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Shareholders' report for the first three months 2001

Linde confirms strong growth and earnings figures for 2001

Group

Sales and Earnings

The favourable economic trend has considerably slowed down worldwide. Particularly in the USA, economy has - stronger than expected - lost its dynamic drive. Despite this situation, Linde continued on its course to further growth in the first three months of the year 2001. Group sales rose by 11.6 percent to 1.959 billion Euro.

Orders received increased by 2.6 percent to 2.344 billion Euro. Excluding the Engineering and Contracting Division, where orders received are characterised by an erratic project situation, they climbed 6.3 percent.

The operating result (EBITA) of the Group improved over-proportionately to sales in the first three months 2001, up 14.8 percent to 124 million Euro. Earnings before taxes (EBT) rose by 17.1 percent totalling 48 million Euro and earnings per share came to 0.19 Euro in the reporting period (2000: 0.15 Euro). Without consideration of goodwill amortisation, earnings per share amount to 0.41 Euro.

Outlook

It is difficult at present to judge the current economic situation. For the Linde Group, we reckon with sales going up 8 percent to more than 9 billion Euro in the fiscal year 2001, while the increase in earnings is expected to exceed the growth in sales. We will consistently continue with the international expansion of all our Divisions.

Through restructuring programs, we will ensure a sustained improvement of the company's profitability. The integration of AGA is in full swing and we will achieve synergies of about 50 million Euro within the course of one year.

Divisions

Industrial Gases

The Industrial Gases Division continued to grow in the first three months. The Healthcare segment, in particular, reported high growth rates. Growth in the industrial gases segment was especially supported by the on-site business. Total sales went up 8.9 percent amounting to 974 million Euro.

In Germany, sales came to 209 million Euro, this being a plus of 6.1 percent. On-site business gained about 12 percent, whereas the tank and cylinder businesses achieved an increase of 5.4 and 2.4 percent respectively. Great emphasis was placed on the continued integration of AGA. The combination of the marketing organisations and activities was completed within the first three months.

In Western Europe, sales climbed 3.8 percent to 195 million Euro. Linde achieved a plus in sales in all countries with the sole exception of the Netherlands, where AGA's cylinder business, which had to be sold in compliance with a condition imposed by the European Commission, has not been consolidated anymore in 2001.

Sales in Northern Europe increased by 4.1 percent to 126 million Euro. This favourable development is predominantly based on the tank and on-site businesses.

In Eastern Europe, sales remained with 99 million Euro at last year's level. As AGA's gases activities in Austria had to be sold in the wake of the takeover, sales of 15 million Euro could not be considered. Without AGA, Linde achieved an increase in sales of 15 percent.

In North America, too, sales went up considerably by 25.2 percent to 246 million Euro. Changes in the exchange rate accounted for about 6 percent of this sum. Here, the main impetus for growth came from the Healthcare segment with its new INO-activities. In the on-site business we achieved considerable growth rates, too. This was, however, predominantly due to raised prices for raw materials and did not make a contribution to the earnings.

In South America, sales totalled 81 million Euro, this being a plus of 9.2 percent. Both Brazil and Venezuela achieved a considerable increase here.

Business in the Asian/Pacific region continued to be favourable.

Due to the combination of AGA's and Linde's operating businesses in Europe, synergy effects were generated in the fields of marketing, distribution and production. The operating result (EBITA) amounted to 143 million Euro, this being an increase of 23.3 percent.

Engineering and Contracting

Sales in the Engineering and Contracting Division rose by 9.8 percent in the first three months 2001, totalling 146 million Euro. Orders received decreased by 17.7 percent to 376 million Euro within the same period.

Investment activity of the chemical industry in Germany and Europe continues to be rather weak. Enlargement and modernisation projects with limited investment volume are at the centre of interest here.

In the Middle East, Linde's Engineering and Contracting business continues its successful course. Construction has meanwhile started on two large-scale projects in Iran (an ethylene plant and an air separation plant) and plans for further projects for the petrochemical sector are taking on shape.

Demand for air separation, synthesis gas and hydrogen plants, stagnated in the first three months 2001. For the second half of the year, however, further growth is expected.

Linde remains very successful in the segments of pharmaceutical and fine chemicals plants. For example, we received an order from a German life science company for the construction of a turnkey plant for the production of insulin with repository effect.

In 2001, we expect both sales and orders received to amount to 1.2 billion Euro each. For accounting reasons, the operating result was with -9 million Euro 7 million Euro below last year's figure. We assume that in the year 2001, the result will remain slightly below the result achieved in 2000. It has to be taken into account here, that a major order in Malaysia will be billed this year. As Linde is executing the project as general contractor together with partners, the profit margin on sales is relatively low.

Material Handling

Whereas in Europe demand for industrial trucks increased further as compared to the already high level of the previous year, demand declined strongly in America and stagnated in Asia.

Despite the development on the market, all three industrial trucks groups, Linde, STILL and FIAT OM, achieved considerable growth in orders received and increased their share in the world-market.

Sales went up 10.8 percent to 707 million Euro in the reporting period, and orders received rose by 5.8 percent to 784 million Euro.

With the acquisition of the majority of shares in Ameise Comérico e Indústria S.A., the leading manufacturer of warehouse equipment in Brazil, Linde will considerably strengthen its position in this strongly growing market. The acquisition still has to be approved by the competition authorities. Ameise has a broad service and distribution network, thus offering ideal conditions to sell counterbalance trucks of the Linde Group.

The cooperation with Komatsu Forklift bears first fruits in Europe and in the USA. The takeover of the distribution of Komatsu products by FIAT OM in Europe has been completed. As our product ranges are complemented by trucks manufactured by Komatsu, our position with dealers on the US American market is strengthened.

The hydraulics business reported a buoyant increase in sales. Orders received remained stable at last year's high level.

The operating result in the Material Handling Division improved by 26.2 percent to 53 million Euro.

Refrigeration

Sales in the Refrigeration Division decreased by 15.5 percent to 136 million Euro. Orders received went down 3.2 percent to 210 million Euro.

Demand for refrigerated and freezer display cases was weak in the first three months 2001. As experience shows, investment activity in the food retail trade rather concentrates on the second half of the year and we therefore expect, due to the current project situation, a considerable increase in demand.

Whereas Germany suffers from a reduced investment activity, the markets in France and England show clear signs of recovery.

Growth in Poland and in the Baltic States continues and is increasingly spreading to further countries in Central and Eastern Europe. Supported by a comprehensive service and distribution network, Linde is well prepared for this development.

The economic situation in Latin America remains on a good course and Linde's business developed very favourably there in the reporting period. We have won important orders in Brazil, but also in other countries in the region.

Due to continued investment activity of international supermarket chains in Asia, we reckon with a strong growth in sales in that region.

The operating result decreased by 6 million Euro to –23 million Euro in the first three months 2001, this being attributable to the decline in sales. In view of the expected improvement in sales and the cost savings resulting from the restructuring programs, the result for 2001 will be markedly above last year's figure of 12 million Euro.

Employees

As compared to year-end 2000, the number of employees decreased by 338 to 46,788. Of this number, 18,306 employees worked in Germany and 28,482 people were employed abroad.

Finances

Cash flow amounted to 219 million Euro in the reporting period. Net working capital decreased by 65 million Euro. Taken the disposal of assets into consideration, capital expenditure came to 108 million Euro. The remaining surplus was used to repay financial liabilities, which were reduced by 260 million Euro to 3.920 billion Euro.

The balance sheet total has decreased since year-end 2000 by 208 million Euro to 11.467 billion Euro, this mainly being attributable to the reduction of debts.

For the full year 2001, capital expenditure is planned to amount to 800 million Euro after 979 million Euro in 2000. The capital-outlay ratio will thus decline to about 9 percent of sales (2000: 12 percent).

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Linde in Figures

Group	Jan.- March 2001	Jan.- March 2000	Δ	2000
	€million	€million	%	€million
Orders received	2,344	2,284	2.6%	9,083
Domestic	522	653	-20.1%	2,292
Foreign	1,822	1,631	11.7%	6,791
Sales	1,959	1,756	11.6%	8,450
Germany	454	440	3.2%	2,015
Rest of Europe	967	929	4.1%	4,242
America	407	332	22.6%	1,747
Asia	107	33	224.2%	249
Australia	18	17	5.9%	122
Africa	6	5	20.0%	75
Foreign total	1,505	1,316	14.4%	6,435

Balance Sheet	31.3.2001	31.3.2000	31.12.2000
	€ million	€ million	€ million
Fixed assets	7,859	7,511	7,936
Inventories less payments in advance	979	870	814
Receivables and other assets plus deferred charges	2,192	2,096	2,404
Cash and cash equivalents	437	702	521
Balance sheet total	11,467	11,179	11,675
Equity capital	3,992	3,953	4,131
Provisions and special reserves	2,266	1,939	2,232
Financial debts	3,920	4,040	4,180
Liabilities and deferred charges	1,289	1,247	1,132
Balance sheet total	11,467	11,179	11,675

Income Statement	Jan.- March		Year
	2001	2000	2000
	€ million	€ million	€ million
Sales	1,959	1,756	8,450
Changes in inventories and own work capitalised	139	131	419
Total output	2,098	1,887	8,869
Material expense	940	748	3,986
Personnel expense	554	535	2,223
Balance of different expenses and earnings	-321	-340	-1,315
EBITDA	283	264	1,345
Depreciation on tangible assets	159	156	570
EBITA	124	108	775
Goodwill amortisation	26	21	107
EBIT	98	87	668
Net interest	-50	-46	-187
Earnings before taxes	48	41	481
Taxes on profit	26	23	207
Net income	22	18	274

Employees	31.3.2001	31.3.2000	Δ in %	2000
Group	46,788	46,687	0.2%	47,126
Domestic	18,306	18,111	1.1%	18,475
Foreign	28,482	28,576	-0.3%	28,651
Industrial Gases	18,331	19,053	-3.8%	18,661
Engineering and Contracting	3,911	3,963	-1.3%	3,897
Material Handling	17,499	16,510	6.0%	17,310
Refrigeration	6,581	6,724	-2.1%	6,798

Divisions	Jan.- March 2001	Jan.-March 2000	Δ
	€ million	€ million	%
Industrial Gases			
Orders received	972	890	9.2%
Sales	974	894	8.9%
EBITDA	258	230	12.2%
EBITA	143	116	23.3%
Engineering and Contracting			
Orders received	376	457	-17.7%
Sales	146	133	9.8%
EBITDA	-5	3	.
EBITA	-9	-2	.
Material Handling			
Orders received	784	741	5.8%
Sales	707	638	10.8%
EBITDA	86	73	17.8%
EBITA	53	42	26.2%
Refrigeration			
Orders received	210	217	-3.2%
Sales	136	161	-15.5%
EBITDA	-18	-12	50.0%
EBITA	-23	-17	35.3%

Statements of Cash Flows

	Jan.- March 2001 € million	Year 2000 € million
Net income	22	274
Depreciation on fixed assets	185	677
Addition to pension provisions	12	50
Net addition to special tax-allowable reserve	0	-2
Cash flow	219	999
Changes in net working capital	65	-261
Net capital expenditure	-108	-908
Financing including dividend payment	-260	-6
Change in cash and cash equivalents	-84	-176