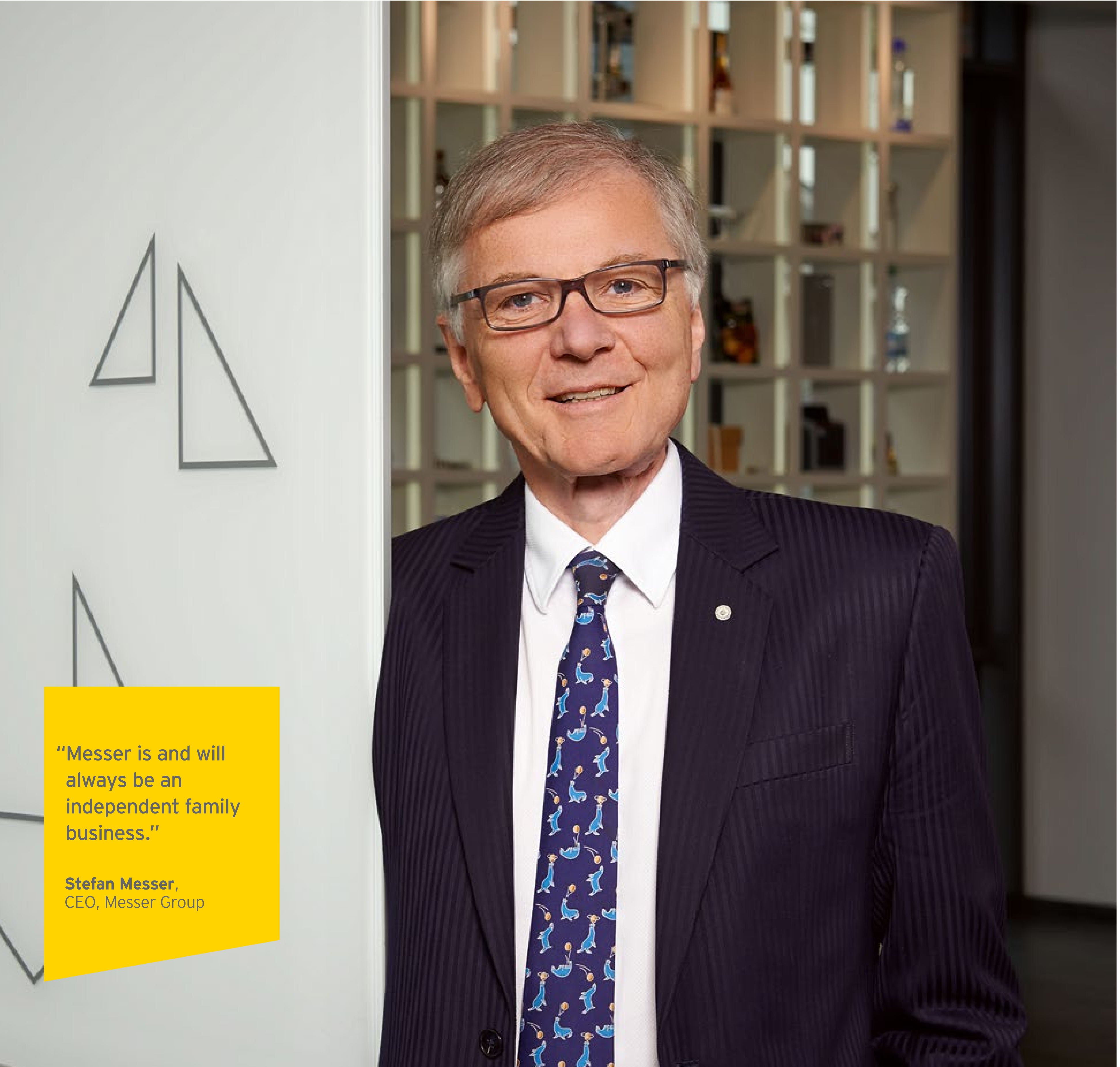


"Messer is and will always be an independent family business."

Stefan Messer,
CEO, Messer Group

Stefan Messer

Messer Group

Few family businesses have a more dramatic story to tell than Messer. In the 1990s and early 2000s, the German industrial gas company went through one of the most bruising battles for control ever seen in the family business sector. Through the work of Stefan Messer, the current Chief Executive, the family eventually managed to regain control of the company, which traces its history back to the late 19th century.

Today, Messer is one of the many successful family-owned Mittelstand businesses, and crucial to the strength of the German economy. With revenues of more than €1.6b, the industrial gas and welding and cutting company employ more than 8,000 people. Messer is owned and managed by the third generation.

To get where it is today, Messer has gone through some very difficult times. Indeed, Messer came close to bankruptcy, as Stefan Messer, the company's Chief Executive Officer and third-generation family member, recalls.

"In the early 2000s, we had net debt of €1.7b, more than our revenues," he says. "This meant the company was technically bankrupt."

Stefan believes that without being under the umbrella of its big shareholder Hoechst, the business would have probably gone under. The debt had been built up during the 1990s, when Messer was run by a non-family chief executive. Under his leadership, Messer invested in some very risky projects, which ended up costing the business dearly.

In fact, the huge debt was only part of Messer's problems. During the 1990s, a fight for control of the business broke out between the Messer family and the operational manager, who had the support of the main shareholder Hoechst.

That story and how Stefan gradually won back family control of Messer from outsiders, including Goldman Sachs and the US private equity group Carlyle, is one of the most fascinating episodes of Germany's corporate history in last 30 years.

So dramatic was the fight for control of the business that a book, 100 Prozent Messer: *Die Rückkehr des Familienunternehmens* (100 Per cent Messer: *The Return of the Family Firm*), has been written about it.

At times, the struggle was bitter. "They [the CEO and his supporters] said to me that I was stupid and that the Messer family didn't know how to make the business successful," says Stefan. "I had a very difficult time. They kept me out of board meetings. It was horrible."

But Stefan was not going to be defeated, and he resolved to regain full family control. "We always knew the business was on a sound footing," he says. "We had businesses worldwide with very good margins in many countries. So we had a lot to fight for."

Stefan eventually gained a seat on the board, and, in 2004, became Chief Executive of the newly formed Messer Group with industrial gas business in Europe and China. All divisions of Messer became 100% family owned in 2005 after the complete takeover of all Messer activities, including the cutting, welding and medical devices business.

Of course, Stefan does not want Messer to be viewed only through the prism of the conflicts of the 1990s and early 2000s. After all, most family businesses that have lasted for more than 100 years have had their fair share of drama.

The roots of today's firm

In many family businesses, the current generation's resolve to keep the business going is underpinned by the example of previous generations. And this is certainly true at Messer.

The business traces its history back to Stefan's grandfather, Adolf Messer. In the late 1890s, he started making acetylene lights – at first for his parents' restaurant in Hofheim.

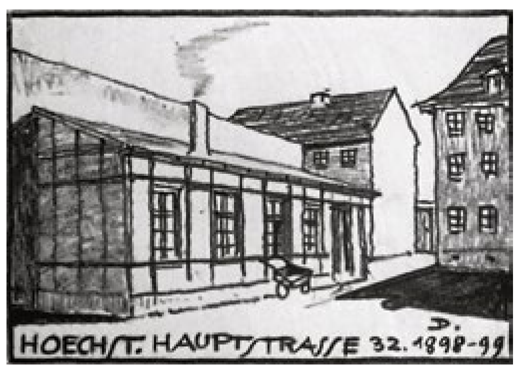
Adolf then went on to develop welding and cutting equipment, and he supplied the acetylene and oxygen the equipment needed. In the early 1900s, Messer grew rapidly and started expanding into other European countries.

However, it was only after the Second World War that Messer really started to perform. "The business was rebuilt virtually from scratch," says Stefan. "But we benefited from the loyalty of our staff members. They were willing to forgo a wage in the early days of recovery after the war."

One year before his death in 1954, Adolf passed the business to his son Hans. Only 28 when he took the helm at Messer, Hans steadily grew the company, but he also did a deal in the early 1960s, not being able to foresee that this dependence would lead to problems in the 1990s.

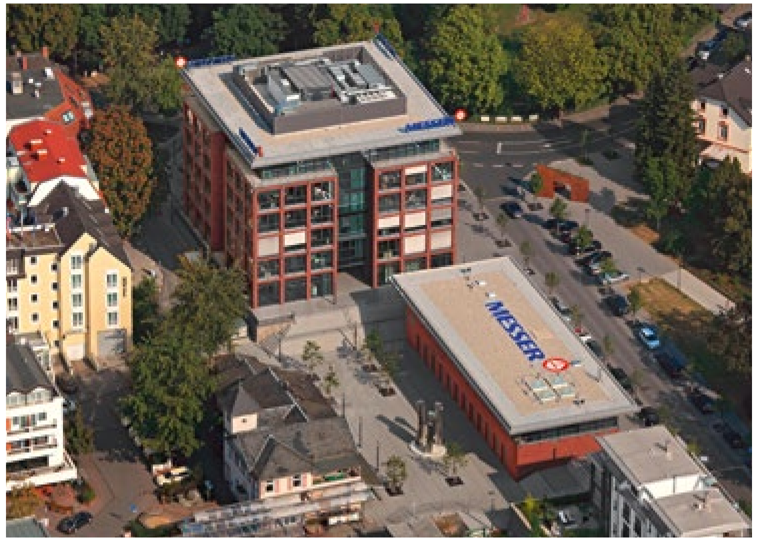
Difficulties to stem the capital expenditures needed due to the growing business during the early 1960s led Messer to merge with parts of Knapsack-Griesheim, which was owned by Hoechst. Today, Hoechst is part of Sanofi, a French pharmaceutical company. But back in the 1960s, Hoechst was a big German chemicals and pharmaceutical company.


Founder Adolf Messer (on the left) and his son Hans (on both pictures), who is the father of Stefan Messer.



The first premises in Hofheim near Frankfurt am Main in 1898.

Messer Group manufacture and supply oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium, inert welding gases, special gases, gases for medicinal use and a wide variety of gas mixtures.



Messer Group's headquarters in Bad Soden near Frankfurt am Main.

Stefan Messer always cultivates a good relationship with his employees.

The Messer Cutting Systems division develops and produces metalcutting machinery.

> "Why should I think about retirement now? I feel as fit as ever, and I certainly have much more to give the business."
>
> Stefan Messer

The merger led to a change in Messer's ownership structure, with 66% of Messer shares now owned by Hoechst. Through this merger, Messer entered into the industrial gases market instead of being just an engineering company. The 10 years from 1975 to 1984 were particularly successful, with Messer's sales doubling over that period.

Hans retired from the business in 1993, aged 68, and passed the role of chief executive over to a non-family member.

Stefan joined the business in 1979. He first worked for Messer subsidiaries in Austria, France and the Netherlands. In 1997, the year his father died, he relocated to Messer's head office in Frankfurt am Main.

Stefan recalls that, during this period, he had "settled into the business at a very low level."

"I knew the products and its applications, and I knew the people," he says.

"After the death of my father and my brother leaving as a shareholder, it was up to me to take the company forward," he says.

In the following years, Stefan did this to a most satisfying degree, with the family regaining complete control of Messer and then growing it into the highly successful company it is today.

A continuing commitment

In 2005, Messer's commitment to being an independent family business was officially set down in what the company refers to as the Commitment of Dubrovnik, which states: "Messer is and will always be an independent family business."

If all the turmoil the business went through was not enough, Stefan was diagnosed with cancer in 2008, at the age of 53. "I was seriously ill, but have since made a complete recovery," he says.

Given his story, the next generation can only be inspired to take the business forward. Stefan says that his son, who recently got his Master's degree in Finance, wants to gain outside experience before joining the family business. His daughter's husband currently works for the family firm.

But Stefan feels in no hurry to pass the business over to the next generation. "Why should I think about retirement now? I feel as fit as ever, and I certainly have much more to give the business."

And we can be sure that, for as long as Stefan is at Messer, the business is in more than capable hands.

Stefan Messer
CEO

Company name:	**Messer Group**
Generation(s):	**3rd**
Founded:	**1898 in Hofheim, Germany**
Industry:	**Industrial gases, welding equipment and consumables, and diagnostic instruments**
Employees (2014):	**Approx. 8,000**
Revenue:	**Approx. €1.6b (all group companies)**