

Linde Group



Full Year Results 2005

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 specialized external agencies.

Preliminary remark

2004 figures presented are restated and comparable.

restated = comply with changes in accounting policies

comparable = adjusted for the sale of refrigeration and goodwill amortization

Linde Group – excellent year 2005, highlights:

- Sales of €9,501 million represent growth of 7.3% on comparable basis
- Incoming orders up a strong 23.4% to €11,008 million
- EBITA of 913 million, is above budget and market expectations
- EBITA growth of 18% driven by all three business divisions
- Net income after minority interests up 31.8% to €501 million (2004: €380m)
- EPS increased by 31.3% to €4.19 (2004: €3.19)
- ROCE improved further to 12.5% (2004: 10.8%)
- Operating Cash flow of €1,435 million drives Free Cash Flow of € 612 million (+16.8%)
- Net debt reduction of €463 million to €1,505 million (Gearing: 34.1 percent)
- Dividend up 12% to €1.40 (2004: €1.25)

Group Financial Highlights

In € million	2004	2005	Change
Sales	8,856	9,501	7.3%
Incoming Orders	8,917	11,008	23.4%
EBITDA	1,514	1,694	11.9%
EBITA	774	913	18.0%
Earnings before tax	622	789	26.8%
Net income after minority interests	380	501	31.8%
Capital expenditure excluding financial assets	718	851	18.5%
Cash flow from operating activities	1,255	1,435	14.3%
Free Cash Flow	524	612	16.8%

Group Key Figures and Ratios

		2004	2005	Change
Earnings per share	[€]	3.19	4.19	31.3%
Cash flow per share	[€]	10.52	12.00	14.1%
Tax rate		38.1%	35.4%	
Dividend	[€]	1.25	1.40	12.0%
Equity	[€ million]	3,946	4,413	11.8%
Total assets	[€ million]	11,635	12,526	7.7%
Capital Employed	[€ million]	8,023	8,462	5.5%
ROCE		10.8%	12.5%	

Return on Capital Employed – Proven track record

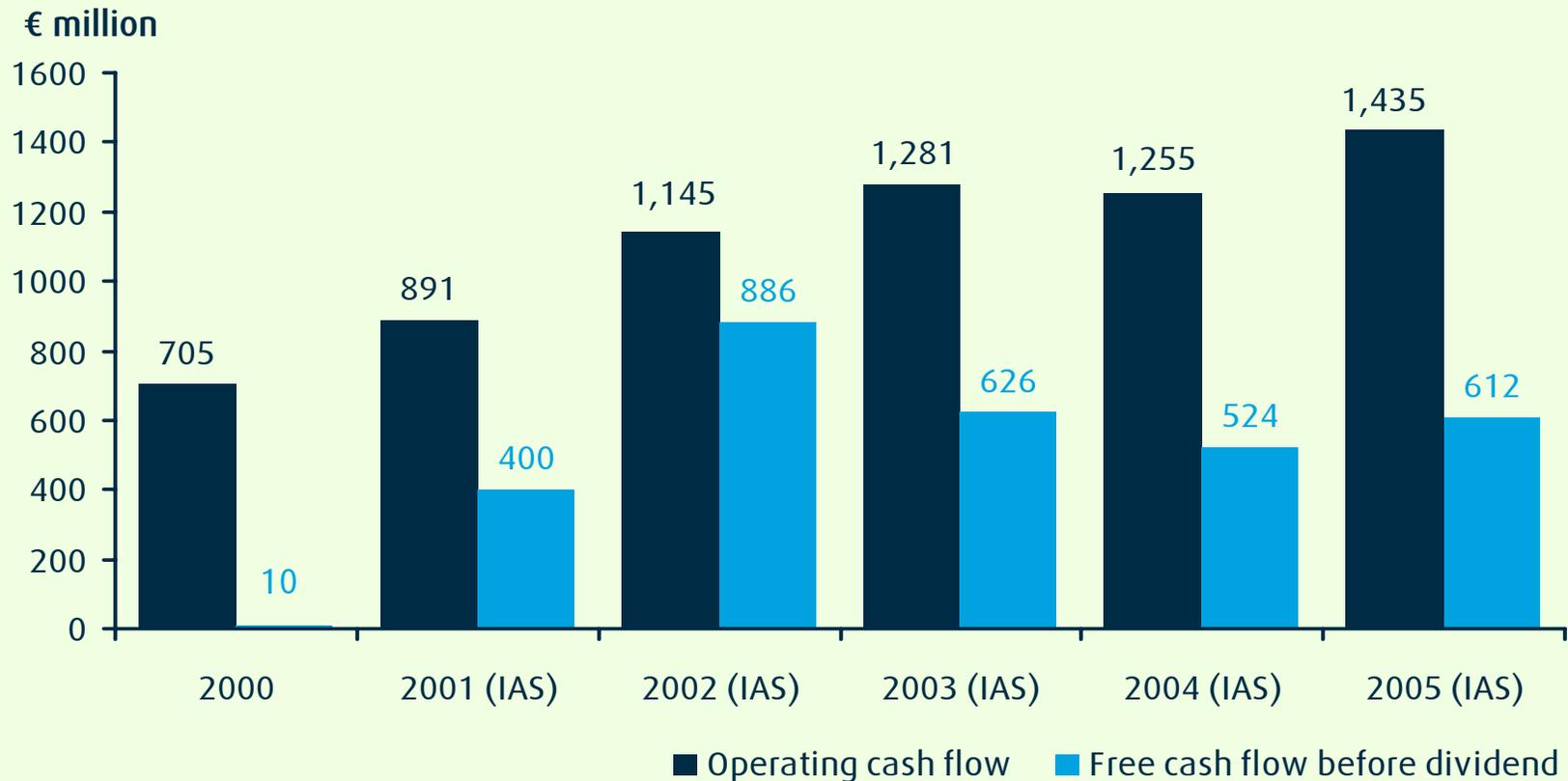
Consistent increase of the key performance indicator, in all divisions

	2002	2003	2004	2005
Linde Gas	9.6%	10.1%	10.9%	11.8%
Linde Engineering	13.3%	11.7%*	16.7%	20.4%
Material Handling	8.7%	9.7%	12.3%	13.1%
Linde Group	7.0%	7.7%	10.8%	12.5%

* Since 2003 based on new allocation method

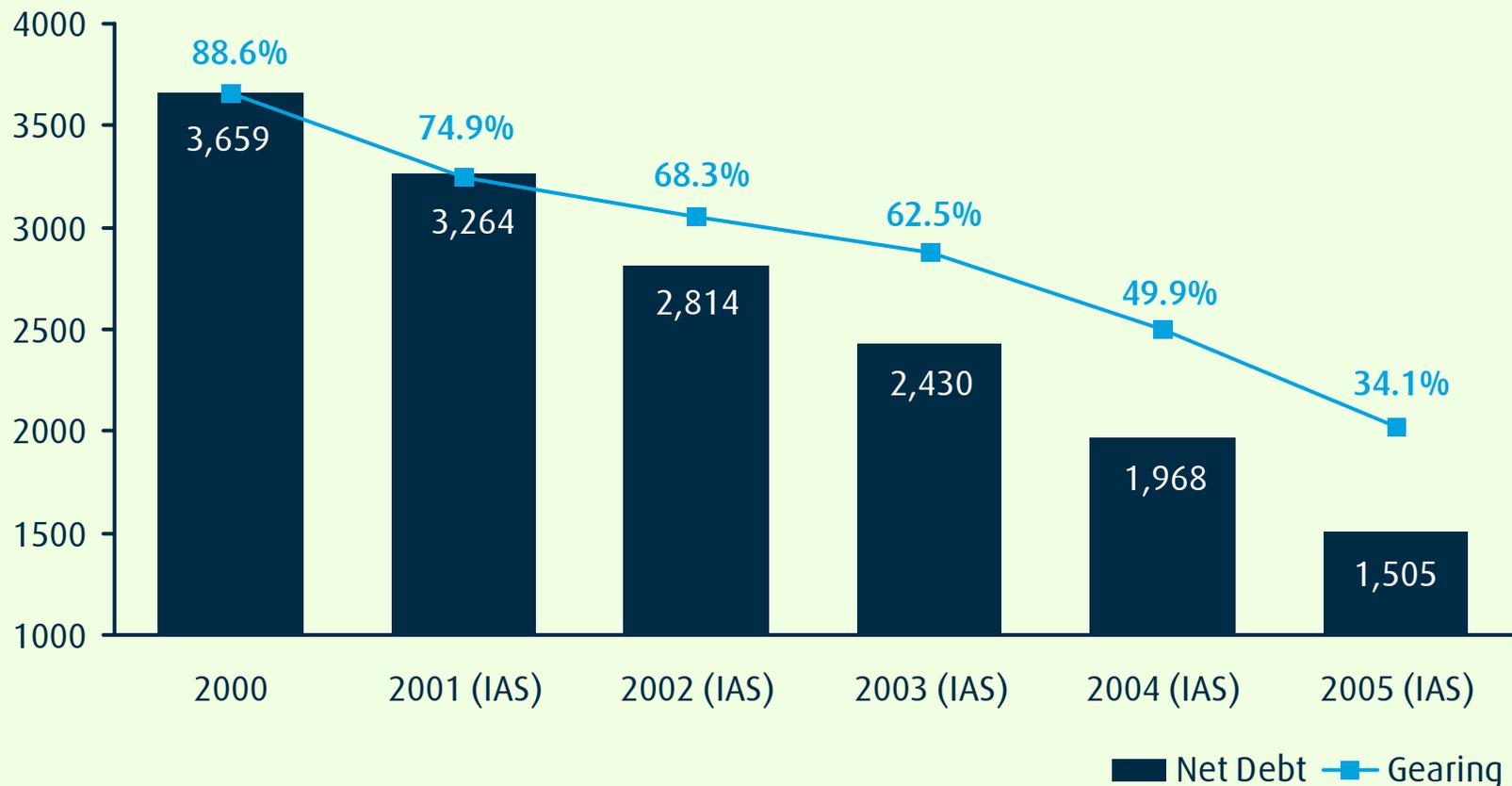
Linde Group – Focus on Cash Generation

Strong Group Free Cash Flow after Capex
All Divisions generate own Free Cash Flow



Linde Group – Net Debt and Gearing have further improved

€ million



Net debt = Financial debt – cash & cash equivalents and securities, Gearing = Net debt / equity

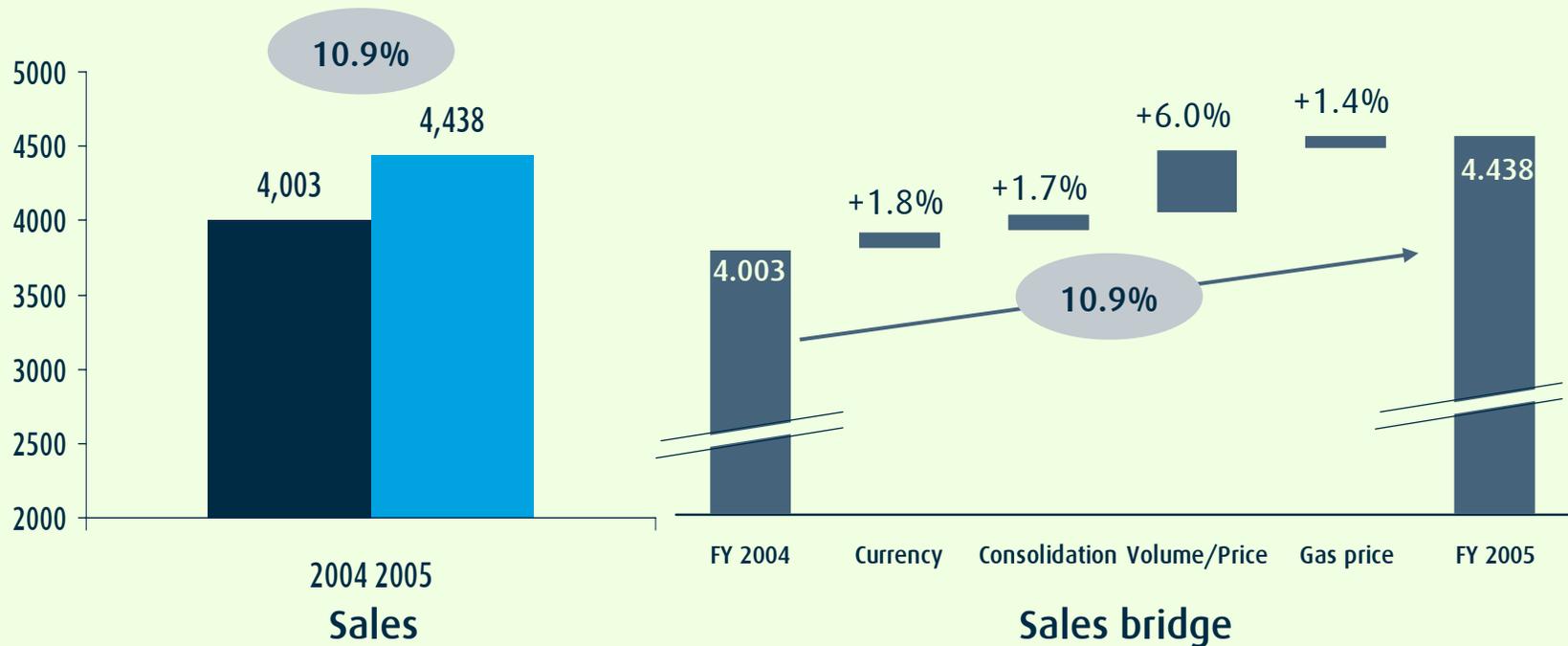
Key Rating ratios (Including pensions & leasing)

	2002	2003	2004	2005
EBITDA* / Net interest expense	6.5	7.7	8.1	10.1
EBITA* / Net interest expense	3.1	3.8	4.0	5.3
Net debt / Equity	102	96	84	66
Net debt / Capital Employed	47	45	41	35
Net debt / EBITDA*	2.8	2.5	2.2	1.8
Net debt / funds from operations	3.9	4.2	3.4	2.6

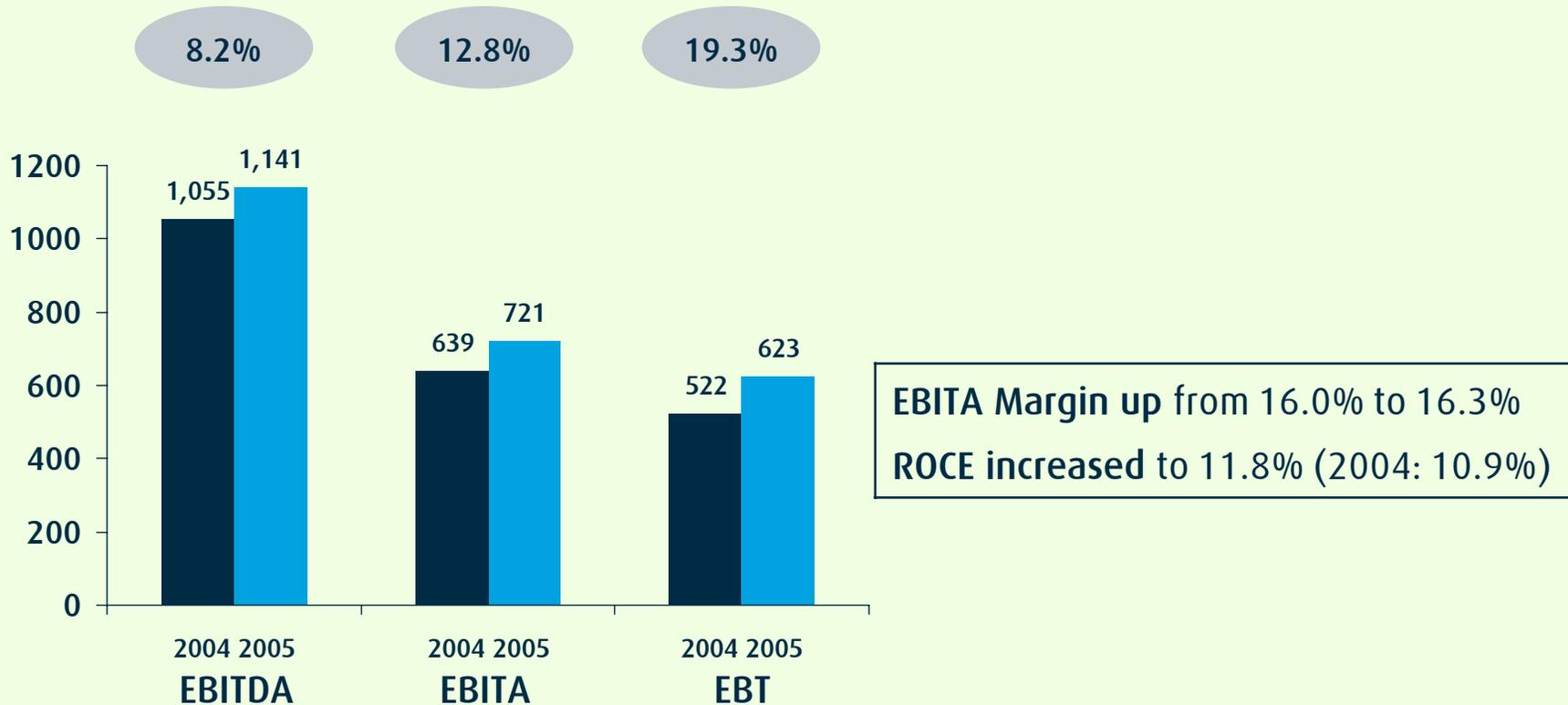
* Before special items

Linde Gas – strong underlying momentum in 2005 sales (in € million)

10.9% top line growth, + 6.0% excl. currency, gas price and consolidation



Linde Gas – further strengthening profitability and returns (in € million)

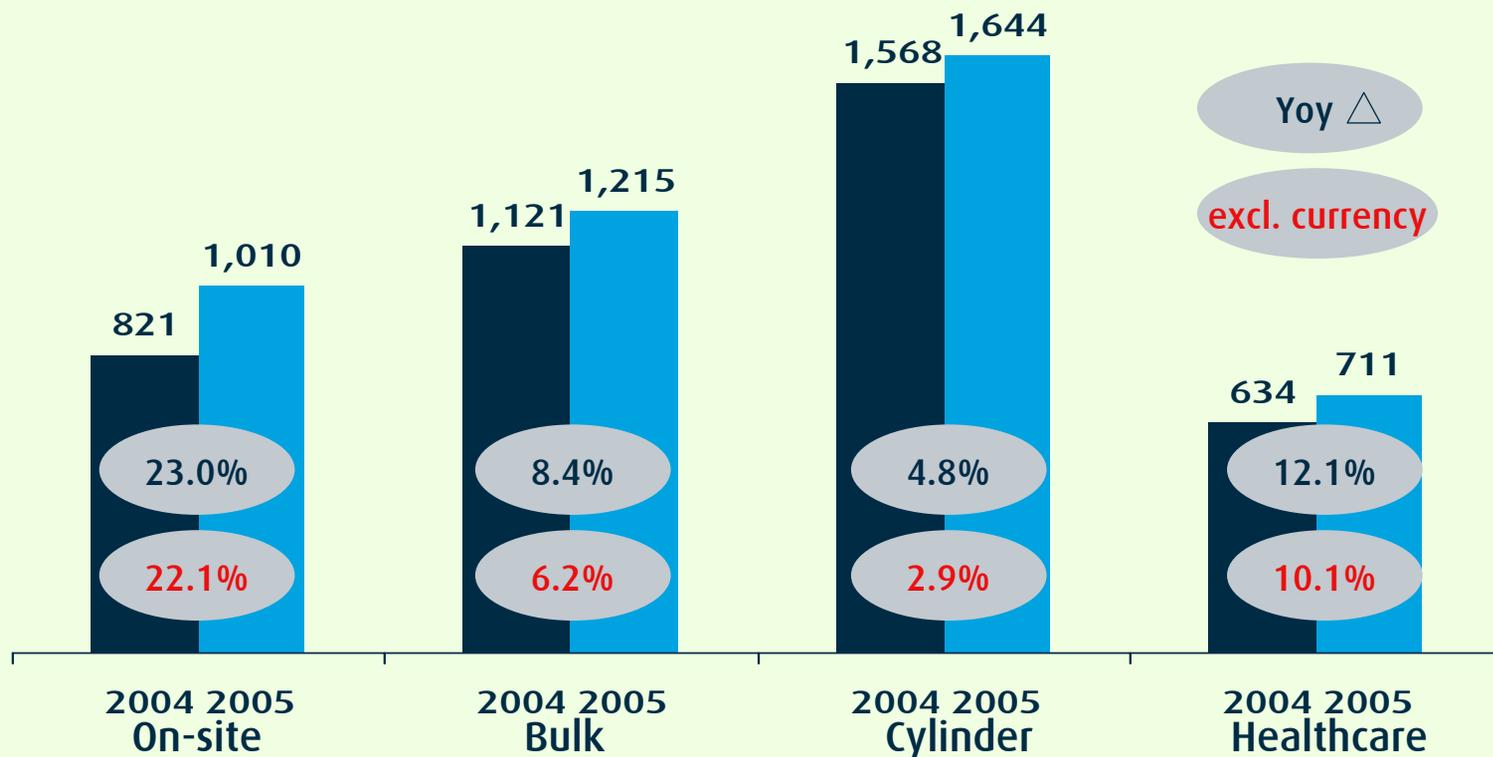


Linde Gas – segment sales

(unconsolidated, in € million)

Double digit growth in **On-site** and **Healthcare**

Positive impact of Eastern Europe exposure and sales optimization in **Cylinder**



Linde Gas – regional sales

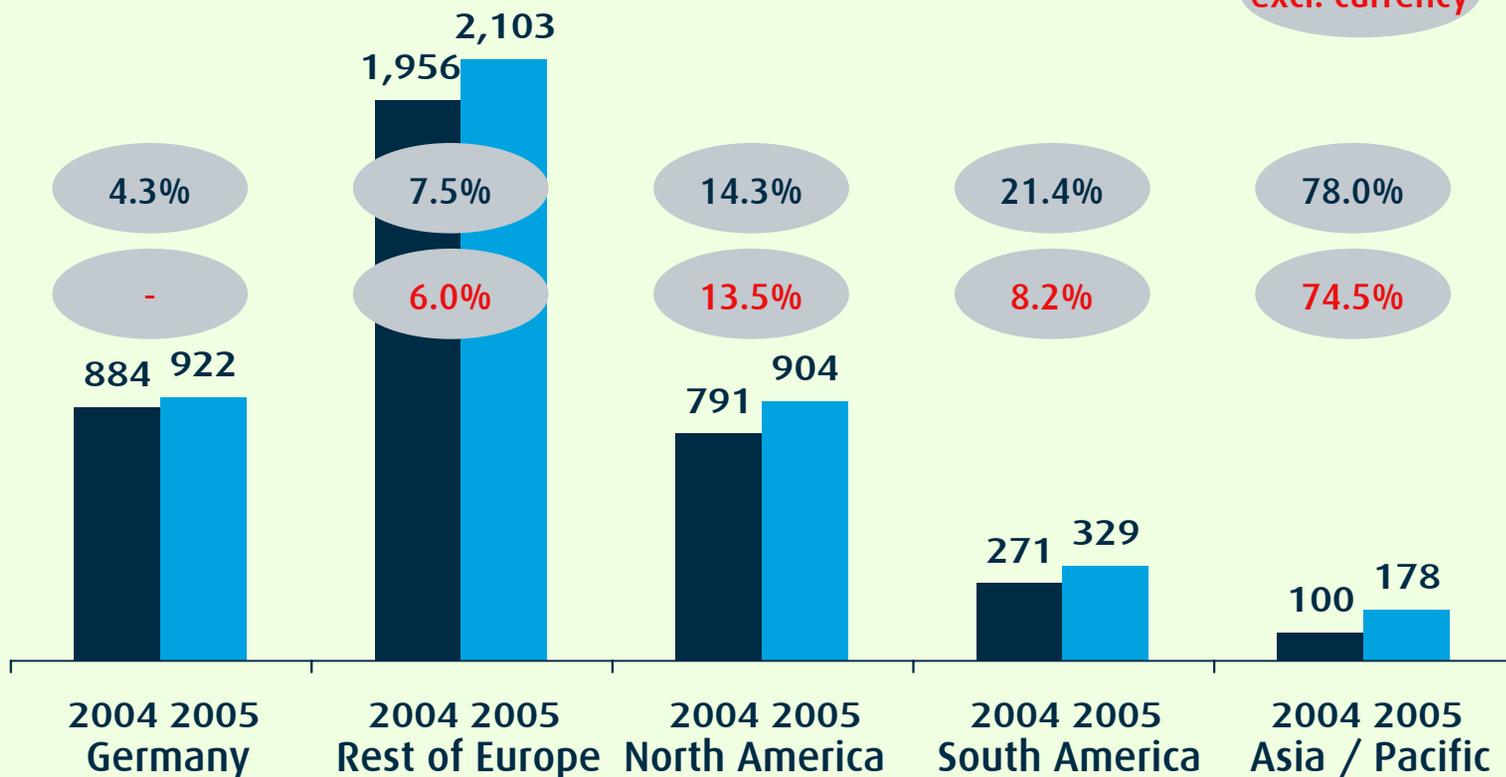
(unconsolidated, in € million)

Good market environment across all regions

Eastern Europe and Asia remain particularly strong

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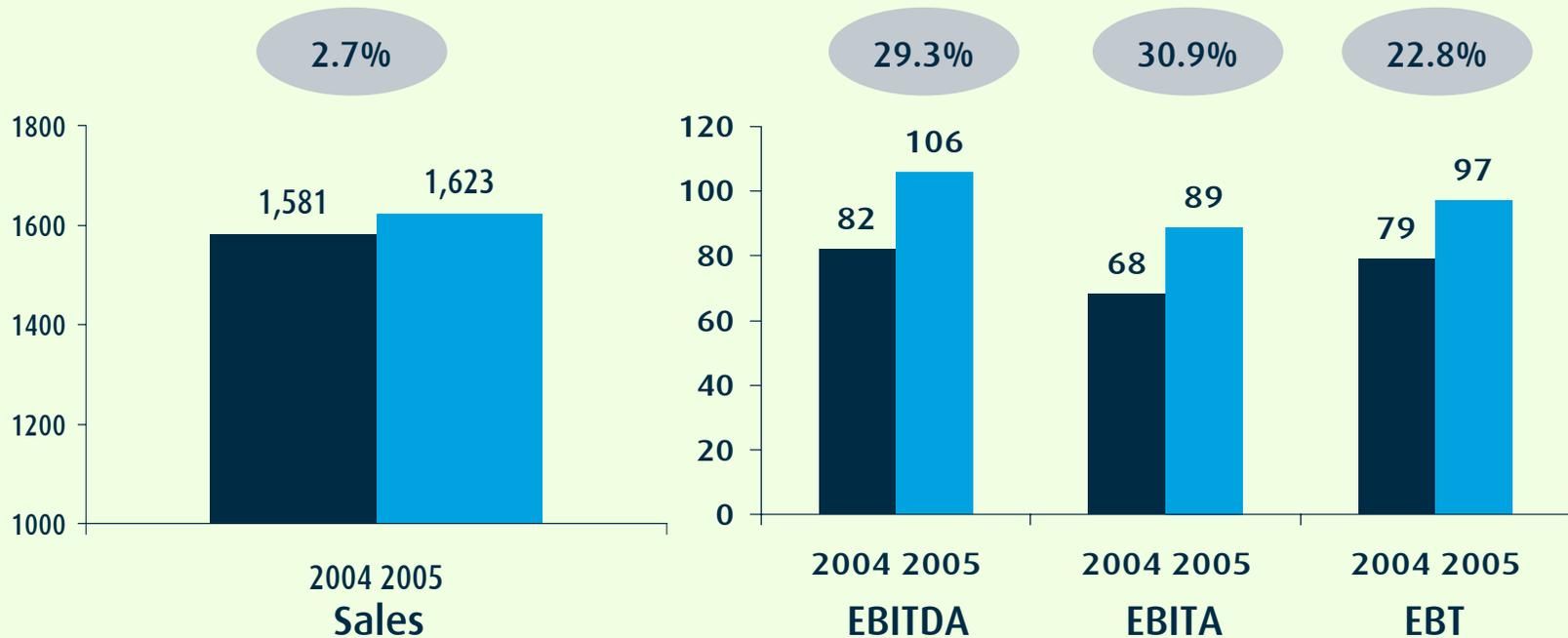
excl. currency



Linde Gas – positive outlook for 2006

- Increase in **Sales** and **EBITA**
- **Positive market environment** expected to continue:
 - **Asia** and **Eastern Europe** should keep strongest momentum
 - Moderate growth in **Western Europe** and **the US**

Linde Engineering – strong business positioning pays off (in € million)

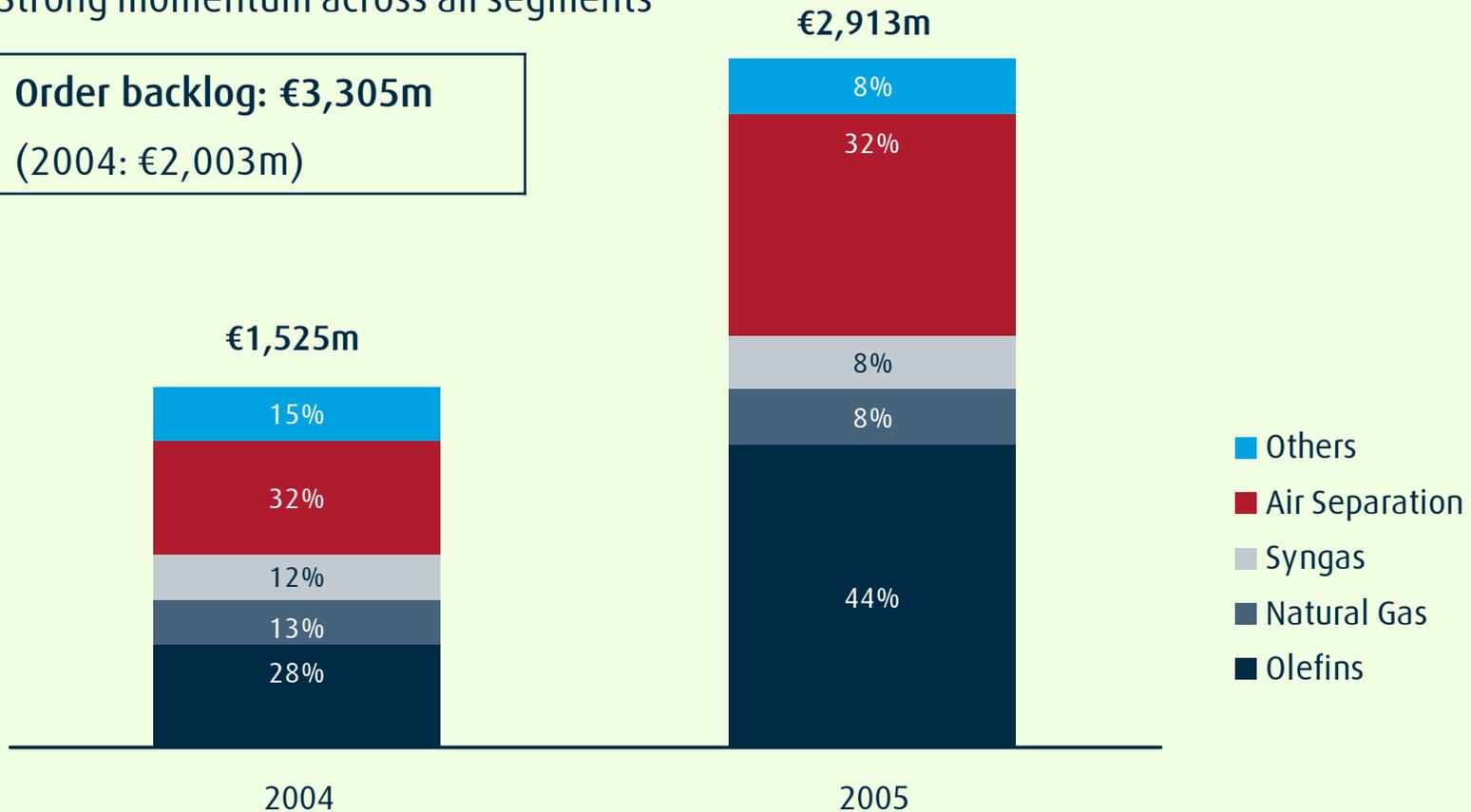


EBITA Margin up from 4.3% to 5.5%
ROCE increased to 20.4% (2004: 16.7%)

Linde Engineering – strong order intake in 2005

Strong momentum across all segments

Order backlog: €3,305m
(2004: €2,003m)

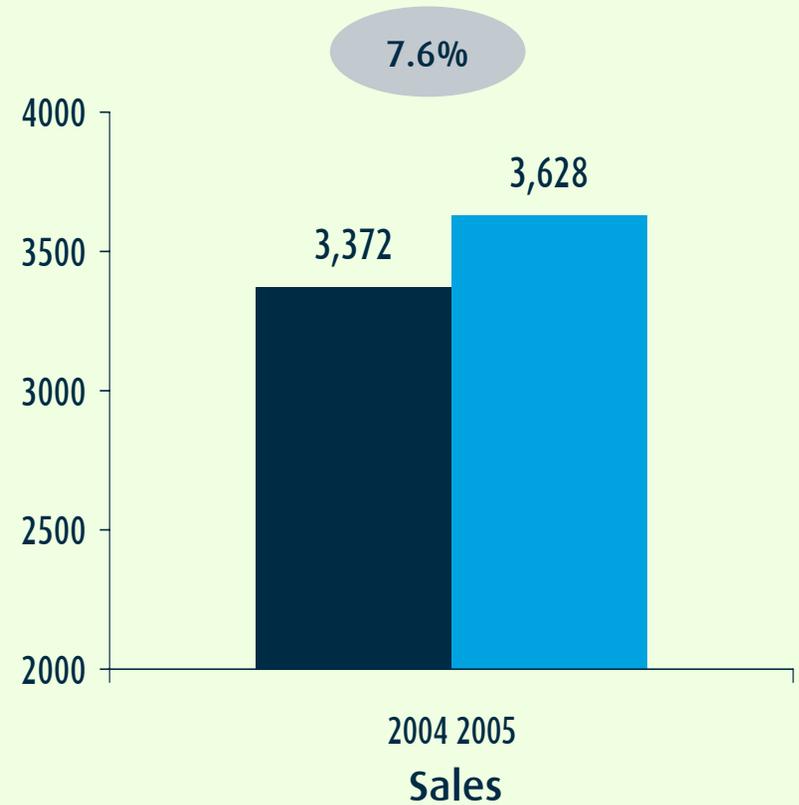


Linde Engineering – positive outlook for 2006

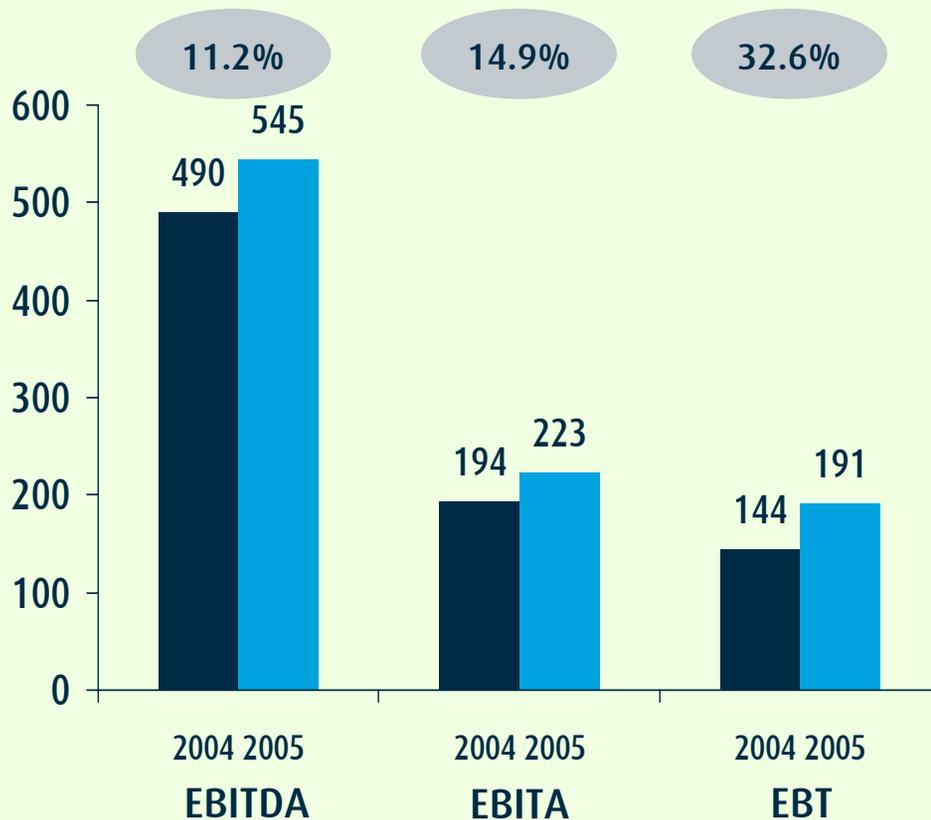
- Increase in **Sales** and **EBITA**
- **Positive market development** in all business segments
 - Asia and South America are major markets for Air Separation
 - Strong demand for syngas plants in Russia and the USA
 - Middle East building up Ethylene capacity
 - Strong market potential for LNG

Material Handling – Order Intake / Sales growing above GDP

(in € million)



Material Handling – EBITA performance further improving (in € million)



Growth and Operational Excellence (GO):

- Continuous efficiency optimisation
- Leverage selective growth opportunities

EBITA margin up from 5.8% to 6.2%
ROCE increased to 13.1% (2004: 12.3%)

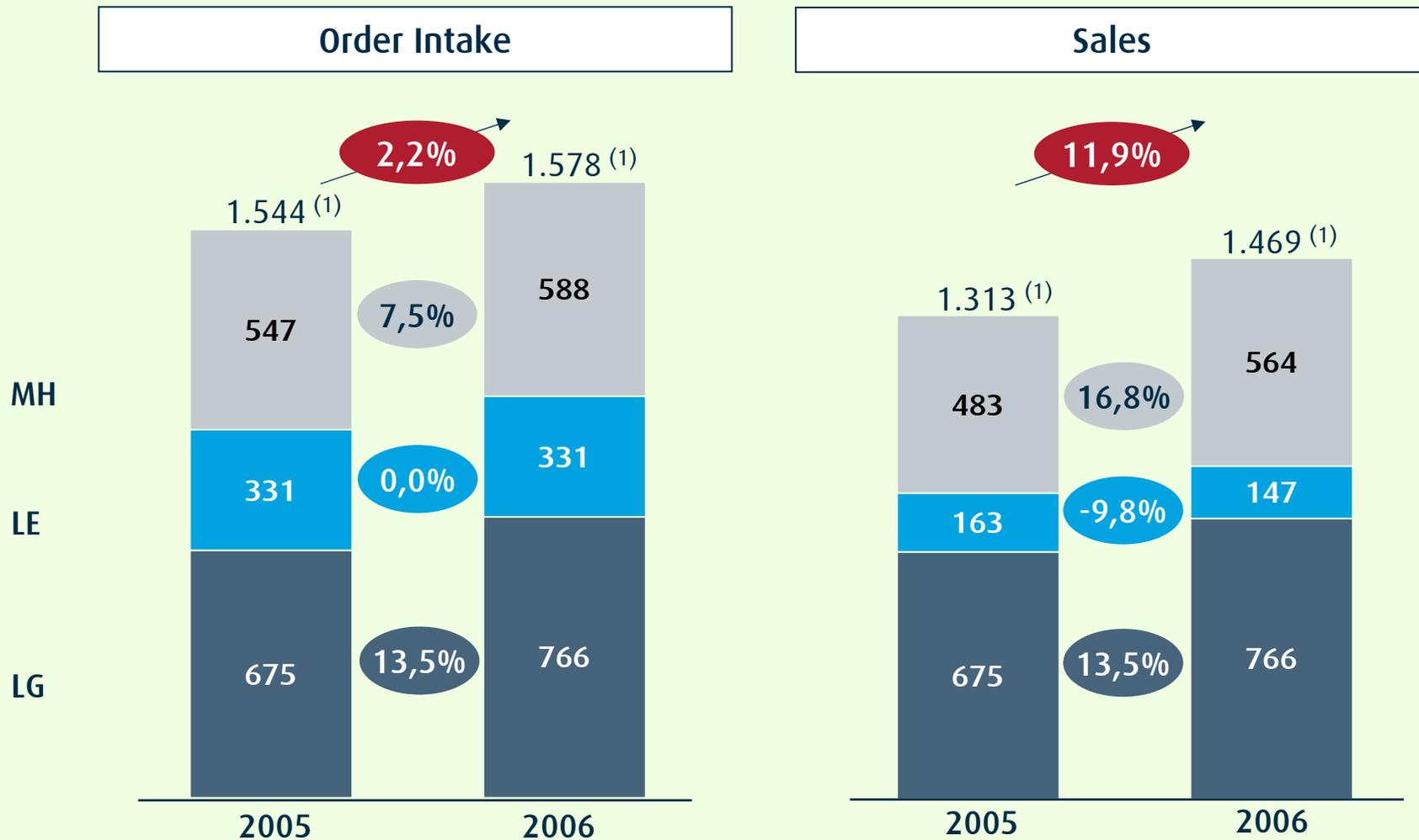
Material Handling – positive outlook for 2006

- Increase in **Sales** and **EBITA**
- Expect no major change in market dynamics for the **Industrial Truck Industry**
 - Biggest growth drivers remain China and Eastern Europe
 - US might see slightly lower growth but should remain above Western Europe

Linde Group – positive outlook for 2006

- Sales and EBITA will exceed 2005
- Capex of around €900 million (2004: €851 million)
- Good start into 2006 with increase in Sales and Incoming Orders

Linde Group – Order intake / Sales per February 2006 (in € million)



⁽¹⁾ consolidated

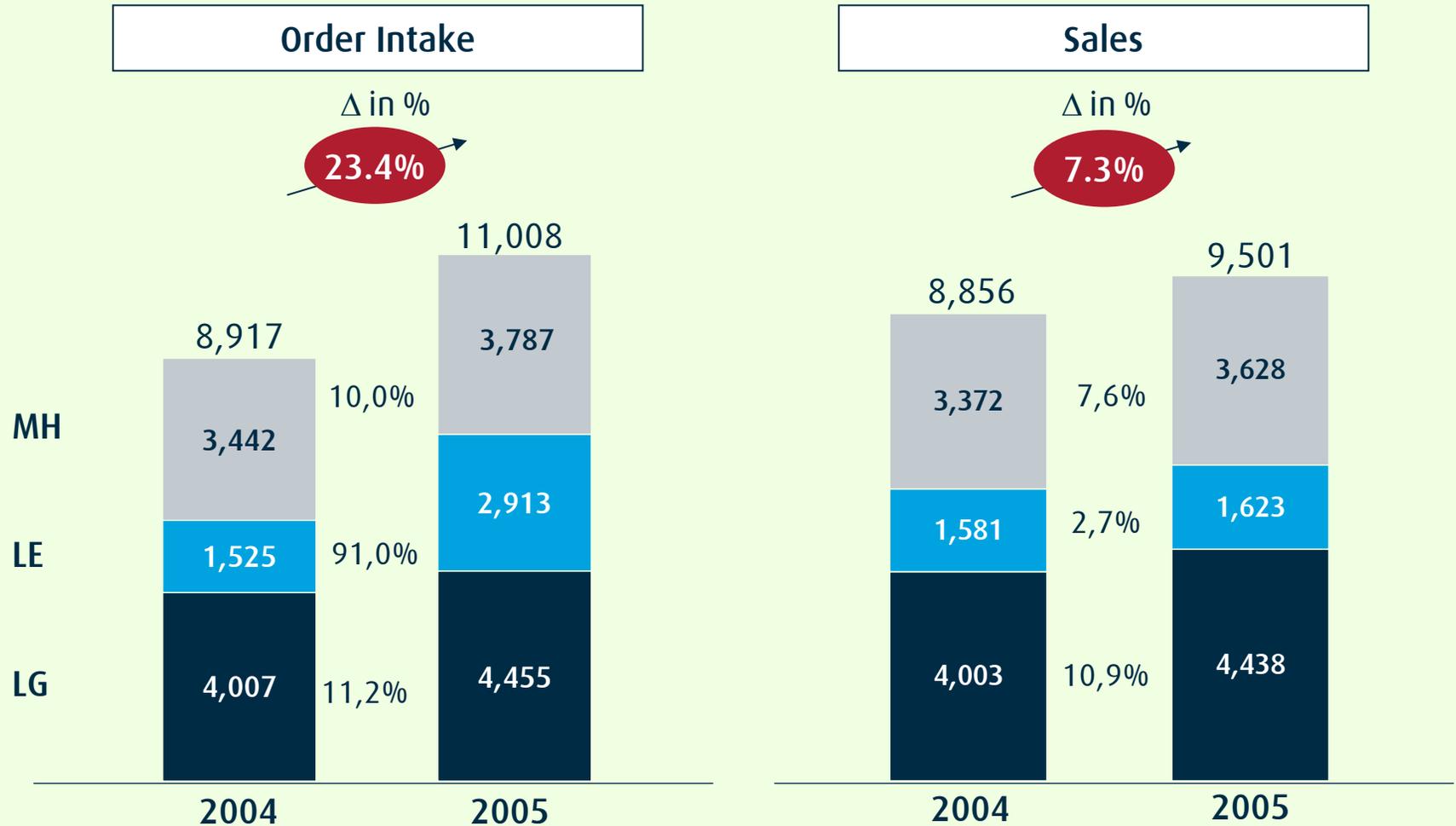
Linde Group – Focus on performance

- Strong operating performance on all metrics
- Clear path of profitable growth
- Strong cash flow generation, after capex
- Net debt reduction puts Linde on strong financial base
- Linde is on track for another promising year

Appendix

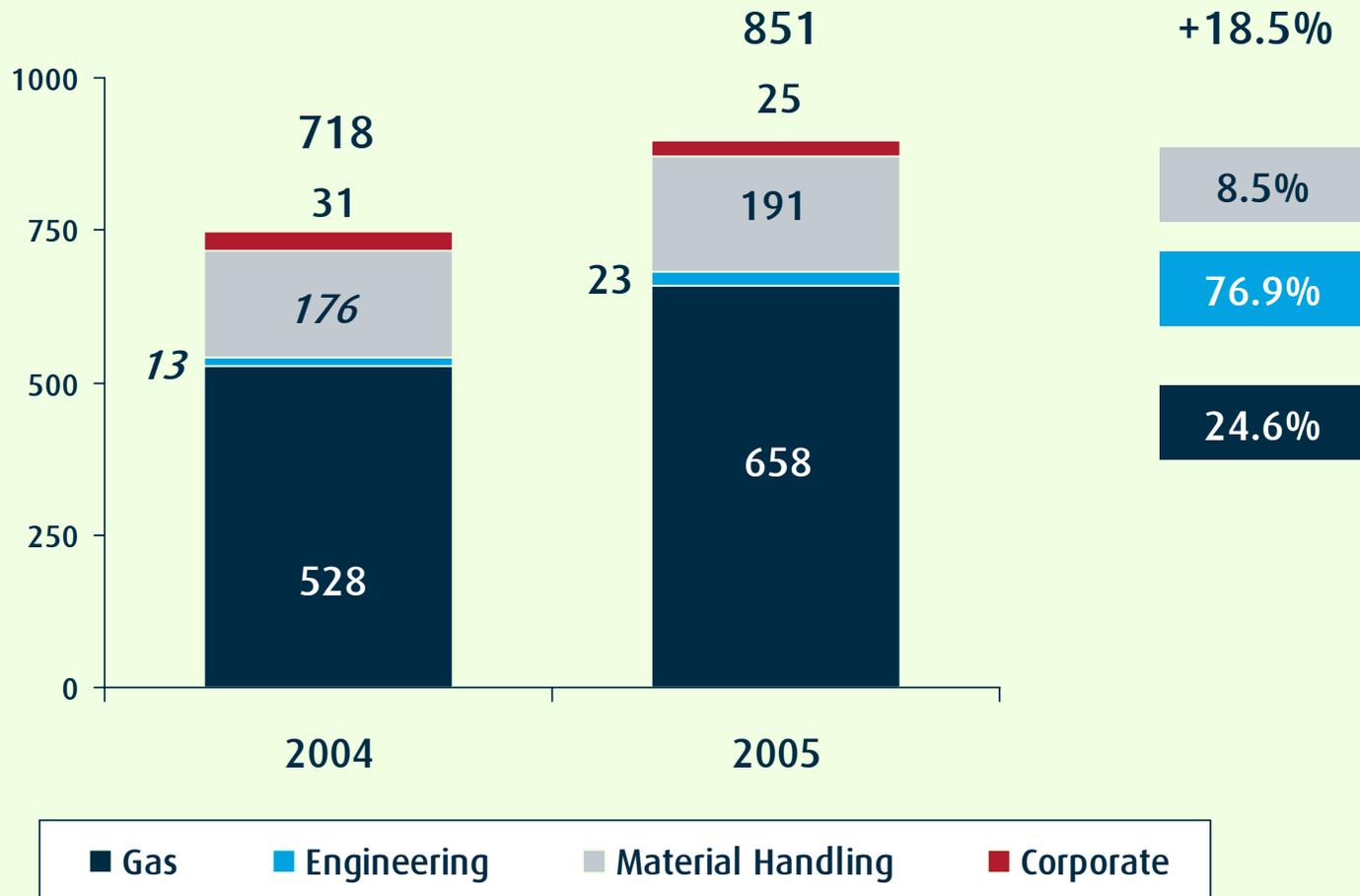
Linde Group – Order intake / Sales: strong momentum

(Group figures consolidated, in € mio)



Linde Group – Capex by division (excl. financial assets)

(Consolidated, in € mio)



Change in accounting policy for 2005

- Application of „3rd option“ for the accounting of pension obligations
 - Until now, actuarial gains/losses were recognized using the „corridor approach“ and reported in the notes.
 - Under the new accounting policy, pension provisions will be recognized on the basis of the defined benefit obligation. Actuarial gains/losses will be recognized directly in equity.

Change in Accounting Policy Adoption of "3rd Option" under IAS 19 in 2005

in € million	2005	
	Corridor approach (former)	3rd Option (actual)
DBO	2.208	2.208
Plan assets	1.088	1.088
Net obligation	1.120	1.120
Unrecognised actuarial losses	318	-
Balance sheet amount	802	1.120
Effect on equity (gross)	-	-318
Deferred taxes	-	+108
Other	-	-2
Effect on equity (net)	-	-212

*recognised directly
in equity*

Pension Related Expenses and Cash Payments

In € million	2004		2005	
	Pension expense	Cash payments	Pension expense	Cash payments
1. Defined Benefits Plans Regular (of which financial items)	94 (48)	79	83 (54)	85
2. Special contribution		84		
3. Defined Contribution Plans	13	13	16	16
Total	107	176	99	101

Linde Gas – Key Figures

In € million	2004	2005
Sales	4,003	4,438
EBITDA	1,055	1,141
Amortization of intangible assets (excl. goodwill amortization), depreciation of tangible assets & leased assets	-416	-420
EBITA	639	721
Financial result	-109	-98
EBTA	530	623
Goodwill impairment losses	-8	-
Earnings before taxes on income (EBT)	522	623
Capital Expenditure (excl. financial assets)	528	658
Number of employees at December 31	17,570	17,783

Linde Gas – Healthcare Sales increased by 12.1% (+8.7% excl. currency and new consolidations)

In € million	2005	yoy change	Yoy change excl. currency + consolidation
Institutional	418	+8.0%	+5.6%
Homecare	178	+22.8%	+15.0%
INO	115	+12.7%	+11.7%
Healthcare	711	+12.1%	+8.7%

Linde Engineering – Key Figures

In € million	2004	2005
Sales	1,581	1,623
EBITDA	82	106
Amortization of intangible assets (excl. goodwill amortization), depreciation of tangible assets & leased assets	-14	-17
EBITA	68	89
Financial result	11	8
Earnings before taxes on income (EBT)	79	97
Capital Expenditure (excl. financial assets)	13	23
Number of employees at December 31	4,217	4,408

Material Handling – Key Figures

In € million	2004	2005
Sales	3,372	3,628
EBITDA	490	545
Amortization of intangible assets (excl. goodwill amortization), depreciation of tangible assets & leased assets	-296	-322
EBITA	194	223
Financial result	-30	-32
EBTA	164	191
Goodwill impairment losses	-20	-
Earnings before taxes on income (EBT)	144	191
Capital Expenditure (excl. financial assets)	176	191
Number of employees at December 31	18,878	19,323