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Interim Report of the Linde Group January to March 2003

- **Sales come to the same level as the previous year – but 5.9 percent growth when adjusted for currency fluctuations.**
- **Currency fluctuations negatively impact growth of Linde Gas**
- **Group operating result (EBITA) is below the previous year.**
- **Improvement of the operating result for the full year still expected.**
- **Overall, the economic environment has become more difficult.**

The First Quarter in Review

The overall global economy continued to experience difficulties during the first three months of the year. The Linde Group achieved in this period sales of 1.947 billion euro, nearly the same amount as the previous year (1.954 billion euro). Ex currency, sales increased by a satisfying 5.9 percent. The proportion of sales in foreign countries was 77.0 percent (previous year: 79.0 percent). At 2.211 billion euro, orders received declined by 5.1 percent compared to last year. Besides currency fluctuations, the decrease is also attributed to the effects of consolidation. A part of orders received (78 million euro; previous year: 6 million euro) had to be eliminated because these represented deliveries from Linde Engineering to Linde Gas.

Not taking into account the proceeds from the sale of the holding in the Dresdner Bank AG (165 million euro), the operating result (EBITA) dropped by 25 million euro to 104 million euro (last year: 129 million euro). In particular, the Gas and Engineering business segment recorded decreases.

At 34 million euro, profits before taxes and exceptional items remained 13 million euro below the previous year. The earnings per share came to 0.09 euro (previous year: 0.18 euro).

Excluding amortization of goodwill, earnings per share were 0.36 euro, compared to 0.42 euro in the first quarter of 2002.

Outlook

The global economy still does not exhibit a trend toward recovery. However, at least the official ending of combat operations in Iraq has removed an important source of uncertainty and energy prices have recently decreased noticeably.

The European economy is confronted with weak domestic demand and a strong euro that continues to hamper exports. In southeast Asia, it appears that the spreading of the SARS virus will have a negative effect on the region's economic growth. The prospects in the United States are modestly positive and we expect a stronger recovery there during the second half of the year.

Despite continuing uncertainties in the global economic situation, we still expect the Linde Group to experience a slight increase in sales and an improvement of the operating result in 2003, even though the achievement of this goal has meanwhile become more difficult.

If the value of the euro continues to increase during the course of the year, it may lead to a revision of our sales and profit expectations.

Gas and Engineering

The Gas and Engineering business segment increased its sales by 1.5 percent to 1.155 billion euro. Orders received declined to 1.257 billion euro (previous year: 1.357 billion euro). The operating result decreased by 10.8 percent to 148 million euro.

Linde Gas

In the first quarter of 2003, sales of the Linde Gas business segment decreased by 1.2 percent to 960 million euro (previous year: 972 million euro). However, ex currency, we achieved a sales increase of 8.0 percent.

The on-site business exhibited a particularly positive trend with a sales increase of 15.9 percent. Increasing natural gas prices resulted in additional revenues of 8 million euro. The bulk business declined by 1.2 percent and the cylinder business by 7.5 percent. This decrease is primarily due to currency fluctuations. On a comparable basis, bulk business rose by 6.7 percent and cylinder business remained at the same level as last year (increase of 0.3 percent).

In the first quarter, the Healthcare segment achieved sales of 141 million euro (previous year: 144 million euro). Ex currency, sales increased by 10.2 percent. The business with our INOmax medical gas exhibited a double-digit growth rate in the United States while it continued to grow at a slower pace in Europe.

Overall, business developed differently in each region. Sales in Europe increased by 4.9 percent to 700 million euro. We achieved the greatest growth in northern Europe, but the other European regions also exhibited positive developments. For instance, sales in Germany increased by 5.2 percent. The on-site segment in particular benefited from the expansion of our hydrogen capacities in Leuna, Germany and Milazzo, Italy. In addition, we began construction of a smaller hydrogen production facility at Munich airport that will supply the bus fuel station located there. We will continue to promote hydrogen as a future technology.

In North America, sales came to 221 million euro, 6.3 percent below last year. On a comparable basis (considering the impact of currencies and natural gas prices), this corresponds to an increase of 11.6 percent. In order to further strengthen our position in the market, our process optimization program will include the merging of our three companies in the United States: AGA Gas, Holox, and Linde Gas.

Compared to last year, our business in South America decreased by 32.7 percent to 52 million euro. The drastic collapse of the local currencies had a major effect in this region. Without this currency effect, we would have achieved a slight sales increase in the first quarter.

In the Asian/Pacific region, Linde Gas increased sales revenues by 10.9 percent to 14 million euro. This increase was shaped primarily by the positive developments in the Chinese market. For instance, the on-site segment was able to expand nitrogen production in Xiamen, China.

Only due to a negative currency impact, the operating result decreased by 12 million euro to 145 million euro. Cost reductions achieved up to this point by means of the process improvement program were offset by the decrease in the high-return cylinder business. This trend, combined with an ongoing unfavorable currency development, is having an increasingly negative effect on sales and profits. As a result, we are no longer expecting an increase in sales and profits in 2003 versus last year.

Linde Engineering

Sales in the Linde Engineering business segment increased by 14.1 percent from 184 million euro to 210 million euro. Orders received declined by 4.7 percent, but remained at a high level with 367 million euro. We were awarded several large contracts during the first quarter, particularly for air separation and ethylene plants.

The project situation remains favorable, especially for hydrogen and air separation plants. We are among the strongest contenders for several large projects that will be awarded in China, the United States, and the Near East during the coming months.

Up to this point, the Iraq conflict has had no effect on our backlog in the Near East. It remains unforeseeable whether any of our projects (in particular ethylene and natural gas plants) in the region will be affected by the war during the coming months.

The operating result in the Linde Engineering business segment was 3 million euro, significantly below the previous year (9 million euro). This decline is due primarily to lower capacity utilization of subsidiaries in the United States.

Based on the results of this quarter, we expect only marginal increases in profits compared to last year (53 million euro). However, we continue to expect significant sales increases.

Material Handling

The global market for industrial trucks is beginning to show signs of recovery. The order intake in Europe, America, and Asia exceeded last year's level in the first quarter. However, up to this point the recovery in Europe has been driven only by the market segment for warehouse trucks. The demand for counterbalanced trucks continued to exhibit a downward trend particularly in Germany, our most important market. However, here we were able to increase our market share.

Overall, orders received in the Material Handling business segment decreased slightly by 1.6 percent to 744 million euro (previous year: 756 million euro). Sales decreased by 3.2 percent to 663 million euro. Taking currency fluctuations into account, they stayed at the same level as the previous year.

Our Linde brand was able, particularly in the American and Asian markets, to significantly strengthen its market position with double-digit increases in demand. The new 39x line of forklifts supported this growth. The introduction of this product line in international markets is nearly complete. We expect the expansion of drive types (LP gas trucks) and new load classes in this line to positively impact our business.

Overall, we were able to stabilize the results in the Material Handling business segment. At 18 million euro, the operating result was only slightly below the previous year (20 million euro).

Our optimization program known as TRIM.100, which will continue until the end of 2004, is running according to schedule and has the potential to save approximately 100 million euro. It will result in substantial savings as early as 2003.

For the full year, we expect slight increases in sales and noticeable increases in profits.

Refrigeration

The retail food industry's investment volume in refrigeration equipment continues to decline. An increased number of international tenders has led to an intensified price competition. Despite this situation, sales in the Refrigeration business segment were with 123 million euro (previous year: 128 million euro) relatively stable. Orders received were 203 million euro, 3.8 percent below the previous year. The operating result dropped by 2 million euro to -27 million euro (previous year: -25 million euro).

We achieved significant increases in sales and orders received in the growth markets of eastern Europe and Russia. The development in the western European market was mixed.

Despite the difficult economic conditions and the currency deterioration in South America, the first quarter sales in this region were only slightly below the previous year.

We further solidified our leadership in environmental protection and received the first order from a German customer for a commercial refrigerated unit that runs on carbon dioxide (CO₂). The use of the natural refrigerant CO₂ is not only more environmentally friendly (it does not release any gases that harm the earth's ozone layer), but it also brings with it economic benefits.

Considering the difficult conditions in the market, we expect to achieve in 2003 the same level of sales and profits as in the previous year.

The announced legal independence of the Refrigeration business unit will be completed by the end of 2003.

Employees

Compared to the end of 2002, the number of employees increased by 67 to 46,588 persons. Of this amount, 17,945 were employed in Germany and 28,643 abroad. The increase is solely a result of new consolidations that led to an increase of 178 employees.

Financials

During the first quarter of 2003, cash flow from operating activities reached 268 million euro. Net capital expenditure came to 166 million euro.

After a reduction of cash and cash equivalents of 60 million euro a remaining 164 million euro was available for the reduction of financial liabilities.

At the beginning of May, the Standard & Poor's rating agency lowered our rating for long-term debts from A- to BBB+. Thereby pension provisions in the amount of 1 billion euro were attributed to financial debt.

Compared to the end of 2002, the balance sheet total in the first quarter of 2003 declined by 108 million euro to 12.098 billion euro. There was a decrease in assets and net working capital. As a result of currency fluctuation, equity decreased by 50 million euro to 4.036 billion euro. It accounts for 33.4 percent of the balance sheet total (previous year: 33.5 percent).

Capital expenditure (excluding financial assets) is planned to reach around 900 million euro (previous year: 867 million euro) in 2003.

Wiesbaden, May 15, 2003

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Income statement	Jan.-March 2003	Jan.-March 2002	Year 2002
	Mil. €	Mil. €	Mil. €
Sales	1,947	1,954	8,726
Cost of sales	1,330	1,312	5,941
Gross profit on sales	617	642	2,785
Marketing and selling expenses	304	320	1,332
Research and development costs	42	39	171
Administration expenses	182	174	699
Balance of different expenses and earnings	15	20	65
Amortization of goodwill	32	29	124
Exceptional items			
Profit on disposal of an investment	0	165	165
Costs of special restructuring schemes	0	0	137
Losses on securities (Contractual trust arrangement, Linde pension fund)	0	0	29
Operating profit (EBIT)	72	265	523
Financial result	-38	-53	-167
Earnings before taxes on income	34	212	356
Taxes on income	23	27	115
Net income before minority interests	11	185	241
Minority interests	0	1	-1
Net income	11	186	240

Balance Sheet	3/31/2003	12/31/2002
	mil. €	mil. €
Intangible assets	3,216	3,246
Tangible assets	3,963	4,066
Financial assets	172	159
Leased assets	566	566
Fixed assets	7,917	8,037
Inventories	1,130	994
Receivables from financial services	179	178
Other receivables and assets	2,228	2,347
Securities and liquid assets	410	480
Current assets	3,947	3,999
Deferred taxes and deferred charges	234	170
Total Assets	12,098	12,206
Equity	4,036	4,086
Minority interests	35	33
Provisions	2,167	2,146
Financial liabilities	3,135	3,294
Liabilities from financial services	503	499
Other liabilities	1,669	1,586
Deferred taxes and deferred charges	553	562
Total Equity and Liabilities	12,098	12,206

Activites	Jan.-March 2003 mil. €	Jan.-March 2002 mil. €	Δ %	Year 2002 mil. €
Gas und Engineering				
Orders received	1,257	1,357	-7.4	5,322
Sales	1,155	1,138	1.5	4,839
EBITDA	261	284	-8.1	1,110
EBITA	148	166	-10.8	659
EBTA	114	121	-5.8	507
Linde Gas				
Orders received	968	978	-1.0	3,880
Sales	960	972	-1.2	3,880
EBITDA	253	270	-6.3	1,034
EBITA	145	157	-7.6	606
EBTA	112	114	-1.8	458
Linde Engineering				
Orders received	367	385	-4.7	1,493
Sales	210	184	14.1	1,036
EBITDA	8	14	-42.9	76
EBITA	3	9	-66.7	53
EBTA	2	7	-71.4	49
Material Handling				
Orders received	744	756	-1.6	3,053
Sales	663	685	-3.2	2,979
EBITDA	90	97	-7.2	433
EBITA	18	20	-10.0	148
EBTA	12	9	33.3	109
Refrigeration				
Orders received	203	211	-3.8	902
Sales	123	128	-3.9	879
EBITDA	-22	-20	-10.0	32
EBITA	-27	-25	-8.0	10
EBTA	-28	-27	-3.7	3
Group				
Orders received	2,211	2,329	-5.1	9,322
Sales	1,947	1,954	-0.4	8,726
EBITDA	298	332	-10.2	1,436
EBITA	104	129	-19.4	647
EBTA	66	76	-13.2	480
EBT	34	47	-27.7	356

Linde Group	Jan.-March 2003	Jan.-March 2002	Change	Year 2002
	mil. €	mil. €	%	mil. €
Orders received	2,211	2,329	-5.1	9,322
Domestic	486	480	1.3	2,014
Foreign	1,725	1,849	-6.7	7,308
Sales	1,947	1,954	-0.4	8,726
Germany	447	410	9.0	1,994
Rest of Europe	1,034	967	6.9	4,449
America	324	380	-14.7	1,479
Asia	116	169	-31.4	641
Australia	13	20	-35.0	89
Africa	13	8	62.5	74
Foreign total	1,500	1,544	-2.8	6,732

Cash Flow Statement	Jan.-March 2003	Year 2002
	mil. €	mil. €
Cash flow from operating activities	268	1,274
Net capital expenditure	-166	-647
Proceeds/expenditure from changes in securities held under current assets	2	259
Cash flow from investing activities	-164	-388
Dividend payments and changes to minority interests	0	-148
Repayments (-)/cash proceeds (+) from financial funds	-164	-540
Cash flow from financing activities	-164	-688
Net cash inflow/outflow	-60	198

Employees	3/31/2003	12/31/2002	Δ
Group	46,588	46,521	67
Domestic (Germany)	17,945	18,154	-209
Foreign	28,643	28,367	276
Gas and Engineering	21,570	21,560	10
Material Handling	18,201	18,188	13
Refrigeration	6,323	6,276	47