

# Analysts' Conference Full Year Results 2004

Frankfurt, March 22, 2005

3.00pm

- Page 4**      **Presentation of Dr Wolfgang Reitzle  
President & CEO, Linde AG**
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CFO, Linde AG**
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## Disclaimer

This presentation has been prepared independently by Linde AG (“Linde”). The presentation contains statements which address such key issues as Linde’s growth strategy, future financial results, market positions, and product development. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to price fluctuations, currency fluctuations, developments in raw material and personnel costs, physical and environmental risks, legal and legislative issues, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialised external agencies.

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Dr Wolfgang Reitzle, President and CEO, Linde AG

## Linde Group... a good performance in 2004

- **Sales** plus 4.8% to €9,421 million, +6.3% excl. currency
  - Excl. Refrigeration +8.5%, excl. currency +10.1%
- **Incoming Orders** up 6.1% to €9,637 million
  - Excl. Refrigeration +8.4%, excl. currency +10.1%
- **EBITA** plus 14.9% to €785 million, +16.6% excl. currency
- **Net profit** increased from €108 million to €274 million
- **EPS** of €2.30 (2003: €0.91)
- **Dividend** up 10.6% to €1.25
- **Operating Cash flow** of €1,249 million on last year's high level
- **Net debt** reduction of €462 million to €1,968 million (Gearing: 48.2 percent)
- **ROCE** improved to 9.5% (2003: 7.7%)
- **Return on Equity** (before tax) increased from 7.2% to 13.0%

## Linde Group... a promising outlook for 2005

- Sales and EBITA will exceed FY 2004
- Capex of around €1 billion
- ROCE of 10.0%
- Sales and Incoming Orders for the first 2 months 2005 on track
  - Sales up 9.9% to €1,313 million, Incoming Orders up 10.4% to €1,544 million

### Assumptions:

- Worldwide GDP growth of around 4%
- GDP growth in Germany of around 1%

## Linde Gas... another successful year 2004

- Sales up 4.2% to €4,003 million (cons.), +6.9% excl. currency
  - **On-site:** €821 million, +6.3% (+9.1% excl. currency)
  - **Bulk:** €1,121 million, +7.1% (+9.3% excl. currency)
  - **Cylinder:** €1,568 million, +0.8% (+3.5% excl. currency)
  - **Healthcare:** €634 million, +10.3% (+14.3% excl. currency)
  
- EBITA plus 7.0% to €640 million, +8.8% excl. currency
  - Margin increased from 15.6% to 16.0%
  
- ROCE increased to 10.9% (2003: 10.1%)

## Linde Gas... Improvement and Growth Initiatives (1)

### — Efficiency Improvement

- Fit-For-Future program fully on track (€120 million cost reduction achieved in 2 years)
- Plan to launch a Growth and Performance (GAP) program in 2005, to identify and exploit additional efficiency and growth potentials

### — On-site

- Massive expansion in 2005/6 (11 large start-ups) in Europe (esp. Eastern Europe), China and South America
- 6 Air Separation plants, 5 HyCo plants
- Total Capex: €350 million
- Annual sales growth >10%

### — Healthcare

- Strong Homecare business (+21%), mainly driven by successful integration of acquired companies in Italy and Germany (+16% sales contribution)
- Annual sales growth >10%, mainly driven by a growing Homecare business



## Linde Gas... Improvement and Growth Initiatives (2)

### — Eastern Europe

- Sales 2004 increased to €430 million, +11% excl. currency
- Strong growth ahead in the On-site business
- 5 start-ups in 2005: 4 Air separation plants, 1 HyCo plant
- Total Capex: €150 million
- Annual sales growth target >10%

### — Asia/ Pacific

- Sales 2004 increased to €94 million (2003: €62 million)
- Latest acquisitions in 2004 strengthened Linde's market position
- Focus on China, selective growth in other countries
- Focus on On-site (Multi-client plants, one-stop supplier position)

## Linde Gas... positive outlook for 2005

- Increase in **Sales** and **EBITA**
- **ROCE** of 11.0%
- **Capex** of around €600 million, main focus on new On-site business
- Long-term positive outlook based on:
  - **Regional Diversification, Performance Improvement** and **Product Segments** with over-proportionate growth

## Linde Engineering... simply a strong business

- Sales up 24.5% to €1,581 million
- EBITA improved by 50.0% to €69 million
- ROCE increased to 17% (2003: 14.8%), exceeding target for 2005
- Incoming orders of €1,525 million exceeds last year's high level
- Good **project situation** across all product segments

## Linde Engineering... excellent outlook for 2005

- Sales and EBITA at least on last year's high level
- ROCE of 16%
- Order backlog > €2.3 bn
- Promising order situation in all product segments
  - Regional focus on Middle East and China
  - Highest growth rates for ethylene, oxygen and synthesis gas plants

## Material Handling ... strong performance improvement

- **2004: A good year for the entire Industrial Truck Industry**
- **Sales up 10.1% to €3,372 million**
- **EBITA significantly increased by 22.4% to €191 million**
  - Despite steel price effect of minus €18 million
  - Margin improved from 5.1% to 5.7%
- **Incoming orders plus 10.5% to €3,442 million**
- **ROCE improved from 9.7% to 12.0%**
- **After-sales-service revenues increased to €1.4 bn (40% of total MH sales)**

## Material Handling... Improvement and Growth Initiatives

### — Efficiency Improvement

- TRIM.100 program fully on track (€100 million cost reduction achieved in 2 years)
- Plan to launch a follow-up program in 2005, leading to further improvement of processes and cost structures

### — Asia/China

- 2004: 9% market share in China, dominating the high-end market segment
- Launch of a value brand (OM Pimespo) in China by mid-year 2005 to enter mainstream market segment
  - Size of market segment: 14,000 units, CAGR 15-20%
  - Linde's target market share by 2008: 15%

### — Innovation

- 2005: 5 Counterbalanced trucks, 7 Warehouse trucks
- 2006: 3 Counterbalanced trucks, 8 Warehouse trucks
- 2007: 4 Counterbalanced truck, 13 Warehouse trucks

## Material Handling... promising outlook for 2005

- **2005:** Expected slower market growth for the entire **Industrial Truck Industry**
  - Growth drivers remain USA and Asia (especially China)
  - Slower growth in Western Europe vs 2004, above-average increase in demand in Eastern Europe
- Increase in **Sales**, significant improvement of **EBITA**
- **ROCE** target of **16%** not achievable in 2005, but remains **target for 2007**
- **Capex** of around €400 million, thereof >50% for Rental and Leasing
- Long-term positive outlook based on:
  - **Innovation, Regional Diversification and Performance Improvement**

## Linde... What matters?

- Linde aspires to be **Leading**.
- **Leading**. means to Linde:
  - **Innovation.**
  - **Internationality.**
  - **Performance.**
- **Gas & Engineering** and **Material Handling** have the potential to fulfill these requirements



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Dr Peter Diesch, CFO, Linde AG

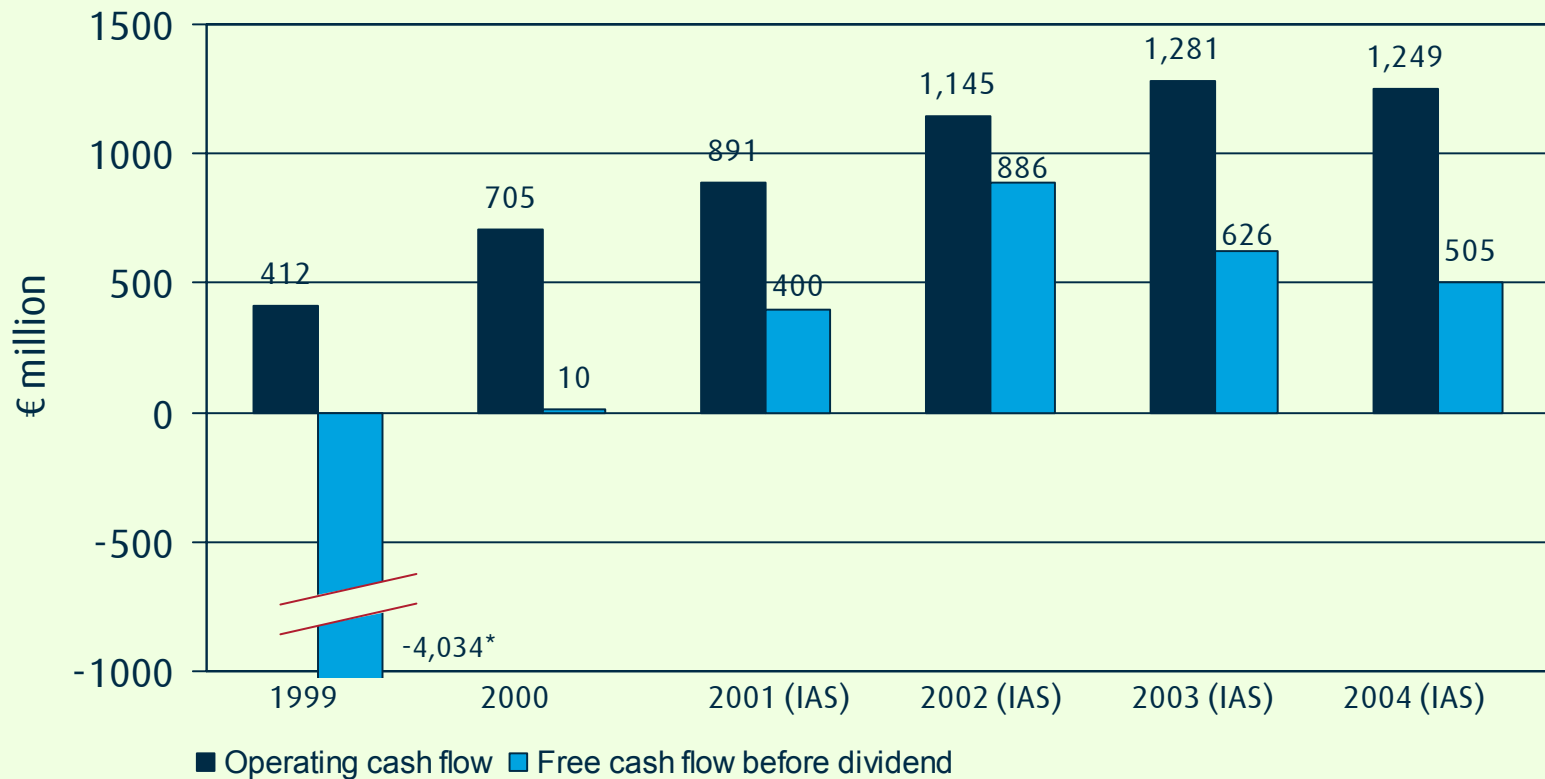
## Financial Highlights

- Earnings improved
- Strong Cash Flow
- Focus on Growth
- Financial Gearing overachieved
- Key Financial Ratios improved
- Incoming orders & Sales per February 2005 on track

<b>Group Key Figures (in € million)</b>	<b>2003</b>	<b>2004</b>	<b>△ in %</b>
Incoming orders	9,079	<b>9,637</b>	6.1 <sup>3)</sup>
Sales	8,992	<b>9,421</b>	4.8 <sup>4)</sup>
EBITDA <sup>1)</sup>	1,456	<b>1,541</b>	5.8
EBITA <sup>1)</sup>	683	<b>785</b>	14.9
EBT	287	<b>518</b>	80,5
Net income	108	<b>274</b>	153.7
Capital employed	8,371	<b>7,979</b>	-4.7
Equity	3,886	<b>4,081</b>	5.0
ROCE <sup>1)</sup>	7.7%	<b>9.5%</b>	
ROE <sup>2)</sup>	7.2%	<b>13.0%</b>	
Cash flow from operating activities	1,281	<b>1,249</b>	-2.5
Cash flow per share	10.74	<b>10.47</b>	-2.5
EPS	0.91	<b>2.30</b>	152.7
EPS before goodwill	2.06	<b>3.48</b>	68.9

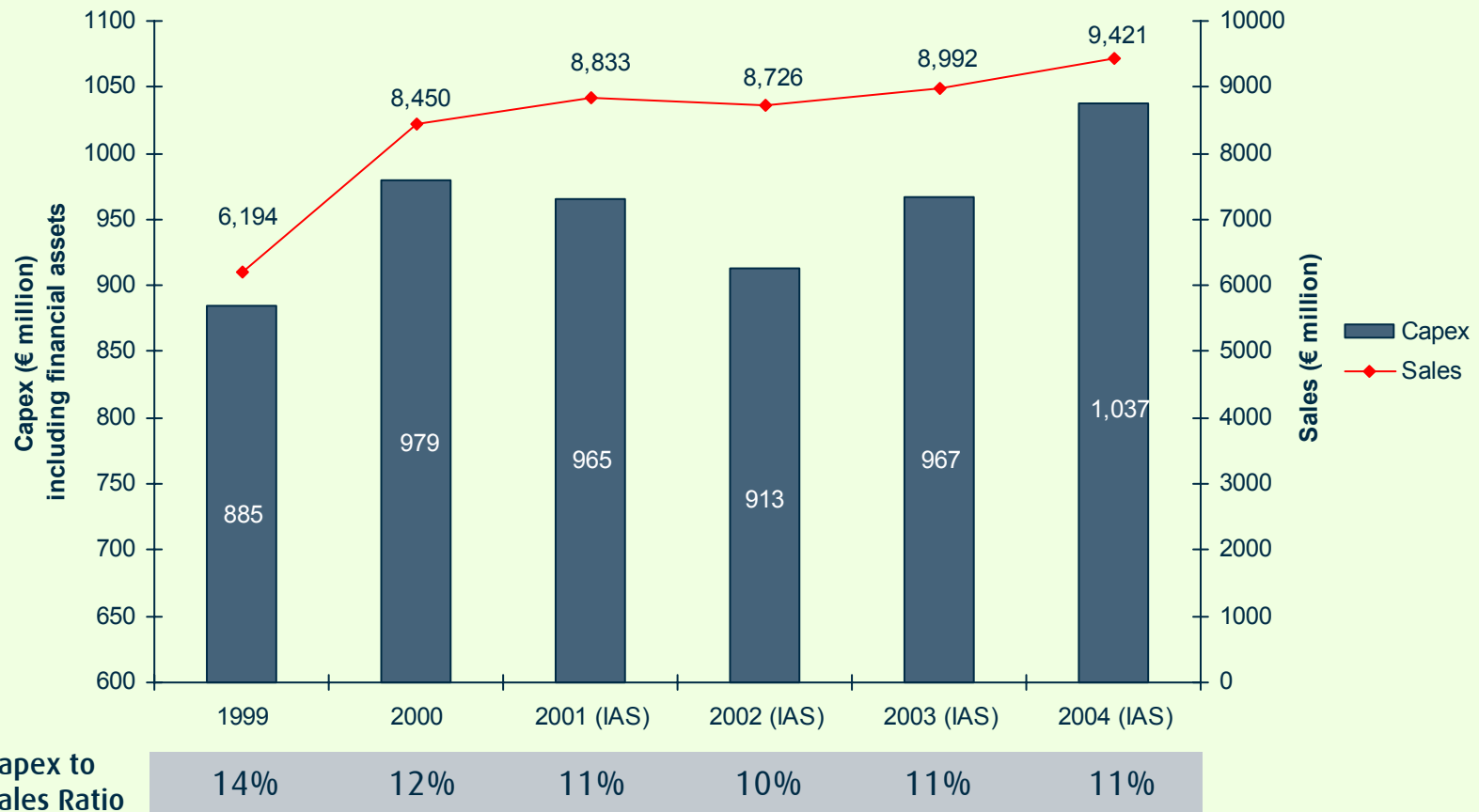
<sup>1)</sup>2003 before special items (-€127 million) <sup>2)</sup>Based on EBT <sup>3)</sup>Excl. Refrigeration +8,4% <sup>4)</sup>Excl. Refrigeration +8,5%

## Group Cash Flow (all Divisions generate positive free cash flow)



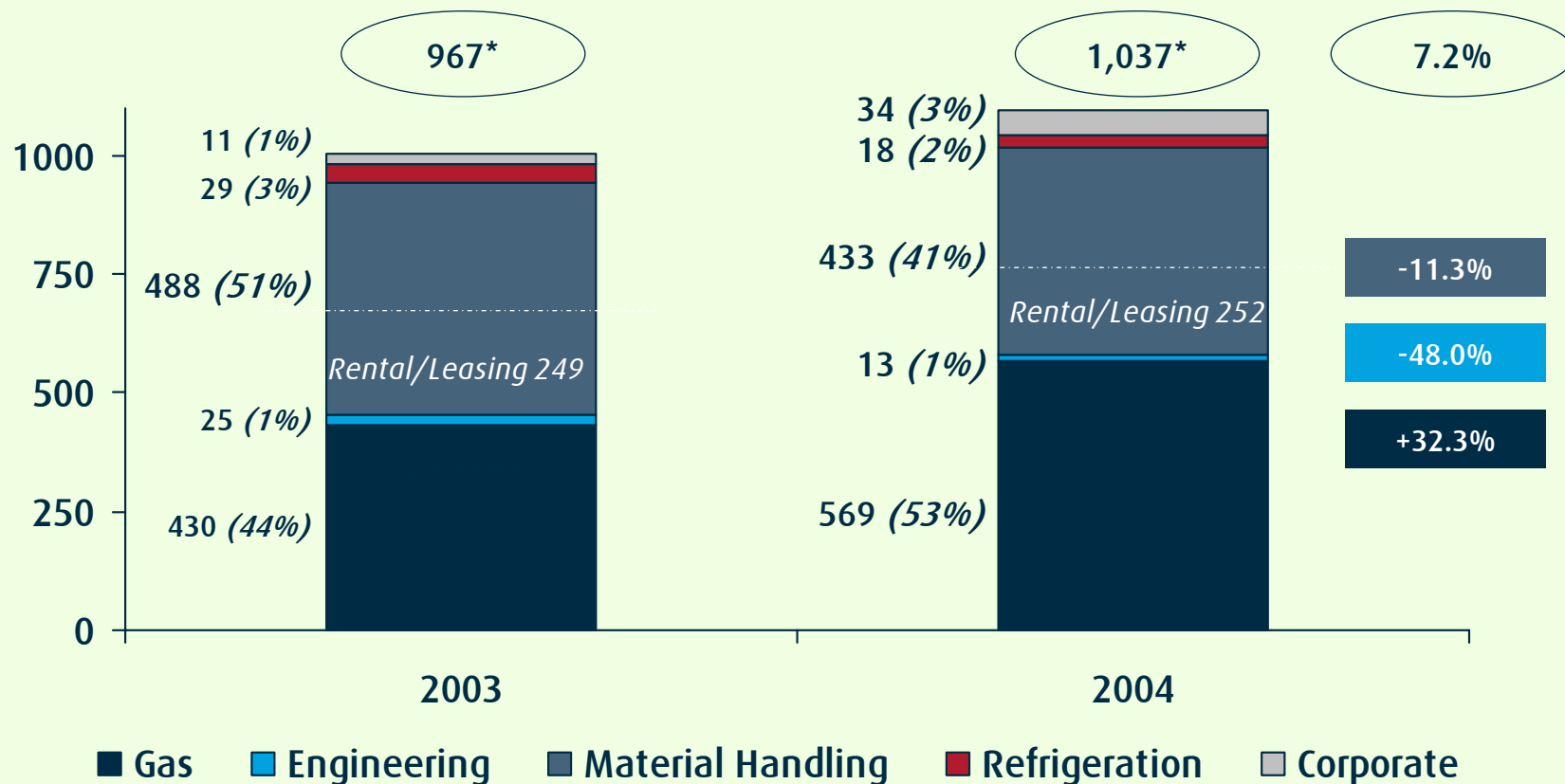
\* Includes acquisition of AGA

## Group Capex & Sales



## Group CAPEX by division (incl. Financial assets)

€ million

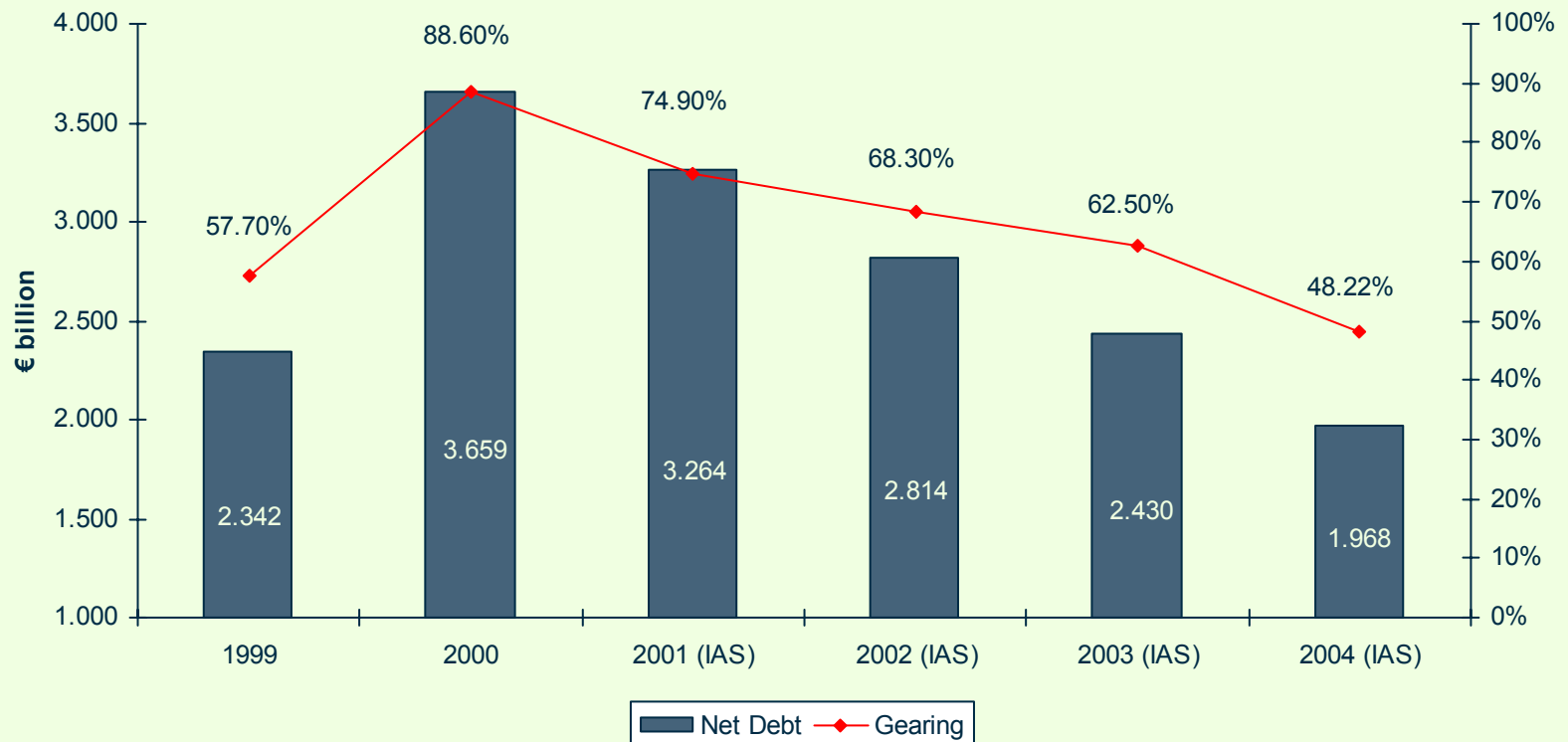


\*Total is consolidated

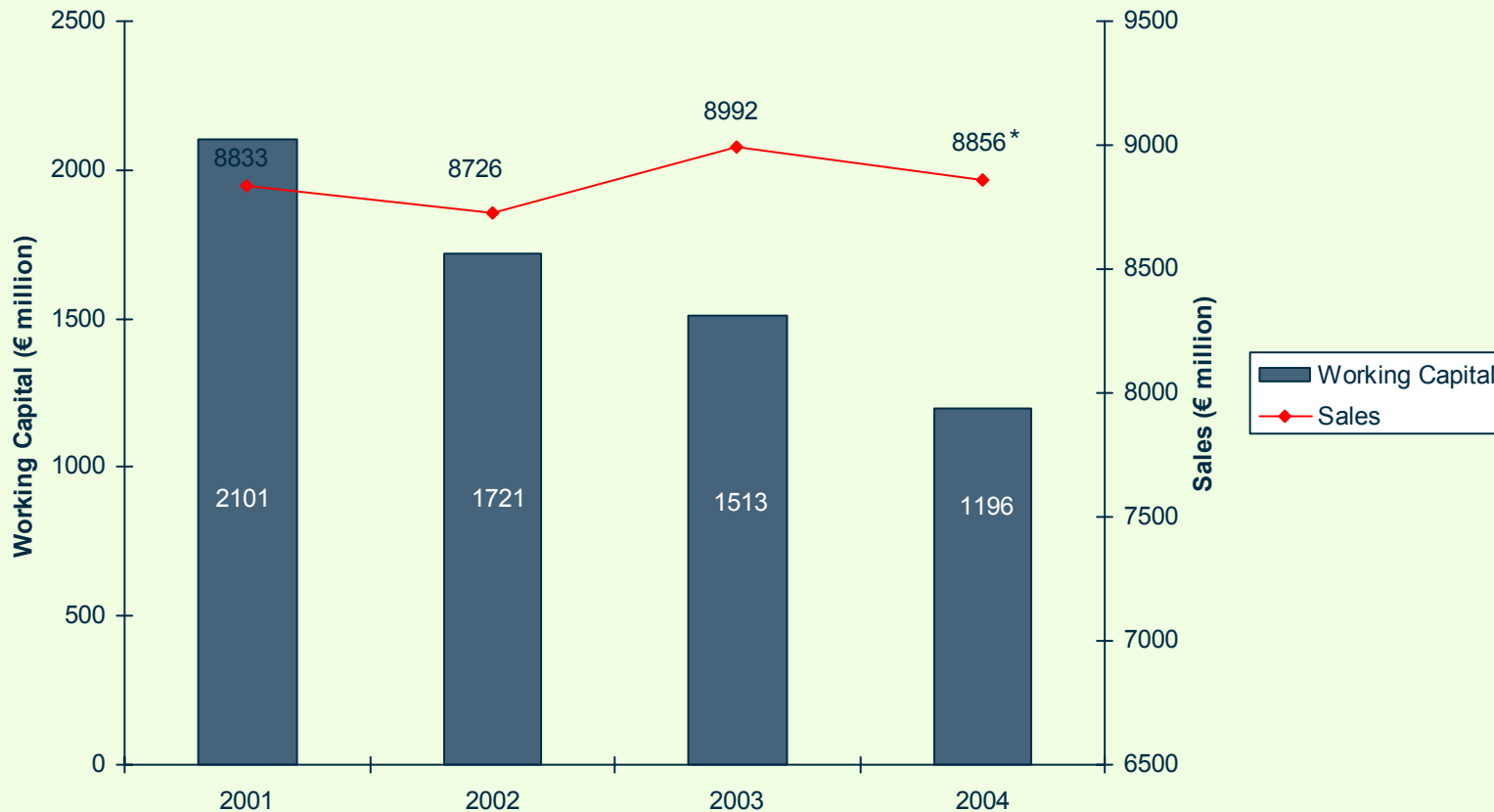
## Group Net Debt and Gearing Reduction

(Net debt = Financial debt – cash & cash equivalents and securities)

(Gearing = Net debt / equity)



## Working capital reduction of €905 million over 3 years



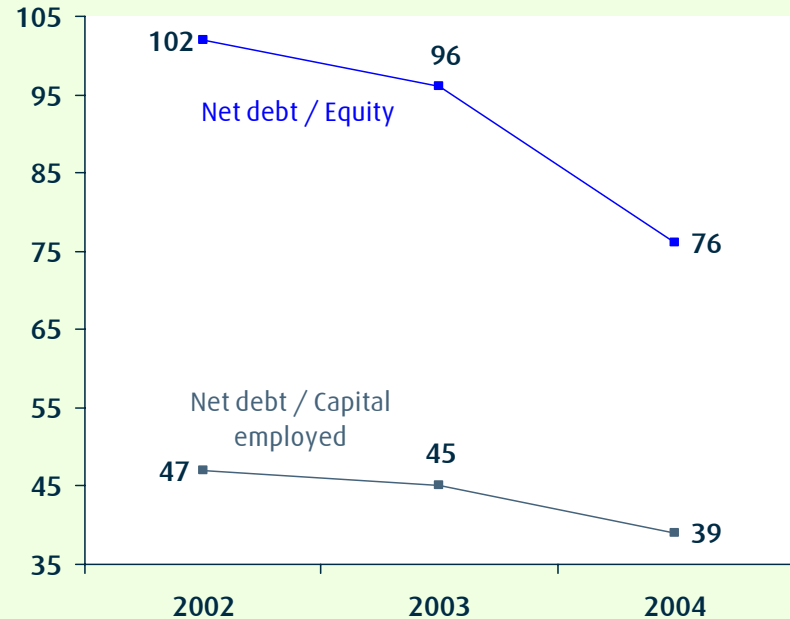
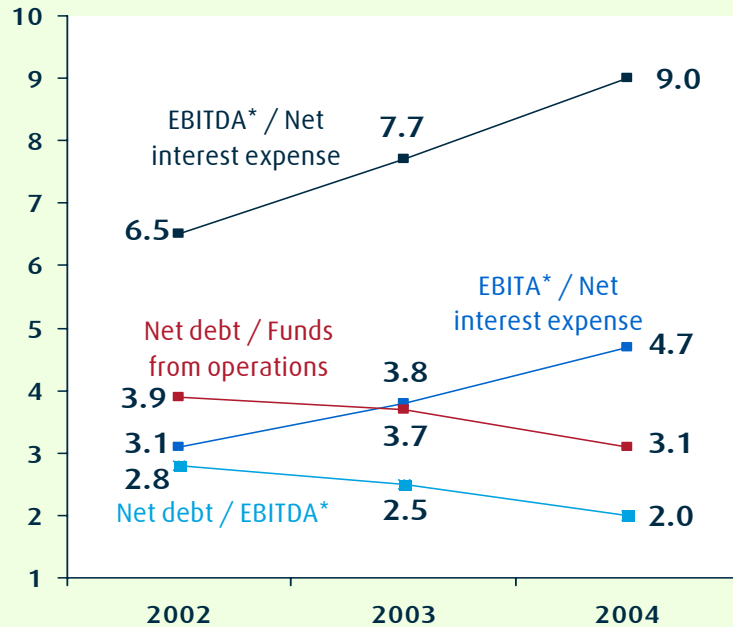
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\*Excluding Sales LK



## Key Ratings ratios (Including pensions & leasing)



\*Before special items

## Linde Engineering – Change of accounting treatment with regard to EBITA

### Up to now:

So far, EBITA of LE included the following:

- ➔ Interest income from long-term construction contracts.
- ➔ Other interest income.

### Starting 31/12/04:

Due to the change, the following applies:

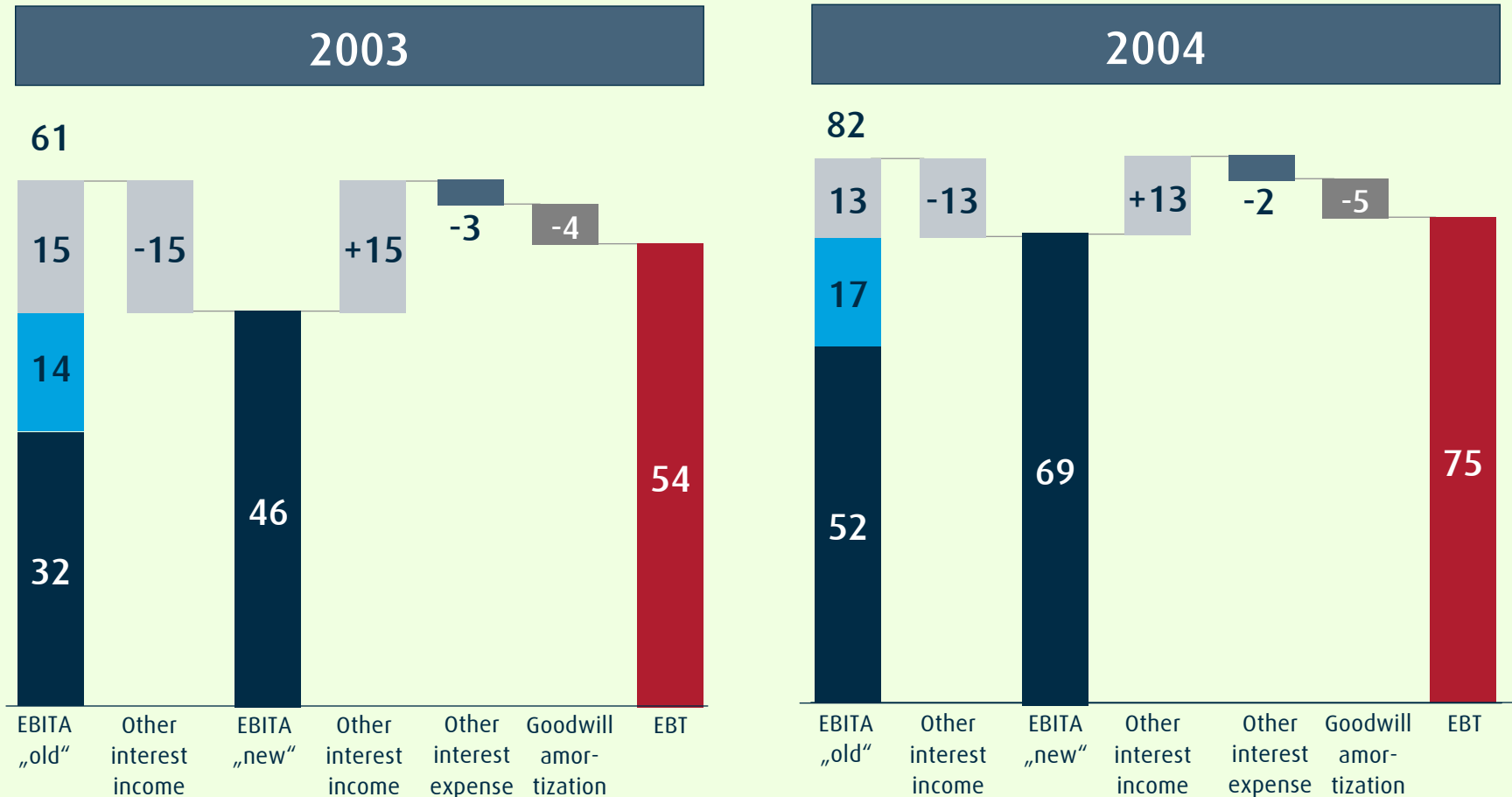
- ➔ now, only the interest income from long-term construction contracts is recognized in EBITA .
- ➔ Other interest income is recognized in the financial result.

### Reason:

Linde adheres to the normal industry practice (e.g. Technip) and will disclose interest income from long-term contracts as part of EBITA further on.

- ➔ Net interest of LE can be split into interest of long-term contracts and other interest income.

## Linde Engineering - Earnings bridge showing difference between old and new method



## Corporate – Change of accounting treatment with regard to EBITA

### Up to now:

So far, EBITA of Corporate included the following:

- ➔ Intercompany profit elimination between LE & LG due to sale of plants.
- ➔ Reclassification of recognized interest income from EBITA to the financial result .

### Starting

Due to the change, the following applies:

### 31/12/2004:

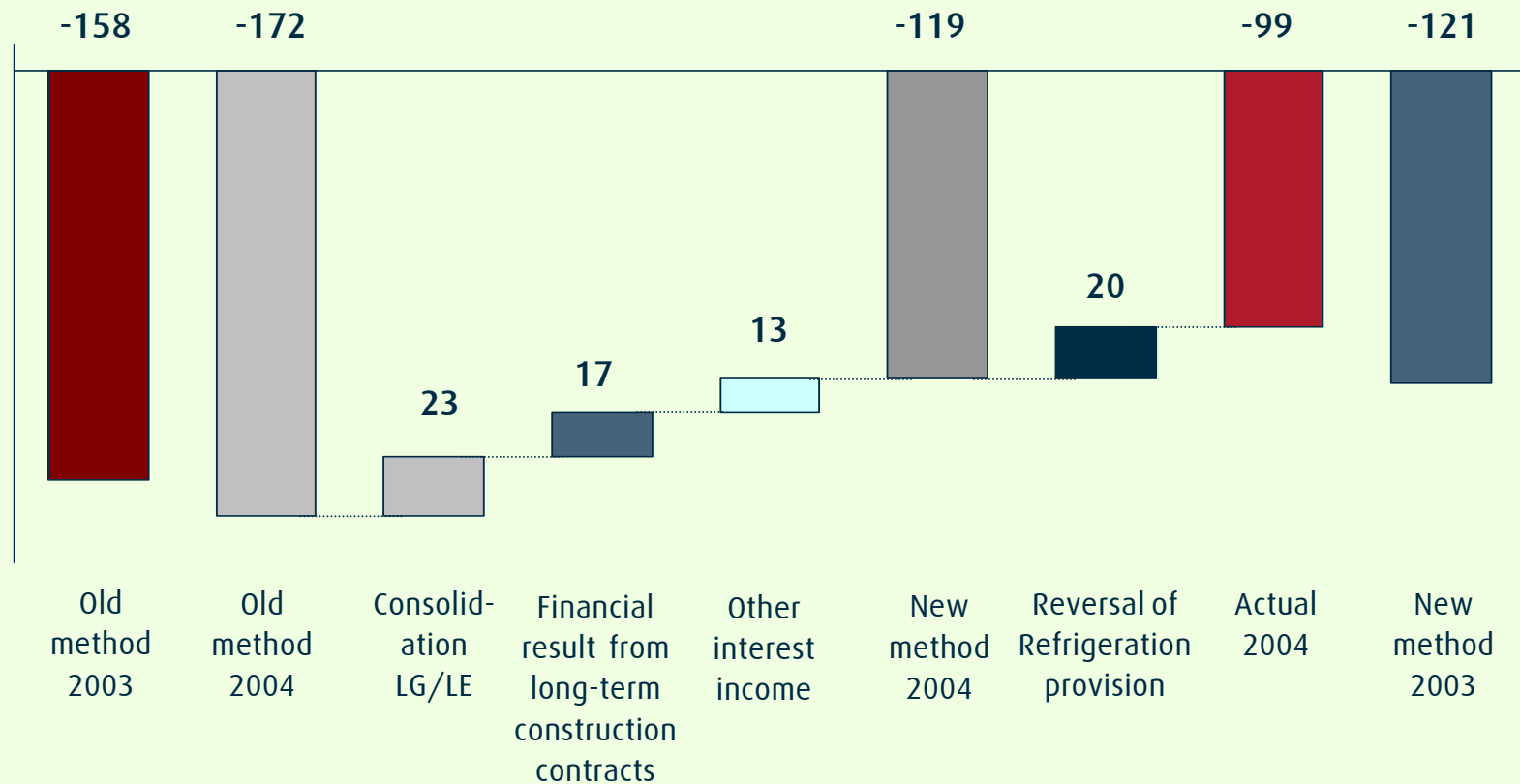
- ➔ Intercompany profit elimination is recognized in the business segment Gas & Engineering.
- ➔ Reclassification is no longer necessary, due to the fact that the interest that relate to long-term construction contracts remains in EBITA while the general portion of interest income remains in the financial result.

### Reason:

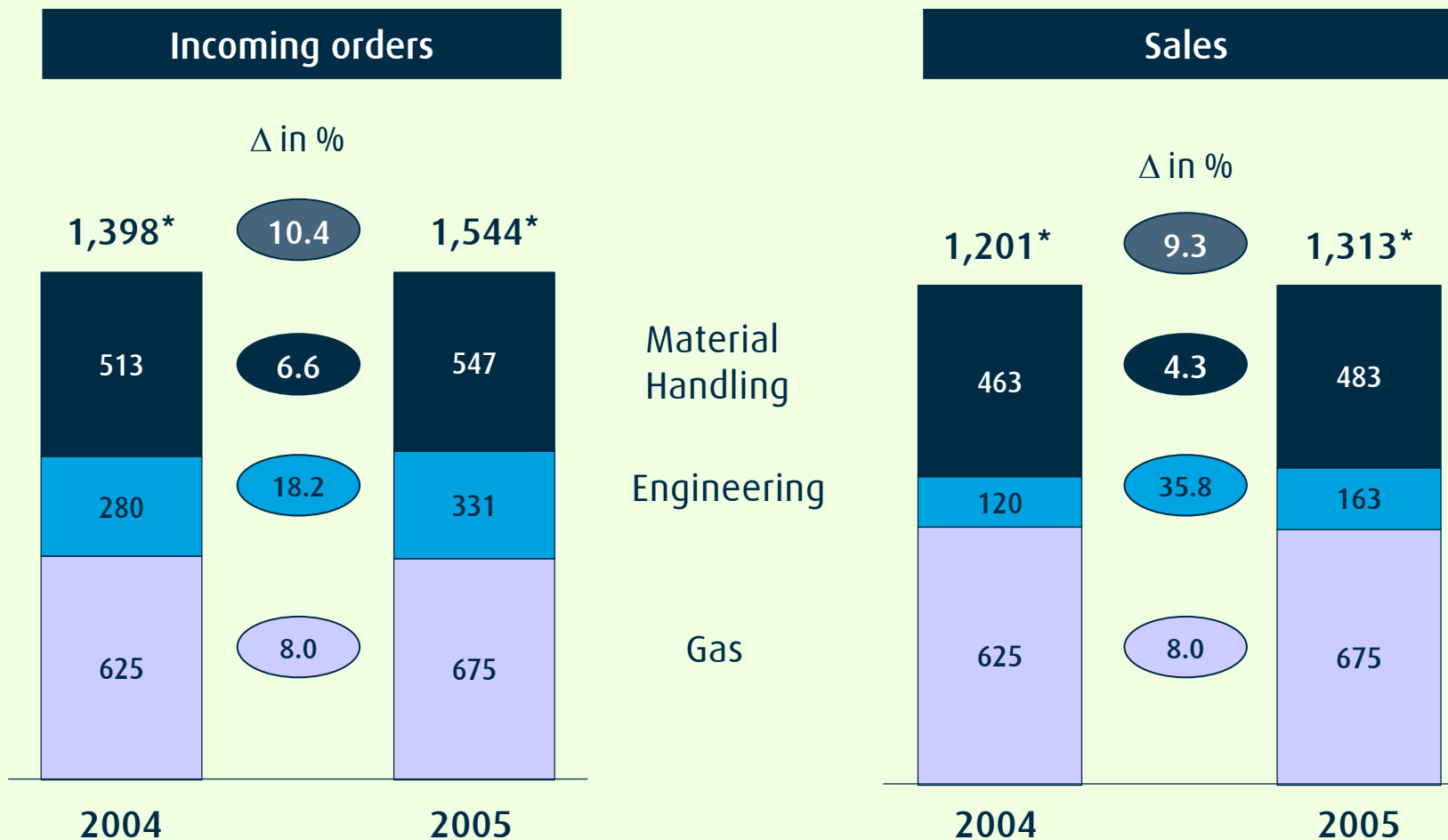
Intercompany profit elimination and interest reclassification are interpreted as corporate costs. The change in accounting treatment offers a higher degree of transparency for internal and external Reporting. The financial markets will look favorably upon the change.

## Corporate - Earnings bridge showing difference between old and new method

€ million



## Linde Group – Incoming orders & Sales per February 2005 (in € million)



\*Total is consolidated. 2004 excluding Refrigeration.

## Focus 2005

- Ongoing Cost Reduction & Efficiency Improvements
- Further improve Budgeting / Controlling systems and processes
- Strengthen HR Development

# Appendix



## Key Rating ratios (Including pensions & leasing)

	2002	2003	2004
EBITDA* / net interest expense	6.5	7.7	9.0
EBITA* / net interest expense	3.1	3.8	4.7
Net debt / Equity	102	96	76
Net debt / Capital employed	47	45	39
Net debt / EBITDA*	2.8	2.5	2.0
Net debt / funds from operations	3.9	3.7	3.1

\*Before special items

## Group ROCE

We use ROCE as the key measure of success in the individual business segments and for the Group.

	2002	2003	2004	Target (2005)
Group	7.0%	7.7%	9.5%	10%
Linde Gas	9.6%	10.1%	10.9%	11%
Linde Engineering	13.3%	11.7%*	17.0%	16%
Material Handling	8.7%	9.7%	12.0%	16% (2007)

\* Since 2003 based on new allocation method

## Pension Obligations – net obligation €985 million

In € million	2003	2004
Defined benefit obligation	1,857	1,932
Of which internally financed	940	880
Of which externally funded	917	1,052
Fair Value of plan assets	796	947
Net obligation	1,061	985
Unrecognized actuarial losses	-148	-205
Service cost not yet recognized	-	1
Limitation (IAS 19.58)	-	3
Balance sheet amount at 31 Dec.	913	784
Of which provisions for pensions	928	809
Of which pension assets (-)	-15	-25

## Pension Related Expenses and Cash Payments

In € million	2003		2004	
	Pension expense	Cash payments	Pension expense	Cash payments
1. Defined Benefits Plans				
Regular (of which financial items)	111 (59)	88	110 (47)	79
2. Special contribution		131		84
3. Defined Contribution Plans	12	12	13	13
Total	123	231	123	176

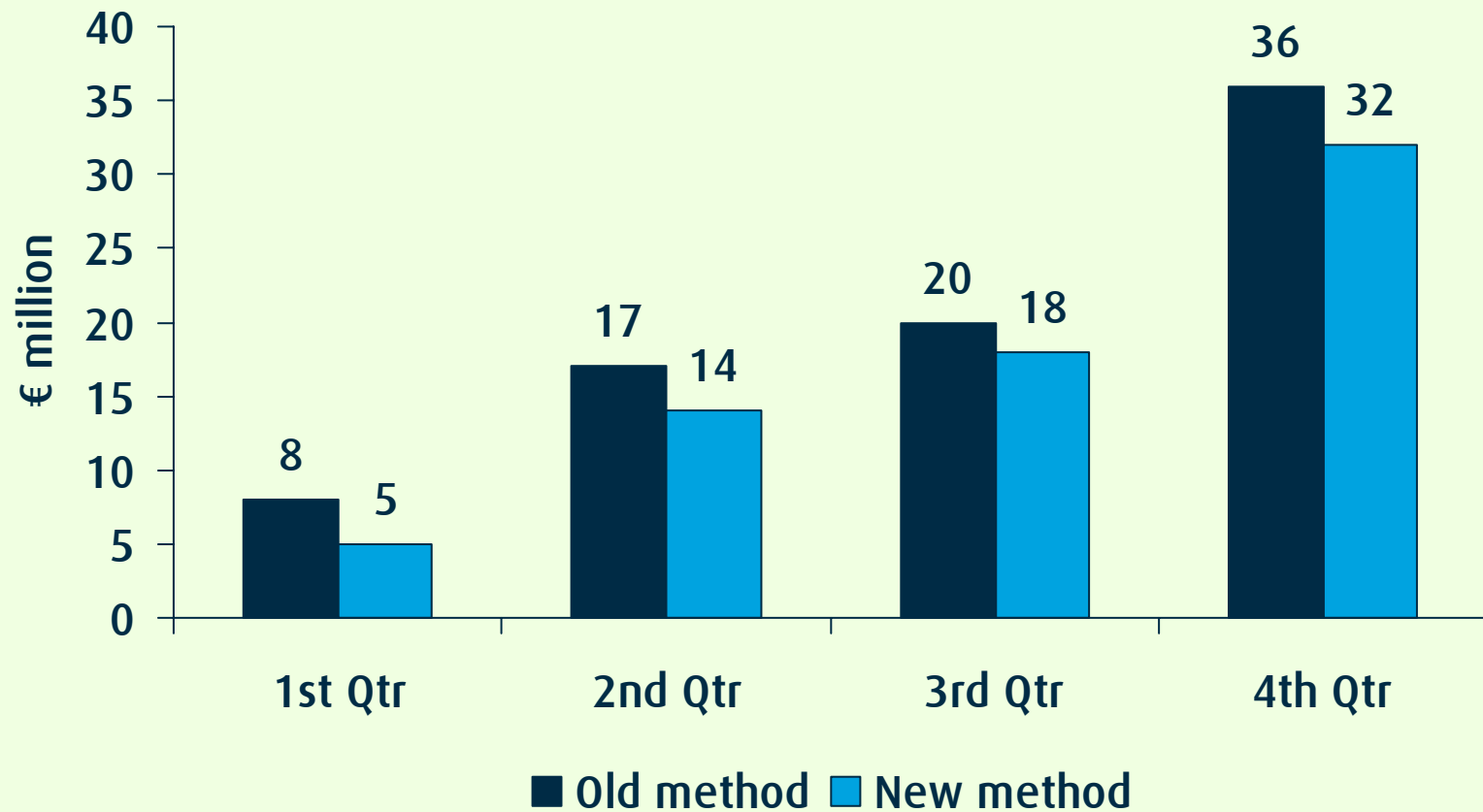
## Linde Gas: Key Figures

In € million	2003	2004
Sales	3,483	4,003
EBITDA before special items	1,014	1056
Amortization of intangible assets (excluding goodwill amortization), depreciation of tangible assets & leased assets	-416	-416
EBITA before special items	598	640
Special items (net)	-10	0
EBITA	588	640
Financial result	-118	-109
EBTA	470	531
Amortization of goodwill	-101	-106
Earnings before taxes on income (EBT)	369	425
Capital Expenditure (excl. financial assets)	397	528
Number of employees at December 31	17,152	17,570

## Linde Engineering: Key Figures

In € million	2003	2004
Sales	1,270	1,581
EBITDA	66	83
Amortization of intangible assets (excluding goodwill amortization), depreciation of tangible assets & leased assets	-20	-14
EBITA	46	69
Financial result	12	11
EBTA	58	80
Amortization of goodwill	-4	-5
Earnings before taxes on income (EBT)	54	75
Capital Expenditure (excl. financial assets)	24	13
Number of employees at December 31	4,140	4,217

## Linde Engineering EBITA 2004



## Material Handling: Key Figures

In € million	2003	2004
Sales	3,063	3,372
EBITDA before special items	464	487
Amortization of intangible assets (excluding goodwill amortization), depreciation of tangible assets & leased assets	-308	-296
EBITA before special items	156	191
Special items (net)	-60	0
EBITA	96	191
Financial result	-28	-30
EBTA	68	161
Amortization of goodwill	-23	-27
Earnings before taxes on income (EBT)	45	134
Capital Expenditure (excl. financial assets)	411	428
Number of employees at December 31	17,932	18,878