

# Press Release

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## **LINDE AG**

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## **Interim report of the Linde Group January to June 2002**

### **Earnings trend influenced by economic environment**

#### **Overall economic situation**

The global economy has only picked up slightly during the last few months and is still dominated by uncertainty. However, the downward trend that prevailed last year has meanwhile come to a halt in the major regions. While in the USA consumption is supporting growth, in Europe it is once again export driven. In terms of growth, Germany continues to lag behind the rest of Europe. As selling and earnings prospects have not yet changed for the better on a sustainable basis and capacity utilization is still not satisfactory, corporate investment activity remains weak worldwide.

#### **Group**

As of June 30, 2002 we have converted our financial reporting to IAS (International Accounting Standards). This also applies to the prior period comparatives in 2001.

Despite adverse economic conditions, the Linde Group was able to improve results in the Gas and Engineering Business Segment as well as the Refrigeration Business Segment in the first half 2002 as compared to the previous year, even though sales decreased in both Segments. The Material Handling Business Segment posted a decline in sales and earnings due to the weak industrial truck markets.

Group sales decreased by 2.9 percent to 4.118 billion EUR (2001: 4.240 billion EUR). Domestic sales fell by 5.8 percent to 919 million EUR (2001: 976 million EUR), foreign sales by 2.0 percent to 3.199 billion EUR (2001: 3.264 billion EUR).

Orders received rose by 2.3 percent to 4.830 billion EUR (2001: 4.722 billion EUR). The very good order situation in the Linde Engineering Division made a major contribution to this increase.

The operating result (EBITA) decreased by 12.5 percent to 280 million EUR (2001: 320 million EUR). This reduction, as mentioned above, is mainly attributable to lower earnings in the Material Handling Segment.

Earnings before taxes on income decreased to 110 million EUR (2001: 160 million EUR). Taking into account the extraordinary proceeds of 165 million EUR resulting from the sale of the indirect holding in the Dresdner Bank AG, net income rose by 133 million EUR to 215 million EUR.

Earnings per share are 0.41 EUR for the first six months of 2002 as compared to 0.68 EUR in the prior year. Excluding amortization of goodwill, earnings per share amount to 0.90 EUR (2001: 1.15 EUR).

## **Outlook**

Despite a small ray of hope on the economic horizon, growth in the global economy in 2002 will be much weaker than was expected at the beginning of the year. This is particularly true for the German market. Against this unfavorable background and taking into account the increasingly volatile currency movements it remains difficult to give a reliable forecast.

We still expect to generate Group sales above the level of the previous year. Earnings before taxes on income, however, will not achieve the 2001 figure. Due to the extraordinary proceeds from the sale of the holding in the Dresdner Bank net income will be higher than in the previous year.

## **Gas and Engineering**

Sales in the Gas and Engineering Business Segment sank by 4.5 percent to 2.326 billion EUR as compared to the same period a year earlier (2001: 2.435 billion EUR). Orders received

at 2.825 billion EUR exceeded the previous year's figure by 8.6 percent (2001: 2.602 billion EUR) and the operating result (EBITA) in this Segment improved by 2.6 percent to 312 million EUR (2001: 304 million EUR).

## **Linde Gas**

The Linde Gas Division achieved sales totaling 1.957 billion EUR in the first six months of 2002 (2001: 1.949 billion EUR). Declining prices for natural gas as well as the weaker dollar had a negative impact of 51 million EUR on sales. Adjusted growth came to 3.0 percent.

Despite the implementation of further cost reduction measures within the framework of the AGA-integration, the operating result (EBITA) dropped by 3.0 percent to a total of 290 million EUR. This decrease can be ascribed to one-off items, in particular currency effects in South America as well as additional costs for restructuring measures. On a comparable basis, the operating result would have exceeded the 2001 figure by 4.3 percent.

The healthcare section continued on its successful course, generating a plus in sales of 8.6 percent. However, as a result of the weak economic environment, the industrial gases business only reported sales on the previous year's level. While sales in the tank gas business increased by 6.5 percent, cylinder gas business reported a drop of 3.8 percent.

With reduced sales of 33 million EUR due to lower prices for natural gas, on-site business grew by 0.3 percent. This is attributable to the commissioning of additional plants.

In Europe sales amounted to 1.316 billion EUR (2001: 1.255 billion EUR), a plus of 4.9 percent. Our gases activities in northern Europe continued to develop favorably. We achieved the highest growth figures in the eastern European countries. This growth can substantially be ascribed to the supply of new major customers with oxygen and synthesis gas. Sales in Germany stagnated.

Sales in North America remained with 463 million EUR 7.4 percent below the comparable figure one year earlier. The considerably lower sales achieved in the on-site sector could only partly be offset by the healthcare and tank gas businesses.

In South America sales declined by 10.8 percent to 148 million EUR, due to currency effects. In local currencies, however, the gases business increased by 10.2 percent.

In the current year further synergies resulting from the integration of AGA will be generated, to a large extent to be reflected in the operating result. For 2002 we expect an increase in sales and earnings in the Linde Gas Division.

### **Linde Engineering**

Despite the adverse economic environment worldwide, Linde Engineering Division proceeded on its successful course in the second quarter of 2002. The Division's well-balanced, future-oriented product range combined with its know-how in process engineering led to major orders in the field of hydrogen production, natural gas liquefaction, ethylene recovery and air separation from Europe, the Middle East, the USA and China.

Orders received as of the end of June came to 893 million EUR, 31.7 percent above the comparable figure of the previous year (2001: 678 million EUR). Here, a major contribution was made by the natural gas liquefaction project in Hammerfest, Norway. Sales in the Division were reported at 412 million EUR, a decrease of 15.4 percent (2001: 487 million EUR).

The operating result (EBITA) improved by 17 million EUR to 22 million EUR. For the full year 2002 we reckon with an increase in sales and earnings, as compared to 2001.

### **Material Handling**

Industrial truck markets continued to be regressive, even if this trend slowed down to a certain degree in the second quarter 2002. While in Asia demand was on the increase, it remained markedly below the level of the previous year in Europe (minus 9 percent) and America (minus 11 percent).

Linde's three Divisions Linde Material Handling, STILL and FIAT OM maintained their market positions in America, Europe and Asia in this difficult economic climate and in some cases even expanded them. Sales fell by 2.7 percent to 1.442 billion EUR in the first half of 2002 (2001: 1.482 billion EUR). Orders received at 1.534 billion EUR (2001: 1.628 billion EUR) fell short of the previous year's level by 5.8 percent.

The expansion of the sales and marketing organization in Germany through the takeover of dealers from a competitor bears first fruit - as well as the restructuring of our marketing activities in South East Asia, which came about in the wake of our co-operation with Komatsu: in Asia, growth rates in new orders amounted to more than 20 percent.

In the second half of the year we expect more impulses from the launch of further innovative products such as the Linde forklift truck 39x. After the successful international presentation, the new forklift truck has met with high market acceptance, thus strengthening our competitiveness.

The operating result (EBITA) in the Material Handling Business Segment decreased from 106 million EUR to 58 million EUR. Here, the earnings situation was affected by declining demand as well as severe price-competition. Moreover, additional expenses were incurred due to the launch of a new forklift truck generation and restructuring measures.

We assume that the market will remain difficult in the second half of the year, but will overall show an increase as compared to the level of the first six months. In 2002 sales and earnings in Material Handling will remain below the figures of the previous year. However, we expect the decline in earnings to slow down considerably in the second half of the current year.

## **Refrigeration**

Orders received in the Refrigeration Business Segment fell by 3.6 percent to 458 million EUR (2001: 475 million EUR) in the first half of 2002. As a result of the ongoing bad economic situation investment activity in the food retailing sector has so far been poor. Sales declined by 1.7 percent to 338 million EUR (2001: 344 million EUR).

Business in eastern Europe developed favorably, particularly in Hungary and Poland.

The decline in sales in Latin America caused by the economic crisis in Argentina was only partly absorbed by other countries in the region. In Brazil we improved our market share.

Concentration on core production sites makes steady progress. Accordingly, the relocation of counter production to Torreglia, Italy, has largely been completed and the Linde plant in Schwelm, Germany, was closed down.

The operating result (EBITA) improved from minus 27 million EUR to minus 24 million EUR as a result of our restructuring measures. For the full year we expect an increase in earnings as compared to the previous year, with sales remaining unchanged.

## **Employees**

Compared to year-end 2001, the number of employees remained almost unchanged at 46,469. Of this number 18,060 persons were employed in Germany and 28,409 abroad.

## Finances

Cash flow from operating activities amounted to 307 million EUR in the first half of 2002. Here, 218 million EUR were needed to finance net working capital, which is mainly attributable to the use of provisions and the reduction of payables.

Only 18 million EUR were required for investment activity. Capital expenditure at 266 million EUR was offset by income from the sale of securities, amounting to 248 million EUR.

After the payment of dividends of 137 million EUR and a reduction in cash and cash equivalents of 36 million EUR, the balance of 188 million EUR was used to reduce financial liabilities.

Due to the reduction of funds tied up in fixed assets and net working capital, the balance sheet total decreased by 518 million EUR to 12.350 billion EUR as compared to December 31, 2001.

For the full year 2002 capital expenditure is planned to amount to around 900 million EUR (2001: 965 million EUR).

Wiesbaden, August 22, 2002

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Activities	2nd quarter			1st half		
	2002 € million	2001 € million	Diff. %	2002 € million	2001 € million	Diff. %
<b>Gas and Engineering</b>						
Orders received	1,468	1,260	16.5	2,825	2,602	8.6
Sales	1,188	1,260	-5.7	2,326	2,435	-4.5
EBITDA	257	257	0.0	541	532	1.7
EBITA	146	142	2.8	312	304	2.6
EBTA	98	85	15.3	219	189	15.9
<i>Linde Gas</i>						
Orders received	987	970	1.8	1,965	1,942	1.2
Sales	985	976	0.9	1,957	1,949	0.4
EBITDA	240	249	-3.6	510	519	-1.7
EBITA	133	138	-3.6	290	299	-3.0
EBTA	86	82	4.9	200	186	7.5
<i>Linde Engineering</i>						
Orders received	508	302	68.2	893	678	31.7
Sales	228	269	-15.2	412	487	-15.4
EBITDA	17	8	-	31	13	-
EBITA	13	4	-	22	5	-
EBTA	12	3	-	19	3	-
<b>Material Handling</b>						
Orders received	778	844	-7.8	1,534	1,628	-5.8
Sales	757	795	-4.8	1,442	1,482	-2.7
EBITDA	109	127	-14.2	206	246	-16.3
EBITA	38	57	-33.3	58	106	-45.3
EBTA	28	47	-40.4	37	85	-56.5
<b>Refrigeration</b>						
Orders received	247	265	-6.8	458	475	-3.6
Sales	210	208	1.0	338	344	-1.7
EBITDA	6	1	-	-14	-18	-
EBITA	1	-3	-	-24	-27	-
EBTA	0	-4	-	-27	-29	-
<b>Group</b>						
Orders received	2,501	2,378	5.2	4,830	4,722	2.3
Sales	2,164	2,237	-3.3	4,118	4,240	-2.9
EBITDA	341	367	-7.1	673	703	-4.3
EBITA	151	174	-13.2	280	320	-12.5
EBTA	92	124	-25.8	168	217	-22.6
EBT	63	95	-33.7	110	160	-31.3