2001 2002 2003 2004

1 January to 30 September

Interim Report January to September 2003

Linde

Linde Financial Highlights in € million		January–September 2003	January–September 2002	Change	2002
Share					
Closing price	€	35.36	36.20	−2.3 %	35.00
9 Month high	€	40.10	57.59	n/a	57.59
9 Month low	€	22.83	35.55	n/a	32.50
Market captalization		4,217	4,317	−2.3 %	4,390
Per Share					
Earnings (before special items)	€	1.00	0.83	n/a	2.02
Earnings	€	0.63	2.22	n/a	2.01
Cash flow from operating activities	€	8.02	6.51	n/a	10.68
No. of shares	(in 000s)	119,262	119,262	n/a	119,262
Group					
Sales		6,345	6,257	1.4 %	8,726
Orders received		6,860	7,134	−3.8 %	9,322
EBITDA (before special items)		994	1,013	−1.9 %	1,436
EBITA (before special items)		430	434	−0.9 %	648
EBITA		360	599	−39.9 %	647
EBT		175	368	−52.4 %	356
Net income		75	265	−71.7 %	240
EBITA margin (before special items)		6.8 %	6.9 %	n/a	7.4 %
EBITA margin		5.7 %	9.6 %	n/a	7.4 %
Investment (excl. financial assets)		566	586	−3.4 %	867
Cash flow from operating activities		956	776	23.2 %	1,274
Equity		3,903	4,095	−4.7 %	4,086
Net debt (excl. Pension liabilities)		2,912	3,474	−16.2 %	3,135
Total assets		12,330	12,485	− 1.2 %	12,206
Number of employees		46,922	46,563	0.8 %	46,521

- Sales as at end of September up 1.4 percent—6.5 percent after currency adjustment

- Q3 operating profit before special items up 14.9 percent—nine-month result only marginally below 2002

- Additional restructuring costs totaling €70 million to expand upon and safeguard existing optimization programs

- Outlook 2003: Despite difficult conditions, operating profit (before special items) still expected to rise slightly

Group business performance

Despite the persistently bleak economic environment, the Linde Group succeeded in boosting nine-month sales by 1.4 percent to €6.345 billion, an increase of 6.5 percent when adjusted for currency effects. Sales in Germany climbed 4.6 percent to €1.464 billion, and foreign sales rose slightly to €4.881 billion (2002: €4.857 billion). Orders received fell 3.8 percent to €6.860 billion, yet increased by 0.6 percent when adjusted for currency effects.

The 9M operating profit (EBITA) before special items slipped 0.9 percent y-o-y to €430 million (2002: €434 million). This was fully attributable to currency effects of €30 million. At €177 million, the Q3 operating profit before special items clearly improved on the €154 million achieved last year (+14.9 percent), with all business segments contributing to this rise. During the first nine months of the year, earnings before tax and special items improved by 20.7 percent to €245 million (2002: €203 million).

One-off expenses have weighed on the Group's generally positive performance. While earnings as at 30.9.2002 included the one-off receipt of €165 million from the sale of an investment in Dresdner Bank AG, €70 million in provisions were set aside in Q3 2003 to cover further restructuring measures. €50 million of this is to be allocated to Material Handling for planned capacity adjustments and further job cuts. €20 million has been earmarked for the Linde Gas division as well as the Corporate Center. There, too, a further 250 jobs are to be cut, mainly in administration.

Due to special items, net income decreased by €190 million to €75 million. Earnings per share lay at €0.63 (2002: €2.22) or €1.00 (2002: €0.83) before special items. Including special items but excluding goodwill amortization, EPS stood at €1.40 (2002: €2.93).

Linde Group in € million	Jan. – Sept. 2003	Jan. – Sept. 2002	Change	Year 2002
Orders received	6,860	7,134	–3.8 %	9,322
Domestic	1,580	1,540	2.6 %	2,014
Foreign	5,280	5,594	–5.6 %	7,308
Sales	6,345	6,257	1.4 %	8,726
Germany	1,464	1,400	4.6 %	1,994
Rest of Europe	3,367	3,212	4.8 %	4,449
America	1,018	1,133	–10.2 %	1,479
Asia	372	405	–8.1 %	641
Australia	70	59	18.6 %	89
Africa	54	48	12.5 %	74
Foreign total	4,881	4,857	0.5 %	6,732

Outlook

The European economy within the euro zone, in particular, is still not showing any signs of strengthening. Given the weak dollar and soft domestic demand, we do not expect our key sales market to pick up significantly by year-end.
Prospects seem brighter outside Europe, with the USA heading towards economic revival. There, tax cuts and high defense spending have helped steady growth. The Asian economies have also continued to firm up, with China serving as a driving force for the region.

Despite the enduring tough economic conditions and the negative currency effects on top and bottom line results, we continue to forecast a slight improvement in sales and operating profit before special items for the Linde Group.

Gas and Engineering

The Gas and Engineering business segment reported a 3.1 percent increase in sales to €3.629 billion. Orders received dropped from €4.124 billion to €3.883 billion (down 5.8 percent) and the 9M operating profit before special items of €470 million was down 1.1 percent on the €475 million reported in 2002.

Linde Gas

Sales in the Linde Gas division inched down 0.6 percent to €2.888 billion, which equates to a 6.8 percent increase if currency effects are excluded.

Operating profit before special items as at the end of September remained almost unchanged at €445 million (2002: €450 million). €29 million in currency effects and the proportional decline in the cylinder gas business hampered earnings growth. At €161 million, the Q3 operating profit before special items saw a 0.6 percent increase y-o-y.

Linde Gas in € million	3rd Quarter			Jan. – Sep.		
	2003	2002	Change	2003	2002	Change
Sales	969	949	2.1 %	2,888	2,906	–0.6 %
EBITA (before special items)	161	160	0.6 %	445	450	–1.1 %
EBITA margin	16.6 %	16.9 %	–	15.4 %	15.5 %	–

The process enhancement program being implemented in the Linde Gas division is proceeding according to plan and is expected to result in cost reductions of €50 million, mainly from optimizing distribution and purchasing and reducing general administrative expenses. The savings target of €150 million will be achieved by the end of 2004 and the full impact on the operating profit will be felt in 2005.

In order to guarantee the success of the program, we have decided to make further staff cut-backs (around 200 jobs). This will also have implications for Linde Gas Headquarter, incurring additional restructuring costs of €15 million.

The on-site business reported a pleasing 8.9 percent increase in sales y-o-y, jumping to 14.9 percent when adjusted for currency effects. Rising gas prices generated €29 million in additional revenues. While sales in the tank gas business rose slightly by 0.5 percent, those in the cylinder gas business dipped by 6.7 percent. When adjusted for currency effects, tank gas sales rose by 6.6 percent and cylinder gas sales by 0.3 percent.

The healthcare business reported a slight 1.0 percent increase in sales, rising to 11.5 percent when adjusted for currency effects. US sales of our medical gas INOmax, calculated in local currency, continue to show double-digit growth rates. With the European sales climate gradually improving, we forecast annual global sales of €110 million.

Linde Gas saw top-line growth in Europe increase by 2.9 percent, with German sales (+4.4 percent) coming in somewhat higher than for the rest of Europe. The highest growth was achieved in eastern Europe.

In Q3, Linde Gas concluded a long-term supply contract in Kazinbarcika, Hungary, for 10,000 Nm^3/h hydrogen and 4,000 Nm^3/h carbon monoxide to be used in producing a parent compound for polyurethane production. Total capital expenditure for the project is approx. €30 million. The division also secured its first on-site project on Russian soil, a contract to supply nitrogen gas to a glass manufacturer in Klin. These activities reflect the importance of the central and eastern European markets and show that we can profit from our excellent market position in these regions.

The on-site business in North America performed particularly well, with sales measured on a comparable basis (adjusted for currency effects and natural gas prices) climbing 12.8 percent. Total sales were 8.4 percent down y-o-y, but measured in local currency, actually rose by a pleasing 10.1 percent.

The same situation arose in South America, where the 12.6 percent fall in sales was entirely the result of currency effects, so that adjusted sales were a good 16.8 percent above last year's level.

Business in the Asia/Pacific region continued to flourish. The double-digit increase in sales in the on-site and tank gas businesses saw overall sales growth in this region rise to 12.4 percent. The first Japanese liquid hydrogen filling station was set up in Tokyo using key technologies provided by the Gas & Engineering business segment. Linde supplied the technology for refueling with both liquid hydrogen and compressed gaseous hydrogen (400 bar). This project led to the certification of Linde's hydrogen technology for the important Japanese market. 19 of the 21 liquid hydrogen filling stations currently in use around the world were equipped by Linde, which is also the market leader in liquid hydrogen and compressed gaseous hydrogen vehicle fueling technology.

We expect total sales for the Linde Gas division to remain unchanged for 2003. Despite the successful optimization program, operating profit before special items will fall slightly as a result of the negative factors listed above.

Linde Engineering

Sales in the Linde Engineering division rose 18.5 percent y-o-y to €793 million (2002: €669 million). The natural gas, ethylene and air separation businesses made the greatest contribution to growth. Q3 sales of €257 million were stable y-o-y. A particular boost to sales was provided by two ethylene plants in Hungary and Iran and the natural gas processing projects in Hammerfest and Kollsnes, Norway.

At €1.215 billion, orders received to end-September were almost as high as last year's (€1.256 billion). This healthy order book was mainly due to the ongoing high demand for air separation units as well as the success of our natural gas plant business.

The entire scope of services provided by the LNG project in Hammerfest was broadened once again. The value of the order has now reached €520 million, highlighting the future potential of natural gas liquefaction for the Linde Engineering division.

At €25 million, the 9M operating profit for the division was in line with last year's. The Q3 operating profit climbed by €6 million to €9 million. As reported, provisions of around €10 million set up to cover the potential payment default of a US refinery weighed on accumulated earnings.

However, we still expect both a clear increase in sales for the Linde Engineering division and an operating profit above last year's level.

Linde Engineering in € million	3rd Quarter			Jan. – Sep.		
	2003	2002	Change	2003	2002	Change
Sales	257	257	–	793	669	18.5 %
Orders received	488	363	34.4 %	1,215	1,256	–3.3 %
EBITA	9	3	–	25	25	–
EBITA margin	3.5 %	1.2 %	–	3.2 %	3.7 %	–

Material Handling

At €2.143 billion, 9M sales in the Material Handling business segment changed little y-o-y (2002: €2.149 billion), but were up 2.3 percent when adjusted for currency effects. At €738 million, Q3 sales increased by 4.4 percent y-o-y. The €2.251 billion in orders received lagged 1.8 percent behind last year's €2.292 million.

The operating profit before special items of €89 million was 5.3 percent down on the same period in 2002 (€94 million). However, the business segment saw a 2.8 percent improvement in Q3 operating profit before special items to €37 million.

The optimization program TRIM.100, which is set to save the Group €100 million by the end of 2004, is running according to plan.

We plan to save a further €50 million by the end of 2005. Measures include cutting around 250 further jobs, adjusting capacities and downscaling the business segment's prefabrication activities. In addition, the percentage of procurement in low-wage countries is to be increased and administrative functions streamlined through the creation of shared-service centers.

The restructuring costs incurred by these measures amount to €50 million.

The European market for industrial trucks remained stagnant, with intense price competition and tentative investment only partly offset by price reductions in the procurement market.

New European orders for the nine-month period only increased slightly. Although the warehouse truck business showed signs of recovery, demand for higher-margin counterbalanced trucks was still below last year. The key markets of France, Italy and Germany showed under average maket growth or slight decreases.

The markets in North and South America, however, presented robust growth, with the counterbalanced truck business performing better than the warehouse business in this region. The largest rises in demand were recorded on the Asian market, with China serving as a particular driving force as it recovered from the uncertainty caused by the SARS crisis to move back on to a steep growth curve. With high double-digit growth of the Chinese market, Material Handling successfully extended its market share to around 10 percent.

Innovative products, especially the newly introduced forklift models, Linde 39X and the STILL RX 50, have driven business, significantly increasing our market share in counterbalanced trucks—especially in Germany—as compared to last year.

During the reporting period, our service business assumed even greater importance as a result of several significant fleet management contracts. Sales of spare parts also increased, suggesting that replacements are being postponed. This is therefore likely to increase the need for new industrial trucks in the future.

Material Handling in € million	3rd Quarter			Jan. – Sep.		
	2003	2002	Change	2003	2002	Change
Sales	738	707	4.4 %	2,143	2,149	−0.3 %
Orders received	761	758	0.4 %	2,251	2,292	−1.8 %
EBITA (before special items)	37	36	2.8 %	89	94	−5.3 %
EBITA margin	5.0 %	5.1 %	–	4.2 %	4.4 %	–

In July, as announced, Linde increased its stake in Komatsu Forklift Co., Ltd., Japan's second-largest supplier of industrial trucks, to 35 percent, thereby confirming the successful collaboration between the two firms.

TRIM.100 is expected to generate savings of €30 million in 2003, which is why we forecast an improvement in the operating profit before special items and a slight increase in sales.

Refrigeration

The difficult market environment continued to weigh on the Refrigeration business segment. Reluctant investment resulted in the market becoming highly price competitive. For the nine-month period, sales fell by 3.5 percent to €551 million.

Orders received were encouraging, increasing by 1 percent in a positive Q3 to €703 million. This was largely due to an increase in demand for larger refrigeration systems of the type generally used in supermarkets.

The operating profit for the first nine months improved to -€8 million (2002:-€16 million). Retrenchment and increased efficiency led to a €7 million rise in the Q3 result to €15 million, especially as Q3 2002 was marked by one-off expenses due to currency effects.

Refrigeration in € million	3rd Quarter			Jan. – Sep.		
	2003	2002	Change	2003	2002	Change
Sales	223	233	−4.3 %	551	571	−3.5 %
Orders received	261	238	9.7 %	703	696	1.0 %
EBITA	15	8	87.5 %	−8	−16	–
EBITA margin	6.7 %	3.4 %	–	−1.5 %	−2.8 %	–

Business varied across Europe, with sales slipping in the German, British and Austrian markets yet rising in some southern and northern European countries, as well as in France. Particularly pleasing were the fledgling markets of central and eastern Europe.

Sales in Asia hovered around last year’s level. As announced, the Refrigeration business segment commenced CKD production in Shanghai, China. The new facility will allow quicker, cheaper production and help significantly improve our position in this growth market.

The relocation of production to the Czech Republic is proceeding according to plan. The building at the Myto site is almost complete and production should begin in the second half of 2004.

Due to the additional expenses of introducing SAP R/3 in the fourth quarter, we are not expecting operating profit to be any higher than last year’s. We also forecast a slight dip in sales.

Employees

Compared to year-end 2002, the number of employees rose by 401 to 46,922. The number of employees based in Germany (17,903) fell by 251, but was offset by an additional 652 employees being taken on abroad (29,019). Without the recent consolidation of holdings, the number of people employed by the Group would have remained at last year’s level.

Staff costs fell by 1.4 percent to €1.675 billion for the first nine months of the year.

Number of Employees	30. 9. 2003	31. 12. 2002	Change
Group	46,922	46,521	401
Domestic	17,903	18,154	−251
Foreign	29,019	28,367	652
Gas and Engineering	21,704	21,560	144
Material Handling	18,344	18,188	156
Refrigeration	6,378	6,276	102

Finances

Operating cash flow saw a y-o-y improvement of €180 million to €956 million, largely as a result of the reduction of funds tied up in working capital. On balance, €586 million was required for investing activities (2002: €394 million). Of the €232 million remaining after dividend payments of €138 million, €35 million was earmarked for repayments of financial liabilities and €197 million to bolster the Group's financial resources to €551 million.

This increase was instrumental in boosting total assets by €124 million to €12.330 billion compared to 31.12.2002. Equity now comprises 32 percent of total assets (31.12.02: 33.5 percent).

Linde AG agreed a syndicated loan of €1.8 million in the previous quarter. 34 international credit institutions are providing this credit facility used as cash reserve.

Cash Flow Statement in € million	Jan. – Sept. 2003	Jan. – Sept. 2002	Year 2002
Net income	75	265	240
Depreciation and Amortization of fixed assets	662	664	919
Changes in assets and liabilities, adjusted for changes in Group structure	245	17	287
Profit on disposal of an investment	0	–165	–165
Other items	–26	–5	–7
Cash flow from operating activities	**956**	**776**	**1,274**
Net cash from purchase/disposal of fixed assets	–576	–583	–627
Net cash from changes in securities held as current assets	–8	221	259
Net cash from purchase/disposal of subsidiaries	–2	–32	–20
Cash flow from investing activities	**–586**	**–394**	**–388**
Dividend payments and changes in minority interests	–138	–137	–148
Repayment of financial liabilities	–35	–243	–540
Cash flow from financing activities	**–173**	**–380**	**–688**
Net cash inflow/ outflow	197	2	198
Opening balance of cash and cash equivalents	364	178	178
Changes in cash and cash equivalents due to effects of currency translation and changes in Group structure	–10	0	–12
Closing balance of cash and cash equivalents	**551**	**180**	**364**

Other Events

Dr Hans-Peter Schmohl, a member of the Executive Board and Spokesman for the Material Handling business segment will be leaving the company on 31.12.2003. Dr. Wolfgang Reitzle, President and Chief Executive Officer, will take over responsibility for the Material Handling business segment until a successor for Dr. Schmohl is appointed.

Income Statement
in € million

	3rd Quarter		Jan. – Sept.		Year 2002
	2003	2002	2003	2002	
Sales	2,178	2,139	6,345	6,257	8,726
Cost of sales	1,490	1,456	4,337	4,241	5,941
Gross profit on sales	688	683	2,008	2,016	2,785
Marketing and selling expenses	309	331	968	976	1,332
Research and Development costs	41	34	124	122	171
Administration expenses	150	170	517	518	699
Balance of different expenses and earnings	–11	6	31	34	65
Amortization of goodwill	28	27	92	85	124
Operating result (before special items)	149	127	338	349	524
Special items					
Profit in disposal of an investment	0	0	0	165	165
Cost of special restructuring schemes	70	0	70	0	137
Loss on securities					
(Contractual Trust Arrangement – Linde Pensions funds)	0	0	0	0	29
Operating profit (EBIT)	79	127	268	514	523
Financial result	–19	–34	–93	–146	–167
Earnings before taxes on income	60	93	175	368	356
Taxes on income	37	43	101	103	115
Net income before minority interests	23	50	74	265	241
Minority interests	0	1	1	0	–1
Net income	**23**	**51**	**75**	**265**	**240**
Earnings per Share (€)	0.19	0.43	0.63	2.22	2.01

In order to harmonize this income statement with that published as part of the 2002 financial statements, the comparative figures for January to September 2002 have been reorganized between costs of sales and marketing and selling expenses.
There is no figure for diluted earnings per share in 2002 or 2003
EPS before special items as at 30th September 2003 amounted to €1.00 (2002: €0.83)

Activities in € million	3rd Quarter 2003	3rd Quarter 2002	Change	Jan. – Sept. 2003	Jan. – Sept. 2002	Change	Year 2002
Gas and Engineering							
Orders received	1,389	1,299	6.9 %	3,883	4,124	–5.8 %	5,322
Sales	1,209	1,194	1.3 %	3,629	3,520	3.1 %	4,839
EBITDA (before special items)	279	273	2.2 %	799	814	–1.8 %	1,110
EBITA (before special items)	170	163	4.3 %	470	475	–1.1 %	659
EBITA	155	163	–4.9 %	455	475	–4.2 %	659
EBTA	134	137	–2.2 %	366	356	2.8 %	507
Linde Gas							
Orders received	968	946	2.3 %	2,891	2,911	–0.7 %	3,880
Sales	969	949	2.1 %	2,888	2,906	–0.6 %	3,880
EBITDA (before special items)	265	264	0.4 %	759	774	–1.9 %	1,034
EBITA (before special items)	161	160	0.6 %	445	450	–1.1 %	606
EBITA	146	160	–8.8 %	430	450	–4.4 %	606
EBTA	125	134	–6.7 %	343	334	2.7 %	458
Linde Engineering							
Orders received	488	363	34.4 %	1,215	1,256	–3.3 %	1,493
Sales	257	257	–	793	669	18.5 %	1,036
EBITDA	14	9	55.6 %	40	40	–	76
EBITA	9	3	–	25	25	–	53
EBTA	9	3	–	23	22	4.5 %	49
Material Handling							
Orders received	761	758	0.4 %	2,251	2,292	–1.8 %	3,053
Sales	738	707	4.4 %	2,143	2,149	–0.3 %	2,979
EBITDA (before special items)	107	103	3.9 %	304	309	–1.6 %	433
EBITA (before special items)	37	36	2.8 %	89	94	–5.3 %	148
EBITA	–13	36	–	39	94	–58.5 %	148
EBTA	–20	23	–	19	60	–68.3 %	109
Refrigeration							
Orders received	261	238	9.7 %	703	696	1.0 %	902
Sales	223	233	–4.3 %	551	571	–3.5 %	879
EBITDA	21	15	40.0 %	9	1	–	32
EBITA	15	8	87.5 %	–8	–16	–	10
EBTA	15	5	–	–9	–22	–	3
Group							
Orders received	2,420	2,304	5.0 %	6,860	7,134	–3.8 %	9,322
Sales	2,178	2,139	1.8 %	6,345	6,257	1.4 %	8,726
EBITDA (before special items)	363	340	6.8 %	994	1,013	–1.9 %	1,436
EBITA (before special items)	177	154	14.9 %	430	434	–0.9 %	648
EBITA	107	154	–30.5 %	360	599	–39.9 %	647
EBTA	88	120	–26.7 %	267	453	–41.1 %	480

Balance Sheet
in € million

	30. 9. 2003	31. 12. 2002
Assets		
Intangible assets	3,174	3,246
Tangible assets	3,876	4,066
Financial assets	213	159
Leased assets	573	566
Fixed assets	**7,836**	**8,037**
Inventories	1,240	994
Receivables from financial services	179	178
Other receivables and assets	2,210	2,347
Securities and liquid assets	671	480
Current assets	**4,300**	**3,999**
Deferred taxes and deferred charges	194	170
Total assets	**12,330**	**12,206**
Liabilities		
Equity	3,903	4,086
Minority interests	29	33
Provisions	2,302	2,146
Financial liabilities	3,253	3,294
Liabilities from financial services	509	499
Other liabilities	1,816	1,586
Deferred taxes and deferred income	518	562
Total equity and liabilities	**12,330**	**12,206**

Consolidated statements of changes in Group equity
in € million

	Capital subscribed	Capital reserve	Retained earnings	Cumulated changes in equity not recognized through the income statement: Currency translation differences	Revaluation of securities at fair value	Derivative financial instruments	Total
As at 1st January 2002	305	2,595	1,047	256	113	−3	4,313
Dividend payments			−135				−135
Change in currency translation differences				−212			−212
Financial instruments					−134	−1	−135
Net income			265				265
Other charges			−1				−1
As at 30th September 2002	305	2,595	1,176	44	−21	−4	4,095
As at 1st January 2003	305	2,595	1,160	23	1	2	4,086
Dividend payments			−135				−135
Change in currency translation differences				−122			−122
Financial instruments					1	−2	−1
Net income			75				75
Other charges							0
As at 30th September 2003	305	2,595	1,100	−99	2	0	3,903

In the same way as the annual report, this interim report was drawn up in accordance with the International Financial Reporting Standards (IFRS). The accounting and valuation methods applied correspond to those used for the annual report 2002.

Scheduled Dates

Press Conference/Analysts Meeting 2004
March 24, 2004

Interim Report January – March 2004
May 13, 2004

Shareholders' Meeting 2004
May 18, 2004, 10.00 am
Internationales Congress Center, Munich

Interim Report for 1st half of 2004
August 12, 2004

Interim Report January – September 2004
November 11, 2004

Shareholders' Meeting 2005
June 8, 2005, 10.00 am
Internationales Congress Center, Munich

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This report and the annual financial statements are available in both German and English and can also be downloaded from our website at *www.linde.com.* An interactive online version of the annual report is also available at this address.

Further copies of the report and additional information about the Linde Group can be obtained from us free of charge.

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