MESSER
Gases for Life

# Annual Report

of Yeti GermanCo 1 GmbH 2020

# Content

# Group Management Report
of Yeti GermanCo 1 GmbH 2020

## General Information on the Group

### Overview of the Messer Industries Group

Yeti GermanCo 1 GmbH (the "company") is a holding company based in Sulzbach (Taunus) near Frankfurt/Main with a business address in Bad Soden am Taunus. It operates as a financial holding company and, together with its subsidiaries, associates and joint ventures, forms the Messer Industries Group (the "Group").

Yeti GermanCo 1 GmbH was founded as a joint venture company by Messer Group GmbH and CVC Capital Partners, with the purpose of assuming the management of the businesses in the Americas ("Messer Americas") acquired from Linde and Praxair as of March 1, 2019 and the businesses in Western Europe ("Messer Western Europe") contributed by Messer. In this context, Messer Group GmbH has contributed its Western European operating activities in Spain, Portugal, Switzerland, France, Belgium, the Netherlands, Denmark, Germany and the company in Algeria, plus a right-of-use asset for the "Messer – Gases for Life" brand, to the joint venture for a period of ten years as of March 1, 2019. Yeti GermanCo 1 GmbH has its own subsidiaries in Western Europe, North and South America.

Founded in 1898, Messer is today the world's largest family-operated specialist for industrial, medical and specialty gases. Products and services are offered in Europe, Asia and the Americas under the "Messer – Gases for Life" brand.

From acetylene to xenon, the Messer Industries Group offers a wide-ranging industrial and medical gas product portfolio – the company produces industrial gases such as oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium, welding shielding gases, specialty gases, medical gases and many different gas mixtures.

## Changes in group reporting in fiscal 2020

The consolidated group was unchanged in the past fiscal year.

## Financial performance indicators

The Messer Industries Group uses control parameters derived from operating performance indicators to manage its business. The most significant performance indicators are revenue, EBITDA, capital expenditure and net debt. Further explanations and a breakdown of indicators can be found in the sections on financial performance and financial position.

## Non-financial performance indicators*

Safety, health, environmental protection and quality (SHEQ) have been firmly embedded in the family-operated Messer's guiding principles since its inception in 1898, and continue to be its top priority today – especially in the context of the COVID-19 pandemic. Messer is aware that well-organized safety and quality guidelines form the basis for handling operational risks safely and for improving operational performance. For this reason, the health and safety of our employees and environmental protection are an integral part of global quality management, which is reflected in various standards of the Messer Industries Group, which were revised again against the backdrop of the COVID-19 pandemic to help effectively counter it.

The following information on non-financial performance indicators relates to the Group as a whole.

### Occupational safety

Occupational safety is of great importance to the Messer Industries Group. Messer's safety guidelines reflect our position: "All work-related illnesses, injuries and accidents are avoidable."

Messer uses its management system to identify and control possible operational risks. The principles of this system are documented in a SHEQ manual and cover all relevant safety-related areas, such as risk management, safety training, safety tests, Personnel protective equipment, communication safety and accident investigation. The SHEQ manual is a part of compliance management at the Messer Industries Group and is updated and improved regularly.

In order to measure the success of the safety measures and initiatives, the following performance indicators are determined annually: work accidents with lost days and frequency of accidents (number of work-related accidents with lost days per million working hours) and accident severity rate (missing days per million working hours).

In 2020, 19 work accidents with lost days were reported in the Americas (previous year: 18) and 4 (previous year: 10) in Western Europe.

* The content of this section is voluntary and unaudited, but has been read critically by the auditor.

The absenteeism rate of employees per million hours worked (accident frequency) was 1.7 (previous year: 1.6) in the Americas in 2020 and 2.9 (previous year: 7.1) in Western Europe, while the number of days lost (accident severity) was 27.8 (previous year: 21.6) per million hours in the Americas and 34.4 (previous year: 186.4) in Western Europe.

| | 2020 Americas / WEU | 2019 Americas / WEU | 2018 Americas / WEU |
|---|---|---|---|
| Working accidents with lost days | 19 / 4 | 18 / 10 | – |
| Accident rate* | 1.7 / 2.9 | 1.6 / 7.1 | – |
| Accident severity* | 27.8 / 34.4 | 21.6 / 186.4 | – |

* per million hours worked

Messer Western Europe is an active member of the European Industrial Gas Association (EIGA) and the International Oxygen Manufacturers Association („IOMA“) and Messer North America of the Compressed Gas Association (CGA) and the American Chemistry Council (ACC). Our experts actively share experiences and knowledge in order to learn from incidents in the industrial gas sector.

## Transport safety

The transportation of gases and equipment by road and customer deliveries are activities that involve major risks in the gas industry. Messer therefore pays special attention to the area of transport safety.

Most of the drivers who work for Messer in Europe are employed by external transport companies. These companies are responsible for training the drivers in accordance with the ADR (European Agreement concerning the International Carriage of Dangerous Goods by Road). In 2020, the number of avoidable accidents when transporting our cylinder gases was 53 in the Americas (previous year: –) and four in Western Europe (previous year: two). For every million kilometers driven, this corresponds to a frequency rate of 6.1 in the Americas (previous year: –) and 0.65 in Western Europe (previous year: 0.29). The data for the Americas were collected for the first time in 2020.

The number of avoidable accidents while transporting liquefied gases was 152 in the Americas (previous year: 120) and nine in Western Europe (previous year: three); the frequency rate per million kilometers driven in 2020 was 1.23 in the Americas (previous year: –) and 0.5 in Western Europe (previous year: 0.17).

Messer is endeavoring to reduce the number of accidents with the help of suitable supplier management, information on defensive driving and load safety. Messer has also created its own modular driver training package. The main issues covered by the training are:

- Statutory regulations (European and national regulations for the transport of dangerous goods by road)
- Technical aspects (hazards arising from product, vehicle and tank technology, vehicle checks, safety technology)
- Accident avoidance
- Defensive, economic driving

In addition, all drivers receive a manual specifically for their work (bulk, bottle or service vehicles). This ensures that the drivers have all the key information about their work to hand at all times.

## Digitization and IT security

Digitization is becoming increasingly important within the Messer Industries Group. The duties of the Group Digital Officer (GDO) and the Group Security Officer (GSO) are performed by the Messer Industries Group for Messer Western Europe. They implement Messer's standards with a large number of projects and advise the central functions and national subsidiaries in these areas.

At the Messer Group, the GSO is responsible for coordinating security measures, setting standards and cultivating the corresponding expertise for all the individual companies. IT security supports the sustainability of our digitization and the physical security of our information, in addition to helping to ensure that our key business processes can be carried out by safeguarding the vitally necessary availability of our systems. IT security services are devised by the IT Security team and its international members.

In the period under review, an agreement was signed to outsource most of the applications previously run at the Messer Information Services data center in Gross-Umstadt, Germany. The goal of the cooperation is the strategic and technical reorganization of the Messer Group's IT infrastructure – in line with the current, globally established standards – to make the IT infrastructure more powerful, more stable and more secure, and thereby to create the central requirements for further efficiency enhancements and process improvements. Uniformly high security standards will be implemented in conjunction with the project. Between December 2020 and provisionally June 2021, all locations of the Messer Group and Messer Western Europe will be connected to the IBM data center. The existing, and highly mixed, security infrastructure at the locations will be standardized and placed under the uniform central management of a team of the outsourcing partner's experts.
Outdated versions of MS Office will be replaced by Office 365. In the future, all client PCs will be provided with central security updates and standardized, state-of-the-art software; also – as for the in-house smartphones – they will be administered centrally.

As part of the first wave in kicking off an IT security campaign, phishing e-mails were sent to management and IT staff in Europe. The phishing campaign will be continued in 2021 and employees will be trained in the risks of cybercrime using an awareness platform. We are thus reducing the potential risks and improving the knowledge of our employees.

Messer Americas is constantly investigating the strategic possibilities of digitization and developing a framework concept for information services to enable the companies to grow continuously. Essential aspects that are examined as part of this concept are business applications, technical infrastructure, Internet security and system management and organization. Within the company applications and the technical infrastructure, applications such as SAP S/4HANA or GOLD Suite are promoted, cloud-based services are increasingly used and the efficiency in the areas of business processing, automation and data management is examined. Internet security is an integral part of risk management, while protecting sensitive data is the top priority. Our employees therefore receiving ongoing awareness training for these issues. Management and organization are responsible for increasing efficiency within information services while at the same time ensuring excellent service.

## Data protection

Messer is committed to compliance with the applicable data protection regulations. Corresponding structures are therefore created to guarantee a high level of data protection at Messer in the long term.

The Messer Group Privacy Officer (GPO), who is committed to continuing and optimizing data protection, is responsible for the strategic coordination of the central data protection department at Messer and also oversees the implementation of data protection by the national subsidiaries. The GPO also provides a number of templates and processes to ensure a uniform standard of data protection.

A basic audit to establish the fundamental data protection level in the respective company was made possible using a list of questions developed by the GPO. In Western Europe, data protection audits are planned for three companies for the first time in 2021.

In order to further raise awareness of the threat posed by cybercrime, the GPO, together with the Group Legal department, has developed an e-learning on cybercrime and made it available to the national companies in Europe.

The data protection provisions are covered both in the Messer Group's Code of Conduct and a supplement to the Code for Messer Americas. In addition to this, Messer Americas has also created its own Data Protection Policy that can be accessed on its Compliance website. The contacts for data protection issues are the Senior Counsel and Regional Compliance Officer of Messer Americas and the Head of Human Resources for North America. Staff throughout the Americas can also contact the members of the Legal and Compliance team if they have any questions or concerns regarding data protection. Messer Americas also consults with external legal experts on compliance matters in South America in particular. The "Ethics and Code of Conduct" e-learning also contains a data protection module that must be completed for all employees of Messer Americas.

## Environmental management

Environmental protection, at all times and everywhere, is highly important to Messer. To live up to this, Messer uses its global management system for environmental protection. The internal environmental protection policies are documented in the Messer Industries Group's SHEQ Manual. The environmental management systems of the Western European and American subsidiaries are consistent with the international ISO 14001 standard, and those of the Western European companies also adhere to the recommendations of the European Industrial Gases Association (e.g. EIGA IGC Doc. 107 – Guidelines on Environmental Management Systems). In 2020, five of our subsidiaries in Western Europe had their environmental management systems externally certified. Messer Americas follows the American Chemistry Council's Responsible Care Program, under which 35 locations in the US are certified. Two air separation units and a $CO_2$ production site in Colombia are ISO 14001- and OHSAS 18001-certified, and four locations are ISO 14001-certified in Brazil.

The efficient use of energy is in Messer's own interests. Pursuing the main goal of reducing costs and conserving resources, energy management is an ongoing process that also helps to reduce our carbon emissions. Our energy management system, for example, is certified according to ISO 50001 at all Messer production sites in Germany and Spain.

At its production sites, Messer uses atmospheric air and electricity as the main raw materials for producing air gases such as nitrogen, oxygen and argon. Production by air separation units accounts for more than 75 % of total energy consumption. Particular emphasis is therefore placed on the ongoing enhancement of energy efficiency. Messer Group GmbH has thus engaged a Global Energy Manager (GEO) specifically to improve the energy efficiency of air separation units. The GEO also performs this task for the Western European companies of the Messer Industries Group.

The continuous monitoring of unit performance means that deviations in energy consumption can be detected and potential for improvement identified. In cooperation with local managers, projects to improve energy efficiency are being initiated on an ongoing basis.

Since joining the European Clean Energy Alliance in 2020, Messer can contribute its comprehensive expertise in the field of industrial gases in the interests of the efficient and effective use of green hydrogen with partners throughout Europe.

### Customer satisfaction / quality

Taking the opinions and satisfaction of our customers into account is self-evident for us as a responsible company, which is why we measure customer satisfaction in systematic surveys and integrate the results into our management processes. The analysis of customer satisfaction is repeated every two years at every European national company.

In Western Europe, customer satisfaction surveys were carried out in France, Switzerland and Spain (previous year: France). In total, 9,760 customers were asked to complete the survey, which yielded 1,032 responses. The results of the various surveys are summarized by region. On a scale from 1 for very dissatisfied to 10 for very satisfied, the overall performance of the Messer Industries Group in Western Europe has improved year-on-year to between 8.9 and 9.4 (previous year: 8.0). The results are at a high level overall.

In the Americas, satisfaction surveys were performed for the first time in the US and Brazil in 2020. 29,009 questionnaires were sent out, 3,037 of which were analyzed. Customer satisfaction for the Americas region was rated 5.6.

# Economic Report

## General economic conditions

The various industrial gases and the associated services and technologies are used in almost all industrial sectors, not to mention food technology, medicine, research and science. Gross domestic product (GDP), as it applies to all sectors and to the economy at large, is therefore a relevant indicator for the performance of the Messer Industries Group.

The World Health Organization (WHO) classified coronavirus (COVID-19) as a public health risk on January 30, 2020. The virus then quickly developed into a pandemic with serious repercussions worldwide. The measures to contain the COVID-19 pandemic and to protect the health of society led to temporarily necessary restrictions in everyday life and thus business life as well all over the world. As a result, according to estimates by the International Monetary Fund (IMF)[1] and the World Bank[2] , global economic growth slumped by around -4 % on average. According to the World Bank, for instance, real global GDP is believed to have contracted by -4.3 % in 2020, after having expanded by 2.3 % in 2019. The massive economic crash was evident in the industrialized nations and the emerging markets alike. Within the industrialized nations, the downturn in the euro area has been even more pronounced than in the US. The economic slump has meant a return to two different rates of GDP growth, estimated by the IMF at -2.4 % (2019: 3.6 %) for the emerging markets and -4.9 % (2019: 1.6 %) for industrialized nations in 2020.[1] The relatively moderate economic downturn on the emerging markets is largely thanks to China, which is also the only major economy expected to have generated GDP growth in 2020.

The 2020 economic performance in Europe was defined by a massive slump in industrial production as of the end of the first quarter, which would go on to bottom out during the second quarter. This was followed by a process of recovery that, by as early as the end of the third quarter, brought consumer spending back to the level of when the year began, though industrial production was not yet able to return to the level at which it started the year. The recovery process then suffered a tangible setback with the start of the fourth quarter and the second wave of the COVID-19 pandemic. According to the Organization for Cooperation and Development (OECD)[3] , GDP for the euro area is believed to have crashed by -7.5 % in 2020 after a minor increase of 1.3 % the year before. As a result, above all the larger Western European economic areas such as France, Italy and Spain suffered the severest economic slumps of between -9 % and -12 % of GDP, while Germany's GDP downturn is expected to match the OECD's average of -5.5 %. In Eastern Europe, GDP frequently slumped to below the euro area average (-7.5 %), though in some countries GDP fell by less than the OECD average (-5.5 %), for instance Poland at -3.5 % or Bulgaria at -4.1 % of GDP.
In China, where the COVID-19 pandemic first began, the economic downturn commenced just as the year began and reached its lowest point at the end of the first quarter. By as soon as the second quarter, the strict measures taken by the Chinese government to contain the pandemic started to have an effect and – according to official sources – the virus was largely under control by the middle of the year. As a result, China is expected to report GDP growth for 2020 as a whole, possibly of 2.0 % according to World Bank estimates (2019: 6.1 %). The Chinese government's general goal of reducing its dependence on exports by strengthening domestic demand with a corresponding focus on consumer spending and services was

[1] World Economic Outlook, Update January 2021
[2] Global Economic Prospects, January 2021
[3] OECD Economic Outlook – Volume 2020 Issue 2

advanced further, particularly in view of the escalating trade conflict with the US. In this context, the government stepped up its support for infrastructure projects especially.

In the US, the impact on economic development of the COVID-19 pandemic occurred in parallel to that in Europe, thus a massive economic slump in the first half of 2020 was followed in the third quarter by a recovery spurred by fiscal stimulus for private households. According to the IMF[4] , GDP for 2020 as a whole is expected to have collapsed by -3.4 %, following growth of 2.2 % in 2019. Production in particular was negatively impacted by the trade conflict with China and, in part, Europe as well, which escalated in 2020.

The IMF is projecting a more impactful drop in GDP of -4.5 % in Brazil, though the country had achieved slight growth of 1.4 % in 2019.

## Business performance

Industrial gases business is defined by a pronounced and highly varied diversification across economic sectors, customer segments and national activities. Furthermore, industrial gases business is locally structured, which means that it is not directly dependent on global supply chains. The restrictions to curb the COVID-19 pandemic, some of which were massive at times, increasingly focused on the leisure and travel sectors as 2020 progressed, and less on the industrial activities that are more significant to industrial gas operations. To a certain extent, there was also an isolated boom in the medical, foodstuffs and electronics segments.

For the Messer Industries Group, fiscal 2020 was defined by an economic crash in Europe as a result of the COVID-19 pandemic, which hit Western Europe harder than most Eastern European countries. The early temporary business closures in North America led to a decline in demand for industrial gases coupled with a rising need for medical oxygen. A tangible recovery was apparent on many markets during the summer months, with some even returning to their original prepandemic levels before the end of the year. South American business activities remained strong throughout the whole of the year, in particular because the need for healthcare services and medical oxygen outstripped the downturn in demand for industrial gases. The Brazilian economy proved robust on most markets in spite of the COVID-19 pandemic.

The Messer Industries Group was founded in fiscal 2018, and began operating effective March 1, 2019 following the acquisition and contribution of business in the Americas and Western Europe. Without adjusting for this limited comparability, the Messer Industries Group generated significant revenue growth of more than 16.5 % to K€ 1,965,492. In line with this revenue development, EBITDA was 45.1 % higher than in 2019 at K€ 541,040. However, the change as against the previous year is largely due to the different comparative period for operating activities.

The net debt of the Messer Industries Group was down on the previous year at K€ 1,946,309 (previous year: K€ 1,948,833) thanks to the higher consolidated net profit and despite higher tax payments in the US.

The Messer Industries Group brought the fiscal year to a satisfactory conclusion with revenue of K€ 1,965,492 and EBITDA of K€ 541,040.

[4] World Economic Outlook, Update January 2021

A slight increase in the Group's revenue was forecast in the previous year. As stated above, revenue rose by 16.5 %, though it should be noted that the Messer Industries Group did not commence operating activities until effective March 1, 2019. If one assumes that the Group had been operational for twelve months in 2019, revenue would have been down slightly in 2020 on account of the weak US dollar and Brazilian real. Adjusting for this effect, revenue increased slightly and thus the forecast was achieved.
A slight increase in EBITDA was also forecast in the previous year. If one assumes that the Group had been operational for twelve months in 2019 here as well, EBITDA would have risen by about 21 %. This positive development largely results from favorable purchasing conditions for helium, successful cost management in conjunction with the pandemic and a dynamic overall business performance, especially in the field of medical gases.
While a slight increase had been forecast, the net debt of the Messer Industries Group was reduced slightly in 2020 thanks to the high earnings in the fiscal year and in spite of high tax payments.
Translated into euro, the Messer Industries Group's capital expenditure was slightly less than in the previous year. However, adjusted for currency effects, capital expenditure increased in line with planning.

# Overall situation of the Messer Industries Group

## Results of operations

In fiscal 2020, the Group generated global revenue of K€ 1,965,492 (previous year: K€ 1,687,608), which breaks down among the individual regions as follows:

| Revenue | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 | Change in 2020 |
|---|---|---|---|
| North America | 1,353,366 | 1,142,224 | 18.5 % |
| Western Europe | 353,677 | 296,249 | 19.4 % |
| South America | 258,449 | 249,135 | 3.7 % |
| **Total** | **1,965,492** | **1,687,608** | **16.5 %** |

Business activities in the various regions developed as follows:

### North America

North America generated revenue of € 1,353 million. This positive development was buoyed by strong pricing and a higher demand volume in specialty and medical gases. The slump in demand in the segments affected by COVID-19 was therefore more than offset.

### Western Europe

The revenue of the Western European companies was up by € 58 million as against the previous year at € 354 million. In addition to temporary business closures in all Western European countries on account of the COVID-19 pandemic, this figure was influenced by a serious accident at a main pipeline customer in Tarragona, Spain. These factors led to a decline in revenue, above all in the fields of liquefied gases and on-site plants. An offsetting effect that compensated almost entirely for this decline resulted from successful pricing in fiscal 2020. Revenue increases in medical gases, specialty gases, hardware and cylinder rental made up for the weaker revenue from pipeline and liquefied gases business.

**South America**

The South America division generated revenue of € 258 million (previous year: € 249 million), a significant share of which was again contributed by Brazil at € 150 million (previous year: € 153 million). Revenue was characterized by very strong demand for medical oxygen, combined with ongoing sales volume and price increases in most business segments. The notional revenue increase of 4 % in South America is offset by the substantial depreciation of the Brazilian real against the euro.
The Group generated global EBITDA of K€ 541,040 in fiscal 2020 (previous year: K€ 372,819).

| EBITDA | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Operating profit/EBIT | 194,982 | 80,215 |
| Depreciation of property, plant and equipment, amortization of intangible assets and impairment | 346,058 | 292,604 |
| **EBITDA** | **541,040** | **372,819** |
| Revenue | 1.965,492 | 1,687,608 |
| **Margin:** | **27.5 %** | **22.1 %** |

As a negative effect, the operating profit essentially includes the costs of sales of K€ 1,001,068 (previous year: K€ 871,564), selling and distribution expenses of K€ 588,614 (previous year: K€ 542,604) and general and administrative expenses of K€ 181,113 (previous year: K€ 169,558).

The EBITDA of the North America region improved to € 371 million (EBITDA margin: 27.4 %) after € 250 million in the previous year with an EBITDA margin of 21.9 %. This development is essentially thanks to demand for products in segments with higher margins, flexibility in supply chains to reduce variable costs in line with the decline in demand and strict cost management. The previous year's EBITDA was squeezed by transaction and demerger costs in connection with the acquisition of activities from Linde and Praxair.

Western Europe generated EBITDA of € 95 million (previous year: € 61 million), corresponding to an EBITDA margin of 26.9 % (previous year: 20.6 %). There were positive effects as a result of successful pricing and cost savings in the areas of HR, travel expenses and external consulting services. Offsetting effects arose from a provision for legal matters in connection with energy deliveries in Spain in the amount of € 5.4 million.

South America reported EBITDA of € 75 million (previous year: € 62 million) with an EBITDA margin of 29 % (previous year: 24.9 %) in fiscal 2020, which – as in the previous year – was largely thanks to a rise in sales volumes and a solid price recovery despite cost pressure. Offsetting this, EBITDA in euro was hit hard by the substantial depreciation of the Brazilian real.

At K€ 85,816 (previous year: K€ 83,796), the net financial result is largely due to a negative net interest result. € 19 million of the financial liabilities raised in the previous year, essentially to finance the Linde/Praxair transaction, were repaid during the year.

In total, a consolidated net profit including non-controlling interests of K€ 52,461 (previous year: K€ 3,209) was generated in fiscal 2020. K€ 51,737 (previous year: K€ 2,695) of this relates to the shareholders of the parent company.

## Financial position

Group Treasury is responsible for overall liquidity, interest rate and currency management. The most important objective for Group Treasury is to ensure that the Group has a minimum level of liquidity to guarantee solvency at all times. High levels of cash funds improve our flexibility, security and independence. We can generate additional liquidity as necessary through various other unutilized credit facilities amounting to € 290 million (previous year: € 279 million).

### Financing

The Messer Industries Group is financed by a credit agreement with a syndicate of banks headed by CITIBANK N.A., UK.
The loan agreement serves to partially finance the purchase price payment for the Linde AG and Praxair business acquired in North and South America in 2019 and to finance ongoing business operations.

The credit agreement contains three facilities:

- "Facility B-1" of USD 2,225 million, a long-term, fully utilized loan with a term of seven years. The borrower is Messer Industries USA, Inc., Delaware. The loan will be repaid quarterly at 0.25% of the original amount, starting on June 28, 2019. The balance will be repaid in full on March 1, 2026. The margin is 2.5 % p.a. or 1.5 % p.a. depending on the underlying refinancing base of the banks.

- "Facility B-2" of € 540 million, a long-term, fully utilized loan with a term of seven years. The borrower is Messer Industries GmbH. The loan is due on March 1, 2026. The margin was initially 2.75 % p.a., until August 28, 2019, since when it has been subject to an adjustment mechanism based on the development of the ratio of senior net debt to consolidated EBITDA.

- "Revolving facility" of USD 450 million: The borrowers are Messer Industries GmbH and Messer Industries USA, Inc., Delaware, and any other company that secures the loan agreement as a guarantor. The facility can be used to finance working capital and for all general financing requirements of the company on a revolving basis. There is no need to reduce the loan to zero at any time during its term. It is available until March 1, 2024. The margin was 1.75% p.a. or 0.75 % p.a., depending on the underlying refinancing base of the banks, until August 28, 2019, since when it has been subject to an adjustment mechanism based on the development of the ratio of senior net debt to consolidated EBITDA. The facility of € 290 million was unutilized as of December 31, 2020.

Guarantees provided by individual Group companies serve as collateral for the financing. Investments in Group companies, property, plant and equipment, bank balances, trade receivables and receivables from affiliated companies were also pledged.

Net debt amounts to K€ 1,946,309 (previous year: K€ 1,948,833) as of December 31, 2020 and is calculated as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 | Change in 2020 |
|---|---|---|---|
| Financial liabilities | 2,357,116 | 2,526,255 | -6.7 % |
| Cash and cash equivalents | (410,807) | (577,422) | -28.9 % |
| **Net debt** | **1,946,309** | **1,948,833** | **-0.1 %** |

The ratio of existing financial liabilities (K€ 2,357,116) to total assets (K€ 4,656,611) was 50.6 % in 2020 (previous year: 47.4 %).

The change in gross financial liabilities is shown below:

| | |
|---|---|
| **Gross financial liabilities as of Jan. 1, 2020** | **2,526,255** |
| **Cash changes:** | |
| New debt raised | 3,367 |
| Capitalized financing costs | – |
| Payments of principal | (40,401) |
| **Non-cash changes:** | |
| Additions to lease liabilities | 24,447 |
| Changes due to currency translation | (167,646) |
| Change in Group reporting | – |
| Capitalized financing costs | 11,094 |
| **Gross financial liabilities as of Dec. 31, 2020** | **2,357,116** |

### Statement of cash flows

The statement of cash flows is as follows:

| **Condensed version in K€** | **Jan. 1 – Dec. 31, 2020** | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Profit before tax | 69,400 | (3,761) |
| Cash flow from operating activities | 222,581 | 414,310 |
| Cash flow from investing activities | (217,990) | (2,723,654) |
| Cash flow from financing activities | (133,795) | 2,888,751 |
| Changes in cash and cash equivalents | **(129,204)** | **579,407** |
| Cash and cash equivalents | | |
| **at the beginning of the period** | **577,422** | **124** |
| Currency translation effect on cash and cash equivalents | (37,411) | (2,109) |
| **at the end of the period** | **410,807** | **577,422** |

The cash flow from operating activities was K€ 222,581 and therefore K€ 191,729 lower than the previous year's level. In addition to significantly higher income tax payments of K€ 283,160 (previous year: K€ 88,311), this development is mainly due to changes in operating assets. The high income tax payments were incurred in the US and result from the acquisition of Linde AG's business there as of March 1, 2019.

The development in cash flow from investing activities was largely defined by investments in property, plant and equipment and intangible assets of K€ 240,746 (previous year: K€ 249,420). The cash flow from investing activities in the previous year reflected the acquisition of the business activities of Linde and Praxair at K€ 2,501,285.

The cash flow used in financing activities amounted to K€ 133,795, after cash generated by financing activities of K€ 2,888,751 in the previous year. After financial liabilities were incurred to finance new business activities in the previous year, these liabilities were paid off in installments in the past fiscal year. There were cash outflows of K€ 91,185 (previous year: K€ 95,125) for interest essentially relating to financing.

The cash funds of the Messer Industries Group amount to K€ 410,807 as of December 31, 2020.

Operating business will grow, investments will be made and the maturing loans and interest will be repaid in fiscal 2021 as well. Medium-term planning is still focused on the consolidation of net debt for our business activities in the US. The funds required will be generated from cash flow from operating activities, available cash and unutilized credit facilities.

The Group has undertaken to invest in the acquisition, construction and maintenance of various production facilities. Obligations of this kind relate to the future purchase of plant and equipment at market prices. There are also long-term contracts giving rise to obligations. As of December 31, 2020, the commitments under orders, investment projects and long-term contracts amounted to K€ 612,942 (previous year: K€ 325,469).

**Capital expenditure**

Capital expenditure continues to focus on safeguarding existing business and exploiting profitable growth potential. In line with business principles, we therefore primarily invest in projects that safeguard our product supply or that offer opportunities for profitable growth. Furthermore, there is regular investment in the modernization of production systems and distribution channels.

The capital expenditure of the Messer Industries Group as a whole is explained below.

The Messer Industries Group invested around € 247 million in intangible assets and property, plant and equipment in 2020. Expressed as a percentage of total revenue, capital expenditure amounts to 12.6 % (previous year: 14.8 %).

Capital expenditure breaks down by region as follows:

| Capital expenditure in K€ | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| North America | 179,460 | 179,190 |
| Western Europe | 51,704 | 52,501 |
| South America | 15,479 | 17,729 |
| **Total** | **246,643** | **249,420** |

In North America, investment again focused on safeguarding existing business and projects dealing with on-site plants and air separation units in the field of liquefied gases with opportunities for profitable growth. Given the impact of the COVID-19 pandemic on the world economy, customers in North America postponed projects and there were delays in the construction of new plants. Furthermore, North America postponed several investment projects until the fourth quarter of the past fiscal year and the start of 2021. Investments in intangible assets and property, plant and equipment essentially related to new air separation units in Indianapolis, Indiana, USA, Claymont, Delaware, USA, and Arroyo, West Virginia, USA, the construction of a carbon dioxide plant in Keyes, California, USA, and the modernization and repair of an $LCO_2$ plant in Bayport, Texas, USA. Furthermore, there was investment in sales equipment and maintenance, in addition to capital expenditure to boost productivity.

Large-scale plant projects account for € 23.1 million of capital expenditure in Western Europe (€ 51.7 million), and operating activities for € 28.6 million. The biggest projects were the air separation unit in Speyer (€ 12.4 million) that went live at the end of 2020 and the new air separation unit Messer V in Spain, which is due to go live at the end of 2021. Investments in operating activities mainly relate to the maintenance of machinery, support for core business and investments in cylinders.

In South America, as in the previous year, capital expenditure amounted to € 15 million and related to operating activities and the maintenance of existing systems.

## Net assets

Total assets declined by K€ 678,115 in the reporting year to K€ 4,656,611 as of December 31, 2020. The main factors contributing to this were the decline in non-current assets of K€ 457,051 and in cash and cash equivalents of K€ 166,615.

At 79.9 %, non-current assets again account for the largest share of total assets (previous year: 78.3 %).

As before, the largest item on the assets side is capital assets (property, plant and equipment, right-of-use assets and intangible assets) at 78.8 %, down by 11.1 % as against the previous year (77.3 %). This change mainly results from depreciation and amortization and from investing activities in the current fiscal year.

The equity ratio (including non-controlling interests) increased slightly to 25.9 % (previous year: 24.6 %).

Net financial liabilities amount to K€ 2,357,116 in the fiscal year (previous year: K€ 2,526,255) and account for 50.6 % (previous year: 47.4 %) of total equity and liabilities. Please refer to our comments under "Financial position".

### Operating assets

Net working capital breaks down as follows:

| Operating assets | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Inventories | 156,361 | 184,521 |
| Trade receivables | 256,792 | 276,407 |
| Trade payables | (148,045) | (215,231) |
| Prepayments received | (16,203) | (18,583) |
| | **248,905** | **227,114** |

The increase in operating assets of K€ 21,791 is essentially due to the trade payables of our companies in the US and Brazil.

The ratio of inventories (less prepayments received) and trade receivables to trade payables is around 3:1 (previous year: 2:1). The ratio of operating assets to revenue is 12.7 % (previous year: 13.5 %).

Days sales outstanding (DSO) improved to 47 (previous year: 59).

**Overall statement on the economic situation**

The satisfactory overall business development is in line with expectations that were formed when acquiring the new business activities. The Messer Industries Group has a global presence with its three main regions of Western Europe, North America and South America, and it has good regional diversification in a large number of countries within these three core regions. Weak demand on individual markets or downturns in specific industries can therefore often be compensated.

# Forecast Report

## General economic development

The global progress in COVID-19 vaccine development in recent months has given the leading economic research institution grounds for optimism in their assessment of the global GDP growth trend for 2021. On top of this, there is the stimulus of fiscal policy measures and economic relief programs recently resolved and set up by leading economic nations such as the US, Japan and the EU. For 2021 and 2022 as well, tangible catch-up effects are expected in the global growth trend for GDP, which should exceed the average level of recent years. For example, the World Bank[1] or the International Monetary Fund (IMF)[2] are forecasting global GDP growth for 2021 of 4.0 % to 5.5 % following a projected -4.3 % to -3.5 % in 2020. The return of global economic momentum is expected to be driven by significantly stronger GDP growth in the industrialized nations and the emerging markets alike, though the GDP growth rates of the industrialized nations obviously will not match those of the emerging markets. For 2021, the IMF, for example, is forecasting total GDP growth of 4.3 % for the developed nations after an expected -4.9 % in 2020, but GDP growth of 6.3 % for the emerging markets after -2.4 % in 2020.
China is expected to take advantage of its early recovery in 2020 to further advance its claim to global economic significance. For 2021, the World Bank and the IMF are forecasting a rise in GDP growth momentum to up to 8.3 %, as compared to a previously waning economic trend of around 6 % in 2019. The risk that the trade conflict with the US will escalate is seen as less relevant following the change of government. In the US, ongoing GDP growth is expected to benefit from fiscal policy measures, the decline in political uncertainty and comprehensive COVID-19 vaccination measures. Thus, the economic research institutes[1,2] are forecasting a significantly higher GDP growth rate of up to 5.1 % in 2021 after a decline in GDP of more than 3 % in 2020. According to World Bank forecasts, consistently good financing conditions and the progress in COVID-19 vaccinations should lead to a moderate resurgence of economic growth in Brazil with a GDP growth rate of 3.0 % in 2021.

The World Bank and the IMF have highlighted the significant forecast risks in their statements for 2021, this time primarily on account of the uncertainty regarding the outcome of efforts to combat the COVID-19 pandemic.

[1] Global Economic Prospects, January 2021
[2] World Economic Outlook, Update January 2021

## Outlook for the Messer Industries Group

The medium-term planning of the Messer Industries Group is still defined by efforts to boost profitability while at the same time achieving a modest reduction in net debt. Through suitable investment, we intend to further increase revenue in line with the general economic conditions and utilize selected measures to stabilize or increase the Messer Industries Group's profitability.

In Western Europe – provided that there are no major unforeseen consequences due to an ongoing COVID-19 pandemic – revenue is expected to grow by 2.4 % (previous year: 5.0 %) and EBITDA by 9 % (previous year: 7 %) in the coming fiscal year. Regarding future economic developments in Europe, we anticipate an end to partial business closures in connection with efforts to curb the COVID-19 pandemic the first quarter of 2021. Our business activities in Europe will continue to focus on optimized utilization of the new production capacity created in recent years, selected customer projects and targeted capacity expansion. In Europe especially, we anticipate further price increases in the area of energy costs, which are highly significant to our industry.

The outlook for North America anticipates an increase in revenue of 1 % (previous year: 5 %) with EBITDA remaining unchanged (previous year: increase of 6 %) in fiscal 2021. The reversal of unsustainable cost management activities and the volume recovery in core industrial segments will allow EBITDA and EBITDA margins to return to a normal level, i.e. lower level.

Assuming that industrial activities throughout the region will continue to grow, revenue in South America is expected to rise by 7 % (previous year: 4 %) with EBITDA expanding by 5 % (previous year: 5 %). Local currencies are not expected to depreciate further.

Future investment decisions are made in line with a proportionate development of net debt.

The developments of the most important financial performance indicators of the Messer Industries Group for the following year are planned as follows:

| | 2021 vs. 2020 |
|---|---|
| Revenue | Slight increase |
| EBITDA | Slight increase |
| Capital expenditure | Strong increase |
| Net debt | Slight decrease |

Planning for fiscal 2021 is based on the assumptions of successful efforts to combat the COVID-19 pandemic and an end to partial business closures.
We expect that growth momentum in North America will continue to accelerate in 2021 after recovering from the COVID-19 pandemic. In our overall forecast for Western Europe, we have assumed a comparatively slow recovery in economic growth and industrial production.
In South America, we are forecasting a slight increase in market growth with industrial production continuing to rise.

## Forward-looking statements

The forecast contains forward-looking statements based on management's current appraisal of future developments. These statements should not be interpreted as a guarantee that these expectations will actually occur. The future business performance and earnings of the Messer Industries Group are dependent on a number of risks and uncertainties, and can therefore diverge significantly from the forward-looking statements made here.

# Report on Opportunities

As an international supplier of industrial gases, opportunities arise for the Messer Industries Group from the versatile applications for industrial gases in the manufacture of products needed in all fields of life and every country of the world. Through our investments, we seize the corresponding opportunities to tap new business potential and to maintain and expand our market position.

Specifically, the following opportunities in particular could be significant to business development and to financial position and financial performance:

## General economic opportunities

The overall economic environment generally influences our business activities, our financial position and financial performance and our cash flows. Our forecast for 2021 is based on the expectation that the future economic framework will be consistent with the information presented in the forecast section of this management report. If the global economy as a whole or in regions/countries relevant to our business develop better than shown in this forecast, our revenue and earnings could outperform the forecast.

In the Americas in particular, industrial gases business proved highly resistant during the COVID-19 pandemic. We therefore assume that future business developments will not follow the modest economic growth/GDO recovery forecasts.

## Opportunities arising from industrial gas applications

Our products are used in a variety of production processes worldwide. In the field of application technology, the Messer Industries Group continuously analyzes various processes to enhance production efficiency for our customers through the use of industrial gases. New applications identified in this way could open up corresponding business potential with a positive impact on revenue and earnings.

## Opportunities arising from optimization

Where necessary, the Messer Industries Group implements selected optimization measures in support of business performance. If the various measures are implemented more quickly or more successfully, this could have a positive impact on revenue and earnings.

## Opportunities through our employees

The Messer Industries Group promotes "ideas management" throughout the organization, allowing our employees to suggests improvements across all national borders. In addition, the active development and use of our employees' potential is supported by systematic personnel development programs and training. We believe that investing in the development of our employees promotes a good corporate culture throughout the company and could have a positive effect on revenue and earnings.

# Risk Report

As an international supplier of industrial gases, we face risks with that are inextricably linked to entrepreneurial activity. In addition to fluctuating demand for industrial gases and the related products, future earnings development is also dependent on economic trends in individual countries that are beyond the Messer Industries Group's control.

The following risks have been presented in gross terms, i.e. mitigating factors have not been taken into account.

Specifically, the following risks in particular could have a significant negative impact on business development and on financial position and financial performance:

## General economic risks

The industrial gases business is competitive. The effect of globalization on the company can vary according to geographical location. Any change in the competitive environment could reduce Messer's future earnings and cash flows. The Messer Industries Group operates in a large number of countries, and it is therefore exposed to local political, social and economic conditions and the resulting risks.

## Market risks

We deliver to a broad range of industries and sectors (including steel production and metal processing, the chemicals industry, petrochemicals industry, food and beverage industry, healthcare and glass industry) on the basis of long-term supply agreements running from between up to 15 years in Europe to up to 20 years in the Americas. A significant reduction in market demand in any one of these key industries or sectors could adversely affect future earnings. We currently rate operational risks as medium.

## Health risks

We supply a wide range of industries that today run production operations virtually everywhere in the world. These global supply chains can be severely disrupted by epidemics of infectious diseases in major manufacturing countries or a pandemic. In view of the global COVID-19 pandemic, we currently rate the corresponding risk of an economic impairment as high. With regard to health systems already in place in large parts of the world and the very recent developments in vaccine distribution, we assign the longer-term economic risks of disruption stemming from this to the medium-risk category.

## Cost risks

Regulatory or governmental changes or intervention in the energy sector can lead to rising energy prices in individual countries. Rising energy requirements are causing fluctuations in prices for oil and energy with corresponding implications for the operating materials and precursors required by the Messer Industries Group.

In the US, management is implementing measures to contain these commodity risks, including the electricity price risk arising from electricity purchases for operating activities. Management's objectives and strategies consist of hedging against these risks as far as possible and reasonable. It is also assumed that energy prices will decrease in the years ahead due to declining demand for natural gas and low oil prices.

Purchase prices for individual significant products fluctuate considerably. Although the Messer Industries Group can often pass cost increases on to its customers through price escalation clauses in its supply agreements (especially increases in the price of electricity) or mitigate them with long-term procurement contracts, price increases for energy and external procurement costs can reduce the profitability of the Messer Industries Group. We currently rate cost risks as high.

## Price risks

In individual countries, the highly competitive environment could lead to disproportionate price trends that reduce our future revenue and earnings. We currently rate price risks as medium to high.

## Operational risks

A business interruption at our production facilities can lead to supply disruption for our customers. We endeavor to avoid this situation by regularly maintaining and monitoring our equipment. In the event of damage, we have emergency and contingency plans in addition to tools to mitigate the financial consequences of a business interruption for our customers. The Messer Industries Group is working to improve delivery reliability and flexibility to safeguard delivery capability for customers even in the event of an emergency. The range and quality of our services are dependent on the availability of purchased hardware and the production equipment used (e.g. cylinders and tanks), and on the service quality of suppliers and business partners. We currently rate operational risks as medium to high.

## IT risks

The use of state-of-the-art information technology plays a key part in handling and securing business processes within the Messer Industries Group.
The security and compliance of the information systems are set out in the IT strategy objectives. On this basis, we are constantly designing, implementing and reviewing measures to protect data, applications, systems and networks. This process takes both preventive and corrective measures into account.
We use preventive vulnerability scans to check the externally accessible IT communication points of our European companies. The vulnerabilities identified are addressed according to their risk category and resolved with corresponding measures.
We use a checklist jointly defined by the IT security team to perform self-audits of IT security, thereby mapping the current status, and recommend measures to avoid or reduce risks. The analysis focuses on questions about the IT systems and applications used, and also examines infrastructure or network areas. This instrument also serves to raise awareness and avoid potential risks in IT operations. We currently rate IT risks as medium.

## Financial risks

We require our available cash funds and credit facilities for our growth and investments. We are dependent on a stable and, in particular, liquid financial sector. The Messer Industries Group relies on cash from current business activities to settle the obligations under its borrowing operations, including compliance with covenants. This depends to a large extent on a positive operating cash flow.

The Group has recognized goodwill. Applying IAS 36, i.e. testing for impairment, can lead to impairment losses on goodwill if the market and business prospects of a subsidiary, associate or a cash-generating unit deteriorate significantly compared to their original measurement date. In the event of impairment becoming necessary, this could have a significant impact on earnings and accounting ratios.

Global economic collapse or downturns are a recurrent threat in conjunction with financial or debt crises. The Messer Industries Group will closely monitor current developments in order to take countermeasures, if necessary, in the form of cost and investment saving programs. The possible deterioration in the credit ratings of our customers entails the risk of bad debts and delays to joint projects.

In the Messer Industries Group, financial risks can also arise from changes in exchange rates and interest rates. The management of interest rate, currency and liquidity risks is handled by the Treasury department based on the guidelines set out by management. The Treasury department calculates and measures financial risks and hedges against them. The Messer Industries Group currently uses standard currency forwards, non-deliverable forwards, interest derivatives and electricity swaps as hedging instruments. The Treasury guidelines contain principles for general risk management and individual regulations for specific areas, such as currency and interest rate risks, the use of derivative financial instruments and the investment of surplus cash. The risks are monitored at all times and the extent of protection is adjusted if necessary. We currently rate the impact of relevant financial risks as low to medium.

## Currency risks

As far as operating activities of the Messer Industries Group are concerned, the individual Group companies predominantly conduct their business locally in their functional currency. The overall currency risk from transaction risks is thus considered low overall.
However, a number of Group companies are exposed to foreign currency risks in connection with operational transactions not denominated in their own functional currency. This mainly relates to payments for product or service imports and are hedged as far as possible. Like all market participants, we could unexpectedly encounter appreciation in a functional currency that weakens the country's international competitive capability for exports and our local activities. We see currency risks from translating foreign currency exposures into euro as a standard part of doing business. Exchange rate losses against the euro could lead to lower consolidated net profit and consolidated equity. We rate currency risks as high at this time.

## Legal and contractual risks

Time and again, businesses are confronted with allegations that they have infringed industrial rights or legal obligations, delivered defective products or failed to comply with environmental protection laws. Regardless of their chances of success, such claims can result in very high defense costs. The Messer Industries Group relies on the support of both in-house and external experts to handle such matters.

The Group has recognized a provision of € 5 million in connection with investigations in Spain. For further information on these investigations, please refer to note 31 "Contingent liabilities" in the notes to the consolidated financial statements.

Our business activities in many countries are subject to specific environmental laws and regulations, for example on air emissions, groundwater pollution, the use and handling of dangerous substances and soil analysis and detoxification. This can give rise to liability risks in conjunction with either past or current operations. New environmental requirements in particular necessitate the occasional adjustment of our standards. This could result in higher production costs and modifications to the production process. However, the recent past shows that the integration of stricter environmental regulations results in a more efficient production process and higher quality product. We currently rate legal and contractual risks as medium.

## Overall conclusion

The opportunities set out above show that there is both internal and external potential. We endeavor to actively develop in-house potential and will leverage external potential whenever the opportunity arises. These are not the only risks to which the Messer Industries Group is exposed. Some risks, which have not yet been identified or which are not considered significant today, could possibly have an adverse effect on the Messer Industries Group if the overall conditions were to change. However, no risks were identified in

2020 that, individually or in aggregate, could significantly influence the Messer Industries Group as a going concern. Management does not expect these risks to occur in 2021 either. The main operational risks in the reporting period are still in the areas of market development and production. We have put all organizational requirements in place to identify potential risks early on. Our vigilant, active risk management system, as described below, helps us to limit risk.

# Risk Management

The principles of risk policy are defined by management. Risk management is designed to ensure that the Group remains a going concern and to increase its enterprise value; it is therefore a key component of all decision-making and business processes. The management structure and the reporting processes in place ensure that not just the developments that could threaten the Group as a going concern, but also even developments that could pose a threat to short-term corporate targets (such as EBITDA), are reported to the appropriate persons promptly and regularly. This allows management to initiate measures to mitigate any operating or financial risks early on. Risk managers who safeguard the local reporting processes have been appointed at the individual subsidiaries.

The Messer Industries Group has arranged for adequate insurance for potential losses and liability risks, which ensures that the possible financial consequences of risks that occur are either contained or eliminated entirely. The extent of this insurance cover is continuously optimized based on the specific requirements of the companies in each country.

The Safety, Health, Environment, Quality (SHEQ) department will continue to carry out audits and risk analyses in order to further reduce the accident ratio.

State-of-the-art technologies are used in IT to minimize risks in this area. Unauthorized access to data and systems, as well as significant data losses, have therefore been ruled out as far as possible. The efficiency, availability and reliability of systems are constantly being monitored and improved. The security concept also comprises detailed contingency planning. All the technologies used are regularly tested to ensure the security of IT-based business processes so as to minimize risks of all kinds.

Tax laws and competition regulations can also give rise to business risks. The company relies on the advice of both in-house and external experts.

Messer's Corporate Governance contains a large number of requirements and measures to prevent risks from occurring. The primary component of risk management at the Messer Industries Group is a risk assessment. This is performed – and updated each year – by the central offices for the respective department and by each consolidated subsidiary for its own business. The reports on this are channeled centrally to the Corporate Compliance Officer (CCO) in the Americas and Western Europe. The Compliance department for Western Europe is run by Messer Group GmbH. Training is organized and carried out based on this to cover the identified risk areas and to identify best practices for minimizing the occurrence of risks. Messer has issued binding compliance guidelines for its companies. In particular, these include the Code of Conduct and the Group Guidelines. All managers at the first and second management levels have confirmed that they have received these regulations, acknowledged their content and are committed to complying with them.

Furthermore, all employees have been informed of the content relevant to them and have confirmed their compliance. Management and employees receive regular information and training on the content of these guidelines, other policies and rules of conduct.

On the basis of a matrix structure, Compliance works closely with the SHEQ, Medical, IT, Internal Audit, Legal and Insurance departments. Compliance breaches are followed up and dealt with appropriately. They are also taken as an opportunity to consider preventive measures to stop the associated risk from occurring again in the future if possible.

Bad Soden am Taunus, April 9, 2021

Yeti GermanCo 1 GmbH

# Consolidated Financial Statements
of Yeti GermanCo 1 GmbH 2020

## Consolidated Income Statement

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus), for the period from January 1 to December 31, 2020 (in K€)

| | Note | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|---|
| Revenue | 4 | 1,965,492 | 1,687,608 |
| Cost of sales | 5 | (1,001,068) | (871,564) |
| Gross profit | | **964,424** | **816,044** |
| Selling and distribution expenses | 6 | (588,614) | (542,604) |
| Reversal of impairment/(impairment) on trade receivables | 32 | (2,861) | (4,026) |
| General and administrative expenses | 7 | (181,113) | (169,558) |
| Other operating income | 8 | 27,310 | 28,637 |
| Other operating expenses | 9 | (24,164) | (48,278) |
| Operating income | | **194,982** | **80,215** |
| Income from investments accounted for using the equity method | 10, 16 | 58 | 326 |
| Other investment result, net | 10 | (968) | (668) |
| Finance income | 10 | 11,369 | 31,699 |
| Finance costs | 10 | (136,041) | (115,333) |
| Financial result, net | | **(125,582)** | **(83,976)** |
| Profit before tax | | **69,400** | **(3,761)** |
| Income/(expense) from income taxes | 11 | (16,939) | 6,970 |
| Profit after tax | | **52,461** | **3,209** |
| **Consolidated net profit** | | **52,461** | **3,209** |
| Attributable to: | | | |
| Shareholders of the parent company | | 51,737 | 2,695 |
| Non-controlling interests | | 724 | 514 |

# Consolidated Statement of Comprehensive Income

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus), for the period from January 1 to December 31, 2020 (in K€)

| | Note | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|---|
| **Consolidated net profit** | | **52,461** | **3,209** |
| Items that may be reclassified to profit or loss | | | |
| Change in translation adjustments relating to foreign subsidiaries | 30 | (154,152) | (26,766) |
| Of which: Reclassifications of currency translation differences in conjunction with deconsolidation | | – | – |
| Result from the net investment in a foreign operation | 30 | 4,700 | 6,708 |
| Deferred taxes | 11 | (1,038) | (1,683) |
| Derivative financial instruments | | | |
| Change in fair value of derivatives used for hedging purposes[1] | 32 | (14,113) | (13,863) |
| Reclassification to profit or loss | 32 | 9,948 | 4,496 |
| Deferred taxes | 11 | (569) | 2,781 |
| From associates accounted for using the equity method | 16 | – | – |
| | | **(155,224)** | **(28,327)** |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of net defined benefit obligation for pension plans and other employee benefits | | | |
| Change in remeasurement of the net defined obligation for pension plans | 25 | (3,507) | (7,735) |
| Deferred taxes | 11 | 605 | 2,138 |
| | | **(2,902)** | **(5,597)** |
| **Other comprehensive income** | | **(158,126)** | **(33,924)** |
| **Total comprehensive income** | | **(105,665)** | **(30,715)** |
| Attributable to: | | | |
| Shareholders of the parent company | | (105,815) | (31,258) |
| Non-controlling interests | | 150 | 543 |

[1] Gains/losses on financial instruments in effective hedges

For further information on equity, please refer to the comments on the consolidated statement of changes in equity below and note 30 "Equity" in the notes to the consolidated financial statements.

# Consolidated Statement of Financial Position

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus) as of December 31, 2020 (in K€)

| Assets | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Goodwill | 14 | 566,429 | 655,901 |
| Right-of-use assets | 14 | 78,814 | 84,182 |
| Other intangible assets | 14 | 1,005,648 | 1,162,332 |
| Property, plant and equipment | 15 | 2,017,836 | 2,223,363 |
| Investments accounted for using the equity method | 16 | 5,680 | 5,894 |
| Equity investments and other financial investments | 17, 18 | 1,494 | 1,494 |
| Deferred tax assets | 11 | 16,909 | 6,323 |
| Other financial assets | 19 | 25,375 | 37,364 |
| Non-financial assets | 19 | 1,959 | 1,357 |
| Non-current assets | | **3,720,144** | **4,178,210** |
| Inventories | 20 | 156,361 | 184,521 |
| Trade receivables | 21 | 256,792 | 276,407 |
| Current income tax assets | | 45,285 | 20,926 |
| Other current financial assets | 23 | 24,434 | 42,319 |
| Non-financial assets | 23 | 42,788 | 54,921 |
| Cash and cash equivalents | 24 | 410,807 | 577,422 |
| Current assets | | **936,467** | **1,156,516** |
| **Total assets** | | **4,656,611** | **5,334,726** |

# Consolidated Statement of Financial Position

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus) as of December 31, 2020 (in K€)

| **Equity and Liabilities** | Note | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|---|
| Issued capital | 30 | 30 | 30 |
| Capital reserves | 30 | 1,329,973 | 1,329,973 |
| Retained earnings | 30 | 53,133 | 4,298 |
| Other components of equity | 30 | (183,007) | (28,357) |
| Equity attributable to shareholders of the parent company | | **1,200,129** | **1,305,944** |
| Non-controlling interests | 30 | **3,648** | **4,195** |
| Equity | | **1,203,777** | **1,310,139** |
| Provisions for employee benefits | 25 | 47,162 | 49,708 |
| Other provisions | 26 | 60,932 | 51,067 |
| Non-current financial liabilities | 27 | 2,333,741 | 2,502,734 |
| Deferred tax liabilities | 11 | 466,019 | 529,505 |
| Other non-current financial liabilities | 28 | 2,052 | – |
| Non-current liabilities | | **2,909,906** | **3,133,014** |
| Other provisions | 26 | 26,532 | 26,859 |
| Current financial liabilities | 27 | 23,375 | 23,521 |
| Trade payables | 32 | 148,045 | 215,231 |
| Current income tax liabilities | 29 | 27,022 | 283,166 |
| Other current financial liabilities | 29 | 83,099 | 33,176 |
| Non-financial liabilities | 29 | 234,855 | 309,620 |
| Current liabilities | | **542,928** | **891,573** |
| **Total equity and liabilities** | | **4,656,611** | **5,334,726** |

# Consolidated Statement of Changes in Equity

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus), for fiscal 2020 (in K€)

| | | Reserves | | Other components of equity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Capital reserves | Retained earnings | Currency translation reserve | Hedging reserve | Result from net investment | Equity attributable to shareholders of the parent company | Non-controlling interests | Total equity |
| **As of Jan. 1, 2019** | **25** | **75** | **7,200** | **(1)** | **–** | **–** | **7,299** | **12** | **7,311** |
| Consolidated net profit | – | – | 2,695 | – | – | – | 2,695 | 514 | 3,209 |
| Other comprehensive income | – | – | (5,597) | (26,795) | (6,586) | 5,025 | (33,953) | 29 | (33,924) |
| **Total comprehensive income** | – | – | **(2,902)** | **(26,795)** | **(6,586)** | **5,025** | **(31,258)** | **543** | **(30,715)** |
| Additions to/ withdrawals from reserves | – | – | – | – | – | – | – | – | – |
| Distributions | – | – | – | – | – | – | – | – | – |
| Capital increase | 5 | 1,329,898 | – | – | – | – | 1,329,903 | – | 1,329,903 |
| Capital reduction | – | – | – | – | – | – | – | – | – |
| Additions/disposals of non-controlling interests | – | – | – | – | – | – | – | 3,640 | 3,640 |
| **As of Dec. 31, 2019** | **30** | **1,329,973** | **4,298** | **(26,796)** | **(6,586)** | **5,025** | **1,305,944** | **4,195** | **1,310,139** |
| **As of Jan. 1, 2020** | **30** | **1,329,973** | **4,298** | **(26,796)** | **(6,586)** | **5,025** | **1,305,944** | **4,195** | **1,310,139** |
| Consolidated net profit | – | – | 51,737 | – | – | – | 51,737 | 724 | 52,461 |
| Other comprehensive income | – | – | (2,902) | (153,578) | (4,734) | 3,662 | (157,552) | (574) | (158,126) |
| **Total comprehensive income** | **–** | **–** | **48,835** | **(153,578)** | **(4,734)** | **3,662** | **(105,815)** | **150** | **(105,665)** |
| Additions to/ withdrawals from reserves | – | – | – | – | – | – | – | (1) | (1) |
| Distributions | – | – | – | – | – | – | – | (696) | (696) |
| Capital increase | – | – | – | – | – | – | – | – | – |
| Capital reduction | – | – | – | – | – | – | – | – | – |
| Additions/disposals of non-controlling interests | – | – | – | – | – | – | – | – | – |
| **As of Dec. 31, 2020** | **30** | **1,329,973** | **53,133** | **(180,374)** | **(11,320)** | **8,687** | **1,200,129** | **3,648** | **1,203,777** |

For further information on equity, please refer to the comments under note 30 “Equity” in the notes to the consolidated financial statements.

# Consolidated Statement of Cash Flows

of Yeti GermanCo 1 GmbH, Sulzbach (Taunus), for fiscal 2020 (in K€)

| | Note | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|---|
| **Consolidated net profit before taxes** | | **69,400** | **(3,761)** |
| Income taxes paid | | (283,160) | (88,311) |
| Depreciation of property, plant and equipment, amortization of intangible assets and impairment | 14, 15 | 346,058 | 292,604 |
| Losses/(gains) on disposal of fixed assets | | (7,352) | (2,516) |
| Changes in investments in associates | 16 | (58) | (326) |
| Net interest income | 10 | 85,816 | 83,796 |
| Changes in inventories | | 13,191 | 23,793 |
| Changes in trade receivables | | (6,574) | 33,030 |
| Changes in provisions | | (430) | 9,986 |
| Changes in trade payables | | (14,891) | 46,221 |
| Changes in other liabilities and other assets | | 20,581 | 19,794 |
| **Cash flow from operating activities** | | **222,581** | **414,310** |
| Investments in property, plant and equipment and intangible assets | | (240,746) | (249,420) |
| Investments in equity investments and other non-current assets | | – | (2,501,285) |
| Capital reductions and dividends received from associates | | 136 | – |
| Proceeds from disposals of property, plant and equipment and intangible assets | | 15,304 | 17,240 |
| Disbursement from disposals of subsidiaries and loans | | – | (323) |
| Interest received | | 7,316 | 10,134 |
| **Cash flow from investing activities** | | **(217,990)** | **(2,723,654)** |
| Changes in capital by shareholders of Yeti GermanCo 1 GmbH | | — | 557,883 |
| Proceeds from non-current financial liabilities | | 3,317 | 2,525,732 |
| Proceeds from current financial liabilities | | 50 | 175 |
| Repayments of non-current financial liabilities | | (19,428) | (15,692) |
| Repayments of current financial liabilities | | (69) | (187) |
| Payments for lease liabilities | | (16,104) | (9,388) |
| Transaction costs | | – | (74,727) |
| Distributions to non-controlling interests | | (696) | – |
| Interest paid | | (91,185) | (95,125) |
| Other net finance costs | | (9,680) | 80 |
| **Cash flow from financing activities** | | **(133,795)** | **2,888,751** |
| Changes in cash and cash equivalents | | **(129,204)** | **579,407** |
| Cash and cash equivalents at the beginning of the period | | **577,422** | **124** |
| Currency translation effect on cash and cash equivalents | | (37,411) | (2,109) |
| at the end of the period | | **410,807** | **577,422** |

# Notes to the Consolidated Financial Statements

of Yeti GermanCo 1 GmbH 2020

## 1. General Information

Yeti GermanCo 1 GmbH (the "Company") is a holding company with the business address Messer-Platz 1, 65812 Bad Soden am Taunus, and is based in Sulzbach (Taunus), Germany, registered with the Frankfurt/Main Local Court under the number HRB 111626. Yeti GermanCo 1 GmbH is the parent company of the Messer Industries Group (the "Group"), which produces and sells industrial gases (in particular oxygen, nitrogen, argon, helium, carbon dioxide, hydrogen and rare and high-purity gases), processes for their use and systems located on the customer's property (on-site plants) for gas production. The main customers of the Messer Industries Group include important companies from the manufacturing, chemical, steel-producing and pharmaceutical industries, the food industry and waste management.

Yeti GermanCo 1 GmbH was founded as a joint venture by Messer Group GmbH and CVC Capital Partners (CVC), UK, with the purpose of assuming the management of Messer's business in Western Europe and the Americas. In this context, Messer Group GmbH has contributed its Western European operating activities in Spain, Portugal, Switzerland, France, Belgium, the Netherlands, Denmark, Germany and the company in Algeria, plus a right-of-use asset for the ‚Messer - Gases for Life' brand, to the joint venture for a period of ten years as of March 1, 2019. The requirements of section 315e (3) of the *Handelsgesetzbuch* (HGB – German Commercial Code) for the preparation of the consolidated financial statements of Yeti GermanCo 1 GmbH in accordance with the International Financial Reporting Standards (IFRS) have been satisfied.

Comparisons with the previous year are limited as the Messer Industries Group only became operational effective March 1, 2019.

The reporting date for Yeti GermanCo 1 GmbH and all the subsidiaries included in the consolidated financial statements is December 31 of the calendar year.

The consolidated financial statements of the Company for the fiscal year ended December 31, 2020 will be submitted to the Audit Committee of the Advisory Board of the Messer Industries Group after being prepared by the Managing Director. After being discussed by the Audit Committee, the managing directors will present the consolidated financial statements to the shareholders for approval.

Messer GasPack 2 GmbH, Messer Industriegase GmbH, Messer Industries GmbH, Messer Produktionsgesellschaft mbH Salzgitter, Messer Produktionsgesellschaft mbH Siegen, Messer Produktionsgesellschaft mbH Speyer, Yeti GermanCo 2 GmbH, Yeti GermanCo 3 GmbH, all consolidated domestic subsidiaries, will use the exemption provisions in accordance with section 264 (3) HGB and will therefore not disclose their annual financial statements for 2020, nor will they prepare (HGB) notes or a management report.

# 2. Accounting Policies

### Basis of preparation

The consolidated financial statements are prepared in euro. Unless stated otherwise, all amounts are rounded to thousands (K€). Differences may arise due to rounding.

### Statement of compliance with IFRS

The consolidated financial statements for 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Interpretations of the IFRS Interpretations Committee (IFRS IC), as applicable in the EU.

The accounting policies on which the 2020 consolidated financial statements are based have been applied consistently.
The consolidated financial statements have been prepared on the basis of historical cost, amortized cost and the fair value from market measurement of available-for-sale financial assets and financial liabilities (including derivative financial instruments).

Estimates are required in order to prepare the consolidated financial statements in accordance with IFRS and the Interpretations issued by the IFRS Interpretations Committee, as applicable in the EU. Moreover, the application of uniform Group accounting policies requires judgments on the part of management.

### New financial reporting standards and interpretations

The following new or revised standards and interpretations are effective for the first time for these consolidated financial statements on January 1, 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions (effective from June 1, 2020)

### Amendments to References to the Conceptual Framework in IFRS Standards

The revised Conceptual Framework consists of a new introductory explanation on the status and purpose of the Conceptual Framework and eight complete sections. It now contains sections on "The reporting entity" and "Presentation and disclosure"; "Derecognition" was added to the section on "Recognition".

The content was also amended: For example, "income" is no longer divided into "revenues" and "gains". Together with the amended Conceptual Framework, references to the Conceptual Framework were revised in various standards.

The changes have no material impact on the consolidated financial statements of Yeti GermanCo 1 GmbH.

### Amendments to IFRS 3 – Definition of a Business

The IASB's amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Also, the definition of outputs is narrowed by focusing on goods and services provided to customers; the reference to an ability to reduce costs is removed. The IASB has also introduced an optional concentration test that permits a simplified assessment of a business.

This has no material impact on the consolidated financial statements of Yeti GermanCo 1 GmbH.

### Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1

The amendments result from existing uncertainty in connection with the IBOR reform. Under existing hedge accounting rules, in many cases the pending changes in interest rate benchmarks would lead to the discontinuation of hedging relationships. The continuation of hedging relationships is now possible. To this end, the amendments provide relief from applying specific previous hedge accounting requirements, e.g., assessing whether a forecast transaction is highly probable in the context of cash flow hedges.

The changes have no material impact on the consolidated financial statements of Yeti GermanCo 1 GmbH.

### Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments provide a uniform and precise definition across all IFRSs of what makes information in the financial statements material, and provide accompanying examples. The amendments also harmonize the definitions from the Conceptual Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 Making Materiality Judgements.

This has no material impact on the consolidated financial statements of Yeti GermanCo 1 GmbH.

### Amendments to IFRS 16 – COVID-19-Related Rent Concessions

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. For each lease, the lessee must assess whether the rent concession is a modification of the lease and thus remeasure the lease liability.

The amendment to IFRS 16 grants a practical expedient if applied. This is temporary and subject to meeting certain conditions. Under the practical expedient, lessees may elect not to assess whether certain COVID-19-related rent concessions are lease modifications and account for these rent concessions as if they were not lease modifications. The amendments are effective for reporting periods beginning on or after June 1, 2020.

This has no material impact on the consolidated financial statements of Yeti GermanCo 1 GmbH.

**New financial reporting standards not yet effective:**
The following new standards and amendments to standards were not yet effective for these consolidated financial statements and were therefore not applied, but had already been endorsed by the EU and will be binding from fiscal 2021 onwards:

- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9 (effective from fiscal 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective from fiscal 2021)
- IFRS 17 (including amendments to IFRS 17) – Insurance Contracts (effective from fiscal 2023)
- Amendments to IFRS 3 – References to the Conceptual Framework (effective from fiscal 2022)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective from fiscal 2023)
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (effective from fiscal 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective from fiscal 2022)
- Annual Improvements to IFRSs 2018-2020 Cycle – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective from fiscal 2022)
- Amendments to IAS 1 and IFRS Practice Statement 2 – The amendments deal with the disclosure of material accounting policies and the application of the materiality concept (effective from fiscal 2023)
- Amendments to IAS 8 – The amendments clarify how an entity should distinguish accounting changes from changes in estimates (effective from fiscal 2023)

The Group is not planning early adoption of the new or amended standards and interpretations that become effective in subsequent fiscal years. Unless stated otherwise, the impact on the consolidated financial statements of Yeti GermanCo 1 GmbH is currently being examined.

## Consolidation principles

A complete list of the Group's equity investments can be found in the annex to these notes. Material subsidiaries as of December 31, 2020 are:

| Name and registered office of subsidiary | Country | Shareholding in percent Dec. 31, 2020 | Shareholding in percent Dec. 31, 2019 |
|---|---|---|---|
| Messer LLC Inc., Delaware | USA | 100 % | 100 % |
| Messer Canada Inc., Ontario | Canada | 100 % | 100 % |
| Messer Gases Ltda., Sao Paulo | Brazil | 100 % | 100 % |
| Messer France S.A.S., Suresnes | France | 100 % | 100 % |

The consolidated financial statements comprise the financial statements of Yeti GermanCo 1 GmbH and the financial statements of its subsidiaries as of December 31, 2020. The financial statements of the subsidiaries are prepared using uniform accounting policies and for the same reporting period as the financial statements of the parent company.

**a. Subsidiaries**

Yeti GermanCo 1 GmbH and its subsidiaries controlled by Yeti GermanCo 1 GmbH are included in the consolidated financial statements as of December 31, 2020. The Group controls an entity when it has exposure or rights to variable returns from its involvement with the entity and the ability to utilize its control so as to influence the amount of returns from the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is achieved and until the date on which control ends.

All receivables and liabilities, revenue, income and expenses arising from intra-group transactions are eliminated in the consolidated financial statements. Intra-group transactions are performed on the basis of full cost transfer prices.

Subsidiaries are accounted for using the acquisition method. The cost of the acquisition represents the fair value of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the acquirer at the transaction date. It also includes the fair value of any recognized assets or liabilities resulting from a contingent consideration arrangement. Assets, liabilities and contingent liabilities identifiable in conjunction with a business combination are measured at fair value as of the acquisition date on initial consolidation.

Acquisition-related costs are recognized as an expense in the period in which they are incurred.

In a business combination achieved in stages, any previously held equity interest in the acquiree is remeasured at fair value as of the acquisition date. Any resulting gain or loss is recognized in the income statement.

Goodwill is measured as the excess of the cost of the acquisition, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest at the date of acquisition over the Group's share of the net assets measured at fair value. The option of accounting for goodwill using the full goodwill method is not exercised. If the cost is less than the fair value of the net assets of the subsidiary acquired, the difference is reassessed and then recognized directly in profit or loss. The results of the subsidiaries acquired or sold during the fiscal year are included in the consolidated income statement from the time control is achieved or until control is lost.

**b. Transactions with non-controlling interests without loss of control**
Transactions with non-controlling interests without a loss of control are treated in the same way as transactions with the Group's equity owners. Any difference arising from the acquisition of a non-controlling interest between the consideration paid and the relevant share in the carrying amount of the net assets of the subsidiary is recognized in equity. Gains and losses arising from the disposal of non-controlling interests are also recognized in equity.

**c. Disposal of subsidiaries**
If the Group loses control of an entity, the Group's remaining interest is remeasured at fair value and the resulting difference recognized in profit or loss. Furthermore, all amounts reported in other comprehensive income relating to this entity are accounted for as if the parent company had directly disposed of the related assets or liabilities. This means that any profit or loss previously recognized in other comprehensive income is reclassified either to profit and loss or to retained earnings.

**d. Associates, joint ventures and joint operations**
Investments in entities over which the Group has significant influence but without control or joint control over financial and operating policy and joint ventures over which the Group has joint control are accounted for using the equity method. These are initially measured at cost, including transaction costs. Significant influence is assumed if the Group holds 20% or more of the voting power but does not control the investee. The Group's share in earnings of equity investments is shown under "Income from investments accounted for using the equity method". The carrying amounts of equity investments are written down if impaired. The Group's interest in associates and joint ventures includes the goodwill arising on acquisition (net of accumulated impairment losses).

If the ownership interest in an associate or joint venture is reduced but the investment continues to be an associate or joint venture, only a proportionate amount of the gain or loss previously recognized in other comprehensive income is reclassified to profit or loss, if this would also occur on the disposal of the individual assets and liabilities.

The Group's share of the profit or loss of associates and joint ventures is recognized in profit or loss from the acquisition date. Changes in reserves are recognized pro rata in consolidated reserves. Accumulated changes after acquisition are offset against the carrying amount of the investment. If the Group's share of the loss in an associate or joint venture is equal to or exceeds the Group's share in this investee, including other unsecured receivables, the Group recognizes no further losses unless it has entered into commitments for the associate or joint venture or has made payments for the associate or joint venture.

As of the end of each reporting period, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss and reported in the income statement under the income from the investment in the associate or joint venture.

To the extent that a Group entity performs transactions with an associate or joint venture, any unrealized gains or losses are eliminated on the basis of the Group's interest in this entity.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
The associated assets and liabilities, income and expenses from joint operations are included in the consolidated financial statements according to the economically attributable share.

The Group recognizes its direct rights to the assets, liabilities, revenue and expenses of joint operations and their share in any assets, liabilities, revenue and expenses jointly managed or incurred. These are included in the financial statements under the corresponding line items. Details of joint operations recognized in the financial statements can be found under note 16 "Interests in Other Entities".

## Currency translation

**a. Functional currency and reporting currency**
The consolidated financial statements are presented in euro, the Group's reporting currency. The functional currency of individual foreign operations is determined by the economic environment in which they operate. The items included in the financial statements of the respective company are measured using this functional currency.

**b. Transactions and balances**
Foreign currency transactions are initially translated using the spot exchange rate between the functional currency and the foreign currency at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing rate. All exchange differences are recognized in profit or loss. This does not include exchange differences from certain intragroup foreign currency borrowings to the extent that they are used to hedge net investments in foreign operations. These exchange differences, and any deferred taxes arising from them, are recognized directly in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency gains and losses that essentially result from trade receivables and trade payables denominated in foreign currencies are included in "Other operating income" or "Other operating expenses".

**c. Group companies**
The functional currency of foreign operations not based within the area of the European Currency Union (ECU) is the respective local currency. As of the end of the reporting period, assets and liabilities of these subsidiaries are translated into the Messer Industries Group's reporting currency using the closing rate. Income and expenses are translated at average rates for the fiscal year. The resulting exchange differences are recognized through other comprehensive income and included in currency translation reserves within equity. They therefore do not affect profit or loss. When a foreign operation is deconsolidated, the cumulative amount recognized in equity for this foreign operation is reversed to profit or loss.

The following table shows an overview of the exchange rates used for the principal currencies:

| Selected currencies | ISO-Code | Average rates | | Closing rates | |
|---|---|---|---|---|---|
| | | Jan. 1 – Dec. 31, 2020 €1 | Jan. 1 – Dec. 31, 2019 €1 | Dec. 31, 2020 €1 | Dec. 31, 2019 €1 |
| Brazilian real | BRL | 5.88 | 4.42 | 6.37 | 4.52 |
| Chilean peso | CLP | 903.13 | 792.19 | 872.14 | 845.88 |
| Canadian dollar | CAD | 1.53 | 1.49 | 1.56 | 1.46 |
| Colombian peso | COP | 4,215.38 | 3,696.05 | 4,200.50 | 3,688.10 |
| Swiss franc | CHF | 1.07 | 1.11 | 1.08 | 1.09 |
| US Dollar | USD | 1.15 | 1.12 | 1.23 | 1.12 |

## Intangible assets and goodwill

The differences between the consideration transferred by the Messer Industries Group for acquirees and the fair value of the assets acquired, liabilities assumed and contingent liabilities are recognized in accordance with IFRS 3.32 et seq. The remaining goodwill is tested for impairment in accordance with IAS 36 at least once a year.

The other intangible assets such as brands, patents, licenses, customer bases, software, etc. are initially measured at cost. Patents, licenses, customer bases and software, etc. are amortized on a straight-line basis over their expected useful lives of three to 47.5 years. The amortization charge on other intangible assets is reported within the related expense item, usually cost of sales or distribution and selling expenses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year.

## Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated over their expected useful lives. The cost of acquired property, plant and equipment includes all costs directly attributable to their acquisition. The cost of self-constructed items of property, plant and equipment includes all directly attributable direct costs and an appropriate share of overheads, including depreciation, and are therefore measured taking all costs required to construct the assets into account. In the event of a statutory requirement to restore an item to its original condition, the cost also includes the present value of expected future payments for decommissioning and restoration. When each major inspection is performed, in accordance with IAS 16.14, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

Subsequent costs are only recognized as part of the cost of the asset or as a separate asset when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Expenditure for repairs and maintenance, which does not represent a significant replacement investment, is recognized as an expense in the fiscal year in which it is incurred.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between proceeds from disposal and the carrying amounts of the assets and recognized in the consolidated income statement.

Depreciation is recognized on a straight-line basis over the following useful lives:

| Depreciation | Useful life in years |
|---|---|
| Buildings | 10 - 50 |
| Plant and machinery | 5 - 20 |
| thereof air separation units | 15 |
| Other operating and office equipment | 3 - 10 |

The residual carrying amounts and useful lives are reviewed at the end of each reporting period and adjusted as necessary. If the carrying amount of an item of property, plant and equipment exceeds the estimated recoverable amount, it is written down to that recoverable amount.

Borrowing costs are recognized as an expense in the period in which they are incurred, except when they relate to qualifying assets. Within the Messer Industries Group, these chiefly relate to air separation units. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset up to the date when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

## Leases

**a. Leases in which the Group is the lessee**

The Group leases various offices, warehouses, equipment and vehicles. Leases are generally concluded for fixed periods of one month to 10 years for movable assets and for one month to 50 years for immovable assets, but may have extension options.

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group uses the IFRS 16 definition of a lease to assess whether a contract includes the right to control an identifiable asset.

Contracts may contain both lease and non-lease components. The Group assigns the transaction price to these components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

uses recent third-party financing received by the individual lessee as a starting point. Lessees are divided into regions according to geographical segments. The financing is divided into groups based on the remaining terms of the contracts (up to 1 year, up to 2 years, up to 3 years, up to 4 years, up to 5 years and longer than 5 years). The calculated average interest rates for each group and region are used in measuring the right-of-use asset and lease liability.

The Group is exposed to potential future increases in variable lease payments based on an index or rate. These possible changes in lease payments are not taken into account in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the location where it is to be found or restoring the underlying asset to the condition required in the lease agreement.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is recognized on a straight-line basis over the following useful lives:

| **Depreciation** | Useful life in years |
|---|---|
| Land | 1 - 50 |
| Buildings | 1 - 30 |
| Plant and machinery | 1 - 10 |
| Other operating and office equipment | 1 - 5 |

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets essentially comprise IT equipment and other equipment.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. These options are taken into account in the measurement of right-of-use assets and lease liabilities when there is reasonable assurance.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

**b. Leases in which the Group is the lessor**
If the Group is the lessor, it classifies each lease as either a finance lease or an operating lease at inception of the lease.

Leases in which a significant portion of the risks and rewards of ownership transfers to the lessee are classified as finance leases.

In this case, disposal is assumed at the start of the lease term and revenue is recognized in the amount of the present value of the minimum lease payments attributable to the asset. In return, a claim from the customer that is reduced over the term of the contract is recognized. Interest income earned on finance leases is reported as other financial income.

No finance leases were identified within the Messer Industries Group.

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor, are classified as operating leases. Payments made in connection with an operating lease are recognized as an expense in the income statement on a straight-line basis over the term of the lease.

## Impairment and reversal of impairment on intangible assets, goodwill, right-of-use assets and property, plant and equipment

An impairment test for goodwill, right-of-use assets, other intangible assets and property, plant and equipment involves comparing the recoverable amount of the asset against its carrying amount to determine whether it must be written down to recoverable amount. In accordance with IAS 36, goodwill is allocated to the smallest cash-generating unit for which goodwill is monitored by management. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In the event of impairment, existing goodwill is reduced first. If the impairment loss exceeds the carrying amount of goodwill, the difference is typically distributed among the remaining non-current assets pro rata. With the exception of goodwill, impairment losses are reversed when the reasons for the impairment no longer apply. Impairment losses and required reversals are shown together with depreciation and amortization in the statement of changes in assets under additions to cumulative depreciation and amortization, and are reported and explained separately in the notes.

## Inventories

Inventories are measured at the lower of cost or net realizable value at the end of the reporting period using the average cost method. Their production cost includes all directly attributable direct costs, appropriate portions of materials and production overheads and depreciation.

## Trade and other receivables

Trade receivables are recognized from the date they arise. Items that do not contain a significant financing component are initially measured at the transaction price. The corresponding impairment loss is measured at an amount equal to lifetime expected credit losses, based on an analysis of historical default data and forecasts of future economic conditions. Expected credit losses are a probability-weighted estimate of credit losses.

## Cash and cash equivalents

Cash and cash equivalents include freely available cash on hand and demand deposits. Cash equivalents also include short-term liquid financial assets that can be readily converted into cash at any time. This risk of fluctuations in value is immaterial.

## Employee benefits

**a. Pension obligations**

The Group has both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate non-Group entity (a fund). The Group does not have any legal or constructive obligation to pay any additional amounts if the fund does not have sufficient assets to meet the pension entitlements of all employees for the current and past fiscal years.

Typically, defined benefit plans set out an amount of pension benefits that employees will receive on retirement and that is typically dependent on one or more factors (such as age, length of service and salary).

The Company's obligations from defined benefit pension plans are calculated separately for each defined benefit plan and according to actuarial principles. The benefits earned by employees in the current and prior periods – in return for their service – are initially estimated. The present value of the defined benefit obligation, the gross pension obligation, is calculated by actuaries using the projected unit credit method. Plan assets are deducted from the gross pension obligation at fair value. This results in the net liability or the net asset value to be recognized.

The Company determines net interest expense (net interest income) from the net liability (net asset value) by multiplying the net liability (net asset value) at the beginning of the period by the interest rate with which the defined benefit gross pension obligation is discounted at the beginning of the period.

The interest rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the underlying corporate bonds are consistent with the currency and estimated term of the post-employment obligations.

The calculation of the net liability (net asset) is based on an actuarial report prepared by a qualified actuary as of the end of each reporting period.

If the deduction of plan assets from the defined benefit gross pension obligation results in an excess of plan assets, the amount of the net asset value is limited to the present value of the economic benefits associated with the plan asset surplus, e.g. in the form of reimbursements from the plan or reduced future contribution payments if the Company has control over these economic advantages. Control is assumed to exist if the Company can realize the economic benefit within the term of the pension plan or on settlement of plan liabilities.

The calculation of the present value of the economic benefits of the excess of plan assets takes into account any minimum funding requirements.

The amounts arising on remeasurement comprise actuarial gains and losses arising on the measurement of the defined gross pension obligation on the one hand and the difference between the actual return on plan assets and the rate of return assumed at the beginning of the reporting period on the other hand. In the event that there is an excess of plan assets, the amounts arising on remeasurement also include the change from applying an asset ceiling, to the extent that this has not been considered as part of the net interest component.

The Group recognizes all amounts arising on remeasurement in other comprehensive income (OCI), while other components of the net pension expense (service cost and net interest component) are recognized in profit or loss. The interest portion of the addition to provisions included in pension expense is reported as interest expense within net finance costs. The cumulative remeasurement effects are reported in retained earnings within equity.

If the present value of a defined benefit obligation changes as a result of a plan amendment or curtailment, the Group recognizes the resulting effect as past service cost in profit or loss. The amounts are recognized when the amendment or curtailment occurs.

Defined benefit plans expose the Company to various risks. In addition to general actuarial risks such as longevity risk and interest rate risk, the Company is exposed to currency risk and capital market/investment risk.

**b. Obligations from bonus plans**
Obligations for bonus payments are recognized as a liability and as an expense. A provision is recognized in the consolidated financial statements in cases in which there is a contractual obligation or a constructive obligation as a result of past business practices.

## Other provisions

Other provisions are recognized for present legal and constructive obligations arising from past events that are likely to result in a future outflow of resources embodying economic benefits, provided that a reliable estimate can be made of the amount of the obligations. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

## Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. If the grant relates to an asset, it is recognized as deferred income and reversed to profit or loss on a straight-line basis over the expected useful life of the asset.

## Financial instruments: principles

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A distinction is made between derivative and non-derivative financial instruments.

Derivative financial instruments can be embedded in other financial instruments or non-financial instruments. In accordance with IFRS, an embedded derivative must be separated from the host contract and measured separately at its fair value if the economic characteristics of the embedded derivative are not closely related to those of the host contract. The Messer Industries Group had no separable embedded derivatives in the fiscal year. Compound financial instruments issued that contain both an equity and a debt component must be accounted for separately on the basis of the substance of the instruments. The Messer Industries Group was not party to any hybrid or compound financial instruments in the fiscal year. Regular way purchases and sales of financial instruments are typically recognized by the Messer Industries Group as of the settlement date, while derivatives are recognized as of the trade date.

Financial assets and financial liabilities are initially recognized at fair value, including any transaction costs if necessary. The fair value of a financial instrument is the price that would be achieved between market participants on the measurement date for the sale of the financial instrument.

Financial assets are derecognized fully or in part when the contractual rights to receive cash flows have expired or if control over the financial asset and substantially all the risks and rewards of the asset have been transferred to a third party. Financial liabilities are derecognized when the contractual obligations have been settled, canceled or have expired.

The classes to be formed in accordance with IFRS 7 include the measurement categories presented below. Furthermore, liabilities from leases and hedging derivatives in the context of hedge accounting are included in the classes according to IFRS 7.

## Financial assets

Financial assets are classified according to the following IFRS 9 measurement categories:

**a. Financial assets at amortized cost (AC)**
The Messer Industries Group classifies its financial assets as at amortized cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

**b. Financial assets at fair value through profit or loss (FVTPL)**
The Messer Industries Group classifies the following primary financial assets at fair value through profit or loss:
- debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

The Group has not designated any primary financial assets at fair value through profit or loss.

**c. Financial assets at fair value through other comprehensive income (FVOCI)**
Financial assets at fair value through other comprehensive income comprise:
- Equity securities which are not held for trading, and which the Messer Industries Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets.

The results of measuring such investments in equity instruments are reported in other comprehensive income. On disposal of these debt securities, any related balance within other comprehensive income is reclassified to retained earnings.

## Financial liabilities

**a. Financial liabilities at amortized cost (AC)**
Financial liabilities at amortized cost are non-derivative financial liabilities that are subsequently measured at amortized cost using the effective interest method. Any difference between the amount received and the amount repayable is recognized as income or expense over the term of the instrument. Transaction costs incurred are deducted from the respective financial liabilities and amortized over the term of the underlying liability using the effective interest method. Within the Messer Industries Group, this measurement category includes in particular financial liabilities, trade payables and non-derivative other current and non-current liabilities.

**b. Financial liabilities at fair value through profit or loss (FVTPL)**
Financial liabilities at fair value are either classified as held for trading or designated upon initial recognition as at fair value through profit or loss.

These financial liabilities are subsequently measured at fair value, with gains and losses from the financial instruments in this category recognized directly in net finance costs in the income statement.

## Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. When entering into a derivative contract, the Messer Industries Group designates it as either:

(1) a hedge of the fair value of recognized assets or liabilities (fair value hedges); or
(2) a hedge of a forecast transaction or firm commitment (cash flow hedge).

The Messer Industries Group exclusively uses derivatives for hedging if this is required by the hedged items. This applies, for example, to risks from energy purchases, variable interest payments and exchange rate fluctuations. Hedged items are the obligations contractually entered into to achieve the goals of the Messer Industries Group, receivables and anticipatory transactions. Derivative instruments are thus exclusively used to safeguard the Messer Industries Group's business performance to the extent stipulated in its Articles or Association. Macro hedging, i.e. the consolidation of individual positions in order to merely hedge the net amount, is not practiced.

Most of the transactions for which this type of hedging could be applied are hedged in full in terms of scope or amount, using a variety of financial instruments. The selection of individual instruments is always a management decision, made in line with the risk profile, i.e. the opportunity for return associated with the respective risk.

Hedge accounting is used for a majority of the existing hedging transactions. Nevertheless, there are derivatives that have been contracted to hedge risks from items, for which the formal requirements have not been fully met and which are therefore not recognized in hedge accounting, but rather as stand-alone derivatives at fair value through profit and loss in accordance with IFRS 9.

The aim of hedge accounting is to largely offset the changes in the value of the hedging instruments and the hedged items. Messer uses hedge accounting in accordance with IFRS 9 to avoid fluctuations in the income statement due to the different measurement of hedged items and hedging instruments.

When entering into the transaction, the Group documents the relationship between the hedging instrument and the hedged item in addition to the objective of its risk management and its underlying strategy. In addition, at the inception of the hedge and thereafter, the Group documents its assessment of whether the derivatives used in the hedge are highly effective at compensating for the changes in the fair value or cash flow. Hedge accounting is only maintained as long as its effectiveness can be proven. Evidence of this effectiveness is determined by comparing the contract specifics, maturities and volumes (critical terms match) and by means of a regression analysis.

For those hedges for which hedge accounting is used, the gain or loss on remeasurement is broken down into effective and ineffective portions. The effective portion is the portion of the gain or loss on remeasurement that represents an effective hedge against the risk. For cash flow hedges, this is recognized separately in other comprehensive income. The ineffective portion, where necessary, is immediately recognized in the consolidated income statement.

Derivative financial instruments not subject to hedge accounting are also measured at fair value through profit or loss.

The fair value of financial instruments is determined in accordance with IFRS 13. The fair value is derived from financial instruments quoted on an active market or calculated using standard measurement models (discounted cash flow method) from current market prices. If necessary, the market value provided by a bank can also be used.

**a. Cash Flow hedges**

Changes in the fair values of derivatives classified as cash flow hedges that are a close match for the hedged item are recognized in equity. If the forecast transaction or firm commitment results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are removed from equity and included in the measurement of the cost of the asset or liability. In all other cases, the gains or losses previously recognized in equity are transferred to profit or loss in the same period as that in which the hedged forecast transaction or firm commitment is recognized in profit or loss.

Income and operating cash flow are essentially unaffected by market interest rates, as the Group does not hold any significant interest-bearing assets. Variable interest loans are partially hedged using interest rate swaps and caps (cash flow hedge for future interest payments). This effectively converts loans with floating interest rates into loans with fixed interest rates.

When a hedging instrument expires or is sold, or when a hedging instrument no longer meets the criteria for hedge accounting in accordance with IAS 9, any cumulative gains or losses recognized in equity to date remain there and are not removed until the forecast transaction or firm commitment is recognized in profit or loss. However, if the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

**b. Fair value hedges**

The changes in the fair value of derivatives that are designated as a fair value hedge and are a close match for the underlying transaction are recognized in the income statement together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

The fair values of the various derivative financial instruments are listed under note 32 "Other Financial Instrument Disclosures".

There were only cash flow hedges on December 31, 2020.

## Management of financial risks

In conjunction with its operating activities, the Messer Industries Group is exposed to various financial risks, in particular credit, liquidity, interest and currency risk, which are described in more detail under note 32 "Other Financial Instrument Disclosures". The Group's risk management system takes into account the fact that financial market developments are not foreseeable and is intended to minimize any potential negative impact on the Group's financial position. The Group uses derivative financial instruments to hedge against specific risks.

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

## Use of assumptions, estimates and judgments

The preparation of IFRS financial statements requires management to make certain assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the end of the reporting period and the reported amounts of revenue and expenses for the fiscal year. The estimates and assumptions concern the future. Actual results may therefore differ from these estimates.

Estimates and their underlying assumptions are examined on an ongoing basis. Revisions of estimates are recognized prospectively. If a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, the changes in estimates are recognized by adjusting the carrying amounts of the related assets, liabilities or equity items.

COVID-19 has no material effect on the assessment of the underlying estimates and assumptions in fiscal 2020.

Judgments, assumptions concerning the future and sources of estimation uncertainty that could potentially have the greatest impact on these consolidated financial statements were required in particular for:

**a. Allocation and impairment testing of goodwill**

The allocation of goodwill to the various cash-generating units or groups of cash-generating units and impairment testing in accordance with IAS 36 on the basis of the expected future cash flows of these cash-generating units or groups of cash-generating units over the detailed planning period of four years are subject to estimates made by the Group. Judgments are also required to derive capitalization rates. A change in the factors used when testing goodwill and other intangible assets or property, plant and equipment for impairment may lead to higher, lower or no impairment.

**b.Determination of useful lives of property, plant and equipment and assessing which cost components can be capitalized**

Group-wide uniform useful lives for items of property, plant and equipment are determined on the basis of past experience and regularly reviewed. As part of the process of assessing whether an item is eligible for recognition as an asset and which components of cost should be taken into account, we make assumptions regarding the expected future usability of the asset.

**c. Assessment of the need for and measurement of allowances for doubtful debts**
When recognizing allowances for doubtful debts, estimates are made regarding the creditworthiness of individual customers and market segments, and general economic forecasts for the different countries and the history of our bad debts.

**d. Measurement of pension obligations**
Obligations from defined benefit pension commitments are calculated on the basis of actuarial assumptions. These are mainly the discount rate, life expectancy and pension and salary trends. The interest rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Sensitivity analyses with respect to the interest rate used are provided in the notes.

**e. Recognition and measurement of other provisions**
Other provisions are recognized and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known as of the end of the reporting period. The actual outflow of economic resources at a later date could be lower or higher than the amount recognized as a provision. The nature of estimates and judgments used differs for the various categories of provisions.

The recognition and measurement of provisions for legal disputes requires a high degree of judgment as to whether a current obligation exists and whether a future outflow of economic resources is probable and can be reliably estimated. We obtain assessments from in-house and external attorneys to assess these matters. Changes in circumstances may result in adjustments to provisions.

**f. Income taxes**
IFRIC 23 clarifies the recognition and measurement requirements of IAS 12 in accounting for uncertainties in income taxes. Estimates and assumptions must be made for recognition and measurement, e.g. whether an assessment is made separately or together with other uncertainties, whether a probable or expected value is used for the uncertainty and whether changes have occurred compared to the previous period. The detection risk is irrelevant for the accounting of uncertain statement of financial position items. The accounting is based on the assumption that the tax authorities are investigating the matter in question and that they have all the relevant information.

## Income taxes

The tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent that they are associated with a business combination or with an item recognized directly in equity or other comprehensive income.

The Group has determined that interest and penalties on income taxes, including uncertain tax items, do not meet the definition of income taxes and are therefore accounted for in accordance with IAS 37.

**a. Current taxes**
Current taxes are the expected tax liability or tax receivable on the taxable income or loss for the fiscal year based on tax rates that are enacted or substantively enacted at the end of the reporting period, plus any adjustments to tax liability for prior years. The amount of the expected tax liability or tax receivable reflects the amount that is the best estimate, taking into account tax uncertainty, if any. Current tax liabilities also include all tax liabilities that arise as a result of dividends being determined. Current tax assets and liabilities are only netted under certain conditions.

**b. Deferred taxes**

Deferred taxes are recognized, in accordance with the asset and liability method, for all temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the statement of financial position and their corresponding tax bases, and on the tax loss and for tax loss carryforwards. In accordance with IAS 12.15 in conjunction with IAS 12.21B, temporary differences arising on the initial recognition of goodwill are not included in the calculation of deferred taxes. Deferred taxes are calculated using currently enacted or substantially enacted tax rates that will apply when the temporary differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax loss carryforwards or asset-side differences between the carrying amounts and the corresponding tax bases can be utilized.

Deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset the tax assets and liabilities.

Income taxes relating to items that are recognized directly in other comprehensive income are also recognized in other comprehensive income and not in profit or loss. Deferred taxes are recognized in other comprehensive income if the underlying transaction is also recognized in other comprehensive income.

## Revenue recognition

Revenue includes sales of products and services and rental income, less trade discounts and rebates.

**a. Revenue from on-site plant and pipeline sales**

Customers requiring large volumes of industrial gases (typically oxygen, nitrogen and hydrogen) and with a relatively constant demand are typically supplied by plants adjacent to or on their facilities, the capacity of which frequently also covers the liquid gas requirements of the surrounding market. These plants are legally owned and operated by the Messer Industries Group. The product supply contracts typically have terms of ten to 15 years and generally include agreements on minimum purchase volumes or minimum prices and price escalation clauses. Revenue is recognized when the gas is delivered to the customer, which is the date on which the risks and rights of ownership of the industrial gases are transferred. If the customer does not take delivery of the minimum purchase requirements, revenue is generally recognized in the amount of the contractual minimum. The same conditions and accounting policies apply to sales via pipelines, with the sole difference that customers are supplied via a pipeline. Estimates are not required as of the end of the year as a result of regular billing.

Certain gas supply contracts, in particular those for the gas generation plants rented on a long-term basis, must be examined for the existence of a finance lease in accordance with IFRS 16 and, if necessary, classified as such. In the event of a finance lease in accordance with IFRS 16, disposal is assumed at the start of the lease term and revenue is recognized in the amount of the present value of the minimum lease payments attributable to the asset. Interest income earned on finance leases is reported as other operating income.

No finance leases were identified within the Messer Industries Group.

**b. Revenue from liquefied gases**

Liquid products are typically stored in the Group's own tanks, which are rented to customers on their premises. The gases are delivered to customers in tankers, tank trailers or rail cars from which the gases are transferred to the leased tanks. The agreements customary in liquefied products business typically have a term of two to three years. Revenue from liquefied products is recognized on delivery to the tank. Income from the rental of tanks is recognized according to the terms of the lease agreements in accordance with IFRS 16.

**c. Revenue from cylinder gases**

Customers who need small amounts of gas (especially for most special gases) receive the products in cylinders, which are typically owned by the Group and rented to customers. Cylinder gases are generally sold by individual purchase orders or by contracts, with terms ranging between one and two years. Revenue from gas sales is realized on delivery to the customer. Income from the rental of cylinders is recognized according to the terms of the lease agreements in accordance with IFRS 16.

**d. Construction contracts**

Depending on the type of contractual arrangement, revenue from long-term construction contracts in the Engineering division is recognized either at a point in time or over a period of time.
In accordance with IFRS 15, revenue from engineering projects is recognized over a period of time if they satisfy the criteria of IFRS 15.35. In the Messer Industries Group, this typically only applies to air separation units for specific customers. For other engineering projects that do not meet the criteria mentioned, revenue is recognized when the project is completed in accordance with IFRS 15.

## 3. Consolidated Companies

The group of consolidated companies is unchanged as against the previous year and is as follows:

| **2020** | Germany | Foreign countries | **Total** |
|---|---|---|---|
| Consolidated | 9 | 28 | 37 |
| Equity method | – | 4 | 4 |
| Proportionately consolidated | – | 2 | 2 |
| **As of Jan. 1** | **9** | **34** | **43** |
| **Additions** | | | |
| of which acquisitions | – | – | – |
| **Disposals** | | | |
| of which disposals | – | – | – |
| **As of Dec. 31** | **9** | **34** | **43** |
| Consolidated | 9 | 28 | 37 |
| Equity method | – | 4 | 4 |
| Proportionately consolidated | – | 2 | 2 |

# Notes to the Consolidated Income Statement

## 4. Revenue

| | Jan. 1 – Dec. 31, 2020 | | Jan. 1 – Dec. 31, 2019 | |
|---|---|---|---|---|
| From contracts with customers | 1,730,889 | 88 % | 1,491,719 | 88 % |
| From other revenue sources | 234,603 | 12 % | 195,889 | 12 % |
| **Total** | **1,965,492** | **100 %** | **1,687,608** | **100 %** |

Revenue is mainly generated by the sale of liquefied products, cylinder gases and on-site and pipeline sales. Revenue for fiscal 2020 breaks down among the individual sales channels as follows:

| | Jan. 1 – Dec. 31, 2020 | | Jan. 1 – Dec. 31, 2019 | |
|---|---|---|---|---|
| Liquefied gases | 1,065,835 | 54 % | 954,425 | 56 % |
| Cylinder gases | 351,697 | 18 % | 266,437 | 16 % |
| Pipeline/on site | 184,873 | 9 % | 154,982 | 9 % |
| Hardware/other | 128,484 | 7 % | 115,875 | 7 % |
| **From contracts with customers** | **1,730,889** | **88 %** | **1,491,719** | **88 %** |
| From other revenue sources | 234,603 | 12 % | 195,889 | 12 % |
| **Total** | **1,965,492** | **100 %** | **1,687,608** | **100 %** |

Revenue for fiscal 2020 breaks down among the individual regions as follows:

| | Jan. 1 – Dec. 31, 2020 | | Jan. 1 – Dec. 31, 2019 | |
|---|---|---|---|---|
| North America | 1,353,366 | 69 % | 1,142,224 | 68 % |
| Western Europe | 353,677 | 18 % | 296,249 | 17 % |
| South America | 258,449 | 13 % | 249,135 | 15 % |
| **Total** | **1,965,492** | **100 %** | **1,687,608** | **100 %** |

## 5. Cost of Sales

In addition to directly attributable costs, such as energy, personnel and material costs, the cost of sales also includes overheads attributable to the production process, including depreciation on air separation units.

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Goods purchased | 32,441 | 28,893 |
| Production costs | | |
| Energy | 228,587 | 213,647 |
| Depreciation and amortization | 161,835 | 137,158 |
| Personnel expenses | 89,386 | 84,293 |
| Maintenance | 32,656 | 34,027 |
| Taxes and other fees | 18,320 | 16,231 |
| Security and insurance | 4,419 | 2,605 |
| Others | | |
| Raw materials and supplies | 390,289 | 339,671 |
| Hardware | 5,532 | 3,479 |
| Services | 1,207 | 629 |
| Other | 36,396 | 10,931 |
| **Total** | **1,001,068** | **871,564** |

## 6. Selling and Distribution Expenses

Selling and distribution expenses include all expenses in connection with the sale and marketing of a product. Selling and distribution expenses also include the costs of all sales departments and logistics activities.

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Personnel expenses | 212,680 | 194,707 |
| Depreciation and amortization | 163,994 | 146,463 |
| Transportation costs | 126,506 | 111,496 |
| Maintenance | 28,004 | 28,946 |
| Warehousing costs | 6,691 | 5,400 |
| Insurance | 2,958 | 2,282 |
| Advertising | 587 | 864 |
| Other | 47,194 | 52,446 |
| **Total** | **588,614** | **542,604** |

## 7. General and Administrative Expenses

General and administrative expenses include the personnel and non-personnel costs of management and administrative areas to the extent not recharged to other functions as an internal service.

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Personnel expenses | 82,032 | 75,756 |
| Depreciation and amortization | 20,235 | 8,984 |
| Insurance and audit services | 10,042 | 7,918 |
| IT services | 6,405 | 6,201 |
| Other | 62,399 | 70,699 |
| **Total** | **181,113** | **169,558** |

## 8. Other Operating Income

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Exchange rate gains from operating activities | 7,743 | 9,558 |
| Gains on the disposal of non-current assets | 7,605 | 3,696 |
| Other prior-period income | 4,065 | 2,419 |
| Change in the fair value of derivatives through profit or loss | 795 | – |
| Income from related parties | 669 | 700 |
| Insurance claims | 491 | 38 |
| Other reimbursements | 353 | 36 |
| Derecognition of liabilities | – | 1,322 |
| Income from changes group reporting | – | 794 |
| Miscellaneous | 5,589 | 10,074 |
| **Total** | **27,310** | **28,637** |

## 9. Other Operating Expenses

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Exchange rate losses from operating activities | 7,527 | 3,320 |
| Legal and consulting expenses | 6,003 | 33,703 |
| Other taxes | 4,140 | 3,599 |
| Related party expenses | 2,778 | 1,935 |
| Change in the fair value of derivatives through profit or loss | 271 | 119 |
| Losses on the disposal of non-current assets | 253 | 857 |
| Bank charges | 90 | 77 |
| Prior-period expenses | – | 598 |
| Miscellaneous | 3,102 | 4,070 |
| **Total** | **24,164** | **48,278** |

## 10. Financial result, net

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| **Income from investments accounted for using the equity method** | **58** | **326** |
| **Other investment result, net** | **(968)** | **(668)** |
| **Finance income** | **11,369** | **31,699** |
| Interest income from | | |
| Bank balances | 473 | 4,975 |
| Foreign currency gains | 5,595 | 10,560 |
| Gain or loss from the measurement of derivatives | – | 9,232 |
| Other finance income | 5,301 | 6,932 |
| **Finance costs** | **(136,041)** | **(115,333)** |
| Interest expense from | | |
| Liabilities to banks | (83,418) | (92,469) |
| Leases | (5,175) | (4,615) |
| Expenses for the discounting of provisions | (5,104) | (3,125) |
| Capitalized borrowing costs | 5,034 | 6,876 |
| Foreign currency losses | (12,385) | (7,341) |
| Write-down on transaction costs | (11,094) | (5,091) |
| Gain or loss from the measurement of derivatives | (169) | – |
| Other finance costs | (23,730) | (9,568) |
| **Total** | **(125,582)** | **(83,976)** |

For more information on interest expenses for our bank financing and derivatives, please refer to note 27 “Financial Liabilities” and note 32 “Other Financial Instrument Disclosures”.

## 11. Tax Result

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Current income taxes | (8,607) | (35,359) |
| Deferred income taxes | (8,332) | 42,329 |
| **Total** | **(16,939)** | **6,970** |

Deferred income taxes related to items charged or credited directly to other comprehensive income:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Deferred taxes related to gains or losses from the remeasurement of hedges | 2,212 | 2,781 |
| Deferred income taxes on net investments in foreign operations | (2,721) | (1,683) |
| Deferred taxes related to the remeasurement of net defined benefit obligations | 2,743 | 2,138 |
| **Deferred tax assets / (liabilities) recognized in other comprehensive income** | **2,234** | **3,236** |

The following reconciliation summarizes the individual calculations of deferred taxes for specific companies using the respective tax rates specific to their countries, taking consolidation adjustments into account. The expected income tax is reconciled to the effective reported tax income. To calculate the expected income tax, the income tax rate for the Group in fiscal 2020, based on the tax rate for the parent company of 30.00 % (previous year: 30.00 %), is multiplied by the profit before tax.

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Tax rate | 30.00 % | 30.00 % |
| **Profit before tax** | **69,400** | **(3,761)** |
| Expected income tax/(charge) | (20,820) | 1,128 |
| Impairment of goodwill | – | – |
| Impairment loss/non-recognition of deferred taxes on temporary differences | 14,462 | 824 |
| Impairment loss/non-recognition of deferred taxes on loss carryforwards | 2,734 | 20,224 |
| Effect of tax credits | 143 | 148 |
| Non-deductible interest expenses | – | – |
| Non-deductible withholding tax/other taxes | (8,125) | (5,381) |
| Effect of changes in tax rates | 1,727 | (231) |
| Associates accounted for using the equity method | (1) | 677 |
| Tax-exempt investment income/tax-exempt gains on the disposal of subsidiaries | – | – |
| Tax (expense)/income for previous years | (5,529) | (1,706) |
| Non-deductible expenses for tax purposes/tax-free income | (9,213) | (9,358) |
| Tax rate differences at Group companies | 7,276 | 551 |
| Others | 407 | 94 |
| **Effective tax income/(expense) from operating activities** | **(16,939)** | **6,970** |
| **Effective tax rate** | **24.41 %** | **185.32 %** |

As of December 31, 2020, within the Messer Industries Group there were tax loss carryforwards of K€ 430,598 (previous year: K€ 262,758) and credit for offsetting in the form of interest carryforwards of K€ 8,809 (previous year: K€ 0).

For Group companies that had losses in the current or the previous period, a deferred tax asset of K€ 26 (previous year: K€ 74) was capitalized, the realization of which is dependent on future taxable profits that are higher than the effects of the reversal of existing taxable temporary differences. The recognition of deferred tax assets is justified in that their realization is likely on the basis of planning for tax purposes.

Deferred taxes were not recognized for tax loss carryforwards of K€ 201,270 (previous year: K€ 198,553), interest carryforwards of K€ 8,809 (previous year: K€ 0) or temporary differences of K€ 3,476 (previous year: K€ 2,888), as it is assumed – on the basis of planning for tax purposes – that it will not be possible to utilize the tax loss carryforwards or temporary differences. The temporary differences of K€ 3,476 and the interest carryforwards of K€ 8,809 are considered vested.

The loss carryforwards of the Messer Industries Group without deferred tax assets will expire as follows:

| Expiring within | Dec. 31, 2020 |
|---|---|
| 1 year | 1,461 |
| 2 years | 116 |
| 3 years | 1,637 |
| After 3 years | 157,092 |
| Indefinite | 40,964 |
| **Total** | **201,270** |

In accordance with IAS 12.39, deferred taxes on the difference between the pro rata equity of a subsidiary recognized in the consolidated statement of financial position and the carrying amount of the investment in that subsidiary must be included in the parent company's tax accounts (outside basis differences) if they are expected to be realized. These differences essentially relate to the retained earnings of German and foreign subsidiaries. Deferred taxes are not recognized for these retained earnings as they are re-invested indefinitely or are not subject to corresponding taxation. Distributions by subsidiaries would be subject to dividend taxation. Distributions from abroad could also trigger withholding tax. As of December 31, 2020, deferred tax liabilities for outside basis differences were not taken into account for planned dividend payments as their realization is not planned.

Deferred taxes are attributable to the following statement of financial position items as of December 31, 2020:

| | Dec. 31, 2020 | Dec. 31, 2019 | Recognized in profit or loss and other changes outside profit or loss* | Recognized in other comprehen-sive income |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Tax loss carryforwards and tax credits | 57,619 | 20,917 | 36,702 | – |
| Intangible assets and property, plant and equipment | 17,148 | 200 | 16,948 | – |
| Inventories | 861 | 619 | 242 | – |
| Trade receivables | 6,455 | 5,107 | 1,348 | – |
| Other current receivables and other assets | 346 | 628 | (282) | – |
| Provisions for employee benefits | 19,710 | 17,297 | 1,808 | 605 |
| Other long-term provisions | 15,413 | 9,694 | 5,719 | – |
| Other current liabilities | 21,782 | 30,993 | (9,211) | – |
| Miscellaneous | 23,102 | 23,679 | 1,030 | (1,607) |
| **Total** | **162,436** | **109,134** | **54,304** | **(1,002)** |
| **Offsetting** | **(145,527)** | **(102,811)** | | |
| **Deferred tax assets, net** | **16,909** | **6,323** | | |
| **Deferred tax liabilities** | | | | |
| Intangible assets | (175,541) | (279,461) | 103,920 | – |
| Property, plant and equipment | (383,016) | (331,678) | (51,338) | – |
| Other non-current receivables and assets | (193) | (376) | 183 | – |
| Inventories | (19,536) | (14,282) | (5,254) | – |
| Other current receivables and assets | (1,401) | – | (1,401) | – |
| Non-current and current financial liabilities | (26) | (588) | 562 | – |
| Other short-term provisions | (3,016) | (3,200) | 184 | – |
| Miscellaneous | (28,817) | (2,731) | (26,086) | – |
| **Total** | **(611,546)** | **(632,316)** | **20,770** | – |
| **Offsetting** | **145,527** | **102,811** | | |
| **Deferred tax liabilities, net** | **(466,019)** | **(529,505)** | | |
| **Total deferred taxes, net** | **(449,110)** | **(523,182)** | **75,074** | **(1,002)** |

* of which exchange rate changes recognized in other comprehensive income: K€ 83,406

Deferred tax assets and liabilities, after offsetting at the individual companies, break down as follows:

| Deferred taxes | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Deferred tax assets | 16,909 | 6,323 |
| Deferred tax liabilities | (466,019) | (529,505) |
| **Total deferred taxes, net** | **(449,110)** | **(523,182)** |

Deferred tax assets and liabilities in the statement of financial position and deferred taxes in the income statement are reconciled as follows:

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Change in deferred tax assets in the statement of financial position | 10,586 | 6,323 |
| Change in deferred tax liabilities in the statement of financial position | 63,486 | (529,505) |
| Difference | 74,072 | (523,182) |
| Of which: | | |
| Through profit and loss | (8,332) | 42,329 |
| Change in group reporting | – | (569,792) |
| Offset against other comprehensive income | (1,002) | 3,236 |
| Exchange rate changes | 83,406 | 1,045 |

## 12. Personnel expenses

Personnel expenses consist of wages and salaries, social security contributions and other employee benefits (e.g. pensions).

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Personnel expenses | 390,050 | 359,172 |

The above amount includes wages and salaries of K€ 299,247 (previous year: K€ 266,035), social security expenses of K€ 74,207 (previous year: K€ 74,980) and other personnel expenses of K€ 11,686 (previous year: K€ 14,190). Personnel expenses also comprise expenses for defined contribution plans of K€ 3,683 (previous year: K€ 3,032) and for defined benefit plans of K€ 1,227 (previous year: K€ 935).

## 13. Number of Employees (annual average)

The average number of employees breaks down as follows:

| By region | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| North America | 2,754 | 2,838 |
| South America | 2,209 | 2,208 |
| Western Europe | 802 | 802 |
| **Total number of employees** | **5,765** | **5,848** |

| By function | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Production and filling | 2,581 | 2,630 |
| Logistics | 1,463 | 1,509 |
| Sales and marketing | 974 | 949 |
| Administration | 600 | 632 |
| Engineering | 147 | 128 |
| **Total number of employees** | **5,765** | **5,848** |

# Notes to the Consolidated Statement of Financial Position

## 14. Intangible Assets

| 2020 | Goodwill | Right-of-use assets | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of Jan. 1, 2020** | **655,901** | **97,835** | **1,231,097** | **1,984,833** |
| Additions | – | 25,008 | 123 | 25,131 |
| Reclassification | – | – | 11,277 | 11,277 |
| Disposals | – | (7,061) | (102) | (7,163) |
| Exchange rate changes | (89,472) | (7,853) | (94,727) | (192,052) |
| **As of Dec. 31, 2020** | **566,429** | **107,929** | **1,147,668** | **1,822,026** |
| **Cumulative amortization** | | | | |
| **As of Jan. 1, 2020** | **–** | **(13,653)** | **(68,765)** | **(82,418)** |
| Additions | – | (19,504) | (81,521) | (101,025) |
| Reclassification | – | – | – | – |
| Disposals | – | 2,261 | 11 | 2,272 |
| Exchange rate changes | – | 1,781 | 8,255 | 10,036 |
| **As of Dec. 31, 2020** | **–** | **(29,115)** | **(142,020)** | **(171,135)** |
| **Net carrying amounts as of Jan. 1, 2020** | **655,901** | **84,182** | **1,162,332** | **1,902,415** |
| **Net carrying amounts as of Dec. 31, 2020** | **566,429** | **78,814** | **1,005,648** | **1,650,891** |

| 2019 | Goodwill | Right-of-use assets | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of Jan. 1, 2019** | **1** | **–** | **–** | **1** |
| Additions | – | 7,385 | 326 | 7,711 |
| Change in group reporting | 655,430 | 91,119 | 1,233,790 | 1,980,339 |
| Reclassification | – | – | 1,234 | 1,234 |
| Disposals | – | (754) | (2,859) | (3,613) |
| Exchange rate changes | 470 | 85 | (1,394) | (839) |
| **As of Dec. 31, 2019** | **655,901** | **97,835** | **1,231,097** | **1,984,833** |
| **Cumulative amortization** | | | | |
| **As of Jan. 1, 2019** | **–** | **–** | **–** | **–** |
| Additions | – | (13,977) | (68,819) | (82,796) |
| Change in group reporting | – | (62) | – | (62) |
| Reclassification | – | – | – | – |
| Disposals | – | 396 | – | 396 |
| Exchange rate changes | – | (10) | 54 | 44 |
| **As of Dec. 31, 2019** | **–** | **(13,653)** | **(68,765)** | **(82,418)** |
| **Net carrying amounts as of Jan. 1, 2019** | **1** | **–** | **–** | **1** |
| **Net carrying amounts as of Dec. 31, 2019** | **655,901** | **84,182** | **1,162,332** | **1,902,415** |

The changes in group reporting in 2019 include the addition of the assets of the companies acquired from Linde in the US, Canada, Brazil and Colombia, the Western European companies contributed and the company acquired from Praxair in Chile.

## Goodwill

Goodwill is tested for impairment as of December 31 each year. In accordance with IAS 36, goodwill is allocated to the smallest cash-generating unit for which goodwill is monitored and tested for impairment at this level by comparing discounted expected future cash flows against the carrying amount of that cash-generating unit. The smallest identifiable group of assets that generate cash inflows from continued use that are largely independent of the cash inflows of other assets or other groups of assets (cash-generating unit) were identified by the companies of the Messer Industries Group operating in the individual countries. If individual production and distribution companies within a country complement each other economically, they are combined into groups of cash-generating units for the purposes of goodwill monitoring. Accordingly, for Belgium, Brazil, Germany, Colombia (also combined with the business activities in Chile), the Netherlands, Spain and the US, various companies were combined in conjunction with impairment testing.

The following table shows the breakdown of goodwill as of December 31, 2020:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Cash-generating unit USA | 365,290 | 424,443 |
| Cash-generating unit Canada | 69,640 | 74,578 |
| Cash-generating unit Germany | 33,086 | 33,086 |
| Cash-generating unit France | 23,043 | 23,043 |
| Cash-generating unit Colombia | 18,882 | 21,505 |
| Cash-generating unit Switzerland | 17,512 | 17,429 |
| Cash-generating unit Spain | 13,879 | 13,879 |
| Cash-generating unit Belgium | 9,623 | 9,623 |
| Cash-generating unit Brazil | 8,629 | 31,046 |
| Cash-generating unit Netherlands | 3,649 | 3,649 |
| Cash-generating unit Algeria | 1,979 | 2,403 |
| Cash-generating unit Portugal | 1,217 | 1,217 |
| | **566,429** | **655,901** |

The recoverable amount for an individual operating company is based on calculations of its respective value in use. The value in use is the present value of the estimated future cash flows expected from the continuing operations of each company. The cash flow forecast is based on the most recent financial plans of the respective cash-generating unit that have been approved by management. Starting with the analysis of past results, values in use were calculated on the basis of detailed forecasts of long-term cash flows through 2024. Cash flows for periods after the detailed planning period were based on the final fiscal year of the detailed planning period (using the terminal value model). Forecast cash flows were discounted to their present value at the measurement date using an appropriate capitalization rate specific to that country. The capitalization rate is calculated using the capital asset pricing model (CAPM) after first being broken down into the components of basic interest rate, risk premium and growth discount. The risk-free basic interest rate was derived from yields on long-term government bonds taking into account the respective country rating (Moody's). The risk premium was obtained by multiplying the market risk premium by the beta factor that reflects the relative risk of a given stock compared to the market as a whole. The market risk premium was calculated for each country using the Damodaran model, taking into account the respective country rating (Moody's). The beta factor was calculated on the basis of an analysis of a peer group of listed companies for the Messer Industries Group.

The capitalization rates for the specific countries are as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Brazil | 9.79 % | 10.90 % |
| Algeria | 8.71 % | 8.64 % |
| Portugal | 8.33 % | 8.27 % |
| Colombia | 8.23 % | 10.20 % |
| Spain | 7.48 % | 7.44 % |
| Belgium | 6.11 % | 6.10 % |
| France | 5.96 % | 5.95 % |
| Canada | 5.55 % | 6.30 % |
| USA | 5.54 % | 6.35 % |
| Switzerland | 5.31 % | 5.33 % |
| Netherlands | 5.29 % | 5.31 % |
| Germany | 5.28 % | 5.29 % |

The detailed forecasts up to 2024 used to calculate the values in use of the cash-generating units are based, among other things, on the assumptions for revenue growth, the development of the EBITDA margin and the long-term growth rate after the detailed planning period.

These assumptions for the cash-generating units are as follows:

| Company | Carrying amount | Significant planning assumptions | | | |
|---|---|---|---|---|---|
| | Dec. 31, 2020 | | Revenue growth (CAGR) | Trend in EBITDA margin* | Growth rate** |
| Cash-generating unit USA | 365,290 | 65 % | Slight increase | Slight increase | 1.75 % |
| Cash-generating unit Canada | 69,640 | 12 % | Slight increase | Slight increase | 1.25 % |
| Cash-generating unit Germany | 33,086 | 6 % | Significant increase | Significant increase | 1.0 % |
| Cash-generating unit France | 23,043 | 4 % | Moderate increase | Moderate increase | 1.0 % |
| Cash-generating unit Colombia | 18,882 | 3 % | Moderate increase | Moderate increase | 3.0 % |
| Cash-generating unit Switzerland | 17,512 | 3 % | Moderate increase | Moderate decrease | 1.0 % |
| Cash-generating unit Spain | 13,879 | 2 % | Moderate increase | Significant increase | 1.0 % |
| Cash-generating unit Belgium | 9,623 | 2 % | Slight increase | Slight increase | 1.0 % |
| Cash-generating unit Brazil | 8,629 | 2 % | Moderate increase | Moderate increase | 3.0 % |
| Cash-generating unit Netherlands | 3,649 | 1 % | Slight increase | Stable | 1.0 % |
| Cash-generating unit Algeria | 1,979 | 0 % | Slight increase | Slight decrease | 1.0 % |
| Cash-generating unit Portugal | 1,217 | 0 % | Significant increase | Significant increase | 1.0 % |
| **Messer Industries Group** | **566,429** | **100 %** | | | |

* End of the detailed planning period compared to the current fiscal year
** Growth after the detailed planning period

The weighted average growth rate for extrapolating cash flows beyond the planning period is 1.0 % for all Western European units (previous year: 0.5 %). The average growth rate for the American units its between 1.25 % and 3.0 % (previous year: 1.5 %).

The following three scenarios were simulated in conjunction with a sensitivity analysis:

(a) Increase in the capitalization rates for each country by 1 percentage point.
(b) Long-term growth rate after the detailed planning period reduced by 0.5 %.
(c) Planned EBIT of the cash-generating units consistently falls short of forecasts by 10 % throughout the entire planning period and thereafter from fiscal 2024 onwards.

In these scenarios, there are no goodwill impairment requirements for any companies except Spain. Under the significant planning assumptions set out above, the recoverable amount for Spain is approximately equal to the carrying amount. Thus, any negative change in the significant planning assumptions leads to impairment. The impairment loss is allocated to the carrying amounts of the assets of the cash-generating unit in the following order:
The carrying amount of all goodwill allocated to the cash-generating unit is reduced first. Secondly, the carrying amount of the other assets of the cash-generating unit is reduced in line with their share of the total carrying amount.

The above scenarios would lead to the following impairment losses:

| Company | Carrying amount | Sensitivity scenarios | | |
|---|---|---|---|---|
| | Dec. 31, 2020 | Capitalization rate +1 percentage point | Growth rate -0.5 % | EBIT -10 % on forecast* |
| Cash-generating unit Spain | 13,879 | 21,459 | 9,779 | 6,903 |

* Throughout the forecast period

### Right-of-use assets

Right-of-use assets relate to assets capitalized in conjunction with leases in accordance with IFRS 16. These consist of the following:

| 2020 | Land and buildings | Plant and machinery | Other operating and office equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of Jan. 1, 2020** | **69,492** | **27,928** | **415** | **97,835** |
| Additions | 3,467 | 21,466 | 75 | 25,008 |
| Disposals | (3,695) | (3,335) | (31) | (7,061) |
| Exchange rate changes | (5,288) | (2,536) | (29) | (7,853) |
| **As of Dec. 31, 2020** | **63,976** | **43,523** | **430** | **107,929** |
| **Cumulative amortization** | | | | |
| **As of Jan. 1, 2020** | **(7,034)** | **(6,473)** | **(146)** | **(13,653)** |
| Additions | (10,292) | (9,050) | (162) | (19,504) |
| Disposals | 698 | 1,554 | 9 | 2,261 |
| Exchange rate changes | 1,078 | 692 | 11 | 1,781 |
| **As of Dec. 31, 2020** | **(15,550)** | **(13,277)** | **(288)** | **(29,115)** |
| **Net carrying amounts as of Jan. 1, 2020** | **62,458** | **21,455** | **269** | **84,182** |
| **Net carrying amounts as of Dec. 31, 2020** | **48,426** | **30,246** | **142** | **78,814** |

| 2019 | Land and buildings | Plant and machinery | Other operating and office equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of Jan. 1, 2019** | **–** | **–** | **–** | **–** |
| Additions | 1,732 | 5,628 | 25 | 7,385 |
| Change in group reporting | 67,678 | 23,058 | 383 | 91,119 |
| Disposals | (36) | (718) | — | (754) |
| Exchange rate changes | 118 | (40) | 7 | 85 |
| **As of Dec. 31, 2019** | **69,492** | **27,928** | **415** | **97,835** |
| **Cumulative amortization** | | | | |
| **As of Jan. 1, 2019** | **–** | **–** | **–** | **–** |
| Additions | (7,029) | (6,806) | (142) | (13,977) |
| Change in group reporting | (19) | (40) | (3) | (62) |
| Disposals | 36 | 361 | (1) | 396 |
| Exchange rate changes | (22) | 12 | – | (10) |
| **As of Dec. 31, 2019** | **(7,034)** | **(6,473)** | **(146)** | **(13,653)** |
| **Net carrying amounts as of Jan. 1, 2019** | **–** | **–** | **–** | **–** |
| **Net carrying amounts as of Dec. 31, 2019** | **62,458** | **21,455** | **269** | **84,182** |

Interest expenses of K€ 5,175 (previous year: K€ 4,615) were recognized in connection with leases. Furthermore, the following expenses were recognized that were not taken into account in the measurement of right-of-use assets and the corresponding liability:

| | 2020 | 2019 |
|---|---|---|
| Expenses for leases for low-value assets | – | 596 |
| Expenses for short-term leases | 2,487 | 6,363 |
| Expenses for variable lease payments | – | – |
| | **2,487** | **6,959** |

In total, leases resulted in cash outflows of K€ 21,917 (previous year: K€ 22,206) in the year under review.

For the operating companies Messer LLC and Messer North America Inc., USA, the value in use calculated in accordance with the principles described for two leases was less than the net assets of the cash-generating units. At K€ 4,221, the recoverable amount calculated based on the principles described is less than the carrying amount of K€ 6,409. The deficit between the value in use and the carrying amount of K€ 2,188 was distributed as an impairment loss on the right-of-use assets of the cash-generating unit on the basis of their carrying amounts. The impairment loss is reported under "General and administrative expenses" in the income statement.

## Other intangible assets

Other intangible assets essentially consist of customer bases, technologies/patents and licenses, the net carrying amounts of which were K€ 673,068 (previous year: K€ 775,389), K€ 139,046 (previous year: K€ 156,543) and K€ 115,592 (previous year: K€ 130,011) as of December 31, 2020, and other intangible assets.

The customer bases result from purchase price allocation performed as of March 1, 2019 and will be amortized on a straight-line basis over a period of up to 46 years after December 31, 2020. The useful life of the customer bases is not more than 47.5 years and is higher than the original maximum contract term of 15 years as the respective renewal options are highly likely to be exercised by customers. The amortization expense for the fiscal year is recognized in selling and distribution expenses.

"Technologies" mainly includes patents in the segments of software, oil and gas, energy, food and healthcare, which were acquired from the Linde Group. As of December 31, 2020, the net carrying amounts of the patents are K€ 120,751 (previous year: K€ 133,576) in the US, K€ 8,025 (previous year: K€ 9,835) in Colombia, K€ 6,720 (previous year: K€ 7,742) in Canada and K€ 3,550 (previous year: K€ 5,390) in Brazil.

The licenses include the rights to the brands ‚Messer – Gases for Life‘ K€ 113,892, previous year: K€ 127,838) and ‚REMEO‘ (K€ 1,700, previous year: K€ 2,173) and are amortized over their useful life of ten years.

# 15. Property, Plant and Equipment

| 2020 | Land and buildings | Plant and machinery | Other operating and office equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of Jan. 1, 2020** | **207,781** | **1,743,298** | **191,871** | **284,706** | **2,427,656** |
| Additions | 300 | 24,042 | 1,262 | 224,175 | 249,779 |
| Reclassification | 1,377 | 290,912 | 58,405 | (361,971) | (11,277) |
| Disposals | (2,571) | (9,939) | (1,926) | (730) | (15,166) |
| Exchange rate changes | (17,734) | (163,742) | (21,244) | (15,335) | (218,055) |
| **As of Dec. 31, 2020** | **189,153** | **1,884,571** | **228,368** | **130,845** | **2,432,937** |
| **Cumulative amortization** | | | | | |
| **As of Jan. 1, 2020** | **(5,889)** | **(164,667)** | **(33,737)** | **–** | **(204,293)** |
| Additions | (7,502) | (198,558) | (39,127) | – | (245,187) |
| Reclassification | 4 | (83) | 79 | – | — |
| Disposals | 120 | 5,897 | 1,147 | – | 7,164 |
| Exchange rate changes | 410 | 21,786 | 5,019 | – | 27,215 |
| **As of Dec. 31, 2020** | **(12,857)** | **(335,625)** | **(66,619)** | **–** | **(415,101)** |
| **Net carrying amounts as of Jan. 1, 2020** | **201,892** | **1,578,631** | **158,134** | **284,706** | **2,223,363** |
| **Net carrying amounts as of Dec. 31, 2020** | **176,296** | **1,548,946** | **161,749** | **130,845** | **2,017,836** |

| **2019** | Land and buildings | Plant and machinery | Other operating and office equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of Jan. 1, 2019** | – | – | – | – | – |
| Additions | 950 | 20,674 | 3,401 | 223,976 | 249,001 |
| Change in group reporting | 207,038 | 1,618,943 | 178,887 | 194,953 | 2,199,821 |
| Reclassification | 3,414 | 115,588 | 13,630 | (133,866) | (1,234) |
| Disposals | (3,316) | (9,049) | (3,908) | (216) | (16,489) |
| Exchange rate changes | (305) | (2,858) | (139) | (141) | (3,443) |
| **As of Dec. 31, 2019** | **207,781** | **1,743,298** | **191,871** | **284,706** | **2,427,656** |
| **Cumulative amortization** | | | | | |
| **As of Jan. 1, 2019** | – | – | – | – | – |
| Additions | (6,532) | (168,295) | (34,981) | – | (209,808) |
| Change in group reporting | – | 11 | 5 | – | 16 |
| Reclassification | (2) | (10) | 12 | – | – |
| Disposals | 641 | 3,427 | 1,237 | – | 5,305 |
| Exchange rate changes | 4 | 200 | (10) | – | 194 |
| **As of Dec. 31, 2019** | **(5,889)** | **(164,667)** | **(33,737)** | **–** | **(204,293)** |
| **Net carrying amounts as of Jan. 1, 2019** | – | – | – | – | – |
| **Net carrying amounts as of Dec. 31, 2019** | **201,892** | **1,578,631** | **158,134** | **284,706** | **2,223,363** |

The changes in group reporting in 2019 include the addition of the assets of the companies acquired from Linde in the US, Canada, Brazil and Colombia, the Western European companies contributed and the company acquired from Praxair in Chile.

Borrowing costs of K€ 5,034 (previous year: K€ 6,876) were capitalized for qualifying assets in the fiscal year. The average interest rate was 3.2 % (previous year: 3.2 %).

Additions to plant and machinery include a net amount of K€ 3,588 that was capitalized in accordance with IFRIC 1 on the basis of measurement changes in restoration obligations.

In addition, property, plant and equipment includes technical equipment, including tanks and gas cylinders, from operating leases in which the Messer Industries Group acts is the lessor.

The minimum lease payments to be received from customers from such operating leases in the future break down as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Due within 1 year | 2,850 | 2,605 |
| Due between 1 and 5 years | 4,036 | 4,518 |
| Due after more than 5 years | 101 | 168 |
| | **6,987** | **7,291** |

Income of K€ 8,383 (previous year: K€ 7,001) from variable lease payments under operating leases was recognized in the reporting period.

# 16. Interests in Other Entities

## Investments accounted for using the equity method

The following interests in associates were recognized on the basis of the interest in the equity of the relevant entity as of December 31, 2020:

| Name and registered office of the entity | Shareholding in percent | | Carrying amount | |
|---|---|---|---|---|
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 |
| Non-significant companies | | | | |
| Limes S.A.S., Saint-Herblain | 50 % | 50 % | 3,723 | 3,725 |
| Cliffside Helium LLC, Delaware | 26 % | 26 % | 47 | 47 |
| Cliffside Refiners LP, Delaware | 26 % | 26 % | 1,392 | 1,605 |
| GreenCO2, Zwijndrecht | 35 % | 35 % | 518 | 517 |
| | | | **5,680** | **5,894** |

Interests in associates developed as follows:

| | 2020 | 2019 |
|---|---|---|
| **Cost** | | |
| **As of Jan. 1** | **5,894** | **–** |
| Group's share of results/additions | 228 | 100 |
| Change in group reporting | – | 5,704 |
| Dividend/disposals | (306) | – |
| Exchange rate changes | (136) | 90 |
| **As of Dec. 31** | **5,680** | **5,894** |
| **Cumulative amortization** | | |
| **As of Jan. 1** | **–** | **–** |
| Additions | – | – |
| **As of Dec. 31** | **–** | **–** |
| **Net carrying amount as of Jan. 1** | **5,894** | **—** |
| **Net carrying amount as of Dec. 31** | **5,680** | **5,894** |

The following table shows the summarized financial data of the individually immaterial associates: Limes S.A.S., France, is a 50 % investment of Messer France S.A.S., France. BECO2 B.V.B.A., Belgium, has a 50 % interest in GreenCO2, Belgium. Messer LLC, USA, holds 26 % in Cliffside Refiners LP, USA, and 26 % in Cliffside Helium LLC, USA.

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Net profit for the year | 876 | 401 |
| Other comprehensive income | (232) | – |
| **Total comprehensive income** | **644** | **401** |

### Joint operations

Messer LLC, USA, holds a 50 % interest in joint arrangements named East Coast Nitrogen Company LLC, Delaware, USA, and East Cost Oxygen Company LLC, Delaware, USA, which were formed as partnerships with Air Products, USA, to produce liquid nitrogen, oxygen and argon for selected partners of the joint arrangement.
The associated assets and liabilities, income and expenses from joint operations are included in the consolidated financial statements according to the economically attributable share.

The following table shows the summarized financial data of the individually immaterial joint arrangements:

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Net profit for the year | (6,366) | (4,413) |
| Other comprehensive income | (5,562) | 161 |
| **Total comprehensive income** | **(11,928)** | **(4,252)** |

## 17. Equity Investments

"Equity Investments" comprises equity investments in the companies Lida S.A.S., France, and Soprogaz S.N.C., France, which are neither consolidated nor accounted for using the equity method.

## 18. Other Financial Investments

Other financial investments are investment securities; information on their measurement can be found under note 32 "Other Financial Instrument Disclosures".

## 19. Other Non-Current Receivables and Assets

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Trade receivables | 10 | 282 |
| Other receivables | 25,365 | 37,082 |
| **Financial assets** | **25,375** | **37,364** |
| Prepaid expenses | 1,959 | 1,357 |
| **Non-financial assets** | **1,959** | **1,357** |
| **Total** | **27,334** | **38,721** |

## 20. Inventories

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Raw materials and supplies | 24,018 | 27,233 |
| Work in progress | 6,166 | 3,797 |
| Finished goods and goods for resale | 126,177 | 153,491 |
| **Total** | **156,361** | **184,521** |

K€ 17,772 (previous year: K€ 17,288) of the inventories recognized on December 31, 2020 were measured at their net realizable value. There are impairment losses of K€ 14,150 (previous year: K€ 14,834) on the net realizable value. The impairment losses were recognized in the cost of sales. The amount of inventories recognized as an expense in the reporting period is K€ 446,330 (previous year: K€ 385,252).

## 21. Trade Receivables

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Trade receivables | 292,220 | 314,754 |
| Write-downs on receivables | (35,428) | (38,347) |
| **Total** | **256,792** | **276,407** |

## 22. Contract Balances

All work related to engineering contracts was billed in fiscal 2020 and 2019 and the corresponding amounts were reported in trade receivables.

### Performance obligations from contracts with customers

The following table shows the Group’s performance obligations from long-term gas supply contracts with customers:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Due in 1st year | 230,046 | 104,598 |
| Due in 2nd year | 228,203 | 104,183 |
| Due in 3rd year | 224,812 | 99,833 |
| Due after more than 3 years | 1,269,298 | 491,759 |
| **Total** | **1,952,359** | **800,373** |

The amounts shown above essentially relate to contractually agreed fixed payments, known as take-or-pay installments. Variable obligations were not taken into account. Revenue is recognized on delivery of the gases.

## 23. Other Current Financial and Non-Financial Assets

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Other receivables from operating activities | 14,294 | 29,194 |
| Receivables from related parties | 5,365 | 4,731 |
| Derivative financial instruments in hedges | 3,686 | 5,095 |
| Deposits and guarantees | 416 | 388 |
| Derivative financial instruments not in hedges | – | 109 |
| Receivables from employees | 112 | 40 |
| Miscellaneous | 561 | 2,762 |
| **Financial assets** | **24,434** | **42,319** |
| Other tax receivables | 36,427 | 44,563 |
| Deferred expenses | 6,276 | 9,449 |
| Prepayments | 79 | 864 |
| Miscellaneous | 6 | 45 |
| **Non-financial assets** | **42,788** | **54,921** |
| **Total** | **67,222** | **97,240** |

## 24. Cash and Cash Equivalents

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Cash, bank balances and checks | 410,807 | 577,422 |
| Cash equivalents | – | – |
| **Cash and cash equivalents** | **410,807** | **577,422** |

## 25. Provisions for Employee Benefits

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Pension provisions | 46,657 | 49,201 |
| Provisions for other employee benefits | 505 | 507 |
| **Provisions for employee benefits** | **47,162** | **49,708** |

Pension benefits are provided to employees in a number of countries through both defined benefit and defined contribution pension plans. The benefits vary according to legal, fiscal and economic circumstances of each country. Plan benefits are based on years of service and the level of employee compensation. Provisions for other employee benefits mainly relate to company or statutory severance benefits and early retirement benefits. Some of the obligations under defined benefit pension plans are covered by plan assets held in independent trust funds. The net assets of these funds are predominantly invested negotiable equities, real estate and fixed-income securities.

The amount recognized in the statement of financial position is derived as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Present value of funded pension benefits | 122,254 | 132,497 |
| Present value of pension benefits funded by provisions | 15,048 | 18,787 |
| **Present value of all pension benefits** | **137,302** | **151,284** |
| Fair value of plan assets of all funds | (90,645) | (102,083) |
| **Net liability recognized** | **46,657** | **49,201** |

The present value of the funded pension commitments predominantly relates to pension plans of Messer Canada Inc. in the amount of K€ 84,167 (previous year: K€ 86,463).

Messer Canada Inc. operates a funded pension plan that grants members benefits in the form of a guaranteed lifetime pension. The amount of this pension is based on average income and is linked to age and length of service. In Canada, the defined benefit component of the plan has been closed to new entrants since January 1, 2005. Newcomers join a defined contribution plan. In the defined benefit pension plan, future service recognition will be discontinued for the remaining employees, with final recognition ending on June 30, 2021.
The Canadian pension plan is managed by a pension committee and its assets are held in a pension fund that is legally independent of the company. The assets cannot be used for any purpose other than the payment of pension benefits and related administrative fees.
The minimum funding requirements in Canada require the company to make special payments to amortize any shortfalls in plan assets in relation to the relevant funding objectives. Instead of these special payments, collateral in the form of letters of credit up to a maximum of 15 % of the actuarial liability used to determine the funding objective is permitted. The company does not currently use any letters of credit.
In accordance with Canadian law, any remainder after accrued benefits have been provided to plan members and after the plan has ended may be returned to the company. Pension legislation in Canada may require the company to make a proposal to members and beneficiaries regarding the allocation of excess assets. Part of this surplus can be used by the company to reduce future contributions or to pay refundable administrative expenses.

The company also offers a limited number of active employees and retirees employer-paid life insurance and post-retirement health plans. The post-retirement benefit plan is not funded.
Defined benefit plans expose the Company to various risks. In addition to general actuarial risks such as longevity risk and interest rate risk, the Company is exposed to currency risk and capital market/investment risk. The risk exposures from the respective plans are not materially different.

The following table shows the reconciliation of the funding of defined benefit plans to the amounts recognized in the consolidated financial statements as of December 31, 2020 and 2019:

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| | Pension commitments funded by provisions | Pension commitments funded by funds | Pension commitments funded by provisions | Pension commitments funded by funds |
| **Change in the present value of the defined benefit pension plans** | | | | |
| Present value of all pension benefits as of Jan. 1 | **18,787** | **132,497** | **–** | **–** |
| Change in group reporting | – | – | 13,610 | 124,173 |
| Current service cost | 266 | 1,394 | 223 | 1,320 |
| Past service cost | – | – | (245) | – |
| Interest expense on obligations | 801 | 2,630 | 981 | 2,754 |
| Employee contributions | – | 503 | – | 489 |
| Actuarial losses (gains) | (417) | 7,486 | 5,214 | 6,058 |
| Pension payments | (515) | (7,282) | (784) | (4,614) |
| Others | – | (9,041) | – | – |
| Exchange rate changes | (3,874) | (5,933) | (212) | 2,317 |
| Present value of all pension benefits as of Dec. 31 | **15,048** | **122,254** | **18,787** | **132,497** |
| **Change in plan assets of all funds** | | | | |
| Fair value of plan assets of all funds as of Jan. 1 | **–** | **102,083** | **–** | **–** |
| Change in group reporting | – | – | – | 96,387 |
| Interest income/(losses) | – | 2,057 | – | 2,123 |
| Income/(losses) (not including interest income) | – | 3,562 | – | 3,537 |
| Contributions paid in – employer | – | 2,151 | – | 2,264 |
| Contributions paid in – employees | – | 503 | – | 489 |
| Pension payments | – | (7,145) | – | (4,466) |
| Unrecognized excess of plan assets | – | – | – | – |
| Others | – | (7,876) | – | – |
| Exchange rate changes | – | (4,690) | – | 1,749 |
| Fair value of plan assets of all funds as of Dec. 31 | **–** | **90,645** | **–** | **102,083** |

The “Others” item under pension benefits relates to adjustments in the funded pension plan caused by lowering the conversion rate for standard pension age at Messer Schweiz AG, Switzerland. The applicable conversion rate is used to convert the pension credit available as of the pension date into a pension. As a result of the change, the Group’s obligation was reduced by K€ 1,165, which was recognized in profit or loss. The “Others” item also shows the disposal of pension benefits and plan assets for Messer B.V., Netherlands, in the same amount. This disposal was recognized in other comprehensive income.
The changes in group reporting in 2019 relate to the subsidiaries in North and South America and Western Europe, which were added as of March 1, 2019.

The fair value of plan assets breaks down among the individual asset classes as follows. The amounts shown are weighted averages:

| | Dec. 31, 2020 Fair value | | quoted on an active market | not quoted on an active market | Dec. 31, 2019 Fair value | |
|---|---|---|---|---|---|---|
| Equity instruments/funds | 39,179 | 44 % | 5,128 | 34,051 | 46,218 | 45 % |
| Bonds | 37,321 | 41 % | 4,806 | 32,515 | 41,316 | 40 % |
| Qualifying insurance policies | 6,326 | 7 % | – | 6,326 | 6,055 | 6 % |
| Real estate | 3,851 | 4 % | 1,317 | 2,534 | 4,235 | 4 % |
| Other assets | 2,881 | 3 % | 1,580 | 1,301 | 2,727 | 3 % |
| Cash funds | 1,087 | 1 % | 1,087 | – | 1,532 | 2 % |
| **Total** | **90,645** | **100 %** | **13,918** | **76,727** | **102,083** | **100 %** |

Plan assets are held exclusively to fulfill defined benefit obligations. The funding of these obligations constitutes a reserve for future cash outflows. This is based on statutory regulations in some countries and is voluntary in others. Given the diversity of pension benefits within the Group, the interest rate is not hedged using financial instruments. Following guidelines stipulated by local management, the bodies responsible for the various pension funds decide on the best possible investment strategy commensurate with the age of beneficiaries and the timing of future payments, in accordance with applicable legislation. Most of the plans are not intended to maximize profit, but rather to ensure optimal provision for the companies and employees concerned. Funds held to pay future benefits are invested responsibly.

Actuarial losses/(gains) arising on the of the present value of pension benefits comprise the following:

| | Jan. 1 – Dec. 31, 2020 | | Jan. 1 – Dec. 31, 2019 | |
|---|---|---|---|---|
| | Pension commitments funded by provisions | Pension commitments funded by funds | Pension commitments funded by provisions | Pension commitments funded by funds |
| Experience adjustments | 409 | 395 | 1,566 | (1,537) |
| Change in financial assumptions | (826) | 7,091 | 3,648 | 7,595 |
| Change in biometric assumptions | – | – | – | – |
| **Actuarial losses/(gains) arising on the remeasurement of the present value of pension benefits** | **(417)** | **7,486** | **5,214** | **6,058** |

The following items were recognized in profit or loss in the reporting period:

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| Current service cost | 1,660 | 1,543 |
| Past service cost | – | – |
| Interest expense on obligations | 3,431 | 3,735 |
| Expected return on plan assets | (2,057) | (2,123) |
| Others | – | – |
| **Total amounts recognized in profit and loss** | **3,034** | **3,155** |

The calculation of obligations and, in certain cases, the related plan assets is based on the following actuarial parameters (reported as a weighted average):

| | Dec. 31, 2020 in percent | Dec. 31, 2019 in percent |
|---|---|---|
| Discount rate | 2.19 | 2.65 |
| Expected rate of salary increases | 1.63 | 1.66 |
| Expected return on plan assets | 0.50 | 0.42 |
| Expected rate of pension increases | 0.82 | 0.84 |

The CPM 2014 tables were used to measure pension obligations in Canada. The pension obligation in Switzerland was measured using the BVG 2015 GT mortality tables. Mortality tables specific to each company were used to measure the pension obligations for other Group companies.

The present value of the defined benefit obligation relates to the following groups of beneficiaries:

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| Active beneficiaries | 90,420 | 66 % | 92,302 | 61 % |
| Beneficiaries who have left the company | 11,657 | 8 % | 17,697 | 12 % |
| Retired employees | 35,225 | 26 % | 41,285 | 27 % |
| **Total** | **137,302** | **100 %** | **151,284** | **100 %** |

The weighted average term of the defined benefit obligation as of December 31, 2020 is 14.7 years (previous year: 15.1 years).

An increase or decrease in the discount rate by 50 basis points would have the following effect on the present value of pension obligations as of December 31, 2020:

| **Change in discount rate in basis points** | - 50 | - / + 0 | + 50 |
|---|---|---|---|
| Present value of all pension benefits | 149,801 | 137,302 | 127,088 |

The sensitivity calculations are based on the average term of the pension obligations calculated as of December 31, 2020. The calculation was made for the discount rate, the actuarial parameter classified as material. As the sensitivity analysis is based on the average duration of the expected pension obligations and therefore the expected payment dates are not taken into account, it only produces approximate information or trend statements.

The Group anticipates contributions to the defined benefit plans of K€ 4,089 (previous year: K€ 2,622) in 2021.

## 26. Other Provisions

| | Jan. 1, 2020 | Addition | Utilization | Unused amounts reversed | Change in group reporting | Currency translation | Dec. 31, 2020 |
|---|---|---|---|---|---|---|---|
| **Long-term** | | | | | | | |
| Restoration obligations | 27,603 | 5,393 | (582) | – | – | (2,653) | 29,761 |
| Litigation | 9,885 | 6,246 | (750) | (922) | – | (2,438) | 12,021 |
| Environmental risks | 7,104 | 9,950 | (473) | | – | (1,233) | 15,348 |
| Personnel | 3,274 | 3,031 | (2.776) | (286) | – | (168) | 3,075 |
| Miscellaneous | 3,201 | 675 | (500) | (2,649) | – | – | 727 |
| **Total** | **51,067** | **25,295** | **(5,081)** | **(3,857)** | **–** | **(6,492)** | **60,932** |
| **Current** | | | | | | | |
| Personnel | 10,670 | 4,626 | (3,910) | (282) | – | (482) | 10,622 |
| Environmental risks | 5,225 | 5,752 | (4,236) | | – | (542) | 6,199 |
| Restoration obligations | 3,595 | 1,596 | (246) | – | – | (297) | 4,648 |
| Litigation | 1,384 | 2,014 | (597) | (182) | – | (254) | 2,365 |
| Miscellaneous | 5,985 | 1,358 | (4,279) | (248) | – | (118) | 2,698 |
| **Total** | **26,859** | **15,346** | **(13,268)** | **(712)** | **–** | **(1,693)** | **26,532** |

Contracts for which provisions have been recognized essentially have a broad range of remaining terms of between one and 10 years.

The provisions for contractually agreed restoration obligations for existing plants essentially relate to Messer LLC, USA. Messer North America Inc., USA, accounted for a significant portion of the provisions for environmental risks, which were recognized for long-term plant cleaning obligations.

The provisions for litigation essentially relate to the areas of antitrust, HR and civil litigation. For more information on a provision for litigation risks in Spain, please refer to note 31 "Contingent Liabilities".

Personnel provisions as of December 31, 2020 predominantly relate to bonus payments and outstanding vacation.

The discounting of long-term provisions amounts to K€ 3,771 (previous year: K€ 2,116).

## 27. Financial liabilities

On March 1, 2019, Messer Industries GmbH and Messer Industries USA, Inc., USA, (as the borrower) and Yeti GermanCo 3 GmbH (as another party), signed a loan agreement with a banking group led by CITIBANK NA, UK.
The loan agreement serves to partially finance the purchase price payment for the Linde AG and Praxair business acquired in North and South America in 2019 and to finance ongoing business operations.

The credit agreement contains three facilities:

- “Facility B-1” of USD 2,225 million, a long-term, fully utilized loan with a term of seven years. The borrower is Messer Industries USA, Inc., USA. The loan will be repaid quarterly at 0.25 % of the original amount, starting on June 28, 2019. The balance will be repaid in full on March 1, 2026. The margin is 2.5 % p.a. or 1.5 % p.a. depending on the underlying refinancing base of the banks.

- “Facility B-2” of € 540 million, a long-term, fully utilized loan with a term of seven years. The borrower is Messer Industries GmbH. The loan is due on March 1. 2026. The margin was initially 2.75 % p.a., until August 28, 2019, since when it has been subject to an adjustment mechanism based on the development of the ratio of senior net debt to consolidated EBITDA.

- “Revolving facility” of USD 450 million: The borrowers are Messer Industries GmbH and Messer Industries USA, Inc., Delaware, and any other company that secures the loan agreement as a guarantor. The facility can be used to finance working capital and for all general financing requirements of the company on a revolving basis. There is no need to reduce the loan to zero at any time during its term. It is available until March 1, 2024. The margin was 1.75 % p.a. or 0.75 % p.a., depending on the underlying refinancing base of the banks, until August 28, 2019, since when it has been subject to an adjustment mechanism based on the development of the ratio of senior net debt to consolidated EBITDA.

Guarantees provided by individual Group companies serve as collateral for the full amount of the financing arrangements:
Messer Industries GmbH, Messer Industries USA Inc., USA, Messer LLC, USA, Messer France S.A.S., France, Messer Canada Inc., Canada, and Messer Gases Ltda., Brazil.

Shares in the following companies have been pledged to the banks:
Messer Industries GmbH, Messer Industries USA, Inc., USA, Messer Gases Ltda., Brazil, and Messer France S.A.S., France.

The assets of the following companies have been pledged to the banks:
Messer Industries USA, Inc., USA, Messer Canada Inc., Canada, and Messer LLC, USA. The carrying amount of the companies’ property, plant and equipment is K€ 1,197,882.

The bank accounts of the following companies have been pledged to the banks:
Messer Industries GmbH, Messer Gases Ltda., Brazil, Messer France S.A.S., France and Yeti GermanCo 3 GmbH with a total carrying amount of K€ 198,737.

The receivables of the following companies have been pledged to the banks:
Messer Gases Ltda., Brazil, and the intercompany receivables of Yeti GermanCo 3 GmbH, Messer Industries GmbH and Messer France S.A.S., France. The carrying amount of the pledged receivables is K€ 42,064. Intercompany receivables with a nominal value of K€ 43,389 have also been pledged.

The unutilized credit facilities amount to € 290 million as of December 31, 2020 (previous year: € 279 million).

The loan balances and maturities are as follows as of December 31, 2020:

| **2020** | Interest rate p. a. | Credit facility | Utilization | Due date |
|---|---|---|---|---|
| USD 2,225.0 million, facility B-1 | 2.75 % | 1,781,487 | 1,781,487 | March 1, 2026 |
| € 540.0 million, facility B-2 | 2.50 % | 540,000 | 540,000 | March 1, 2026 |
| USD 263.1 million, revolving facility | 0.00 % | 214,408 | – | March 1, 2024 |
| USD 13.0 million, RFA ancillary facility [1] | 0.00 % | 1,096 | – | March 1, 2024 |
| USD 45.0 million, RFA ancillary facility [2] | 0.00 % | 29,185 | – | March 1, 2024 |
| USD 44.0 million, RFA ancillary facility [3] | 0.00 % | 18,623 | – | March 1, 2024 |
| USD 39.9 million, RFA ancillary facility [4] | 0.00 % | 3,034 | – | March 1, 2024 |
| USD 45.0 million, RFA ancillary facility [5] | 0.00 % | 24,040 | – | March 1, 2024 |
| Other local loans [6] | 3.02 % | 3,845 | 3,845 | Various |
| Lease liabilities [6] | 5.82 % | n/a | 86,098 | Various |
| | | **2,615,718** | **2,411,430** | |
| Transaction costs | | | (54,314) | |
| | | | **2,357,116** | |

[1] K€ 9,498 was utilized as a guarantee for delivery and performance obligations; foreign currencies were translated using the rate as of December 31, 2020.
[2] K€ 7,486 was utilized as a guarantee for delivery and performance obligations; foreign currencies were translated using the rate as of December 31, 2020.
[3] K€ 17,234 was utilized as a guarantee for delivery and performance obligations and to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2020.
[4] K€ 29,482 was utilized as a guarantee to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2020.
[5] K€ 12,631 was utilized as a guarantee for delivery and performance obligations and to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2020.
[6] Weighted interest rate as of December 31, 2020, foreign currencies were translated using the rate as of December 31, 2020.

The loan balances and maturities are as follows as of December 31, 2019:

| 2019 | Interest rate p. a. | Credit facility | Utilization | Due date |
|---|---|---|---|---|
| USD 2,225.0 million, facility B-1 | 4.45 % | 1,965,740 | 1,965,740 | March 1, 2026 |
| € 540.0 million, facility B-2 | 2.50 % | 540,000 | 540,000 | March 1, 2026 |
| USD 263.1 million, revolving facility | 0.00 % | 234,200 | – | March 1, 2024 |
| USD 13.0 million, RFA ancillary facility [1] | 0.00 % | 923 | – | March 1, 2024 |
| USD 45.0 million, RFA ancillary facility [2] | 0.00 % | 11,666 | – | March 1, 2024 |
| USD 44.0 million, RFA ancillary facility [3] | 0.00 % | 16,566 | – | March 1, 2024 |
| USD 39.9 million, RFA ancillary facility [4] | 0.00 % | – | – | March 1, 2024 |
| USD 45.0 million, RFA ancillary facility [5] | 0.00 % | 15,756 | – | March 1, 2024 |
| Other local loans [6] | 1.50 % | 841 | 841 | Various |
| Lease liabilities [6] | 6.06 % | n/a | 89,212 | Various |
| | | **2,785,692** | **2,595,793** | |
| Transaction costs | | | (69,538) | |
| | | | **2,526,255** | |

1 K€ 10,649 was utilized as a guarantee for delivery and performance obligations; foreign currencies were translated using the rate as of December 31, 2019.

2 K€ 28,391 was utilized as a guarantee for delivery and performance obligations; foreign currencies were translated using the rate as of December 31, 2019.

3 K€ 22,601 was utilized as a guarantee for delivery and performance obligations and to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2019.

4 K€ 35,517 was utilized as a guarantee to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2019.

5 K€ 24,301 was utilized as a guarantee for delivery and performance obligations and to secure credit facilities; foreign currencies were translated using the rate as of December 31, 2019.

6 Weighted interest rate as of December 31, 2019, foreign currencies were translated using the rate as of December 31, 2019

Transaction costs relate to the arrangement fees paid to the financing banks and various legal and advisory costs directly attributable to the new financing. These costs are recognized as an expense over the terms of the liabilities using the effective interest method in accordance with IFRS 9.

The following table provides an overview of the Group's financial liabilities, measured on the basis of nominal amounts:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| **Long-term** | | |
| Liabilities to banks | 2,306,414 | 2,486,752 |
| Lease liabilities | 71,081 | 74,194 |
| Miscellaneous | – | – |
| Less transaction costs | (43,754) | (58,212) |
| | **2,333,741** | **2,502,734** |
| **Current** | | |
| Liabilities to banks | 18,918 | 19,829 |
| Lease liabilities | 15,017 | 15,018 |
| Miscellaneous | – | – |
| Less transaction costs | (10,560) | (11,326) |
| | **23,375** | **23,521** |
| **Total Financial liabilities, net** | **2,357,116** | **2,526,255** |
| Liabilities with a fixed interest rate | 89,943 | 90,053 |
| Liabilities with variable interest rates (hedged) | 1,873,203 | – |
| Liabilities with variable interest rates (not hedged) | 448,284 | 2,505,740 |
| **Total financial liabilities, gross** | **2,411,430** | **2,595,793** |
| **Weighted average nominal interest rates for liabilities:** | | |
| To banks | 2.69 % | 4.03 % |
| Leases | 5.82 % | 6.06 % |
| Other loans | – | – |

The average interest rate on financial liabilities was 2.81 % p. a. as of December 31, 2020 (previous year: 4.10 % p.a.).

Financial liabilities (not including transaction costs) are due as follows:

| | |
|---|---|
| 2021 | 33,935 |
| 2022 | 31,970 |
| 2023 | 29,397 |
| 2024 | 25,531 |
| 2025 | 24,439 |
| After 2025 | 2,266,158 |
| | **2,411,430** |

| | 2020 | 2019 |
|---|---|---|
| **Non-current financial liabilities as of Jan. 1** | **2,502,734** | **–** |
| Cash changes | | |
| New debt raised | 3,317 | 2,525,732 |
| Transaction costs | – | (61,608) |
| Payments of principal | (34,068) | (25,074) |
| Non-cash changes | | |
| Additions to lease liabilities | 21,435 | 7,385 |
| Changes in maturities | (5,227) | (19,845) |
| Currency translation | (5,517) | 67 |
| Exchange rate changes | (160,027) | (3,363) |
| Change in group reporting | – | 76,126 |
| Transaction costs | 11,094 | 3,314 |
| **Non-current financial liabilities as of Dec. 31** | **2,333,741** | **2,502,734** |

| | 2020 | 2019 |
|---|---|---|
| **Current financial liabilities as of Jan. 1** | **23,521** | **–** |
| Cash changes | | |
| New debt raised | 50 | 175 |
| Transaction costs | – | (13,119) |
| Payments of principal | (6,333) | (193) |
| Non-cash changes | | |
| Additions to lease liabilities | 3,012 | – |
| Changes in maturities | 5,227 | 19,845 |
| Currency translation | (1,136) | 27 |
| Exchange rate changes | (966) | (19) |
| Change in group reporting | – | 15,028 |
| Transaction costs | – | 1,777 |
| **Current financial liabilities as of Dec. 31** | **23,375** | **23,521** |

Under the credit agreement, the following key financial covenants must be complied with and calculated in each compliance certificate submitted:

- First lien net leverage: ratio of senior consolidated net liabilities to consolidated EBITDA. This covenant relates exclusively to the revolving facility and is only tested if utilized by more than 40 %. It must not exceed 8x the value. Non-compliance is an event of default, but this can only be determined by the lenders under the revolving credit facility.

The following covenants are only relevant for certain planned transactions and compliance with them must be demonstrated on a pro forma basis before the transaction:

- Secured net leverage: ratio of secured, consolidated net liabilities to consolidated EBITDA. The covenant must be tested if collateral is to be provided that is subordinate to the collateral of the credit agreement. The covenant must be less than or equal to 5.25:1.00.
- Total net leverage: The ratio of total net liabilities to consolidated EBITDA must be less than or equal to 5.25:1.00, 4.50:1.00 or 3.75:1.00, depending on the transaction at issue.
- Fixed charge coverage: The ratio of EBITDA to interest paid (substantially) in cash must be greater than 2.0.

## 28. Other Non-Current Financial Liabilities

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Other non-current financial liabilities | 2,052 | – |

Other non-current financial liabilities essentially comprise economic aid for the coronavirus pandemic in the form of tax deferrals that will become due at a future date.

## 29. Current Income Tax Liabilities and Other Current Liabilities

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Derivative financial instruments with an effective hedge | 15,255 | 12,669 |
| Other liabilities to customers | 1,384 | 1,327 |
| Deposits received for hardware | 1,306 | 1,321 |
| Interest payable | 550 | 577 |
| Derivative financial instruments without an effective hedge | 266 | 348 |
| Liabilities to related companies | 60 | 531 |
| Miscellaneous liabilities | 64,278 | 16,403 |
| **Financial liabilities** | **83,099** | **33,176** |
| Deferred income and other deferred liabilities | 96,490 | 132,509 |
| Payroll liabilities | 44,584 | 46,406 |
| Other taxes liabilities | 25,669 | 38,521 |
| Advance payments received on orders | 16,203 | 18,583 |
| Liabilities to social security providers | 9,296 | 13,543 |
| Other financial obligations | 42,613 | 60,058 |
| **Non-financial liabilities** | **234,855** | **309,620** |
| **Total** | **317,954** | **342,796** |

Derivative financial instruments with an effective hedge include the negative fair values of currency forwards, energy swaps and interest swaps.

The item “Deferred income and other deferred liabilities” includes liabilities for outstanding invoices of K€ 65,824 (previous year: K€ 65,663). The remainder relates to deferred revenue of K€ 23,026, deferred rental income for gas cylinders (K€ 6,856), other deferred income (K€ 586) and government grants (K€ 198).

The item “Other obligations” includes contingent liabilities recognized in conjunction with purchase price allocation in 2019. The majority of this is attributable to Messer Gases Ltda., Brazil, and relates to obligations arising from pending proceedings.

### Current income tax liabilities

K€ 1,041 (previous year: K€ 263,100) of current income tax liabilities of K€ 27,022 (previous year: K€ 283,166) relates to the tax group in the US. The high income tax liabilities in the previous year essentially related to the tax expenses in connection with various sales of shares and corporate law activities carried out in preparation for the acquisition of the US business of Linde and Praxair. These were paid in fiscal 2020.

## 30. Equity

### Issued capital

By way of shareholder resolution of March 29, 2019, the share capital was increased by K€ 5 from K€ 25. The issued capital thus amounts to K€ 30 (previous year: K€ 30) as of December 31, 2020 and is fully paid in.

### Capital reserves

By way of deposit agreement dated February 25, 2019, Investments S.à.r.l., Luxembourg, has agreed with Yeti GermanCo 1 GmbH to pay a capital contribution of K€ 225 into the Company’s capital reserves. In accordance with the payment direction agreement of February 25, 2019, K€ 75 of the deposit was paid in cash directly to Yeti GermanCo 1 GmbH and indirect payments of K€ 75 each were made through Yeti GermanCo 2 GmbH and Yeti GermanCo 3 GmbH.

By way of loan agreement of February 25, 2019, Yeti Investments S.à.r.l., Luxembourg, granted Yeti GermanCo 1 GmbH a shareholder loan of K€ 557,657. Subsequently, by way of deposit agreement dated February 27, 2019, a capital deposit in the form of a non-cash contribution was made by transferring the receivable of Yeti Investments S.à.r.l., Luxembourg, to the capital reserves of Yeti GermanCo 1 GmbH in the amount of K€ 557,657.

By way of agreement dated February 27, 2019, Messer Group GmbH and Yeti GermanCo 1 GmbH resolved to transfer receivables and liabilities from the Western European Messer companies to the Company’s equity as a mixed non-cash contribution in the amount of K€ 150,207. K€ 89,549 of this amount relates to receivables, K€ 7,650 to liabilities and K€ 68,308 to the assignment of a purchase price receivable of Messer GasPack GmbH from Messer GasPack 2 GmbH.

On February 27, 2019, Messer Group GmbH transferred its shares in Yeti GermanCo 2 GmbH in the amount of K€ 600,515 to the capital reserves of Yeti GermanCo 1 GmbH. On February 28, 2019, Messer Group GmbH made a contribution of K€ 16 to the capital reserves of Yeti GermanCo 1 GmbH in order to achieve the intended shareholding in Yeti GermanCo 1 GmbH.

By way of deposit and assignment agreement of May 2/3, 2019, Messer Group GmbH has undertaken to assign the purchase price receivable for a 11 % minority interest in Messer Industriegase GmbH to Yeti GermanCo 1 GmbH and subsequently to add this to the free capital reserves of Yeti GermanCo 1 GmbH in the form of a non-cash contribution. The capital reserves of Yeti GermanCo 1 GmbH were thus increased by K€ 21,278.

The capital reserves amount to K€ 1,329,973 as of December 31, 2020 (previous year: K€ 1,329,973).

### Retained earnings

Retained earnings comprise the undistributed past earnings of consolidated companies and the effects of the remeasurement of the net defined benefit pension liability, net of deferred taxes.

### Other components of equity

This item is used to report changes in equity in other comprehensive income, to the extent that such changes do not relate to equity transactions with shareholders (e.g. capital increases or distributions). This includes the difference in currency translation (through other comprehensive income), the result of net investments in foreign operations and changes in the fair value measurement of derivatives used for hedging purposes.

### Non-controlling interests

This item comprises the shares held by other shareholders in the equity of consolidated subsidiaries. Non-controlling interests are held by other shareholders in Algeria and Belgium.

The dividend payments to other shareholders include distributions of the previous year's results.

The following companies have insignificant non-controlling interests:

| Name and registered office of subsidiary | Country | Shareholding in percent | |
|---|---|---|---|
| | | Dec. 31, 2020 | Dec. 31, 2019 |
| bECO2 B.V.B.A., Zwijndrecht | Belgium | 70 % | 70 % |
| Messer Algérie SPA, Alger | Algeria | 59.86 % | 59.86 % |

### Capital management

A strong capital base is a key requirement for ensuring the continued existence of the Messer Industries Group as a going concern. The items reported in the statement of financial position are considered equity. Other items with the legal status of equity or other instruments similar in nature to equity are not used.

The owners of Messer Group GmbH, CVC, management in key positions and the Advisory Board ensure that the trust of the lending banks, creditors and the market in general in Messer Industries Group is maintained through a strong capital base.

Management in key positions and the Advisory Board regularly review and report to lending banks on compliance with these and other targets.

## 31. Contingent Liabilities

### Guarantees

Obligations from issuing guarantees were as follows:

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| | Maximum potential obligation | Amount reported as a liability | Maximum potential obligation | Amount reported as a liability |
| Guarantees | 83,268 | – | 122,848 | – |

Financial guarantees essentially relate to commitments to cover the contractual obligations of the respective principal debtors. Pledges given to secure the liabilities of Group companies were eliminated in consolidation and are thus not included in the above table.

### Other financial obligations

The Group has undertaken to invest in the acquisition, construction and maintenance of various production facilities. Obligations of this kind relate to the future purchase of plant and equipment at market prices. There are also long-term contracts giving rise to obligations. As of December 31, 2020, the commitments under orders, investment projects and long-term contracts amounted to K€ 612,942 (previous year: K€ 325,469).

### Litigation

A search was conducted at Messer Ibérica de Gases S.A., Spain, in November 2017. In this context, documents were confiscated relating to permits to build and operate our air separation units and a donation for the renovation of a city hall. A decision on whether an action will be filed is expected in 2021.
The company was searched again in February 2019 in conjunction with a second investigation. The investigation was focused on the procurement, consumption and redistribution of electricity to Carburos Metallicos. A third investigation is pending. The investigative records have not yet been disclosed, hence the subject and target of the investigation are not yet known.

It is currently assumed that the probability of a criminal conviction is low. Fines might be possible in administrative procedures initiated separately at a later date.

After the Spanish regulator issued the Spanish power utility Endesa with a payment order for its grid usage fee, Endesa invoiced Messer Ibérica de Gases S.A. for an additional charge in the same amount of € 35.6 million for allegedly underpaying its grid usage fee in the period 2008 to February 2020. In the opinion of our local Spanish lawyers, both Endesa and Messer Ibérica de Gases S.A. have strong arguments for successfully defending against the claim for payment made by the Spanish regulator in its initial notice in an appeal, and thus also against the claim made by Endesa against Messer Ibérica de Gases S.A.
Even if a claim to payment were assumed, our local lawyers believe there are good arguments for reducing the amount claimed to less than € 10 million on the basis of the statute of limitations and the only partial utilization of electricity by Messer Ibérica de Gases S.A.

Messer Ibérica de Gases S.A. has recognized a provision of € 5 million for any fines for applications not made in accordance with the proper formal requirements and thus any permits not formally in place.

The proceedings are expected to take four to seven years

### Other legal matters

The Messer Industries Group is also exposed to a wide range of legal risks in the areas of competition and antitrust law, civil law, tax law and environmental protection.

Appropriate risk provisions have been recognized for these proceedings, provided that the obligation is reasonably certain. This is not currently expected to have any material impact on the financial position or financial performance of the Group.

## 32. Other Financial Instrument Disclosures

The following table shows the carrying amount and fair values of the individual financial assets and financial liabilities for each class of financial instruments as of December 31, 2020. It does not contain any information on the fair value of financial assets and financial liabilities not measured at fair value when carrying amount is a reasonable approximation of fair value.

| | Measurement category in accordance with IFRS 9 | Carrying amount as of Dec. 31, 2020 | Measurement in accordance with IFRS 9 | | | Measurement in accordance with IFRS 16 | Fair value as of Dec. 31, 2020 |
|---|---|---|---|---|---|---|---|
| | | | Amortized cost | Fair value through OCI | Fair value through profit or loss | | |
| **Financial assets** | | | | | | | |
| Other Financial Investments | **FVOCI** | **209** | – | 209 | – | – | **209** [1] |
| Other non-current receivables and assets | **AC** | **25,375** | 25,375 | – | – | – | **25,375** [1] |
| Trade receivables | **AC** | **256,792** | 256,792 | – | – | – | |
| Other current receivables and other assets | **AC** | **20,748** | 20,748 | – | – | – | |
| Derivative financial assets | | | | | | | |
| Derivatives without an effective hedge relationship | **FVTPL** | **–** | – | – | – | – | **–** |
| Derivatives in an effective hedge relationship | **FVOCI** | **3,686** | – | 3,686 | – | – | **3,686** [1] |
| Cash and cash equivalents | **AC** | **410,807** | 410,807 | – | – | – | |

[1] Hierarchy level 2

| | Measurement category as per IFRS 9 | Carrying amount as of Dec. 31, 2020 | Measurement in accordance with IFRS 9 | | | Measurement in accordance with IFRS 16 | Measurement in accordance with IFRS 16 |
|---|---|---|---|---|---|---|---|
| | | | Amortized cost | Fair value through OCI | Fair value through profit or loss | | |
| **Financial liabilities** | | | | | | | |
| Non-current financial liabilities | **AC** | **2,262,660** | 2,262,660 | – | – | – | **2,476,453** [1] |
| Non-current lease liabilities | **n/a** | **71,081** | – | – | – | 71,081 | |
| Other non-current liabilities | **AC** | **2,052** | 2,052 | – | – | – | **2,019** [1] |
| Current financial liabilities | **AC** | **8,358** | 8,358 | – | – | – | |
| Current lease liabilities | **n/a** | **15,017** | – | – | – | 15,017 | |
| Trade payables | **AC** | **148,045** | 148,045 | – | – | – | |
| Other current liabilities | **AC** | **67,578** | 67,578 | – | – | – | |
| Derivative financial liabilities | | | | | | | |
| Derivatives without an effective hedge relationship | **FVTPL** | **266** | – | – | 266 | – | **266** [1] |
| Derivatives in an effective hedge relationship | **FVOCI** | **15,255** | – | 15,255 | – | – | **15,255** [1] |

[1] Hierarchy level 2

The following table shows the carrying amounts and fair values for each class of financial instrument in accordance with IFRS 9 as of December 31, 2019:

| | Measurement category as per IFRS 9 | Carrying amount Dec. 31, 2019 | Measurement in accordance with IFRS 9 | | | Measurement in accordance with IFRS 16 | Fair value as of Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|
| | | | Amortized cost | Fair value through OCI | Fair value through profit or loss | | |
| **Financial assets** | | | | | | | |
| Other Financial Investments | **FVOCI** | **209** | – | 209 | – | – | **209** [1] |
| Other non-current receivables and assets | **AC** | **37,364** | 37,364 | – | – | – | **37,364** [1] |
| Trade receivables | **AC** | **276,407** | 276,407 | – | – | – | |
| Other current receivables and other assets | **AC** | **37,115** | 37,115 | – | – | – | |
| Derivative financial assets | | | | | | | |
| Derivatives without an effective hedge relationship | **FVTPL** | **109** | – | – | 109 | – | **109** [1] |
| Derivatives in an effective hedge relationship | **FVOCI** | **5,095** | – | 5,095 | – | – | **5,095** [1] |
| Cash and cash equivalents | **AC** | **577,422** | 577,422 | – | – | – | |

[1] Hierarchy level 2

| | Measurement category as per IFRS 9 | Carrying amount Dec. 31, 2019 | Measurement in accordance with IFRS 9 | | | Measurement in accordance with IFRS 16 | Fair value as of Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|
| | | | Amortized cost | Fair value through OCI | Fair value through profit or loss | | |
| **Financial liabilities** | | | | | | | |
| Non-current financial liabilities | **AC** | **2,428,540** | 2,428,540 | – | – | – | **2,475,752** [1] |
| Non-current lease liabilities | **n/a** | **74,194** | – | – | – | 74,194 | |
| Other non-current liabilities | **AC** | **–** | – | – | – | – | |
| Current financial liabilities | **AC** | **8,503** | 8,503 | – | – | – | **8,503** [1] |
| Current lease liabilities | **n/a** | **15,018** | – | – | – | 15,018 | |
| Trade payables | **AC** | **215,231** | 215,231 | – | – | – | |
| Other current liabilities | **AC** | **20,159** | 20,159 | – | – | – | |
| Derivative financial liabilities | | | | | | | |
| Derivatives without an effective hedge relationship | **FVTPL** | **348** | – | – | 348 | – | **348** [1] |
| Derivatives in an effective hedge relationship | **FVOCI** | **12,669** | – | 12,669 | – | – | **12,669** [1] |

1 Hierarchy level 2

The Messer Industries Group uses the following hierarchy of inputs to measure fair value:

Level 1: Prices quoted in active markets accessible to the entity for identical assets or liabilities on the measurement date
Level 2: Inputs other than the quoted prices listed in Level 1 that can be observed either directly or indirectly for the asset or liability
Level 3: Inputs that are not observable for the asset or liability

Non-consolidated equity investments classified as non-financial items are not measured at fair value. The fair value measurement of equity investments is based on the market value quoted on the relevant market.

Non-current receivables and other non-current assets, and non-current financial liabilities and trade payables, are discounted to present value. For these purposes, the measurement model is based on interest rate curves and exchange rates for the respective maturities applicable as of the end of the reporting period.

Given their short remaining terms, the carrying amounts of current receivables, trade payables and cash funds are approximately their fair value. There is no requirement to disclose the fair values of non-financial items as they are not financial instruments as defined by IFRS 7.

Net gains and losses on financial instruments include the effects on earnings of financial instruments. These essentially include gains or losses on remeasurement from currency translation, adjustments to fair value, impairment losses and their reversals.

The following table shows the effects on earnings of financial instruments by IFRS 9 measurement category:

| **2020 in K€** | **From interest** | Net gains and net losses | | | |
|---|---|---|---|---|---|
| | | At fair value | Currency translation | Impairment losses | From disposals |
| Financial assets and financial liabilities at fair value through profit or loss | – | 763 | (65) | – | – |
| Financial liabilities at amortized cost | (90,711) | – | (2,040) | – | – |
| Financial assets at amortized cost | 3,766 | – | (4,367) | (2,861) | – |
| Financial assets at fair value through OCI | – | (240) | – | – | – |
| Financial liabilities at fair value through OCI | – | 42 | – | – | – |

The following table shows the effects on earnings of financial instruments by IFRS 9 measurement category in 2019:

| **2019 in K€** | **From interest** | Net gains and net losses | | | |
|---|---|---|---|---|---|
| | | At fair value | Currency translation | Impairment losses | From disposals |
| Financial assets and financial liabilities at fair value through profit or loss | (1,418) | 9,113 | (1,029) | – | – |
| Financial liabilities at amortized cost | (97,916) | – | 2,627 | – | 1,322 |
| Financial assets at amortized cost | 8,579 | – | 6,841 | (3,848) | – |
| Financial assets at fair value through OCI | – | – | – | – | – |
| Financial liabilities at fair value through OCI | 280 | – | – | – | – |

## Derivative financial instruments

The Messer Industries Group essentially uses derivative financial instruments to hedge currency and raw material exposures and variable interest payments in order to reduce the related risks. Foreign currency risks from posted transactions are largely hedged. The exposure for raw material and currency hedges is derived from production requirement planning and the future purchases necessary over the hedged period, which are therefore highly probable. Interest hedges are based on a loan with a floating interest rate. The risk and its assessment are monitored continuously. The Messer Industries Group currently uses standard currency forwards, non-deliverable forwards (NDFs), interest derivatives and energy swaps as hedging instruments.

Hedges are entered into only with partners of good credit standing; any potential ineffectiveness resulting from them, if material, would be reported separately in profit or loss.

The Group currently uses derivative financial instruments to hedge future payments for energy purchases in the US and currency hedges for future USD payments from foreign currency liabilities in Canada. It also uses derivative financial instruments to hedge future variable USD interest payments on the USD loan (Facility B-1) and variable EUR interest payments on the euro loan (Facility B-2). These hedges are subject to hedge accounting in accordance with IFRS (cash flow hedges). The average hedge rate for energy purchases is USD 29.94 (EUR 24.40) per megawatt hour (previous year: USD 30.56 (EUR 27.20)), and USD 1.278/CAD 1 for currency hedges; the fixed interest rate is 0.46 % and the interest cap is 0.25 %. Furthermore, cash flows in the currencies USD, EUR, BRL and COP are essentially hedged outside hedge accounting, using currency forwards and NDFs.

There are currently no derivative financial instruments in the Group that qualify as fair value hedges or hedges of a net investment in foreign operations.

Furthermore, hedges are entered into outside hedge accounting. These hedges nevertheless comply with the principles of risk management from an economic perspective.

| **Assets** | **Dec. 31, 2020** | | Dec. 31, 2019 | |
|---|---|---|---|---|
| **Financial derivatives in K€** | **Fair value (carrying amount)** | Nominal amount | Fair value (carrying amount) | Nominal amount |
| Currency swaps | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | – | – | 1,158 | 3,999 |
| Currency forwards | | | | |
| without a hedging relationship | 0 | 140 | – | 25 |
| as a cash flow hedge | – | – | – | – |
| Energy swaps | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | 3,151 | 15,924 | 3,937 | 16,213 |
| Gas swaps | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | – | – | – | – |
| Interest derivatives | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | 535 | 432,000 | – | – |
| Other transactions | | | | |
| without a hedging relationship | – | – | 109 | 22,831 |
| as a cash flow hedge | – | – | – | – |
| **Total** | **3,686** | **448,064** | **5,204** | **43,068** |

| Liabilities | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| **Financial derivatives in K€** | Fair value (carrying amount) | Nominal amount | Fair value (carrying amount) | Nominal amount |
| Currency swaps | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | – | – | 259 | 10,845 |
| Currency forwards | | | | |
| without a hedging relationship | 36 | 986 | 132 | 5,509 |
| as a cash flow hedge | 820 | 17,170 | – | – |
| Energy swaps | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | 8,553 | 53,141 | 12,410 | 71,775 |
| Gas swaps | | | | |
| without a hedging relationship | – | – | 144 | 631 |
| as a cash flow hedge | – | – | – | – |
| Interest derivatives | | | | |
| without a hedging relationship | – | – | – | – |
| as a cash flow hedge | 5,882 | 1,441,203 | – | – |
| Other transactions | | | | |
| without a hedging relationship | 230 | 11,690 | 72 | 19,930 |
| as a cash flow hedge | – | – | – | – |
| **Total** | **15,521** | **1,524,190** | **13,017** | **108,690** |

The nominal volume of derivative financial instruments consists of the total nominal amounts of the individual contracts. By contrast, the fair value is calculated from the measurement of all contracts at prices on the measurement date. It shows how the result would have changed if the derivative contracts had been closed immediately as of the end of the reporting period.

The effective portion of the changes in the value of derivative financial instruments, which was recognized in the OCI in the reporting period, is K€ 14,113 (previous year: K€ 13,863). The amount that was reclassified from equity to the income statement in the context of hedge accounting in the reporting period is K€ 9,948 (previous year: K€ 4,496) and is essentially shown in cost of sales. The ineffective portion of the change in market value is recognized directly in profit or loss.

No significant ineffective portions of the change in the fair value of hedging instruments were identified in the fiscal year.

The following table shows when the cash flows from cash flow hedges occur and how they affect fair value in the income statement:

| in K€ | Fair value (carrying amount) December 31, 2020 | Nominal amount | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Currency swaps | | | | | |
| Assets | – | – | – | – | – |
| Liabilities | (820) | 17,170 | 17,170 | – | – |
| Energy swaps | | | | | |
| Assets | 3,151 | 15,924 | 1,229 | 14,695 | – |
| Liabilities | (8,553) | 53,141 | 22,914 | 30,227 | – |
| Interest derivatives | | | | | |
| Assets | 535 | 432,000 | – | 432,000 | – |
| Liabilities | (5,882) | 1,441,203 | 18,132 | 1,423,071 | – |

| in K€ | Fair value (carrying amount) December 31, 2019 | Nominal amount | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Currency swaps | | | | | |
| Assets | 1,158 | 3,999 | 3,999 | – | – |
| Liabilities | (259) | 10,845 | 10,845 | – | – |
| Energy swaps | | | | | |
| Assets | 3,937 | 16,213 | 1,931 | 14,282 | – |
| Liabilities | (12,410) | 71,775 | 25,067 | 46,708 | – |
| Interest derivatives | | | | | |
| Assets | – | – | – | – | – |
| Liabilities | – | – | – | – | – |

The Messer Industries Group uses derivatives in accordance with the International Swaps and Derivative Association (ISDA) Agreement. This agreement does not meet the criteria for offsetting in the consolidated statement of financial position, as it only provides for offsetting rights for future events, such as default or insolvency of the Group or counterparty. The following table shows the potential financial impact of offsetting the agreement described, regardless of whether the items are offset in the consolidated statement of financial position in accordance with IAS 32.42.

| in K€ | Dec. 31, 2020 | | | Dec. 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Gross amounts of derivatives in the consolidated statement of financial position | Amounts from netting agreements | Net amounts | Gross amounts of derivatives in the consolidated statement of financial position | Amounts from netting agreements | Net amounts |
| Derivative assets | – | – | – | 109 | (37) | 72 |
| Derivative liabilities | – | – | – | 72 | 37 | 109 |

## Management of financial risks

In conjunction with its operating activities, the Messer Industries Group is exposed to various financial risks, in particular credit, liquidity, interest and currency risk, which are described in more detail below. The Group's risk management system takes into account the fact that financial market developments are not foreseeable and is intended to minimize any potential negative impact on the Group's financial position. The Group uses derivative financial instruments to hedge against specific risks.

Risk management is handled by Group Treasury in compliance with guidelines approved by management. Group Treasury identifies, assesses and hedges financial risks. The guidelines contain general principles for risk management and detailed rules for specific areas, such as currency and interest rate risks, the use of derivative financial instruments and the investment of surplus cash. Further information on risk management can be found in the risk report section of the Group management report.

## Credit risk

Credit risk is the risk of financial losses if customers or the counterparty to a financial instrument do not meet their contractual obligations.

There are no impairment losses for other financial assets and financial investments such as bank balances, securities and derivatives that are assets, as the credit risk is classified as remote. Such risks are limited by Group Treasury by selecting counterparties of good credit standing and by limiting the investment amounts.
Credit risk in the Messer Industries Group mainly arises from trade receivables.

The corresponding impairment loss is measured at an amount equal to lifetime expected credit losses, based on an analysis of historical default data and forecasts of future economic conditions. Expected credit losses are a probability-weighted estimate of credit losses.

Credit risk in the Messer Industries Group is primarily influenced by customers' individual characteristics.

For risk management purposes, the credit rating of each customer is first analyzed individually before the respective Group company offers its standard delivery and payment terms. Where available, the analysis comprises annual financial statements, information from credit agencies, sector information and, in some cases, credit reports from banks. Specific limits are set individually for each customer. These represent the maximum outstanding amount that can be granted without the approval of the Risk Management Committee. The limits are reviewed at least once a quarter.

Due regard is also given to whether the customer is a natural person or a legal entity. Other factors taken into account are geographical location, market sector, the aging structure of receivables and the occurrence and duration of payment problems.

The expected credit loss over the total term of the respective receivables is taken into account in the measurement of the receivables. The Messer Industries Group uses the simplified impairment model for this.

In order to assess the expected credit risk, receivables are grouped on the basis of the existing credit risk and maturity structure of the receivables concerned. Customers are also divided into groups to monitor the risk of default. The groups with comparable credit risks to be taken into account for the Messer Industries Group result from the business areas and registered office of the respective customers.

If there is objective evidence that the forecast future inflows are impaired, a receivable is classified as impaired. Examples of such evidence include impending insolvency or breach of contract due to default. Default occurs if it is unlikely that a debtor will be able to settle its liabilities in full.

Each company in the Messer Industries Group therefore performs an analysis to determine whether there are objective indications of impairment for customers whose receivables are past due by a certain number of days, indicating an increased credit risk. At the latest, there is an increased credit risk when the amount of the receivable past due is higher than the average turnover. This can vary between 90 and 270 days depending on the company.

The following table provides information on the estimated credit risk and the expected credit losses for non-current and current trade receivables as of December 31, 2020, calculated in accordance with the default event:

| | Receivables | Default rate, in percent | Expected credit loss |
|---|---|---|---|
| Individually impaired | 55,193 | 45.4 | 25,058 |
| Collectively impaired in accordance with default event | | | |
| Days past due: | | | |
| Not past due | 180,114 | 1.6 | 2,811 |
| between 1 and 30 days | 31,849 | 3.2 | 1,011 |
| between 31 and 60 days | 9,003 | 8.5 | 762 |
| between 61 and 90 days | 3,546 | 17.7 | 627 |
| between 91 and 120 days | 2,958 | 42.5 | 1,256 |
| between 121 and 180 days | 2,162 | 26.0 | 563 |
| between 181 and 270 days | 2,626 | 32.6 | 857 |
| more than 271 days | 4,779 | 52.0 | 2,483 |
| | **292,230** | | **35,428** |

Impairment losses on non-current and current trade receivables developed as follows:

| | 2020 | 2019 |
|---|---|---|
| **As of Jan. 1** | **38,347** | **–** |
| Additional impairment requirement as of January 1, 2020 | – | – |
| Net change through profit or loss | 2,861 | 4,026 |
| Net change through OCI | (1,834) | (39) |
| Change in group reporting | – | 34,539 |
| Exchange rate changes | (3,946) | (179) |
| **As of Dec. 31** | **35,428** | **38,347** |

The impairment loss relates to trade receivables and was calculated exclusively on the basis of lifetime expected credit losses.

The following table provides information on the estimated credit risk and the expected credit losses for non-current and current trade receivables as of December 31, 2019:

| | Receivables | Default rate, in percent | Expected credit loss |
|---|---|---|---|
| Individually impaired | 56,880 | 36.1 | 20,507 |
| Collectively impaired in accordance with default event | | | |
| Days past due: | | | |
| Not past due | 175,745 | 2.1 | 3,735 |
| between 1 and 30 days | 42,528 | 4.9 | 2,074 |
| between 31 and 60 days | 12,164 | 12.4 | 1,510 |
| between 61 and 90 days | 5,421 | 23.0 | 1,245 |
| between 91 and 120 days | 3,354 | 33.6 | 1,126 |
| between 121 and 180 days | 3,786 | 29.6 | 1,119 |
| between 181 and 270 days | 4,522 | 39.8 | 1,799 |
| more than 271 days | 10,636 | 49.2 | 5,232 |
| | **315,036** | | **38,347** |

## Liquidity risk

Liquidity risk, i.e. the risk that the Messer Industries Group cannot meet its financial obligations, is limited both by creating the necessary financial flexibility and by effective cash management. In addition to cash funds, the Messer Industries Group also has access to long-term, freely available credit facilities to safeguard its liquidity. There are no indications that any of the credit facilities granted are not fully available. Liquidity risks are monitored regularly and reported to management, in particular regarding compliance with the financial covenants described in note 27 "Financial Liabilities".

Trade payables and other current liabilities have remaining terms of less than one year. Information relating to the maturities of financial liabilities can be found in note 27 "Financial Liabilities". Other non-current liabilities have remaining terms of between one and five years.

The following table shows the expected cash flows for financial liabilities:

| Description | Carrying amount Dec. 31, 2020 | Expected cash flow | Cash Flows 2021 | | Cash Flows 2022 - 2025 | | Cash Flows from 2026 | |
|---|---|---|---|---|---|---|---|---|
| | | | Interest | Payment of principal | Interest | Payment of principal | Interest | Payment of principal |
| **Financial liabilities at amortized cost** | **2,488,693** | **(2,862,376)** | **(62,914)** | **(234,541)** | **(246,451)** | **(77,304)** | **(10,004)** | **(2,231,162)** |
| Financial liabilities [1] | 2,271,018 | (2,644,701) | (62,914) | (18,918) | (246,451) | (75,252) | (10,004) | (2,231,162) |
| Other non-current liabilities | 2,052 | (2,052) | – | – | – | (2,052) | – | – |
| Trade payables | 148,045 | (148,045) | – | (148,045) | – | – | – | – |
| Other current liabilities | 67,578 | (67,578) | – | (67,578) | – | – | – | – |
| **Financial liabilities at fair value through OCI** | **15,255** | **(15,255)** | **–** | **(4,645)** | **(5,883)** | **(4,727)** | **–** | **–** |
| Financial derivatives [2] | 15,255 | (15,255) | – | (4,645) | (5,883) | (4,727) | – | – |
| **Financial liabilities at fair value through profit or loss** | **266** | **(266)** | **–** | **(266)** | **–** | **–** | **–** | **–** |
| Financial derivatives [2] | 266 | (266) | – | (266) | – | – | – | – |
| **Lease liabilities** | **86,098** | **(114,650)** | **(4,609)** | **(15,017)** | **(12,774)** | **(36,085)** | **(11,169)** | **(34,996)** |

[1] The transaction costs for financing were already reported as cash outflows and are therefore not a component of future cash flows.
[2] Repayments of principal for financial derivatives are contractual cash flows.

This includes all instruments that were in the portfolio on December 31, 2020 and for which payments were already contractually agreed. Forecast figures for future new liabilities are not included. Foreign currency amounts were translated using the rate as of December 31, 2020.

| Description | Carrying amount Dec. 31, 2019 | Expected cash flow | Cash Flows 2020 | | Cash Flows 2021 - 2024 | | Cash Flows from 2025 | |
|---|---|---|---|---|---|---|---|---|
| | | | Interest | Payment of principal | Interest | Payment of principal | Interest | Payment of principal |
| **Financial liabilities at amortized cost** | **2,672,433** | **(3,352,156)** | **(101,323)** | **(255,219)** | **(396,445)** | **(80,042)** | **(112,417)** | **(2,406,710)** |
| Financial liabilities [1] | 2,437,043 | (3,116,766) | (101,323) | (19,829) | (396,445) | (80,042) | (112,417) | (2,406,710) |
| Other non-current liabilities | – | – | – | – | – | – | – | – |
| Trade payables | 215,231 | (215,231) | – | (215,231) | – | – | – | – |
| Other current liabilities | 20,159 | (20,159) | – | (20,159) | – | – | – | |
| **Financial liabilities at fair value through OCI** | **12,669** | **(12,669)** | **–** | **(8,306)** | **–** | **(4,363)** | **–** | **–** |
| Financial derivatives [2] | 12,669 | (12,669) | – | (8,306) | – | (4,363) | – | – |
| **Financial liabilities at fair value through profit or loss** | **348** | **(348)** | **–** | **(348)** | **–** | **–** | **–** | **–** |
| Financial derivatives [2] | 348 | (348) | – | (348) | – | – | – | – |
| **Lease liabilities** | **89,212** | **(119,714)** | **(4,600)** | **(15,018)** | **(12,926)** | **(36,837)** | **(12,976)** | **(37,357)** |

[1] The transaction costs for financing were already reported as cash outflows and are therefore not a component of future cash flows.

[2] Repayments of principal for financial derivatives are contractual cash flows.

## Interest risk

Interest risk can arise when interest-bearing liabilities are not hedged in terms of maturity or amount by either corresponding assets or derivative instruments. The objective is to optimize the net interest result and minimize interest risks. The Company has hedged 81.4 % of its total financial liabilities against interest rate changes through fixed interest rate agreements.

Variable financial instruments are subject to a cash flow risk with regard to the uncertainty of future interest payments. The cash flow risk is measured using a sensitivity analysis. The sensitivity analysis assumes a shift in the yield curves for all currencies by +/- 100 basis points as of December 31, 2020.

The change in interest rate derivatives is recognized in profit or loss using the current market interest at the end of the reporting period. If market interest rates had been 100 basis points higher (lower) as of December 31, 2020, consolidated net profit would have been K€ 43,935 (previous year: K€ 0) higher or K€ 13,448 (previous year: K€ 0) lower.

For variable financial liabilities and our financial investments, an interest rate level 100 basis points higher (lower) as of December 31, 2020 would have produced a result lower (higher) by K€ 375 (previous year: K€ 19,283). As of December 31, 2020, the exposure to interest rate risk was K€ 37,477 (previous year: K€ 1,928,318).

## Currency risk

Currency risk for the Messer Industries Group arises from both financing and operating activities in an international environment. Foreign currency risks are hedged to the extent that they have a significant influence on the Group's cash flows.

Foreign currency risks relating to financing activities result from foreign currency financial liabilities and loans for the financing of Group companies. Group Treasury hedges these risks. Currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the functional currency of the Group companies.

As far as operating activities are concerned, the individual Group companies predominantly conduct their business in their own functional currency. The Messer Industries Group's currency risk from operating activities is therefore considered remote overall. However, a number of Group companies are exposed to foreign currency risks in connection with operational transactions not denominated in their own functional currency. This mainly relates to payments in conjunction with a long-term supply agreement and payments in conjunction with investments. The Messer Industries Group also uses currency derivatives to hedge these risks.

Currency risks as referred to by IFRS 7 result from financial instruments that are denominated in a currency other than the functional currency and that are monetary in nature; exchange rate differences arising from the translation of financial statements into the Group currency are not taken into account.

Currency risk is measured on the basis of sensitivity analyses. The currency analysis assumes an appreciation (depreciation) of all currencies by 10 % compared to the euro.

If the euro appreciates (depreciates) by 10 % against the major currencies, this would produce a hypothetical result K€ 21,250 lower (higher) (previous year: K€ 21,458 lower). The net currency risk from statement of financial position exposures was as follows:

| **in K€ as of Dec. 31, 2020** | **USD** | **CAD** | **CHF** | **BRL** |
|---|---|---|---|---|
| Foreign currency risk from statement of financial position exposures | 49,838 | 254,901 | (216) | (1,279) |
| Foreign currency risk from forecast transactions | (84,085) | (1,343) | (5,500) | (13,912) |
| **Transactional foreign currency exposures** | **(34,247)** | **253,558** | **(5,716)** | **(15,191)** |
| Exposures hedged in economic terms by derivatives | 14,098 | – | – | – |
| **Unhedged foreign currency exposures** | **(20,149)** | **253,557** | **(5,716)** | **(15,192)** |
| Change in foreign currency exposures as a result of a 10 % appreciation of the euro | 2,015 | (25,356) | 572 | 1,519 |

# 33. Related Parties

Transactions with the following entities and individuals are treated as related party transactions.

### Related companies

The ultimate company with significant influence is Messer Industrie GmbH, which is controlled by the Messer family. Associated companies, joint ventures and joint operations and non-consolidated subsidiaries classified as related parties are shown in the list of shareholdings.

The following companies are considered related parties:

- CVC Capital Partners VII (A) L.P., UK
  CVC Capital Partners VII (A) L.P. holds 94.51 % in Yeti Holdings Jersey Limited, USA, as of December 31, 2020.

- Greenbelt Ltd., British Virgin Islands, and Hardtberg Grundstücks GmbH
  Stefan Messer, Managing Director and co-shareholder of Messer Industrie GmbH, is also a Managing Director and co-shareholder or sole shareholder of these companies.

- Messer Group GmbH (Messer Group)
  Messer Group GmbH holds 54.46 % in Yeti GermanCo 1 GmbH and 58.02 % in Yeti Warehouse GmbH (formerly: Messer Family NewCo GmbH) as of December 31, 2020.

- Messer Management SE
  Messer Management SE is the general partner (SE) of the future Messer SE & Co. KGaA. Please refer to the comments under note 34 "Events after the Reporting Period".

- Messer Holding GmbH
  Messer Holding GmbH holds 100 % in Messer Group GmbH as of December 31, 2020.

- Messer Industrie GmbH
  Messer Industrie GmbH holds 100 % in Messer Holding GmbH as of December 31, 2020.

- Messer Medical Home Care Holding GmbH (Home Care Group)
  The Messer Group has spun off its home care activities into an independent group since March 31, 2011. The parent company of this Group, Messer Medical Home Care Holding GmbH, is wholly owned by MIG Holding GmbH, an affiliate of Messer Industrie GmbH.

- MIG Holding GmbH and Messer Eutectic Castolin Gruppe (MEC Group)
  100 % of the shares in MEC Global GmbH are held by MIG Holding GmbH, an affiliate of Messer Industrie GmbH with the same ownership structure.

- Yeti Americas Management Participation GmbH & Co. KG
  Yeti Americas Management Participation GmbH & Co. KG holds 4.21 % in Yeti GermanCo 1 GmbH as of December 31, 2020.

- **Yeti Europe Management Participation GmbH & Co. KG**
  Yeti Europe Management Participation GmbH & Co. KG holds as 1.98 % in Yeti GermanCo 1 GmbH as of December 31, 2020.

- **Yeti Holdings Jersey Limited, Jersey**
  Yeti Holdings Jersey Limited holds 100 % in Yeti Holdings S.à.r.l., Luxembourg, as of December 31, 2020.

- **Yeti Holdings S.à r.l., Luxembourg**
  Yeti Holdings S.à.r.l., Luxembourg holds 100 % in Yeti Investments S.à.r.l., Luxembourg, as of December 31, 2020.

- **Yeti Investments S.à.r.l., Luxembourg**
  Yeti Investments S.à.r.l. holds 41.95 % in Yeti Warehouse GmbH (formerly: Messer Family NewCo GmbH) and 39.35 % in Yeti GermanCo 1 GmbH as of December 31, 2020.

- **Yeti Management Verwaltungs GmbH (formerly: Yeti NewCo 0 GmbH)**
  Yeti Management Verwaltungs GmbH is the general partner (GmbH) of Yeti Americas Management Participation GmbH & Co. KG and Yeti Europe Management Participation GmbH & Co. KG as of December 31, 2020.

- **Yeti Warehouse GmbH (formerly: Messer Family NewCo GmbH)**
  Yeti Warehouse GmbH holds 100 % in Yeti Management Verwaltungs GmbH as of December 31, 2020. The Yeti GermanCo 1 GmbH Employee Participation Program is bundled in Yeti Warehouse GmbH.

The following transactions were performed with related companies:

| | Jan. 1 – Dec. 31, 2020 | Jan. 1 – Dec. 31, 2019 |
|---|---|---|
| **Revenue with related parties** | | |
| Ultimate controlling party | – | – |
| Parent company | 1,809 | 135 |
| Associated companies, joint ventures and joint operations | 20 | 11 |
| Non-consolidated subsidiaries | – | – |
| Other related parties | 4,414 | 3,095 |
| | **6,243** | **3,241** |
| **Purchased goods and services** | | |
| Ultimate controlling party | – | – |
| Parent company | 9,325 | 6,772 |
| Associated companies, joint ventures and joint operations | 4,955 | 2,583 |
| Non-consolidated subsidiaries | – | – |
| Other related parties | 9,135 | 9,702 |
| | **23,415** | **19,057** |

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| **Trade receivables** | | |
| Ultimate controlling party | – | – |
| Parent company | 354 | 172 |
| Associated companies, joint ventures and joint operations | 49 | 60 |
| Non-consolidated subsidiaries | – | – |
| Other related parties | 673 | 908 |
| | **1,076** | **1,140** |
| **Other financial and non-financial assets** | | |
| Ultimate controlling party | – | – |
| Parent company | 190 | 161 |
| Associated companies, joint ventures and joint operations | 5,023 | 4,379 |
| Non-consolidated subsidiaries | 100 | 96 |
| Other related parties | 52 | 95 |
| | **5,365** | **4,731** |
| **Trade payables** | | |
| Ultimate controlling party | – | – |
| Parent company | 1,957 | 1,252 |
| Associated companies, joint ventures and joint operations | 506 | 309 |
| Non-consolidated subsidiaries | – | – |
| Other related parties | 960 | 3,165 |
| | **3,423** | **4,726** |
| **Other financial and non-financial liabilities** | | |
| Ultimate controlling party | – | – |
| Parent company | 7 | 532 |
| Associated companies, joint ventures and joint operations | 49 | – |
| Non-consolidated subsidiaries | – | – |
| Other related parties | 4 | – |
| | **60** | **532** |

The receivables from related parties result from service agreements and sales transactions with varying maturities. The receivables are not secured by collateral and do not bear interest. There were no impairment losses on receivables from related parties (previous year: K€ 0) and no uncollectible receivables from related parties recognized as an expense for the period (previous year: K€ 0). No loans were granted to related companies or were extended by them to the Messer Industries Group.

## Related persons

**Members of management in key positions**
Management in key positions at Yeti GermanCo 1 GmbH included the following in the fiscal year:

- Carsten Knecht, Managing Director of Yeti GermanCo 1 GmbH
- Michael Beck, Managing Director of Yeti GermanCo 1 GmbH (until May 31, 2020)
- Matthias Störmer, Managing Director of Yeti GermanCo 1 GmbH (from May 11 until September 24, 2020)
- Jan Desmeth, Managing Director of Messer Belgium N.V., Belgium (until December 31, 2020)
- Jens Lühring, CEO of Messer Industries USA, Inc., USA
- Gareth Parkin, CFO of Messer Industries USA, Inc., USA

The total remuneration of the members of management in key positions at Yeti GermanCo 1 GmbH amounted to K€ 3,025 in the fiscal year (previous year: K€ 2,937).

Of this figure, fixed remuneration including benefits in kind and other fringe benefits amounted to K€ 1,351 (previous year: K€ 1,142). The total amount of variable remuneration was to K€ 1,433 (previous year: K€ 1,557) and is linked to the achievement of certain performance indicators. Post-employment benefits amount to K€ 241 (previous year: K€ 238).

**Yeti GermanCo 1 GmbH Employee Participation Program**
For persons in key positions and other senior employees of the Group and Messer Group GmbH, a management participation program was created in the form of management investment companies as a shareholder of Yeti GermanCo 1 GmbH. The management participation program enables management and other executives to invest in the Messer Industries Group and, in the event of an exit by the current main shareholders (through sale or IPO), to participate in the expected increase in value. The management participation program gives participants the opportunity to indirectly acquire shares in Yeti GermanCo 1 GmbH through a predetermined structure. These investments participate indirectly in the returns and performance of a particular geographically defined business unit consisting of basic residual amounts and preference interest-bearing equity instruments (VSLs). These instruments bear defined interest on the capital invested and must be served before the residual amounts.

As the companies of Messer Industries Group are not required to settled share-based payments themselves, this constitutes equity-settled share-based payment in accordance with IFRS 2.43B (b).

The purchase prices for the transfer of shares to the participants of the management participation program were determined as of March 1, 2019, taking into account the value of the contribution by Messer Group GmbH and CVC Capital Partners Fund VII.
The participants can only sell the shares they have acquired to Yeti Warehouse GmbH (formerly Messer Family NewCo GmbH). If a participant leaves, Yeti Warehouse GmbH is entitled to repurchase his shares.

In the event of an early sale of shares or if a participant leaves the Yeti GermanCo 1 Group as a good leaver, participants receive a formula-based market value of the shares for a contractually determined portion of the portfolio, which is vested up to the date they leave. For the non-vested portion, good leavers receive the lower amount of the formula-based market value and the purchase price less refunds since received. Five years after the specified date of entry, the good leaver receives 100% of the market value of the respective portfolio on leaving. In the event of leaving as a bad leaver, the employee receives the lower of the formula-based market value and the purchase price.

The program stipulates that, after a defined exit event (which can include an IPO or a similar transaction in which all or substantially all the Group's assets are disposed of so that current investors retain less than 50 % of the shares), the proceeds of the sale, after deduction of the costs, are used to serve the instruments described (first the VSLs and then the residual amounts), taking the intended interest into account. The investors are required to cooperate in the exit event and to participate in the proceeds of the sale in proportion to the portfolio they hold.

In order to determine the expense for the period as referred to by IFRS 2, the purchase prices to be paid by the participants were compared against the fair values of the share classes at the respective date of entry (date of grant). If this shows that the employees acquired the shares at a value lower than the fair value, the fair value of the benefit granted to the employee from the time the instrument was granted is calculated as the difference. As the purchase prices to be paid were equal to the fair value as of the grant date, there was no difference that would have been recognized as the "grant date fair value".

**Advisory Board**
- Dr. Hans-Gerd Wienands-Adelsbach, Chairman, Lawyer
- Ernst Bode, COO Europe Messer Group GmbH
- Stefan Messer, CEO Messer Group GmbH
- Dr. Alexander Dibelius, Managing Partner CVC Capital Partners, UK
- Dr. Daniel Pindur, Partner CVC Capital Partners, UK
- Lars Haegg, Principal CVC Capital Partners, UK

The Advisory Board received no remuneration from Group companies of Yeti GermanCo 1 GmbH for the fiscal year.

## 34. Events after the Reporting Period

Messer Group GmbH, which founded Yeti GermanCo 1 GmbH as a joint venture with CVC, will transform into a *Kommanditgesellschaft auf Aktien* (KGaA – partnership limited by shares) and, in the future, will operate as Messer SE & Co. KGaA. The transformation will take legal effect on entry in the commercial register, which had not yet occurred as of the date that these financial statements were prepared. The legal form of a partnership limited by shares will establish Messer as a globally positioned group of companies with more extensive options and opportunities for the future. The 100 % control and influence of the shareholder family is still assured.

On March 23, 2021, it was resolved to repay long-term financial liabilities ahead of schedule. In light of this, EUR 125 million of facility B-2 was repaid early on March 31, 2021. USD 50 million of the USD-denominated facility B-1 was repaid early as of March 31, 2021. The resolution intends to use between € 100 and € 125 million of freely available cash funds for early repayments over the course of the year.

There were no other reportable events of particular significance to the financial position and financial performance of the Group after December 31, 2020.

## 35. Prior-Year Financial Statements

The financial statements for the previous year as of December 31, 2019 were approved by the Advisory Board on April 17, 2020 and published in the German Federal Gazette.

## 36. Auditors' Fees

The fees of the auditor of the German Group companies were exclusively for audits of financial statements and amounted to K€ 379 in fiscal 2020 (previous year: K€ 634).

Bad Soden am Taunus, April 9, 2021

# Appendix

## List of shareholdings as of December, 31 2020

| Country | Name | Domicile | Equity (in € thousands) | Direct / Indirect | Shareholding in % | Net result after taxes (in € thousands) |
|---|---|---|---|---|---|---|
| **Affiliated companies included in the consolidated financial statements** | | | | | | |
| Algeria | Messer Algérie SPA | Alger | 3,213 | I | 59.86 | 2,133 |
| Belgium | bECO2 B.V.B.A. | Zwijndrecht | 116 | I | 70.00 | 84 |
| | Messer Belgium N.V. | Zwijndrecht | 25,781 | I | 100.00 | 3,577 |
| Brazil | Messer Gases Ltda. | Sao Paulo | 116,374 | I | 100.00 | 22,404 |
| | Messer Indústria de Gases Ltda. | Sao Paulo | 11,377 | I | 100.00 | 1,871 |
| Canada | Messer Canada Inc. | Ontario | 26,825 | I | 100.00 | 17,615 |
| Chile | Messer Chile Limitada | Santiago | 23,060 | I | 100.00 | 929 |
| Colombia | Messer Energy S.A.S. E.S.P. | Bogotá | (36) | I | 100.00 | (89) |
| | Messer Colombia S.A. | Bogotá | 70,661 | I | 100.00 | 7,325 |
| | REMEO Medical S.A.S. | Bogotá | 1,912 | I | 100.00 | 430 |
| France | Messer France S.A.S. | Suresnes | 93,503 | I | 100.00 | 6,674 |
| Germany | Messer Industries GmbH | Sulzbach | 1,093,017 | I | 100.00 | - |
| | Messer GasPack 2 GmbH | Sulzbach | 74,807 | I | 100.00 | 2,972 |
| | Messer Industriegase GmbH | Sulzbach | 71,511 | I | 100.00 | - |
| | Messer Produktionsgesellschaft mbH Salzgitter | Sulzbach | 17,525 | I | 100.00 | - |
| | Messer Produktionsgesellschaft mbH Siegen | Sulzbach | 12,224 | I | 100.00 | - |
| | Messer Produktionsgesellschaft mbH Speyer | Bad Soden am Taunus | 3,525 | I | 100.00 | 450 |
| | Yeti GermanCo 1 GmbH | Sulzbach | 1,327,625 | 0 | 100.00 | (1,257) |
| | Yeti GermanCo 2 GmbH | Sulzbach | 1,093,387 | D | 100.00 | - |
| | Yeti GermanCo 3 GmbH | Sulzbach | 1,093,282 | I | 100.00 | - |
| Netherlands | Messer B.V. | Moerdijk | 9,239 | I | 100.00 | 3,034 |
| | Messer Industries B.V. | Moerdijk | 264,458 | I | 100.00 | (1,066) |
| Portugal | MesserGas Distribuicao des Gases Industriais, Unip | Lisbon | 536 | I | 100.00 | 148 |
| Puerto Rico | Messer Gas Puerto Rico Inc. | San Juan | (794) | I | 100.00 | 2,591 |
| Spain | Adamite Investments S.L. | Tarragona | 6,241 | I | 100.00 | (1) |
| | Leteira Investments S.L. | Tarragona | 126,985 | I | 100.00 | 13 |
| | Litadas Investments S.L. | Tarragona | 45 | I | 100.00 | (2) |
| | Messer Ibérica de Gases S.A. | Tarragona | 17,848 | I | 100.00 | (724) |
| | MG Industries Iberica S.L. | Tarragona | 113,180 | I | 100.00 | (49) |
| | Toubkal Investments S.L. | Tarragona | 9,090 | I | 100.00 | (9) |
| Switzerland | Messer Schweiz AG | Lenzburg | 23,684 | I | 100.00 | 3,967 |
| USA | General Gases of the V.I. Inc. | St. Croix | 7,514 | I | 100.00 | 1,342 |
| | Messer Energy Services Inc. | Delaware | (1,849) | I | 100.00 | (413) |
| | Messer Industries USA Inc. | Delaware | 482,018 | I | 100.00 | (68,187) |
| | Messer LLC | Delaware | 1,381,095 | I | 100.00 | 210,959 |

| Country | Name | Domicile | Equity (in € thousands | Direct / Indirect | Shareholding in % | Net result after taxes (in € thousands) |
|---|---|---|---|---|---|---|
| **Affiliated companies included in the consolidated financial statements** | | | | | | |
| USA | Messer Merchant Production LLC | Delaware | 10,529 | I | 100.00 | (2,190) |
| | Messer North America Inc. | Delaware | 112,257 | I | 100.00 | (49,422) |
| **Companies accounted for using the proportional consolidation** | | | | | | |
| USA | East Coast Nitrogen Company LLC | Delaware | 58,412 | I | 50.00 | (5,006) |
| | East Coast Oxygen Company LLC | Delaware | 5,075 | I | 50.00 | (1,360) |
| **Companies accounted for using the equity method** | | | | | | |
| Belgium | GreenCO2 | Zwijndrecht | 66 | I | 35.00 | 2 |
| France | Limes S.A.S. | Saint-Herblain | 4,904 | I | 50.00 | 2 |
| USA | Cliffside Helium LLC | Delaware | 61 | I | 26.00 | 19 |
| | Cliffside Refiners LP | Delaware | 1,857 | I | 25.74 | 853 |
| **Affiliated companies not included in the consolidated financial statement** | | | | | | |
| France | Lida S.A.S | St.Quentin Fallavier | - | I | 21.50 | - [1] |
| | Soprogaz S.N.C. | Beauvais | - | I | 50.00 | - [1] |

[1] Affiliated companies not included in the consolidated financial statements owing to immateriality for the net assets, financial position and result of operations