

Interim report of the Linde Group January to March 2002

Position asserted despite difficult economic situation

Economic situation

The worldwide economic slowdown has continued in the first three months 2002. This is also reflected by the regressive investment behavior of important customer industries. Though there are several indicators pointing to an early economic recovery, this tendency cannot be observed in the markets. Economy has slowly started to pick up again in the USA. Should this favorable trend accelerate in the coming weeks, this would also benefit the European economy.

Group

Despite the difficult economic environment, the Linde Group once again achieved growth in terms of sales and earnings in the first quarter 2002.

Sales increased by 2.1 percent to 2.000 billion EUR (2001: 1.959 billion EUR). As economy was weak in Germany, domestic business was regressive in the beginning of the year and decreased by 7.5 percent to 420 million EUR. Foreign sales on the other hand went up 5.0 percent to 1.580 billion EUR, thus accounting for 79 percent of total sales.

Orders received at 2.329 billion EUR (2001: 2.344 billion EUR) remained almost at the level of the previous year.

The operating result in the Group (EBITA) fell by 4.8 percent to 118 million EUR (2001: 124 million EUR). Thanks to lower interest charges, however, earnings before taxes (EBT) went up 6.3 percent totaling 51 million EUR (2001: 48 million EUR). Additionally, the Group reported extraordinary proceeds of about 165 million EUR resulting from the sale of an indirect holding in the Dresdner Bank AG. Net income therefore rose from 22 million EUR to 188 million EUR as compared to the same period one year earlier. Earnings per share remained at 0.19 EUR in the first quarter. Amortization of goodwill excluded, earnings per share amount to 0.42 EUR compared to 0.41 EUR in the previous year.

Outlook

It is still difficult to give a forecast on the development of the full business year 2002. As a matter of fact, the indicators of several economic institutes point to an upward movement in business activity, but when exactly the expected upswing will take place and how dynamic it will be, is quite vague. There are still some risks, such as for example excessive labor agreements

resulting from ongoing collective bargaining negotiations. For these reasons we cannot give any precise figures for the Group at this point of time. However, the more favorable business development in April confirms us in our view that, due to both our favorable market position and the measures we have introduced to further improve efficiency, we will again achieve an increase in sales and earnings this year, at the same time continuing on our earnings-oriented growth course.

Business has developed differently in our three Business Segments during the first three months of the current fiscal year.

Gas and Engineering

Sales in the Gas and Engineering Business Segment increased by 5.0 percent to 1.166 billion EUR (2001: 1.110 billion EUR) while orders received came to 1.357 billion EUR (2001: 1.342 billion EUR), this being a plus of 1.1 percent. The operating result (EBITA) improved by 17.9 percent to 158 million EUR (2001: 134 million EUR).

Linde Gas

While sales at Linde Gas were with 976 million EUR almost unchanged on the previous year (2001: 974 million EUR), the Division succeeded in increasing its operating result (EBITA) by 9.1 percent to 156 million EUR (2001: 143 million EUR). This gain is attributable to further cost reductions arising in connection with the integration of AGA. The healthcare section developed particularly favorably, reporting a growth in sales of 11.7 percent. In the industrial gases section sales were down 1.2 percent compared to the same period last year. While the tank gas business increased by 4.6 percent, the cylinder gas business decreased by 1.9 percent. The on-site sector posted a decline of 8.8 percent as a result of the heavily declined prices for natural gas, which caused reduced sales of 19 million EUR. On a comparable basis and taking into account effects due to currency translation, the Linde Gas Division achieved an increase in sales of 1.9 percent in the first quarter 2002.

In Europe sales climbed 2.5 percent, amounting to 649 million EUR (2001: 633 million EUR). The biggest growth was achieved in Eastern Europe, where especially the on-site and tank businesses contributed to the increase. In Germany sales in the gases business were regressive due to the overall economic situation.

In North America the gases business dropped by 4.9 percent to 234 million EUR (2001: 246 million EUR) as compared to the same period a year earlier. This is in the first place to be ascribed to the on-site business, where the impact of the reduced prices for natural gas was strongly felt. On the other hand we achieved an increase in both the tank gas business and the

healthcare section. Here, particularly the INO business (Inhaled Nitric Oxide) reported double-digit growth rates.

In South America we posted a decline in our gases business from 3.7 percent to 78 million EUR (2001: 81 million EUR) which can be put down to the difficult economic situation in Argentina, Venezuela and Uruguay. However, sales developed well in Brazil, Ecuador and Colombia.

Overall, we expect continued growth in sales and earnings for the Linde Gas Division in 2002. Additional cost savings arising from the merger with AGA support our forecast here.

Linde Engineering

Sales in the Linde Engineering Division went up 45.2 percent to 212 million EUR (2001: 146 million EUR). With orders received at 385 million EUR we exceeded last year's high level (2001: 376 million EUR) and confirmed our sound competitive position yet again. The operating result (EBITA) came to 2 million EUR in the first quarter 2002, whereas in the comparable period last year, the Division reported a loss of 9 million EUR.

Demand increased in all product ranges, with a particularly favorable development in the field of air separation plants. After quite a long phase of moderate investment activity, Linde Engineering won two major orders, one of them for the construction of an oxygen plant in Saudi Arabia, which will be the biggest of its kind in the world.

In the strongly growing market for natural gas liquefaction plants we were awarded an important contract from China, besides the one we already received for the Hammerfest project in Norway. Thanks to the altogether favorable project situation, we assume that the Linde Engineering Division will achieve the same high levels in sales and earnings as in the previous year.

Material Handling

Though business development in the Material Handling Business Segment was mainly characterized by a low propensity to invest on the part of our customers, we succeeded in keeping sales, which amounted to 702 million EUR, almost at the same high level of the previous year (2001: 707 million EUR). Orders received fell by 3.6 percent totaling 756 million EUR (2001: 784 million EUR). Overall, the Material Handling Business Segment with its brands Linde, STILL and OM Pimespo has thus developed far better than the market, where order intake plunged by 11 percent worldwide.

Linde particularly raised its market share in terms of orders received in Europe and Germany. In Asia, where a slight economic recovery has slowly set in, we also improved our position – a development to which the cooperation with Komatsu Forklift Ltd. (KFL) contributed. In order to strengthen this relationship Linde and Komatsu Ltd. have agreed that Linde will increase its share in KFL from so far 10 percent to 35 percent by mid-2003.

The new products presented at the CEMAT, the world's biggest fair for industrial trucks, in April this year have attracted great attention due to their advanced innovative strength in combination with higher performance and efficiency, and we are sure that they will provide new impetus for the sales development.

The operating result (EBITA) fell by 36 million EUR to 17 million EUR (2001: 53 million EUR), this being due to an overall unfavorable sales structure, high costs for the introduction of the new industrial truck series as well as high pricing pressure caused by the tight competitive situation. Furthermore, we reduced production on purpose by 10 percent. Orders on hand have therefore improved and production facilities have operated at good capacity since April.

For the full year 2002, we assume that the decrease in EBITA of the first quarter will partly be offset thanks to further progress in the implementation of cost cutting measures. Sales will not quite achieve the high level of the previous year.

Refrigeration

Sales in the Refrigeration Business Segment were down by 5.9 percent to 128 million EUR as compared to the previous year (136 million EUR), this being attributable to the regionally uneven but altogether low level of investment. Orders received were kept stable at last year's level (2001: 210 million EUR) with 211 million EUR, and also the operating result (EBITA) remained with minus 22 million EUR almost unchanged over the previous year (2001: minus 23 million EUR). The fact that the Refrigeration Business Segment has achieved this result in yet another regressive market shows that our comprehensive restructuring measures introduced to increase earning power continue to be successful in the first quarter 2002.

Demand in Europe, our most important market, remained below last year's level because of a strong decline in Germany. Nevertheless, in major markets such as England, Italy and Spain as well as in Central and Eastern Europe we achieved an increase in orders received as compared to the previous year.

Taking into account further progress in our restructuring program, we reckon with an improvement in earnings for the year 2002, while sales will rather stagnate.

Employees

Compared to year-end 2001, the number of employees went up by 126 to a total workforce of 46,526. Of this number 18,178 people were employed in Germany and 28,348 abroad.

Finances

Cash flow from operating activities came to only 86 million EUR in the first quarter, this being attributable to the funds commitment in net working capital which was increased by 139 million EUR. The increase in funds commitment resulted from the use of provisions and the reduction of trade payables.

103 million EUR were added from investment activity after deduction of current capital expenditure. They mainly stem from the sale of our indirect holding in the Dresdner Bank AG. We used the funds inflow to reduce financial liabilities, which decreased by 188 million EUR.

This development also contributed decisively to the decline in the balance sheet total which amounted to 11.342 billion EUR, that is 124 million EUR less than at year-end 2001. At the same time, the equity ratio climbed from 37.3 to 38.0 percent.

For the full year 2002, capital expenditure is planned to amount to 700 million EUR (2001: 717 million EUR).

LINDE AG
Executive Board

Wiesbaden, May 13, 2002

Linde in Figures

Group	Jan.- March 2002	Jan.- March 2001	Δ Year 2001	
	€ million	€ million	%	€ million
Orders received	2,329	2,344	-0.6	9,145
Domestic	480	522	-8.0	2,194
Foreign	1,849	1,822	1.5	6,951
Sales	2,000	1,959	2.1	9,076
Germany	420	454	-7.5	2,269
Rest of Europe	990	967	2.4	4,322
America	388	407	-4.7	1,677
Asia	173	107	61.7	684
Australia	20	18	11.1	87
Africa	9	6	50.0	37
Foreign total	1,580	1,505	5.0	6,807

Balance Sheet	03.31.2002	03.31.2001	12.31.2001
	€ million	€ million	€ million
Fixed assets	7,796	7,859	7,856
Inventories less payments in advance	921	979	852
Receivables and other assets plus deferred expenses	2,252	2,192	2,334
Cash and cash equivalents	373	437	424
Balance sheet total	11,342	11,467	11,466
Equity	4,307	3,992	4,276
Provisions and special reserves	2,180	2,266	2,225
Financial liabilities	3,597	3,920	3,798
Liabilities and deferred income	1,258	1,289	1,167
Balance sheet total	11,342	11,467	11,466

Income Statement	Jan.- March		Year
	2002	2001	2001
	€ million	€ million	€ million
Sales	2,000	1,959	9,076
Cost of sales	1,347	1,309	6,168
Gross profit on sales	653	650	2,908
Marketing and selling expenses	313	312	1,284
Research and development costs	43	44	168
Administration expenses	172	168	684
Balance of different expenses and earnings	-7	-2	23
EBITA	118	124	795
Amortization of goodwill	27	26	108
EBIT	91	98	687
Financial result	-40	-50	-182
Earnings before taxes on income	51	48	505
Taxes on income	28	26	216
Annual result before extraordinary items	23	22	289
Extraordinary income	165	0	0
Net income	188	22	289

Cash flow statement	Jan.- March 2002	Year 2001
	€ million	€ million
Cash flow	225	981
Changes in net working capital	-139	58
Cash flow from operating activities	86	1.039
Net capital expenditure	-115	-575
Proceeds/expenditure from changes in securities held under current assets	218	23
Cash flow from investing activities	103	-552
Dividend payment and changes in minority interests	0	-164
Repayments (-)/cash proceeds (+) from financial funds	-188	-395
Cash flow from financing activities	-188	-559
Decrease (+)/increase (-) of cash and cash equivalents	-1	72

Activities	Jan.- March 2002	Jan.-March 2001	Δ 02/01
	€ million	€ million	%
Gas and Engineering			
Orders received	1,357	1,342	1.1
Sales	1,166	1,110	5.0
EBITDA	281	254	10.6
EBITA	158	134	17.9
Linde Gas			
Orders received	978	972	0.6
Sales	976	974	0.2
EBITDA	275	258	6.6
EBITA	156	143	9.1
Linde Engineering			
Orders received	385	376	2.4
Sales	212	146	45.2
EBITDA	7	-5	-
EBITA	2	-9	-
Material Handling			
Orders received	756	784	-3.6
Sales	702	707	-0.7
EBITDA	51	86	-40.7
EBITA	17	53	-67.9
Refrigeration			
Orders received	211	210	0.5
Sales	128	136	-5.9
EBITDA	-18	-18	-
EBITA	-22	-23	-
Group			
Orders received	2,329	2,344	-0.6
Sales	2,000	1,959	2.1
EBITDA	281	283	-0.7
EBITA	118	124	-4.8
EBT	51	48	6.3

Employees	03.31.2002	12.31.2001	Δ
Group	46,526	46,400	126
Domestic	18,178	18,380	-202
Foreign	28,348	28,020	328
Gas and Engineering	21,503	21,650	-147
Material Handling	18,177	17,891	286
Refrigeration	6,347	6,364	-17