

Shareholders' report for the
first nine months 2002



Linde

We know how.

▶ Balance sheet

	30.09.2002 € million	31.12.2001 € million
Intangible assets	3,276	3,327
Property, plant and equipment	4,154	4,417
Financial assets	145	199
Leased assets	609	601
Fixed assets	8,184	8,544
Inventories	1,194	1,047
Receivables from financial services	186	176
Receivables and other assets	2,281	2,402
Securities and cash equivalents	452	531
Current assets	4,113	4,156
Tax assets and prepayments	188	168
Total assets	12,485	12,868
Equity (incl. minority interests)	4,139	4,356
Provisions	2,366	2,420
Financial liabilities	3,554	3,795
Payables from financial services	558	543
Other liabilities	1,599	1,486
Deferred income	269	268
Total equity and liabilities	12,485	12,868

▶ Income statement

	Jan.- Sept. 2002 € million	Jan.- Sept. 2001 € million	Year 2001 € million
Sales	6,257	6,405	8,833
Cost of sales	4,471	4,529	6,268
Gross profit on sales	1,786	1,876	2,565
Marketing and selling expenses	746	786	990
Research and development costs	122	120	160
Administration expenses	518	523	679
Balance of different expenses and earnings	34	68	28
EBITA	434	515	764
Financial result	-146	-155	-203
EBTA	288	360	561
Amortization of goodwill	85	84	114
Earnings before taxes on income	203	276	447
Taxes on income	103	129	201
Annual result before extraordinary items	100	147	246
Extraordinary income	165	0	0
Net income	265	147	246

■ Weak economy continues to negatively impact development of Group

Economy

Global growth has still to materialize. Low capacity utilization and pessimistic sales and earnings forecasts slowed down corporate investment activity in many regions around the world. Germany was particularly affected, as economic growth is highly focused on exports. Nor did the global economy receive any positive signals from the USA, where economic growth also slowed down recently. Industry is now looking to 2003 for signs of a worldwide economic recovery.

Business development in the Group

Faced with persistently adverse economic conditions, Group sales decreased by 2.3 percent to 6.257 billion euro (2001: 6.405 billion euro). While domestic sales declined by 7.0 percent to 1.400 billion euro (2001: 1.506 billion euro), foreign sales came to 4.857 billion euro, nearly achieving last year's level (4.899 billion euro).

Orders received increased by 5.7 percent to 7.134 billion euro (2001: 6.752 billion euro), thanks to excellent ordering in the Linde Engineering Division. Without Linde Engineering, orders received would have been 1.3 percent lower than the previous year.

The operating result (EBITA) decreased by 81 million euro to 434 million euro (2001: 515 million euro). While the Gas and Engineering Business Segment increased its operating result, lower earnings were posted in the Material Handling and Refrigeration Business Segments.

Group				
	Jan.- Sept. 2002 € million	Jan.- Sept. 2001 € million	Change %	Year 2001 € million
Orders received	7,134	6,752	5.7	9,145
Domestic	1,540	1,621	-5.0	2,194
Foreign	5,594	5,131	9.0	6,951
Sales	6,257	6,405	-2.3	8,833
Germany	1,400	1,506	-7.0	2,196
Rest of Europe	3,212	3,206	0.2	4,362
America	1,133	1,285	-11.8	1,675
Asia	405	316	28.2	478
Australia	59	62	-4.8	85
Africa	48	30	60.0	37
Foreign total	4,857	4,899	-0.9	6,637

Earnings before taxes on income at 203 million euro were 73 million euro below the level of the previous year (2001: 276 million euro). Taking into account extraordinary proceeds of 165 million euro from the sale of the indirect holding in the Dresdner Bank AG, net income rose by 118 million euro to 265 million euro.

Earnings per share in the first nine months came to 0.83 euro (2001: 1.22 euro). Excluding amortization of goodwill, earnings per share stood at 1.55 euro (2001: 1.93 euro).

Outlook

The general framework for economic recovery has deteriorated over the last few weeks. As a result, no significant improvement can be expected over the remaining weeks of this year. This, and volatile currency movements in America, mean that only a slight increase in sales can be expected for the Group in 2002. Earnings in the Business Segments will overall be lower compared to the previous year. The planned restructuring measures in the Business Segments will involve considerable one-off expenses. However, they will be offset by the sale of our holding in the Dresdner Bank amounting to 165 million euro. We expect net income to achieve last year's level.

Gas and Engineering

In the Gas and Engineering Business Segment, sales fell by 3.1 percent to 3.520 billion euro compared to the previous year (2001: 3.633 billion euro). However, orders received at 4.124 billion euro exceeded the previous year's figure by 12.7 percent (2001: 3.659 billion euro), while the operating result (EBITA) increased by 7 million euro to 475 million euro (2001: 468 million euro).

Linde Gas

In the Linde Gas Division, sales at 2.906 billion euro were slightly below the level of the previous year (2001: 2.918 billion euro). The decrease was caused by lower prices for natural gas, as well as volatile currency movements in North and South America. These developments had a negative impact, resulting in sales being reduced by 98 million euro. When these exceptional items are discounted, however, adjusted growth was up by a pleasing 2.9 percent.

The healthcare segment recorded a significant increase in sales, up 12.1 percent to 424 million euro. Sales in the industrial gas business were down by 1.2 percent. Higher sales in the tank gas business (plus 2.8 percent) failed to fully compensate the decrease in the cylinder gas business (minus 4.8 percent). On-site business increased by just 1.8 percent. This was mainly due to a large fall in the price of natural gas in the USA, which resulted in reduced sales of 35 million euro.

Business developed differently in each region. In Europe, sales were positive overall, up by 4.0 percent to 1.981 billion euro (2001: 1.905 billion euro). And while the German market grew inappreciably by 0.2 percent, Linde did achieve good growth in Western and Northern Europe. Double-figure growth was posted in Eastern European countries, thanks to Linde's strong market position.

Activities

	3rd quarter 2002 € million	3rd quarter 2001 € million	Δ %	Jan.- Sept. 2002 € million	Jan.- Sept. 2001 € million	Δ %	Year 2001 € million
Gas and Engineering							
Orders received	1,299	1,057	22.9	4,124	3,659	12.7	5,019
Sales	1,194	1,198	-0.3	3,520	3,633	-3.1	4,835
EBITDA	273	277	-1.4	814	809	0.6	1,104
EBITA	163	164	-0.6	475	468	1.5	651
EBTA	137	116	18.1	356	305	16.7	427
Linde Gas							
Orders received	946	963	-1.8	2,911	2,905	0.2	3,876
Sales	949	969	-2.1	2,906	2,918	-0.4	3,875
EBITDA	264	259	1.9	774	778	-0.5	1,037
EBITA	160	149	7.4	450	448	0.4	599
EBTA	134	101	32.7	334	287	16.4	378
Linde Engineering							
Orders received	363	130	179.2	1,256	808	55.4	1,202
Sales	257	285	-9.8	669	772	-13.3	1,047
EBITDA	9	18	-50.0	40	31	29.0	67
EBITA	3	15	-80.0	25	20	25.0	52
EBTA	3	15	-80.0	22	18	22.2	49
Material Handling							
Orders received	758	726	4.4	2,292	2,354	-2.6	3,193
Sales	707	700	1.0	2,149	2,182	-1.5	3,071
EBITDA	103	112	-8.0	309	358	-13.7	512
EBITA	36	44	-18.2	94	150	-37.3	240
EBTA	23	33	-30.3	60	118	-49.2	200
Refrigeration							
Orders received	238	239	-0.4	696	714	-2.5	900
Sales	233	227	2.6	571	571	-	887
EBITDA	15	30	-50.0	1	12	-91.7	30
EBITA	8	23	-65.2	-16	-4	-	10
EBTA	5	21	-76.2	-22	-8	-	6
Group							
Orders received	2,304	2,030	13.5	7,134	6,752	5.7	9,145
Sales	2,139	2,165	-1.2	6,257	6,405	-2.3	8,833
EBITDA	340	385	-11.7	1,013	1,088	-6.9	1,519
EBITA	154	195	-21.0	434	515	-15.7	764
EBTA	120	143	-16.1	288	360	-20.0	561
EBT	93	116	-19.8	203	276	-26.4	447

Sales in North America declined by 5.8 percent to 653 million euro compared to the previous year (2001: 693 million euro).

In South America, currency fluctuations pushed sales down by 18 percent to 228 million euro (2001: 278 million euro). However, expressed in local currency, our gas business grew by 9.6 percent in the first nine months.

Linde Gas Division's operating result increased by 2 million euro to 450 million euro. When adjusted for charges of 24 million euro taken in the first nine months, the operating result increased by 6 percent. These one-off expenses were due to negative currency effects in South America, as well as further restructuring measures undertaken. In the 3rd quarter of 2002, the operating result came to 160 million euro – an improvement of 11 million euro over the corresponding figure of the previous year.

Despite the negative effects of currency fluctuations and the charges posted to the non-operative area, sales and earnings for the full year are expected to improve slightly on the previous year.

This Division has introduced a new program of process optimization which will lead to further cost reductions amounting to 150 million euro by the end of 2004. These measures will optimize production and distribution and result in greater rationalization of administration and sales activities. The package will involve the loss of around 550 jobs.

Linde Engineering

The Engineering Division was unaffected by the difficult market conditions. This was mainly due to its well-balanced range of products and know-how in process engineering, as well as its focus on growth segments such as hydrogen and natural gas. Environmental regulations will stimulate demand for hydrogen plants worldwide. The project situation for natural gas, ethylene and air separation plants also continues to look good.

Linde Engineering Division continued to develop very positively during the first nine months. Orders received increased by 55.4 percent to 1.256 billion euro (2001: 808 million euro). Sales came to 669 million euro (2001: 772 million euro), corresponding to a decrease of 13.3 percent.

All product areas in Linde Engineering have contributed to its positive order books. Two major orders to build hydrogen plants for competitors in the gas segment were received. One of the companies involved is the English BOC Group, with whom an exclusive cooperation deal was agreed this year.

The operating result improved by 5 million euro to 25 million euro. An increase is expected in sales and earnings for the full year, compared to the previous year.

Material Handling

The industrial truck market stabilized during the 3rd quarter. While orders received on the world market were around 6 percent down as of the end of June, this decline had been reduced to roughly 2 percent by the end of September. The Asian markets continued to grow, while the downturn eased in Europe and America.

Operating conditions remain difficult, however, and are characterized by intense competition. Yet, despite a highly regressive market in Germany, Material Handling still managed to maintain its position in Europe while increasing its market share in America and Asia. Sales in the Material Handling Business Segment came to 2.149 billion euro overall, 1.5 percent down on the previous year (2001: 2.182 billion euro). Orders received decreased by 2.6 percent to 2.292 billion euro (2001: 2.354 billion euro).

Sales of the new 39x truck series got off to a successful start in the 3rd quarter. Extending product ranges this year with trucks from different load classes is expected to strengthen this Business Segment's competitiveness.

The operating result at 94 million euro is 56 million euro below last year's figure (2001: 150 million euro). While the operating result decreased by 48 million euro in the first half of 2002, the decrease was only 8 million euro in the 3rd quarter.

Demand is expected to stabilize over the remaining months of this year. Sales and earnings will be lower than in the previous year, and Material Handling does not expect to repeat its good 4th quarter 2001 result in 2002.

"TRIM.100" – Optimization of Multibrand Strategy in Material Handling Business Segment

"TRIM.100" is the name of an optimization program for the Material Handling Business Segment which stands for "Total Reorganization of our International Multibrand Strategy".

The objective of this program is to optimize our multibrand strategy in the Material Handling Business Segment. This process will also extend to Komatsu Forklift Ltd, with whom we have a cooperation agreement. Major cost saving potential will be realized through the reorganization of our sales organization, as well as our development, production and procurement activities.

Cost savings in the latter area will be achieved by increasing the number of Group-produced components used. As a result, the Material Handling Business Segment will shed around 500 jobs.

Overall, these measures should lead to total cost savings of 100 million euro for 2003 and 2004.

Refrigeration

The Refrigeration Business Segment continued to operate under difficult conditions, with food retailers maintaining their investment activities at low levels. Sales came to 571 million euro, the same level as the previous year (2001: 571 million euro). Orders received reached 696 million euro, 2.5 percent down on the previous year (2001: 714 million euro).

In Europe, demand was slightly lower, although trends in our core markets in Western Europe differed from region to region. Good growth rates were achieved again in Eastern Europe.

Developments in Latin America remained difficult. However, Refrigeration did manage to expand its market position in Brazil.

The Refrigeration Business Segment introduced a restructuring program in 2001 which will lead to cost savings of 50 million euro by the end of this year. However, tough competition and increasing costs, particularly personnel expenses, more than compensated these savings. The operating result for the first nine months fell by 12 million euro to minus 16 million euro.

Nor will we be able to improve on the operating result for the full year compared to the previous year. Sales figures will finish lower compared to 2001.

The Refrigeration Business Segment is answering this challenge with a new program which will reduce costs even more, slashing them by a further 25 million euro by the end of 2004. We are also relocating products to the Czech Republic and improving our operating procedures overall. This will result in the loss of 500 jobs in Germany.

Employees

As of 30.09.2002, the Linde Group employed 46,563 people. Of these, 18,176 were employed in Germany and 28,387 abroad. The slight increase in the number of people employed compared to year-end 2001 follows the consolidation of acquired companies, as well as the expansion of the foreign sales and service organization in the Material Handling Business Segment.

Employees			
	30.09.2002	31.12.2001	Δ
Group	46,563	46,400	163
Domestic	18,176	18,380	-204
Foreign	28,387	28,020	367
Gas and Engineering	21,497	21,650	-153
Material Handling	18,248	17,891	357
Refrigeration	6,312	6,364	-52

Cash flow statement

	Jan.- Sept. 2002 € million	Year 2001 € million
Cash flow	800	1,138
Changes in net working capital	-24	-23
Cash flow from operating activities	776	1,115
Net capital expenditure	-615	-772
Proceeds/expenditure from changes in securities held under current assets	221	57
Cash flow from investing activities	-394	-715
Dividend payments and changes in minority interests	-137	-163
Repayments (-)/cash proceeds (+) from financial funds	-243	-301
Cash flow from financing activities	-380	-464
Decrease (+)/increase (-) of cash and cash equivalents	-2	64

Finances

Cash flow from operating activities as of 30.09.2002 came to 776 million euro. Capital expenditure came to 615 million euro. This figure was offset by income from the sale of securities amounting to 221 million euro, so that on balance a sum of 394 million euro was required for investment activity.

Cash and cash equivalents remained largely unchanged at 180 million euro compared to the beginning of the year. After payment of dividends of 137 million euro, a remaining 243 million euro was available for the reduction of financial liabilities.

Due to the reduction of funds tied up in fixed assets and net working capital, the balance sheet total decreased by 383 million euro to 12.485 billion euro compared to 31.12.2001.

Scheduled capital expenditure on assets in 2002 is planned to reach around 900 million euro (2001: 965 million euro).

LINDE AG
Executive Board

Wiesbaden, November 14, 2002

■ Scheduled dates

Press Briefing on Annual Results

March 27, 2003

Frankfurt/Main

Analysts' Briefing

March 27, 2003

Frankfurt/Main

Shareholders' Meeting 2003

May 27, 2003, 10.00 a.m.

International Congress Center,

Munich

Shareholders' Meeting 2004

May 18, 2004, 10.00 a.m.

International Congress Center,

Munich

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