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## **LINDE AG**

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## **Shareholders' report for the first six months 2001**

### **Linde – successful despite economic slowdown**

#### **Overall economic situation**

The worldwide economic slowdown continued during the past months and turned out to be even more severe than had been expected some time ago. The unfavorable market trends in the USA and in Japan affected growth in Western Europe and in the emerging markets of Asia and Latin America. The German economy being strongly export-oriented also felt the strains imposed by global economy. Another negative impulse came from sluggish domestic demand.

#### **Group**

Despite the deteriorating economic environment Linde maintains its growth targets for the year 2001. Order intake increased by 7.2 percent to 4.722 billion Euro (2000: 4.403 billion Euro) in the first half of the year.

Sales went up 6.7 percent totaling 4.151 billion Euro (2000: 3.891 billion Euro). Excluding the Engineering and Contracting Division, where orders are not booked on a constant basis throughout the year, sales growth amounted to 7.1 percent.

The Group operating result (EBITA) improved over-proportionately from 306 million Euro to 334 million Euro, this being a plus of 9.2 percent. Due to higher financial burdens, earnings before taxes (EBT) increased by 2.8 percent to 182 million Euro (2000: 177 million Euro).

Earnings per share developed favorably increasing from 0.75 Euro to 0.82 Euro.

Without consideration of goodwill amortization, earnings per share amount to 1.26 Euro (2000: 1.19 Euro).

## **Outlook**

Even though it is difficult to foresee how the economy will develop over the next months, we retain our forecast for the full year and reckon with an 8-percent increase in Group sales to more than 9 billion Euro. As restructuring programs in the Industrial Gases and Refrigeration Divisions are currently underway, growth of the operating result will exceed the increase in sales.

The Linde Gas AG will be re-integrated into Linde AG in the course of this year in order to put all Divisions under the direct operational guidance of the Executive Board again. The spin-off had become necessary with regard to the envisaged takeover of Messer Griesheim GmbH in order to allow Messer Industriegesellschaft mbH direct participation in the gases business. The acquisition, however, could not be accomplished due to severe competition rules set up by the European Commission.

To meet market requirements even more effectively, especially in the strongly growing On-site business, it is planned to combine the two presently existing Divisions Industrial Gases and Engineering and Contracting into only one functional unit within Linde AG. Both Divisions will retain responsibility for their results.

## **Divisions**

### **Industrial Gases**

The favorable development of the Industrial Gases Division in the first six months of the current year is documented by sales growth of 6.6 percent to 1.952 billion Euro (2000: 1.832 billion Euro) with Industrial Gases contributing 4.9 percent and the Healthcare segment adding 17.1 percent.

In Germany the Division recorded an increase in sales of 4.2 percent to 412 million Euro (2000: 396 million Euro). The highest growth rate of 11 percent was achieved in the On-site segment. Tank business grew by 4.4 percent while cylinder gas business stagnated.

In Europe outside Germany, despite double-digit growth rates in Eastern Europe and countries such as France, Portugal or Switzerland, sales only climbed by 1.8 percent to 845 million Euro (2000: 830 million Euro). This is largely attributable to weak economic growth in Northern Europe as well as to the divestiture of both AGA's cylinder gas business in the Netherlands and AGA's activities in Austria, imposed by the regulatory authorities in the wake of the AGA takeover. Without this effect, growth would have been at 7.2 percent.

The gases business in North America soared to 504 million Euro (2000: 428 million Euro), up 17.9 percent from the same period last year. The buoyant development in Healthcare, mainly driven by an increased demand for INO, continued in the reporting period. Growth in the industrial gases business is exclusively attributable to the On-site segment as both tank and cylinder operations posted a slight decline due to weaker economic activity in the USA.

Despite the difficult economic landscape in Argentina and Brazil, sales in South America amounted to 166 million Euro (2000:155 million Euro), representing a plus of 6.7 percent.

Business performance in the Asian/Pacific region has remained satisfactory.

The AGA integration is progressing according to plan. By the end of the year, synergies totaling 50 million Euro will have been generated.

By approving INO as a pharmaceutical in the EU member states, the European Commission gave Linde the go-ahead for the further expansion of the Healthcare segment also in Europe.

The operating result in the Industrial Gases Division increased by 15.4 percent to 284 million Euro (2000: 246 million Euro).

### **Engineering and Contracting**

Sluggish economic growth in the EU and particularly in the USA have resulted in a markedly hesitant investment activity. Linde's Engineering and Contracting Division has however pursued its successful course despite adverse conditions.

Due to the promising project situation in this Division we expect during 2001 both sales and orders received to amount to 1.2 billion Euro each . Orders received came to 678 million Euro (2000: 618 million Euro) in the first six months, up 9.7 percent on the previous year. For accounting reasons, sales were with 350 million Euro (2000: 415 million Euro) 15.7 percent below last year's figure.

Engineering and Contracting has booked important orders in the second quarter, coming e.g. from Taiwan for the construction of an air separation unit and a steam reformer and from the USA for the setting up of a plant for waste gas treatment.

Also in the field of pharmaceutical plants, Linde remains on good course. The extension of co-operation agreements with several well-known companies in Germany and Switzerland as well as orders for the restoration, modernization and enlargement of plants are ample proof for this.

Attributable to accounting reasons, the operating result in this Division amounted to 4 million Euro (2000: 10 million Euro). We expect the result for the current year to be slightly below the figure for the same period in 2000 (39 million Euro). This decline is ascribed to the billing of a major order which Linde is executing as general contractor together with partners and which is therefore posting a lower profit margin on sales.

## **Material Handling**

The disparate development in demand for industrial trucks worldwide continued in the second quarter 2001. While order intake in Europe has once more outperformed the already high level achieved in 2000 and markets in Asia stabilized, demand in America strongly declined.

All three Linde industrial truck groups, Linde, STILL and FIAT OM succeeded in expanding their world market share regarding order intake as compared to the previous year.

Sales went up 11.5 percent to 1.526 billion Euro (2000: 1.369 billion Euro) in the first six months 2001 while order intake rose by 6.1 percent totaling 1.628 billion Euro (2000: 1.534 billion Euro).

A state-of-the-art plant for heavy lift trucks and reach stackers has started operations in Great Britain enabling Linde to further expand its competence in the fields of container handling and heavy loads.

Thanks to the co-operation with Komatsu Forklift Ltd., we improved order intake on the American and Asian markets.

Caused by economic slowdown in our customer industries construction and agricultural machinery, sales figures in the Hydraulics segment remained unchanged on the same period last year, whereas order intake was regressive. However, as new projects are in sight growth is expected to develop more satisfactorily in the medium term.

The operating result in Material Handling improved over-proportionately to sales, up 14 percent to 114 million Euro (2000: 100 million Euro) as compared to the same period last year.

## **Refrigeration**

Investment activity was hesitant in Europe in the first quarter 2001 but demand in the key markets has picked up during the last few months. The current project situation is promising and lets us expect a favorable business development in the second half of the year.

Sales in the Refrigeration Division were 7.3 percent below last year's figure, amounting to 344 million Euro (2000: 371 million Euro) as per end of June 2001. Orders received were down 1.7 percent, totaling 475 million Euro (2000: 483 million Euro).

In Central and Eastern Europe, international retailers are increasingly directing their investments into new markets such as Russia or Romania and this development is also our entrance ticket into these markets. In Poland, the Czech Republic and in Hungary, on the other hand, investment volume stagnated on a high level.

Business performance in Latin America was satisfactory and in the first place characterized by an increase in orders received. We have not only introduced new products in this market but also concentrated on know-how transfer, thereby creating the prerequisites for long-term growth.

In Asia, results for orders received turned out to be much higher than in the same period in 2000. Sales and order intake rose considerably, particularly in Australia and South Korea.

The operating result was with minus 22 million Euro below last year's figure (2000: minus 15 million Euro). For the full year, we reckon with a clear improvement over 2000 on the basis of the restructuring programs currently under way and high order processing due in the second half of the year.

## **Employees**

As compared to year-end 2000, the number of employees decreased by 919 to 46,207 per end of June. Of this number, 18,237 employees worked in Germany and 27,970 were employed abroad.

## **Finances**

Cash flow amounted to 495 million Euro in the reporting period. It was offset by costs for capital expenditure totaling 273 million Euro and for current assets adding up to 207 million Euro as well as for dividend payment of 161 million Euro. After reduction of cash and cash equivalents by 104 million Euro, financial debts increased by 42 million Euro as compared to year-end 2000. We reckon with a reduction of financial liabilities in the second half of the year.

Due to higher net working capital the balance sheet total increased by 78 million Euro to 11.753 billion Euro in the first half of 2001.

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

### Changes in the Supervisory and Executive Boards

Dr. Manfred Schneider, chairman of the executive board of Bayer AG, Leverkusen, was elected as new shareholders' member of the Supervisory Board of Linde AG at the Annual General Meeting on May 29, 2001. He replaces Hermann J. Strenger, who resigned from his office with the end of the General Meeting.

The following changes have taken place in the Executive Board of Linde AG: Dr. Peter Grafoner, Vice Chairman of the Executive Board, left Linde AG by mutual agreement on May 2, 2001. Gerold Tandler, in charge of the Refrigeration Division, retired from his office on May 31, 2001 having reached the statutory age. He continues to act as an adviser to the company.

Wiesbaden, August 23, 2001

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### Linde in Figures

Group	Jan.- June 2001	Jan.- June 2000	Δ Year 2000	
	€ million	€ million	%	€ million
Orders received	<b>4,722</b>	4,403	7.2	9,083
Domestic	<b>1,103</b>	1,185	-6.9	2,292
Foreign	<b>3,619</b>	3,218	12.5	6,791
Sales	<b>4,151</b>	3,891	6.7	8,450
Germany	<b>955</b>	914	4.5	2,015
Rest of Europe	<b>2,063</b>	2,029	1.7	4,242
America	<b>828</b>	750	10.4	1,747
Asia	<b>244</b>	93	162.4	249
Australia	<b>41</b>	62	-33.9	122
Africa	<b>20</b>	43	-53.5	75
Foreign total	<b>3,196</b>	2,977	7.4	6,435

<b>Balance Sheet</b>	<b>30.06.2001</b>	<b>30.06.2000</b>	<b>31.12.2000</b>
	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>
Fixed assets	<b>7,837</b>	7,922	7,936
Inventories less payments in advance	<b>985</b>	868	814
Receivables and other assets plus deferred charges	<b>2,514</b>	2,188	2,404
Cash and cash equivalents	<b>417</b>	651	521
<b>Balance sheet total</b>	<b>11,753</b>	11,629	11,675
Equity capital	<b>4,063</b>	3,933	4,131
Provisions and special reserves	<b>2,269</b>	2,183	2,232
Financial debts	<b>4,222</b>	4,371	4,180
Liabilities and deferred charges	<b>1,199</b>	1,142	1,132
<b>Balance sheet total</b>	<b>11,753</b>	11,629	11,675

<b>Income Statement</b>	<b>Jan.- June</b>		<b>Year</b>
	<b>2001</b> <b>€ million</b>	<b>2000</b> <b>€ million</b>	<b>2000</b> <b>€ million</b>
Sales	4,151	3,891	8,450
Changes in inventories and own work capitalized	364	278	419
Total output	4,515	4,169	8,869
Material expense	2,029	1,806	3,986
Personnel expense	1,116	1,087	2,223
Balance of different expenses and earnings	-717	-657	-1,315
<b>EBITDA</b>	<b>653</b>	<b>619</b>	<b>1,345</b>
Depreciation on tangible assets	319	313	570
<b>EBITA</b>	<b>334</b>	<b>306</b>	<b>775</b>
Goodwill amortization	53	52	107
<b>EBIT</b>	<b>281</b>	<b>254</b>	<b>668</b>
Net interest	-99	-77	-187
<b>Earnings before taxes</b>	<b>182</b>	<b>177</b>	<b>481</b>
Taxes on profit	82	86	207
<b>Net income</b>	<b>100</b>	<b>91</b>	<b>274</b>

<b>Employees</b>	<b>30.06.2001</b>	<b>30.06.2000</b>	<b>Δ in %</b>	<b>31.12.2000</b>
Group	<b>46,207</b>	47,002	-1.7	47,126
Domestic	<b>18,237</b>	18,040	1.1	18,475
Foreign	<b>27,970</b>	28,962	-3.4	28,651
Industrial Gases	<b>17,957</b>	19,157	-6.3	18,661
Engineering and Contracting	<b>3,876</b>	3,912	-0.9	3,897
Material Handling	<b>17,565</b>	16,680	5.3	17,310
Refrigeration	<b>6,338</b>	6,814	-7.0	6,798

Divisions	Jan.- June 2001	Jan.-June 2000	Δ
	€ million	€ million	%
<b>Industrial Gases</b>			
Orders received	1,942	1,830	6.1
Sales	1,952	1,832	6.6
EBITDA	516	475	8.6
EBITA	284	246	15.4
<b>Engineering and Contracting</b>			
Orders received	678	618	9.7
Sales	350	415	-15.7
EBITDA	13	20	-35.0
EBITA	4	10	-60.0
<b>Material Handling</b>			
Orders received	1,628	1,534	6.1
Sales	1,526	1,369	11.5
EBITDA	179	161	11.2
EBITA	114	100	14.0
<b>Refrigeration</b>			
Orders received	475	483	-1.7
Sales	344	371	-7.3
EBITDA	-13	-5	-
EBITA	-22	-15	-

#### Statements of Cash Flows

	Jan.- June 2001 € million	Year 2000 € million
Net income	100	274
Depreciation on fixed assets	372	677
Addition to pension provisions	23	50
Net addition to special tax-allowable reserve	0	-2
Cash flow	495	999
Changes in net working capital	-207	-261
Net capital expenditure	-273	-908
Dividend payment	-161	-143
Financing	42	137
Change in cash and cash equivalents	-104	-176

(End)