

January 1 to June 30

Interim Report First Half 2004

Linde

LeadIng.

Linde Financial Highlights

in € million

	January to June			Year 2003
	2004	2003	Change	
Share				
Closing price	€ 45.25	32.25	40.3%	42.70
6 month high	€ 47.63	36.94	28.9%	43.40
6 month low	€ 40.50	22.80	77.6%	22.80
Market capitalization (at the end of the period)	5,396	3,846	40.3%	5,092
Per share				
Earnings	€ 0.62	0.44	40.9%	0.91
Earnings (before amortization of goodwill)	€ 1.16	0.97	19.6%	2.06
Cash flow from operating activities	€ 3.50	3.65	-4.1%	10.74
No. of shares (in 000s)	119,262	119,262	n/a	119,262
Group				
Sales	4,438	4,167	6.5%	8,992
Incoming orders	4,996	4,440	12.5%	9,079
EBITA before special items	277	253	9.5%	671
EBITA	277	253	9.5%	544
Earnings before taxes on income (EBT)	152	115	32.2%	287
Net income	74	52	42.3%	108
EBITA Return on sales before special items	6.2%	6.1%	n/a	7.5%
Capital expenditure excluding financial assets	451	368	22.6%	856
Cash flow from operating activities	417	435	-4.1%	1,281
Equity	3,936	3,905	0.8%	3,886
Total assets	12,000	11,833	1.4%	11,915
Number of active employees (at the end of the period)	46,749	46,336	0.9%	46,164

Linde continues its upward trend

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- In the first half of 2004, sales rose by 6.5 percent – or by 8.6 percent after adjusting for currency effects
- 9.5 percent improvement in operating profit – or 12.1 percent after adjusting for currency effects
- Outlook for the year 2004 confirmed – slight increase in sales and operating profit before special items, excluding Refrigeration

Group

The Linde Group achieved sales growth of 6.5 percent in the first six months of 2004, recording total sales of €4.438 billion in an improving economic environment (2003: €4.167 billion). Ignoring exchange rate effects, the rate of growth was 8.6 percent. While sales in Germany rose by 3.6 percent, sales outside Germany increased even more substantially by 7.4 percent. New orders of €4.996 billion (2003: €4.440 billion) were significantly above those for the same period in 2003 (12.5 percent higher or 14.5 percent after adjusting for the effects of currency rate movements).

Operating profit (EBITA) improved by 9.5 percent in the first half-year to €277 million (2003: €253 million). Adverse currency effects reduced this figure by €6 million. After adjusting for the effects of exchange rate movements, operating profit would have been 12.1 percent higher than in the previous year. Earnings before taxes on income increased by 32.2 percent to €152 million (2003: €115 million). Net income rose by €22 million to €74 million (2003: €52 million).

The figure for earnings per share was €0.62 (2003: €0.44). Earnings per share excluding the amortization of goodwill was €1.16 (2003: €0.97).

Group in € million	January to June			Year 2003
	2004	2003	Change	
Incoming orders	4,996	4,440	12.5%	9,079
Domestic	1,082	1,002	8.0%	2,108
Foreign	3,914	3,438	13.8%	6,971
Sales	4,438	4,167	6.5%	8,992
Germany	981	947	3.6%	2,061
Rest of Europe	2,468	2,215	11.4%	4,808
America	645	667	-3.3%	1,389
Asia	245	257	-4.7%	556
Australia	49	46	6.5%	101
Africa	50	35	42.9%	77
Foreign total	3,457	3,220	7.4%	6,931

Outlook

The global economic recovery is gaining in strength and spreading more widely, driven by the dynamic expansion of the US economy. Growth in the eurozone is also accelerating, especially in the Central and Eastern European accession states. Asia and Latin America are once again set on a growth path.

The German economy is on the road to recovery, boosted by the favorable global economic situation. However, the rate of expansion is still relatively slow and the foundations of the economic recovery remain fragile. Growth is being sustained solely by significant increases in exports. Domestic demand continues to be weak. Investment in plant and equipment is increasing only gradually.

The Linde Group confirms its forecast for the year 2004. After adjusting for the effects of the disposal of the Refrigeration business segment, sales and operating profit before special items will both be up slightly on the previous year.

Gas and Engineering

The Group's largest business segment, Gas and Engineering, achieved a 3.3 percent increase in sales in the first six months of the year to €2.499 billion (2003: €2.420 billion). Incoming orders rose by 11.5 percent to €2.782 billion (2003: €2.494 billion). Operating profit (EBITA) was €324 million (2003: €300 million), representing an increase of 8.0 percent in comparison with the same period in the prior year.

Linde Gas

Sales in the Linde Gas division in the first half-year saw a 1.3 percent rise to €1.944 billion (2003: €1.919 billion). After adjusting for the effects of exchange rate movements, the figure showed a 4.7 percent increase. Operating profit (EBITA) of €299 million (2003: €284 million) was 5.3 percent higher than in the previous year. Adverse currency effects reduced this figure by €7 million.

Linde Gas in € million	2nd quarter			January to June		
	2004	2003	Change	2004	2003	Change
Sales	981	959	2.3%	1,944	1,919	1.3%
EBITA before special items	150	139	7.9%	299	284	5.3%
EBITA margin	15.3%	14.5%	-	15.4%	14.8%	-

As in the first quarter, the highest growth rate for sales (4.8 percent) was achieved by the bulk business. While sales in the cylinder business remained at a similar level to the comparable period in 2003, sales in the on-site segment, which supplies industrial gases to the customer from plant situated directly on the user's site, fell by 2.8 percent, due to adverse exchange rate movements and to the drop in prices for natural gas. If exchange rate effects are ignored for the sake of comparison, bulk sales rose by 7.5 percent, cylinder sales rose by 3.8 percent, while sales in the on-site segment remained unchanged from the previous year. As stated in the interim report for the first quarter, it is anticipated that the on-site segment will achieve a slower rate of sales growth in 2004 than in previous years. The reason for this is that both new plants will not be commencing production until late in the year. Linde's strong project position in the on-site segment will not be fully reflected in the sales figures until 2005.

The Healthcare segment, the medical and pharmaceutical gases business, is continuing to develop successfully. We achieved an increase in sales of 8.0 percent to €309 million. After adjusting for currency effects, this represented growth of 12.8 percent. As in the previous quarter, most of the sales growth was generated in our homecare business. Homecare involves the care of patients in their own homes, for example by supplying medical oxygen and the appropriate technical equipment.

In Europe, sales rose by 2.8 percent in comparison with the same period in the previous year. While sales in Germany remained static, the Eastern European countries once again achieved the highest growth rates in Europe. In the second quarter of 2004, Linde, a market leader in Eastern Europe, was able to conclude a significant number of long-term supply contracts for liquid nitrogen and liquid carbon dioxide with the local food processing industry. In the Czech Republic, the Linde Gas division obtained the contract for the construction of a hydrogen filling station from its long-standing customer BorsodChem.

Sales in North America fell by 8.5 percent in the first six months of the year as a result of adverse currency effects. After adjusting for exchange rate movements, sales showed an increase of 2.1 percent. The highest rate of growth was achieved by the Healthcare segment.

Against a background of a sustained economic recovery and a reduction in adverse currency effects in South America, the Linde Gas division continued to make excellent progress, with a 17.6 percent rise in sales in this region. All of the industrial gases segments and the Healthcare segment contributed to the increase. In the second quarter, Linde signed several major long-term supply contracts for bulk business with national and international companies in Brazil and Argentina.

Our business performance in the Asia/Pacific region remained positive. Sales rose by 9.2 percent. The highest growth rates were achieved by the on-site and cylinder businesses.

We continue to anticipate sales growth and an increase in operating profit before currency effects for the Linde Gas division in the current year.

Linde Engineering

The excellent performance of the Linde Engineering division in the first quarter continued into the second. As at the end of June, sales had increased by 17.0 percent to €627 million (2003: €536 million). There was also a significant increase in incoming orders of 22.0 percent to €887 million (2003: €727 million). Operating profit (EBITA) rose by €9 million to €25 million (2003: €16 million), an increase of 56.3 percent.

High rates of growth in the Middle East, the Far East and Eastern Europe acted as a catalyst for Linde's order situation. In the United States, the American subsidiary was also pleased to report a high level of incoming orders.

Linde Engineering in € million	2nd quarter			January to June		
	2004	2003	Change	2004	2003	Change
Sales	337	326	3.4%	627	536	17.0%
Incoming orders	473	360	31.4%	887	727	22.0%
EBITA	17	13	30.8%	25	16	56.3%
EBITA margin	5.0%	4.0%	-	4.0%	3.0%	-

In the second quarter, Linde Engineering was awarded significant orders for ethylene plants and air separation plants. Contracts to expand the capacity of two ethylene plants were received from Norway and South Africa. A Chinese steel company has commissioned Linde to construct an air separation plant in Taiwan.

In the course of the year, it is expected that substantial contracts will be obtained in all the product segments. For ethylene plants and air separation plants, Linde is focusing primarily on the Middle East and China. New synthesis gas plants (plants for the production of hydrogen and carbon monoxide) are being built principally in China, Russia and Europe.

We continue to anticipate that sales and operating profit will be higher for the full year 2004 than in the previous year.

Material Handling

The Material Handling business segment continued to perform well in the second quarter. By the end of June, sales had risen by 13.2 percent to €1.591 billion (2003: €1.405 billion). Incoming orders also increased significantly by 16.2 percent to €1.731 billion (2003: €1.490 billion). We achieved a 26.9 percent increase in operating profit (EBITA) to €66 million (2003: €52 million).

The first six months of the year has seen a substantial expansion in the world market for industrial trucks, with the highest growth rate being achieved by counterbalanced trucks. Most of the growth was generated in the United States and Asia, while by far the highest growth rate in Asia was in China. For historical reasons, Linde has until now been underrepresented in the main Asian markets and has therefore only partially benefited from the dynamic growth in the overall market.

The European market also saw double-digit growth in the first half-year, experiencing a significant recovery, especially in the second quarter. As in the previous quarter, the highest percentage rate of growth was achieved by the Eastern European countries. Linde succeeded in increasing its new orders for counterbalanced trucks in Eastern Europe by more than the rate of market growth, thus increasing its market share in this segment.

Long-term full service contracts were concluded with a large number of major companies in the food processing and automobile industries in the second quarter. This is helping to underpin Linde's leading market position in Europe.

Given the positive market trends and the impact of the internal process optimization program TRIM.100, we continue to anticipate that both sales and operating profit in the Material Handling business segment will be higher than in the previous year. However, factors such as intense competition in Europe and the rising cost of raw materials will have an adverse effect on results.

Material Handling in € million	2nd quarter			January to June		
	2004	2003	Change	2004	2003	Change
Sales	847	742	14.2%	1,591	1,405	13.2%
Incoming orders	921	746	23.5%	1,731	1,490	16.2%
EBITA	43	34	26.5%	66	52	26.9%
EBITA margin	5.1%	4.6%	10.8%	4.1%	3.7%	12.1%

Refrigeration

Sales in the Refrigeration business segment rose slightly in the first half-year by 1.2 percent to €332 million (2003: €328 million). New orders showed a more substantial increase. These rose by 5.4 percent in comparison with the same period in the previous year to €466 million (2003: €442 million). The operating loss (EBITA) was €28 million (2003: €23 million). Operational problems relating to a change in the IT systems hampered order processing in Germany, which had an adverse impact on results in the first six months of the year.

Although the performance of the Refrigeration business segment in its European core markets was variable, the Eastern European countries achieved excellent rates of growth as in the first quarter. Upward trends continued to be seen in Latin America and Asia.

Refrigeration in € million	2nd quarter			January to June		
	2004	2003	Change	2004	2003	Change
Sales	200	205	-2.4%	332	328	1.2%
Incoming orders	274	239	14.6%	466	442	5.4%
EBITA	1	4	-	-28	-23	-

Employees

Since December 31, 2003, the number of employees in the Linde Group has risen by 585 to 46,749. Of these, 16,980 were employed in Germany and 29,769 outside Germany. The increase in the number of employees outside Germany of 816 was mainly due to the Material Handling business segment. Factors contributing to the rise in staff numbers were the planned increases worldwide in our sales and service personnel and the significant expansion of our Chinese subsidiary, as well as new companies being included in the consolidation in Europe.

Personnel costs increased in the first six months of 2004 by €46 million in comparison with the same period in the previous year to €1.152 billion (2003: €1.106 billion).

Number of employees	June 30, 2004	Dec. 31, 2003	Change
Group	46,749	46,164	585
Within Germany	16,980	17,211	-231
Outside Germany	29,769	28,953	816
Gas and Engineering	21,307	21,292	15
Material Handling	18,483	17,932	551
Refrigeration	6,384	6,448	-64

Finance

The cash flow from operating activities in the first half-year was €417 million (2003: €435 million). Net investment required rose by €98 million in comparison with the same period in the previous year to €359 million. In conjunction with the cash outflow arising from the dividend, this led to a slight increase in net debt.

Total assets have risen since December 31, 2003 by €85 million. The equity figure increased by €50 million to €3.936 billion. As a proportion of total assets, equity constituted 32.8 percent (December 31, 2003: 32.6 percent).

In April 2004, Linde successfully placed a 5-year convertible bond with a total amount issued of €550 million. The coupon rate of the convertible bond was 1.25 percent. The conversion premium was set at 22.5 percent, which represents a conversion price of €56.482 per share. The convertible bond may be converted into 9.7 million Linde shares. The proceeds of the issue will be used to optimize our capital structure and will enable us to improve our financing terms.

As a result of the good project situation in the Linde Gas division, Group capital expenditure excluding financial assets will rise in comparison with the previous year by €150 million to around €1 billion (2003: €856 million).

Group cash flow statement in € million	January to June		Year 2003
	2004	2003	
Net income	74	52	108
Amortization and depreciation of fixed assets	444	442	913
Changes in assets and liabilities, adjusted for the effects of changes in Group structure	1	35	334
Change in leased assets	-100	-86 *	-170
Special items	0	0	127
Other items	-2	-8	-31
Cash flow from operating activities	417	435	1,281
Discontinuing operation	-17	2	36
Net cash from purchase/disposal of fixed assets	-359	-250	-646
Net cash from changes in securities held as current assets	0	-7	-13
Net cash from purchase/disposal of subsidiaries	0	-4	4
Cash flow from investing activities	-359	-261	-655
Discontinuing operation	-10	-14	-26
Dividend payments and changes in minority interests	-136	-138	-135
Repayment of financial liabilities	-85	-266	-290
Cash flow from financing activities	-221	-404	-425
Discontinuing operation	22	7	-9
Net cash inflow/outflow	-163	-230	201
Opening balance of cash and cash equivalents	557	364	364
Changes in cash and cash equivalents due to effects of currency translation and changes in Group structure	8	-8	-8
Closing balance of cash and cash equivalents	402	126	557

* Prior year figure has been restated

Group income statement in € million	2nd quarter		January to June		Year 2003
	2004	2003	2004	2003	
Sales	2,327	2,220	4,438	4,167	8,992
Discontinuing operation	200	205	332	328	866
Cost of sales	1,597	1,517	3,059	2,847	6,215
Gross profit on sales	730	703	1,379	1,320	2,777
Marketing and selling expenses	332	355	651	659	1,297
Research and development costs	51	41	95	83	172
Administration expenses	178	185	353	367	722
Other operating income less other operating expenses	-8	27	-3	42	85
Amortization of goodwill	34	32	64	64	138
Operating result before special items	127	117	213	189	533
Special items	0	0	0	0	-127
Operating profit (EBIT)	127	117	213	189	406
Discontinuing operation	1	3	-29	-25	4
Financial result	-26	-36	-61	-74	-119
Earnings before taxes on income	101	81	152	115	287
Discontinuing operation	0	3	-30	-26	3
Taxes on income	49	41	78	64	178
Net income before minority interests	52	40	74	51	109
Minority interests	0	1	0	1	-1
Net income	52	41	74	52	108
Discontinuing operation	-1	2	-31	-26	0
Earnings per share (€)	0.44	0.35	0.62	0.44	0.91
Earnings per share (€) - fully diluted	0.44	0.35	0.62	0.44	0.91

Activities in € million	2nd quarter			January to June			Year 2003
	2004	2003	Change	2004	2003	Change	
Gas and Engineering							
Incoming orders	1,434	1,237	15.9%	2,782	2,494	11.5%	5,037
Sales	1,271	1,265	0.5%	2,499	2,420	3.3%	5,031
EBITDA before special items	274	259	5.8%	536	520	3.1%	1,095
EBITA before special items	167	152	9.9%	324	300	8.0%	659
EBITA	167	152	9.9%	324	300	8.0%	649
EBTA	143	118	21.2%	278	232	19.8%	528
Linde Gas							
Incoming orders	985	955	3.1%	1,956	1,923	1.7%	3,847
Sales	981	959	2.3%	1,944	1,919	1.3%	3,843
EBITDA before special items	253	241	5.0%	503	494	1.8%	1,014
EBITA before special items	150	139	7.9%	299	284	5.3%	598
EBITA	150	139	7.9%	299	284	5.3%	588
EBTA	126	106	18.9%	254	218	16.5%	470
Linde Engineering							
Incoming orders	473	360	31.4%	887	727	22.0%	1,474
Sales	337	326	3.4%	627	536	17.0%	1,270
EBITDA	21	18	16.7%	33	26	26.9%	81
EBITA	17	13	30.8%	25	16	56.3%	61
EBTA	17	12	41.7%	24	14	71.4%	58
Material Handling							
Incoming orders	921	746	23.5%	1,731	1,490	16.2%	3,116
Sales	847	742	14.2%	1,591	1,405	13.2%	3,063
EBITDA before special items	118	107	10.3%	217	197	10.2%	464
EBITA before special items	43	34	26.5%	66	52	26.9%	156
EBITA	43	34	26.5%	66	52	26.9%	96
EBTA	34	27	25.9%	50	39	28.2%	68
Refrigeration (discontinuing operation)							
Incoming orders	274	239	14.6%	466	442	5.4%	891
Sales	200	205	-2.4%	332	328	1.2%	866
EBITDA	7	10	-	-17	-12	-	38
EBITA	1	4	-	-28	-23	-	14
EBTA	0	4	-	-29	-24	-	13
Group							
Incoming orders	2,638	2,229	18.3%	4,996	4,440	12.5%	9,079
Sales	2,327	2,220	4.8%	4,438	4,167	6.5%	8,992
EBITDA before special items	350	333	5.1%	657	631	4.1%	1,444
EBITA before special items	161	149	8.1%	277	253	9.5%	671
EBITA	161	149	8.1%	277	253	9.5%	544
EBTA	135	113	19.5%	216	179	20.7%	425

Group balance sheet in € million	June 30, 2004	Dec. 31, 2003
Assets		
Goodwill	2,859	2,892
Other intangible assets	262	252
Tangible assets	3,832	3,774
Investments in associates	136	144
Other financial assets	121	89
Leased assets	592	551
Fixed assets	7,802	7,702
Long-term current assets		
Receivables from financial services	128	127
Trade receivables	14	9
Other receivables and other assets	74	50
Deferred tax assets	142	132
Total long-term current assets	358	318
Short-term current assets		
Inventories	1,263	1,107
Receivables from financial services	66	63
Trade receivables	1,557	1,561
Other receivables and other assets	484	573
Securities	3	4
Cash and cash equivalents	402	557
Total short-term current assets	3,775	3,865
Current assets	4,133	4,183
Prepaid expenses and deferred charges	65	30
Total assets	12,000	11,915
Discontinuing operation	579	652

Group balance sheet in € million	June 30, 2004	Dec. 31, 2003
Equity and liabilities		
Capital subscribed	305	305
Capital reserve	2,662	2,595
Retained earnings	1,077	1,134
Cumulative changes in equity not recognized through the income statement	-141	-183
Equity excluding minority interests	3,903	3,851
Minority interests	33	35
Equity	3,936	3,886
Long-term provisions, liabilities and deferred income		
Provisions for pensions and similar obligations	1,004	983
Other long-term provisions	93	57
Deferred tax liabilities	253	266
Total long-term provisions and deferred tax liabilities	1,350	1,306
Financial liabilities		
Liabilities from financial services	352	349
Trade payables	2	5
Other long-term liabilities and deferred income	190	154
Total long-term liabilities and deferred income	2,936	2,869
Discontinuing operation		
	96	163
Short-term provisions, liabilities and deferred income		
Other short-term provisions	1,256	1,187
Financial liabilities		
Liabilities from financial services	173	162
Trade payables	1,195	1,159
Other short-term liabilities and deferred income	720	716
Total short-term liabilities and deferred income	2,522	2,667
Discontinuing operation		
	301	291
Total equity and liabilities	12,000	11,915

The reduction in the assets and liabilities of the discontinuing Refrigeration business segment at June 30, 2004 when compared to the figures as at December 31, 2003 is as a result of the hiving off of the German part of Refrigeration as at January 1, 2004 into the company Linde Kältetechnik GmbH Co. KG. Under this divestment, land and pension obligations towards retired employees, as well as unforfeitable obligations towards former employees, were not transferred to the new company.

Statement of changes in Group equity in € million	Capital subscribed	Capital reserve	Retained earnings	Cumulative changes in equity not recog- nized through the income statement			Equity excluding minority interests	Minority interests	Total equity
				Currency translation differences	Revaluation of securi- ties at fair value	Derivative financial instru- ments			
As at January 1, 2003	305	2,595	1,160	23	1	2	4,086	33	4,119
Dividend payments			-135				-135		-135
Change in currency translation differences				-120			-120		-120
Financial instruments					2	-4	-2		-2
Net income			52				52		52
Other changes			-4				-4	-5	-9
As at June 30, 2003	305	2,595	1,073	-97	3	-2	3,877	28	3,905
As at January 1, 2004	305	2,595	1,134	-183	0	0	3,851	35	3,886
Dividend payments			-135				-135		-135
Change in currency translation differences				41			41		41
Financial instruments						1	1		1
Amount arising from issue of convertible bond		67					67		67
Net income			74				74		74
Other changes			4				4	-2	2
As at June 30, 2004	305	2,662	1,077	-142	0	1	3,903	33	3,936

The interim report, like the annual report, has been drawn up in accordance with International Financial Reporting Standards (IFRS). The accounting and valuation policies used are the same as in the 2003 annual report.

The balance sheet presentation in the interim financial statements is in accordance with the requirements set out in IAS 1 (revised) Presentation of Financial Statements. Therefore, short-term and long-term assets and liabilities have been classified separately. The prior year figures have been restated so as to comply with the new balance sheet structure.

These interim financial statements have not been audited.

Significant events after June 30, 2004

On July 12, 2004, the European Commission in Brussels approved the sale by Linde of its Refrigeration business segment to the US company Carrier Corporation, a Group company of United Technologies Corporation (UTC). The sale was authorized with no conditions attached. This decision means that the requirements have now been met for the transaction to take effect and for the closing process to commence.

On July 7, 2004, the Linde Group acquired Singapore Syngas Pte. Ltd from Chevron Texaco, which will significantly strengthen its market position in the gases business in the expanding region of Southeast Asia. Singapore Syngas operates one of the largest synthesis gas plants in the world (plants producing hydrogen and carbon monoxide) and an air separation plant. The company achieved sales in 2003 of USD 64 million.

Scheduled Dates

Interim Report January – September 2004

November 11, 2004

Annual Results Press Conference/ Analysts' Briefing

March 22, 2005

Shareholders' Meeting 2005

June 8, 2005, 10.00 am

International Congress Center, Munich

Shareholders' Meeting 2006

May 4, 2006, 10.00 am

International Congress Center, Munich

Linde Management Roadshows 2004

London Roadshow

September 15, 2004

North America Roadshow

September 20–24, 2004

Contact Information

Linde AG

Abraham-Lincoln-Straße 21

65189 Wiesbaden

Germany

Telephone: +49-611-770-0

Fax: +49-611-770-269

www.linde.com

Communications

Telephone: +49-611-770-0

Fax: +49-611-770-447

e-mail: info@linde.com

Investor Relations

Telephone: +49-611-770-128

Fax: +49-611-770-690

e-mail: investorrelations@linde.com

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.

Linde AG
Abraham-Lincoln-Straße 21
65189 Wiesbaden
Germany
Telephone: +49-611-770-0
Fax: +49-611-770-269
www.linde.com