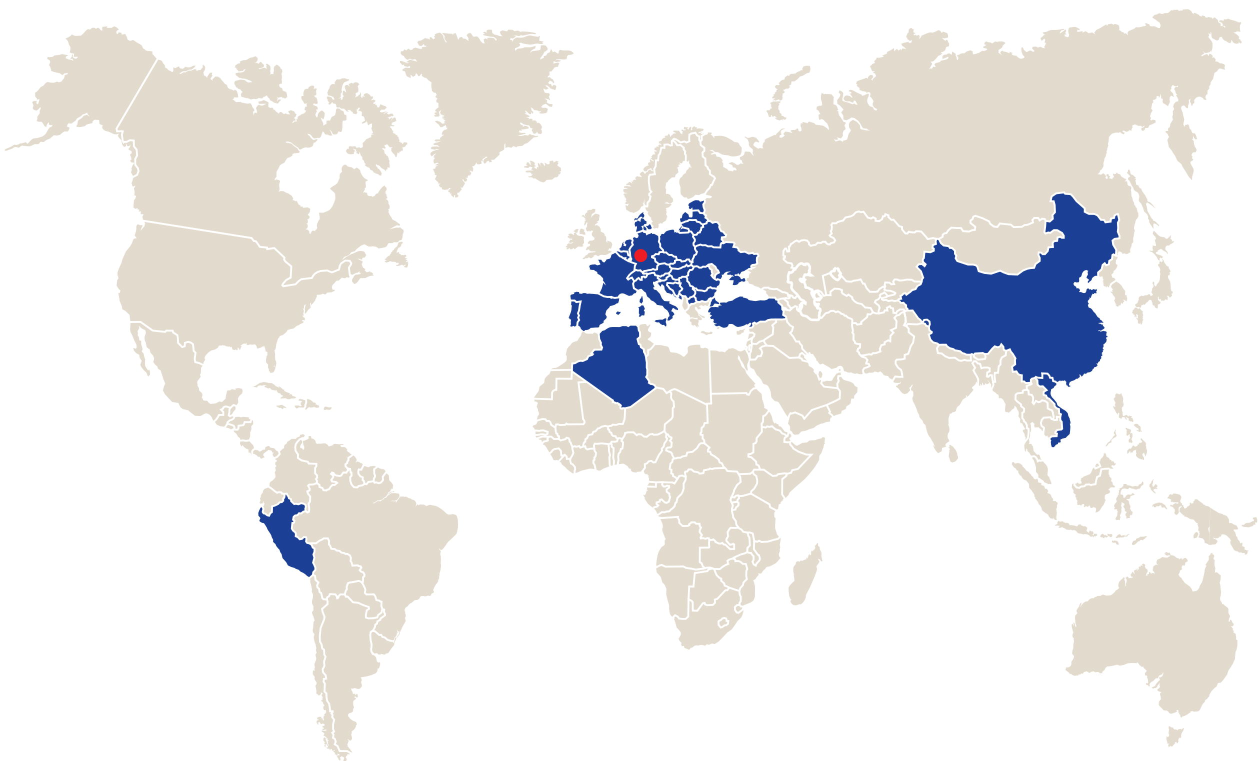

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