

January 1 to March 31

Interim Report January to March 2004

Linde

LeadIng.

Linde Financial Highlights in € million	January to March			Year 2003
	2004	2003	Change	
Share				
Closing price	€ 43.09	29.15	47.8%	42.70
3 month high	€ 45.90	36.69	25.1%	43.40
3 month low	€ 41.20	22.83	80.5%	22.80
Market capitalization (at the end of the period)	5,139	3,476	47.8%	5,092
Per share				
Earnings	€ 0.18	0.09	100.0%	0.91
Earnings (before amortization of goodwill)	€ 0.44	0.36	22.2%	2.06
Cash flow from operating activities	€ 1.69	1.87	-9.6%	10.74
No. of shares (in 000s)	119,262	119,262	n/a	119,262
Group				
Sales	2,111	1,947	8.4%	8,992
Incoming orders	2,358	2,211	6.6%	9,079
EBITA before special items	116	104	11.5%	671
EBITA	116	104	11.5%	544
Earnings before taxes on income (EBT)	51	34	50.0%	287
Net income	22	11	100.0%	108
EBITA Return on sales before special items	5.5%	5.3%	n/a	7.5%
Capital expenditure excluding financial assets	160	174	-8.0%	856
Cash flow from operating activities	201	223	-9.9%	1,281
Equity	3,948	3,886	1.6%	3,886
Total assets	12,024	12,098	-0.6%	11,915
Number of active employees (at the end of the period)	46,390	46,261	0.3%	46,164

Business in the first quarter picks up speed – improvements in sales,
earnings and incoming orders

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- Sales up by 8.4 percent at 31 March – or by 11.8 percent after adjusting for currency effects
- 11.5 percent improvement in operating profit
- Linde streamlines its portfolio: the Refrigeration business segment will be sold to the Carrier Corporation for €325 million

Group

The Linde Group succeeded in achieving sales growth of 8.4 percent in the first three months of 2004, recording total sales of €2.111 billion, despite the difficult economic environment. After adjusting for the effects of exchange rate movements, the rate of growth was 11.8 percent. Whereas sales in Germany rose by 3.2 percent to €461 million, sales outside Germany increased at an even faster rate, 10 percent, to €1.650 billion. New orders of €2.358 billion were also significantly above those for the same period in 2003 (6.6 percent higher, or 10.3 percent after adjusting for the effects of currency movements).

Operating profit (EBITA) increased by 11.5 percent in the first quarter to €116 million (2003: €104 million). Adverse currency effects reduced this figure by €5 million. Earnings before taxes on income improved in the first quarter by 50.0 percent to €51 million. Net income rose from €11 million to €22 million.

The figure for earnings per share was €0.18 (2003: €0.09). Earnings per share excluding the amortization of goodwill was €0.44 (2003: €0.36). The scheduled amortization of goodwill will cease from the year 2005.

The Refrigeration business segment was sold to the Carrier Corporation, a company belonging to the US group United Technologies Corporation, for €325 million. The sale is still subject to approval by the antitrust authorities.

This step will strengthen the long-term competitiveness of Refrigeration and also pave the way for the future strategic orientation of the Group, which will focus on the expansion of the profitable and fast-growing Gas and Engineering and Material Handling business segments.

Group in € million	January to March			Year 2003
	2004	2003	Change	
Incoming orders	2,358	2,211	6.6%	9,079
Domestic	514	486	5.8%	2,108
Foreign	1,844	1,725	6.9%	6,971
Sales	2,111	1,947	8.4%	8,992
Germany	461	447	3.1%	2,060
Rest of Europe	1,168	1,034	13.0%	4,808
America	313	324	-3.4%	1,389
Asia	122	116	5.2%	556
Pacific	25	13	92.3%	101
Africa	22	13	69.2%	78
Foreign total	1,650	1,500	10.0%	6,932

Outlook

The global economy is starting to revive, with the recovery expected to center on the United States and Asia during 2004. The eurozone will continue to lag behind the rest of the world economy. Whereas the German Institute for Economic Research is predicting a 4.7 percent increase in gross domestic product for the United States and a 5.1 percent increase for Asia, the forecasts for the eurozone and Germany are much more cautious at 1.6 percent and 1.5 percent respectively. These projections are in line with our assumptions on which we base our business outlook for 2004. Over the next few months, the economic recovery in the eurozone will continue to be bolstered by exports, which should gain momentum from the global upturn. There are still no signs of a recovery in private consumption and few signs of an increase in levels of investment.

Despite the sustained unfavorable trends in our European core markets described above, we anticipate that, in 2004, the Linde Group will continue to make slight improvements in sales and operating profit before special items, after adjusting for the effects of the disposal of the Refrigeration business segment.

Gas and Engineering

The Gas and Engineering business segment achieved a 6.3 percent rise in sales to €1.228 billion. Incoming orders benefited from a similar upward trend, increasing by 7.2 percent to €1.348 billion (2003: €1.257 billion). Operating profit in the first quarter was €157 million, an improvement of 6.1 percent.

Linde Gas

The figure for sales in the Linde Gas division in the first three months of 2004 of €963 million was similar to that for the corresponding period in the prior year. After adjusting for the effects of exchange rate movements, the figure showed an increase of 5.2 percent. Operating profit rose by 2.8 percent to €149 million. Adverse currency effects reduced this figure by €6 million.

Linde Gas in € million	January to March		
	2004	2003	Change
Sales	963	960	0.3%
EBITA	149	145	2.8%
EBITA margin	15.5%	15.1%	-

The highest growth rate (4.8 percent) was achieved by the bulk business. Cylinder business in the first quarter of 2004 remained at a similar level to the corresponding period in 2003, with a slight reduction of 0.9 percent, while sales in the on-site segment fell by 3.9 percent due to adverse exchange rate movements and to the drop in prices for natural gas. If the exchange rate effects are ignored, for the purposes of comparison, bulk sales rose by 8.2 percent and cylinder sales by 4.0 percent, while sales in the on-site segment remained virtually unchanged with a slight increase of 0.5 percent. Our strong project situation will be reflected to a greater extent in the sales figures in 2005.

In the Healthcare segment, we achieved a 5.3 percent increase in sales. Ignoring currency effects, we again achieved double-digit growth (11.8 percent). Most of the sales growth was generated in our home-care business, partly as a result of the acquisition of the Italian company Erma.

In Europe, sales rose by 2.1 percent (or 3.9 percent after adjusting for exchange rate movements). Whereas the market in Germany remained static, high growth rates in Eastern Europe were once again an important driving force throughout the region.

Sales in North America fell by 11.2 percent in comparison with the previous year, as a result of adverse currency effects. After adjusting for exchange rate movements, sales showed an increase of 4.2 percent.

Developments in South America were extremely positive, with a 22.0 percent improvement in the sales figures. This means that we achieved double-digit growth rates in all the segments.

Our business performance in the Asia/Pacific region was also excellent. Sales rose here by 13.0 percent. In the on-site segment, we were able to continue to expand our market position in the Shanghai area of China, as a result of being awarded a contract for an air separation plant by a national steel producer. Moreover, Linde is currently in negotiations with a major chemical company regarding the construction of a synthesis gas plant.

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

Linde Engineering

Sales in the Linde Engineering division of €290 million significantly exceeded the figures for the previous year's quarter (an increase of 38.1 percent). Despite difficult economic conditions and the strength of the euro, we were able to obtain incoming orders worth €414 million. This was an increase of 12.8 percent over the first quarter of 2003.

The air separation plant segment performed particularly well, being awarded a number of major contracts, especially in China. The level of new orders in the other product areas was at the same high level as in the first quarter of 2003.

Under our cooperation agreement with the UK group BOC, we were awarded contracts for an air separation plant in China and for a hydrogen plant in the United States with a total contract volume of €80 million.

In the coming months, our regional focus for new projects will be on Asia in the air gases and synthesis gas plant segments and on the Middle East in the natural gas and petrochemical plant segments. Other market regions, especially Europe, have continued to be affected by a slow economic upturn and a low level of investment activity.

Operating profit in the Linde Engineering division increased from €3 million to €8 million. We continue to anticipate that sales and operating profit will rise for the year 2004.

Linde Engineering in € million	January to March		
	2004	2003	Change
Sales	290	210	38.1%
Incoming orders	414	367	12.8%
EBITA	8	3	-
EBITA margin	2.8%	1.4%	-

Material Handling

The Material Handling business segment achieved a significant increase in sales of 12.2 percent to €744 million. We are also pleased to report that there was an 8.9 percent increase in incoming orders to €810 million.

There was a 27.8 percent increase in EBITA to €23 million as a result of positive market trends and cost savings achieved under our successful TRIM.100 optimization program. The main downward pressure on earnings was fierce price competition in Europe.

In Western Europe, there were a number of different market trends. In Germany, Italy and the United Kingdom, the markets were static or fell slightly. The Eastern European market achieved very strong growth in incoming orders in the first quarter compared with the same period in 2003, with an increase of more than 50 percent in Poland and Russia. Setting up new branches has enabled us to adopt an even more flexible approach to the demands of the Eastern European markets and to expand our established position in this region still further.

The trends in the markets in Asia and North America are also strongly upwards. So that we can benefit from the high double-digit rates of growth, we intend to expand our product range and specifically target the needs of these regions.

In the course of 2004, we anticipate a further increase in the sales volumes of the Linde 39x counter-balanced truck, as a result of the launch of natural gas and LP gas drives onto the international market in 2003 and of higher load capacity classes.

The comparatively high number of contacts made at the Bauma trade fair in Munich indicates that there was great interest in our brands and products from both German and international visitors.

We are expecting positive market trends to continue as the year progresses; however, the upward trend evident in the first quarter might ease off slightly in the next few months. We continue to expect sales and income to rise over the year as a whole.

Material Handling in € million	January to March		
	2004	2003	Change
Sales	744	663	12.2%
Incoming orders	810	744	8.9%
EBITA	23	18	27.8%
EBITA margin	3.1%	2.7%	-

Refrigeration

Sales in the Refrigeration business segment rose in the first quarter by 7.3 percent to €132 million. New orders of €192 million were, however, 5.4 percent lower than in the first quarter of 2003.

Despite a slight increase in sales revenue, business performance in Europe continued to be under strain. Our highest growth rates were achieved in Eastern Europe, where we were able to expand our established market position. In Asia too, figures for sales and new orders were above those for the first quarter of 2003.

The operating loss (EBITA) of €29 million in the first quarter of 2004 remained at a similar level to that in the corresponding period of the previous year (2003: loss of €27 million). The operating results were adversely affected by the changeover to SAP R3.

Subject to the approval of the antitrust authorities, the Refrigeration business segment will be sold in the course of the year and will then be deconsolidated. As a result of the agreed purchase price and the contractual arrangements, we anticipate that there will be no contribution to income for the fiscal year arising from the final consolidation. The key figures for the Refrigeration business segment have been disclosed separately in the report.

Refrigeration in € million	January to March		
	2004	2003	Change
Sales	132	123	7.3%
Incoming orders	192	203	-5.4%
EBITA	-29	-27	-

Employees

Since December 31, 2003, the number of employees in the Group has risen by 226 to 46,390. Of these, 17,006 were employed in Germany and 29,384 outside Germany. The increase in the number of employees outside Germany of 431 was due to new companies being included in the consolidation and to the expansion of our activities in the Healthcare segment and in the regions of Eastern Europe and Asia.

Personnel costs increased by 2.2 percent in comparison with the first quarter of 2003 to €568 million (2003: €556 million).

The number of employees at the balance sheet date, December 31, 2003, was restated. The figures now show only employees who are still active and part-time employees on a pro-rata basis.

Number of employees	March 31, 2004	Dec. 31, 2003	Change
Group	46,390	46,164	226
Within Germany	17,006	17,211	-205
Outside Germany	29,384	28,953	431
Gas and Engineering	21,267	21,292	-25
Material Handling	18,064	17,932	132
Refrigeration	6,481	6,448	33

Finance

The cash flow from operating activities in the first quarter of 2004 was €201 million (2003: €223 million).

On balance €127 million (2003: €119 million) was required for investing activities. The level of investment was considerably below the figure for amortization and depreciation of €221 million. Taking into consideration a reduction in cash and cash equivalents of €35 million, this left an amount of €109 million, which was used to continue the repayment of financial liabilities. We have succeeded in reducing our net debt since 2001 by an amount of more than €1.4 billion.

Total assets have risen since December 31, 2003 by €109 million to €12.024 billion. The equity figure increased by €62 million to €3.948 billion. As a proportion of total assets, equity constituted 32.8 percent (December 31, 2003: 32.6 percent).

Due to the good project situation in the Linde Gas division, Group capex (excluding financial assets) will increase by €100 million to around €950 million (2003: €856 million).

Group cash flow statement in € million	January to March		Year 2003
	2004	2003	
Net income	22	11	108
Amortization and depreciation of fixed assets	221	226	913
Changes in assets and liabilities, adjusted for the effects of changes in Group structure	9	33	334
Change in leased assets	-49	-45*	-170
Special items	0	0	127
Other items	-2	-2	-31
Cash flow from operating activities	201	223	1,281
Discontinuing operation	33	35	36
Net cash from purchase/disposal of fixed assets	-128	-121	-646
Net cash from changes in securities held as current assets	1	2	-13
Net cash from purchase/disposal of subsidiaries	0	0	4
Cash flow from investing activities	-127	-119	-655
Discontinuing operation	-4	-8	-26
Dividend payments and changes in minority interests	0	0	-135
Repayment of financial liabilities	-109	-164	-290
Cash flow from financing activities	-109	-164	-425
Discontinuing operation	-34	-25	-9
Net cash inflow/outflow	-35	-60	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	5	-9	-8
Closing balance of cash and cash equivalents	527	295	557

* Prior year figure has been restated

Group income statement in € million	January to March		Year 2003
	2004	2003	
Sales	2,111	1,947	8,992
Discontinuing operation	132	123	866
Cost of sales	1,462	1,330	6,215
Gross profit on sales	649	617	2,777
Marketing and selling expenses	319	304	1,297
Research and development costs	44	42	172
Administration expenses	175	182	722
Other operating income less other operating expenses	5	15	85
Amortization of goodwill	30	32	138
Operating result before special items	86	72	533
Special items	0	0	-127
Operating profit (EBIT)	86	72	406
Discontinuing operation	-30	-28	4
Financial result	-35	-38	-119
Earnings before taxes on income	51	34	287
Discontinuing operation	-30	-29	3
Taxes on income	29	23	178
Net income before minority interests	22	11	109
Minority interests	0	0	-1
Net income	22	11	108
Discontinuing operation	-29	-28	0
Earnings per share (€)	0.18	0.09	0.91
Earnings per share (€) – fully diluted	0.18	0.09	0.91

Activities in € million	January to March		Year 2003	
	2004	2003	Change	
Gas and Engineering				
Incoming orders	1,348	1,257	7.2%	5,037
Sales	1,228	1,155	6.3%	5,031
EBITDA before special items	262	261	0.4%	1,095
EBITA before special items	157	148	6.1%	659
EBITA	157	148	6.1%	649
EBTA	135	114	18.4%	528
Linde Gas				
Incoming orders	971	968	0.3%	3,847
Sales	963	960	0.3%	3,843
EBITDA before special items	250	253	-1.2%	1,014
EBITA before special items	149	145	2.8%	598
EBITA	149	145	2.8%	588
EBTA	128	112	14.3%	470
Linde Engineering				
Incoming orders	414	367	12.8%	1,474
Sales	290	210	38.1%	1,270
EBITDA	12	8	50.0%	81
EBITA	8	3	-	61
EBTA	7	2	-	58
Material Handling				
Incoming orders	810	744	8.9%	3,116
Sales	744	663	12.2%	3,063
EBITDA before special items	99	90	10.0%	464
EBITA before special items	23	18	27.8%	156
EBITA	23	18	27.8%	96
EBTA	16	12	33.3%	68
Refrigeration (discontinuing operation)				
Incoming orders	192	203	-5.4%	891
Sales	132	123	7.3%	866
EBITDA	-24	-22	-	38
EBITA	-29	-27	-	14
EBTA	-29	-28	-	13
Group				
Incoming orders	2,358	2,211	6.6%	9,079
Sales	2,111	1,947	8.4%	8,992
EBITDA before special items	307	298	3.0%	1,444
EBITA before special items	116	104	11.5%	671
EBITA	116	104	11.5%	544
EBTA	81	66	22.7%	425

Group balance sheet in € million	March 31, 2004	Dec. 31, 2003
Assets		
Goodwill	2,888	2,892
Other intangible assets	256	252
Tangible assets	3,799	3,774
Investments in associates	143	144
Other financial assets	61	89
Leased assets	595	551
Fixed assets	7,742	7,702
Long-term current assets		
Receivables from financial services	129	127
Trade receivables	51	50
Other receivables and other assets	10	9
Deferred tax assets	143	132
Total long-term current assets	333	318
Short-term current assets		
Inventories	1,217	1,107
Receivables from financial services	64	63
Trade receivables	1,490	1,561
Other receivables and other assets	586	573
Securities	3	4
Cash and cash equivalents	527	557
Total short-term current assets	3,887	3,865
Current assets	4,220	4,183
Prepaid expenses and deferred charges	62	30
Total assets	12,024	11,915
Discontinuing operation	543	652

Group balance sheet in € million	March 31, 2004	Dec. 31, 2003
Equity and liabilities		
Capital subscribed	305	305
Capital reserve	2,595	2,595
Retained earnings	1,158	1,134
Cumulative changes in equity not recognized through the income statement	-145	-183
Equity excluding minority interests	3,913	3,851
Minority interests	35	35
Equity	3,948	3,886
Long-term provisions, liabilities and deferred income		
Provisions for pensions and similar obligations	995	983
Other long-term provisions	60	57
Deferred tax liabilities	250	266
Total long-term provisions and deferred tax liabilities	1,305	1,306
Financial liabilities	2,328	2,361
Liabilities from financial services	371	349
Trade payables	16	5
Other long-term liabilities and deferred income	179	154
Total long-term liabilities and deferred income	2,894	2,869
Discontinuing operation	4,199	4,175
Discontinuing operation	92	163
Short-term provisions, liabilities and deferred income		
Other short-term provisions	1,242	1,187
Financial liabilities	582	630
Liabilities from financial services	154	162
Trade payables	1,136	1,159
Other short-term liabilities and deferred income	763	716
Total short-term liabilities and deferred income	2,635	2,667
Discontinuing operation	3,877	3,854
Discontinuing operation	261	291
Total equity and liabilities	12,024	11,915

The reduction in the assets and liabilities of the discontinuing Refrigeration business segment at March 31, 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	Cumulated 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							0		0
Change in currency translation differences				-57			-57		-57
Financial instruments						-1	-1		-1
Net income			9				9		9
Other changes			-1				-1	2	1
As at March 31, 2003	305	2,595	1,168	-34	1	1	4,036	35	4,071
As at January 1, 2004	305	2,595	1,134	-183	0	0	3,851	35	3,886
Dividend payments							0		0
Change in currency translation differences				41			41	1	42
Financial instruments						-3	-3		-3
Net income			22				22		22
Other changes			2				2	-1	1
As at March 31, 2004	305	2,595	1,158	-142	0	-3	3,913	35	3,948

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 has been drawn up for the first time 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.

Significant events after March 31, 2004

In April 2004, Linde achieved a successful placing of a 5-year convertible bond with an issue volume of €550 million, including a fully exercised overallotment option. The coupon rate of the convertible bond is 1.25 percent. The conversion premium was fixed at 22.5 percent, which corresponds to 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 debt structure and will enable us to improve our financing terms.

Scheduled Dates

Shareholders' Meeting 2004

May 18, 2004, 10.00 am
International Congress Center, Munich

Dividend Payment

May 19, 2004

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
International Congress Center, Munich

Shareholders' Meeting 2006

May 4, 2006, 10.00 am
International Congress Center, Munich

Linde Management Roadshows 2004

Frankfurt Roadshow

May 27, 2004

London Roadshow

June 3–4, 2004

Paris Roadshow

June 17, 2004

London Roadshow

September 15, 2004

North America Roadshow

September 20–24, 2004

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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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