2001 2002 2003 2004

1 January to 30 June

Interim Report First Half 2003

Linde

Stable business performance over 2003 – despite tough environment

- Sales up 1.2 percent – plus 6.6 percent ex currency
- Operating result (before special items) down 9.6 percent in the first half of 2003 – Q2 result just below last year's – full-year forecast unchanged
- Linde Gas: Currency effects suppress earnings
- Material Handling: TRIM.100 on schedule – further optimization potential identified

Group business performance

Despite the ongoing difficult economic environment, the Linde Group increased sales by 1.2 percent to €4.167 billion during the first half of the year. Excluding exchange rate influences, this increase amounted to 6.6 percent. At €3.220 billion, foreign sales reached last year's level (€3.199 billion), while sales in Germany climbed 3.0 percent to €947 million (2002: €919 million).

Orders received fell 8.1 percent in the first six months of the year to €4.440 billion (2002: €4.830 billion), affected by a negative currency effect of €251 million. Orders received by Linde Engineering were also lower than last year.

Excluding the one-off proceeds from the disposal of an investment in Dresdner Bank AG in 2002, the Group's operating result (EBITA), at €253 million, was 9.6 percent down on last year's level (2002: €280 million). The first quarter's business performance was the main reason for this decline. During the second quarter, Material Handling was the only division to see a slight drop, with the others experiencing a year-on-year improvement.

Earnings before tax and special items rose by 4.5 percent to €115 million (2002: €110 million), mainly on the back of a significant improvement in the Group's financial result. Earnings per share were €0.44 (2002: €1.79) including exceptional items and €0.97 (2002: €2.28) excluding goodwill amortization.

Linde Group in € million	Jan.–June 2003	Jan.–June 2002	Change	Year 2002
Orders received	4,440	4,830	–8.1 %	9,322
Domestic	1,002	997	0.5 %	2,014
Foreign	3,438	3,833	–10.3 %	7,308
Sales	4,167	4,118	1.2 %	8,726
Germany	947	919	3.0 %	1,994
Rest of Europe	2,215	2,123	4.3 %	4,449
America	667	776	–14.0 %	1,479
Asia	257	232	10.8 %	641
Australia	46	38	21.1 %	89
Africa	35	30	16.7 %	74
Foreign total	3,220	3,199	0.7 %	6,732

Outlook

Prospects of an economic upturn in Europe this year improved slightly in the second quarter. Weak domestic demand and a strong export-crippling euro, however, continue to dampen growth. Recent US economic indicators and corporate newsflow have sparked hopes of growth in the second half of the year, yet this country, too, is still plagued by uncertainty. In Asia, the pace of economic recovery has picked up again now that SARS no longer poses a threat.

Economic conditions remain weak, particularly in our key markets: Germany and Europe. The external value of the euro continues to weigh on results, however, we still expect the Linde Group to see a slight improvement in sales and operating profit before exceptional items.

Gas and Engineering

The Gas and Engineering division reported a 4.0 percent increase in first-half sales to €2.420 billion. Orders received dropped from €2.825 billion to €2.494 billion (–11.7 percent) and the operating result was down by 3.8 percent to €300 million.

Linde Gas

Sales in the Linde Gas division slipped 1.9 percent to €1.919 billion (2002: €1.957 billion), but were up by a more pleasing 6.1 percent when adjusted for currency effects.

With top-line growth of 10.1 percent, the on-site business once again put in a positive performance. This was partly attributable to rising natural gas prices, which resulted in additional revenue of €20 million. While sales in the tank gas business maintained last year's level (+0.6 percent), they were down 9.1 percent in the cylinder gas business. On a comparable basis – excluding currency effects – sales in the on-site and tank gas businesses rose by 16.9 percent and 8.1 percent respectively. Accordingly, the decline in the cylinder gas business amounted to only 1.5 percent.

Healthcare sales hovered at €286 million (2002: €285 million) but showed an increase of 12.2 percent when adjusted for currency effects. Business with the medical gas, INOmax®, continued to put in a strong performance, with sales increasing 11.7 percent. Although a large portion of this increase was in the US, there were also initial signs of success on the European market.

During the first half of the year, European sales increased by 2.4 percent to €1.356 billion, with an improvement in all regions. While sales in Germany climbed 3.7 percent to €431 million, the highest growth rates were once again in Eastern Europe, where we received major orders for on-site plants – an important step towards further extending our leading regional position in this fast growing segment.

In the US, sales dropped by 8.1 percent to €419 million. On a comparable basis – excluding currency effects and the rise in natural gas prices – they grew by 5.7 percent. While the tank gas and cylinder gas businesses experienced a slowdown, the company's on-site business posted double-digit growth.

Falling exchange rates significantly impacted business performance, particularly in South America, where sales plunged 24.5 percent to €112 million. Adjusted for currency effects, they would have increased by 12.0 percent.

Asia Pacific sales rose by 11.2 percent to €32 million (25.1 percent when adjusted for currency effects). China played a key role in this positive performance, generating high growth rates, particularly in the on-site business.

At €284 million (2002: €290 million), the operating result for the first half of 2003 was slightly below last year's level, with a currency effect of €23 million and the pro-rata decline in the cylinder gas business affecting earnings. A damaged plant in Brazil was another contributory factor, which led to a loss of approximately €6 million and dampened forecasts for the full year. Whereas sales for 2003 will remain at last year's level, operating profit is likely to just fall short due to heightened currency risks and the other aforementioned factors.

Linde Engineering

Sales in the Linde Engineering division rose 30.1 percent to €536 million year-on-year (2002: €412 million). Orders received dropped 18.6 percent to €727 million (2002: €893 million). A large share of the orders were for air separation plants.

We believe that the ongoing plight of the global economy will result in less capital expenditure during the second half of the year, impacting chemical and petrochemical plants, in particular. Other product divisions have a more favorable outlook, having acquired a number of interesting projects for hydrogen and synthetic gas plants as well as air separation and natural gas liquefaction plants this year.

The Middle East has emerged unscathed from the current economic environment, with an array of projects, particularly for ethylene plants, awaiting approval over the next few months.

At €16 million, the operating result for the Linde Engineering division was €6 million below last year's level (2002: €22 million). Due to the bankruptcy of a US refinery company, it was necessary to set up provisions of €10 million to cover the potential payment default.

The aforementioned factors are set to weigh on earnings in 2003. Despite the increase in sales, it is therefore unlikely that operating profit will reach last year's level.

Material Handling

At €1.405 billion, sales in the Material Handling division were 2.6 percent below last year's level (2002: €1.442 billion). Adjusted for currency effects, they rose 0.6 percent. Orders received fell 2.9 percent to €1.490 billion (2002: €1.534 billion).

After a hopeful first quarter, business in Europe took another turn for the worse. Although orders received for industrial trucks were slightly above last year's level, the increase was primarily attributable to the high demand for small, low sales/margin warehouse trucks. There was, however, a decline in orders received for counterbalance trucks. The German market continued to reflect the European trend, whereby the drop in forklift orders was even more marked. Business in the US and Asia pursued its upward trend, with both regions reporting greater demand for counterbalance trucks in particular.

In Europe, its key sales market, the success of the recently launched Linde 39x and STILL RX 50 series led to the Linde Group substantially increasing its market share in the counterbalance truck business. We were also particularly pleased with our performance in North America as well as the strong growth reported in the P.R. China. Sales in both regions were markedly higher than the market average.

The percentage of sales contributed by the service business rose to around 39 percent. Our customers are increasingly opting for full-service contracts in order to streamline their logistics. Our broad and innovative service spectrum places us in a good position to benefit from this trend in the long term.

At €52 million, operating profit at the Material Handling division came in 10.3 percent below last year's level (2002: €58 million).

The optimization program TRIM.100 is running according to plan and will lead to savings of approximately €30 million this year. The first stage of this program has enabled us to reorganize our manufacturing structures and adjust our capacities accordingly. Up to the end of 2005, there is also further cost cutting potential over and above the current savings target of €100 million. As soon as a detailed plan has been drawn up, we will announce the associated measures.

Due to the progress made with TRIM.100, we stand by this year's forecast of an increase in earnings and a slight improvement in sales.

Refrigeration

During the first six months of the year, the Refrigeration division continued to suffer under the tough market conditions. Capital expenditure fell once again and there was no let-up in the price competition relating to international tenders.

As a result of this trend, sales fell by 3.0 percent to €328 million (2002: €338 million) during the first half of the year. At €442 million, orders received were 3.5 percent below last year's level.

Business performance in Europe varied from country to country, with sales and orders received continuing their upward trend in Eastern Europe. South American business, however, was further impacted by the region's ailing economies and falling exchange rates.

Despite negative exchange rate effects, sales in Asia were slightly up on last year. By setting up our own CKD plant in China, which is to start production in the autumn, we have secured a strategic advantage in the region. Asia and particularly China are important growth regions.

At –€23 million, the operating result remained at last year's level (2002: –€24 million) during the first six months of the year.

As we believe the difficult market environment is unlikely to change, we maintain our full-year forecast that sales and operating profit will remain around last year's level (operating profit 2002: €10 million).

Employees

Compared with year-end 2002, the number of employees in the Group rose by 136 to 46,657, of which 17,857 were employed in Germany and 28,800 abroad. Without the recent consolidation of holdings, the number of employees would have fallen by 88.

Number of Employees	06/30/2003	12/31/2002	Change
Group	46,657	46,521	136
Domestic (Germany)	17,857	18,154	–297
Foreign	28,800	28,367	433
Gas and Engineering	21,702	21,560	142
Material Handling	18,126	18,188	–62
Refrigeration	6,340	6,276	64

During the first half of 2003, operating cash flow totaled €521 million (2002: €307 million).

€347 million were required for investing activities and €135 million for dividend payments. The €230 million reduction in cash and cash equivalents to €126 million left a balance of €266 million, which was used to repay financial liabilities.

Cash Flow Statement in € million	Jan.–June 2003	Jan.–June 2002	Year 2002
Net income after minority interests	52	214	240
Depreciation and amortization of fixed assets	442	451	919
Changes in assets and liabilities, adjusted for changes in Group structure	35	–188	287
Profit on disposal of an investment	0	–165	–165
Other items	–8	–5	–7
Cash flow from operating activities	**521**	**307**	**1.274**
Net cash from purchase/disposal of fixed assets	–336	–232	–627
Net cash from changes in securities held as current assets	–7	248	259
Net cash from purchase/disposal of subsidiaries	–4	–34	–20
Cash flow from investing activities	**–347**	**–18**	**–388**
Dividend payments and changes in minority interests	–138	–137	–148
Repayment of financial liabilities	–266	–188	–540
Cash flow from financing activities	**–404**	**–325**	**–688**
Net cash inflow/outflow	–230	–36	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	–8	–1	–12
Closing balance of cash and cash equivalents	**126**	**141**	**364**

Total assets also shrank during the second quarter, falling €373 million to €11.833 billion compared to 31.12.2002. There was also a drop in fixed assets and net working capital. Due to the distribution of net profits to shareholders as well as currency effects, equity fell by €209 million to €3.877 billion. This is the equivalent to 32.8 percent of total assets (2002: 33.5 percent).

In June, Linde AG issued a subordinated bond in the amount of €400 million. This bond has stabilized our current credit rating. The proceeds from the bond issue – the first of its kind in Europe – will mainly be used to repay financial liabilities.

Wiesbaden, August, 2003

Linde AG
The Executive Board

Activities in € million	2nd Quarter 2003	2nd Quarter 2002	Changes	1st Half 2003	1st Half 2002	Changes	Year 2002
Gas and Engineering							
Orders received	1,237	1,468	–15.7 %	2,494	2,825	–11.7 %	5,322
Sales	1,265	1,188	6.5 %	2,420	2,326	4.0 %	4,839
EBITDA	259	257	0.8 %	520	541	–3.9 %	1,110
EBITA	152	146	4.1 %	300	312	–3.8 %	659
EBTA	118	98	20.4 %	232	219	5.9 %	507
Linde Gas							
Orders received	955	987	–3.2 %	1,923	1,965	–2.1 %	3,880
Sales	959	985	–2.6 %	1,919	1,957	–1.9 %	3,880
EBITDA	241	240	0.4 %	494	510	–3.1 %	1,034
EBITA	139	133	4.5 %	284	290	–2.1 %	606
EBTA	106	86	23.3 %	218	200	9.0 %	458
Linde Engineering							
Orders received	360	508	–29.1 %	727	893	–18.6 %	1,493
Sales	326	228	43.0 %	536	412	30.1 %	1,036
EBITDA	18	17	5.9 %	26	31	–16.1 %	76
EBITA	13	13	–	16	22	–27.3 %	53
EBTA	12	12	–	14	19	–26.3 %	49
Material Handling							
Orders received	746	778	–4.1 %	1,490	1,534	–2.9 %	3,053
Sales	742	757	–2.0 %	1,405	1,442	–2.6 %	2,979
EBITDA	107	109	–1.8 %	197	206	–4.4 %	433
EBITA	34	38	–10.5 %	52	58	–10.3 %	148
EBTA	27	28	–3.6 %	39	37	5.4 %	109
Refrigeration							
Orders received	239	247	–3.2 %	442	458	–3.5 %	902
Sales	205	210	–2.4 %	328	338	–3.0 %	879
EBITDA	10	6	–	–12	–14	–	32
EBITA	4	1	–	–23	–24	–	10
EBTA	4	0	–	–24	–27	–	3
Group							
Orders received	2,229	2,501	–10.9 %	4,440	4,830	–8.1 %	9,322
Sales	2,220	2,164	2.6 %	4,167	4,118	1.2 %	8,726
EBITDA	333	341	–2.3 %	631	673	–6.2 %	1,436
EBITA	149	151	–1.3 %	253	280	–9.6 %	647
EBTA	113	92	22.8 %	179	168	6.5 %	480
EBT	81	63	28.6 %	115	110	4.5 %	356

All results are before exceptional items.

Income statement
in € million

	2nd Quarter 2003	2nd Quarter 2002	1st Half 2003	1st Half 2002	Year 2002
Sales	2,220	2,164	4,167	4,118	8,726
Cost of sales	1,517	1,473	2,847	2,785	5,941
Gross profit on sales	703	691	1,320	1,333	2,785
Marketing and selling expenses	355	325	659	645	1,332
Research and development costs	41	49	83	88	171
Administration expenses	185	174	367	348	699
Balance of different expenses and earnings	27	8	42	28	65
Amortization of goodwill	32	29	64	58	124
Operating result before special items	117	122	189	222	524
Special items					
Profit on disposal of an investment	0	0	0	165	165
Costs of special restructuring schemes	0	0	0	0	137
Losse on securities (Contractual Trust Arrangement, Linde pension fund)	0	0	0	0	29
Operating profit (EBIT)	117	122	189	387	523
Financial result	−36	−59	−74	−112	−167
Earnings before taxes on income	81	63	115	275	356
Taxes on income	41	33	64	60	115
Net income before minority interests	40	30	51	215	241
Minority interests	1	−2	1	−1	−1
Net income	**41**	**28**	**52**	**214**	**240**
Earnings per share (€)	0.35	0.23	0.44	1.79	2.01

In order to harmonise this income statement with that published as part of the 2002 financial statements, the comparative figures for January to June 2002 have been reorganised between costs of sales and marketing and selling expenses. There is no figure for diluted earnings per share in 2003 or 2002. EPS before exceptional items amounted to €0.41 during H1 2002.

Balance sheet
in € million

	6/30/2003	12/31/2002
Assets		
Intangible assets	3,182	3,246
Tangible assets	3,897	4,066
Financial assets	148	159
Leased assets	576	566
Fixed assets	7,803	8,037
Inventories	1,154	994
Receivables from financial services	179	178
Other receivables and assets	2,242	2,347
Securities and liquid assets	245	480
Current assets	3,820	3,999
Deferred taxes and deferred charges	210	170
Total Assets	**11,833**	**12,206**
Liabilities		
Equity	3,877	4,086
Minority interests	28	33
Provisions	2,255	2,146
Financial liabilities	3,016	3,294
Liabilities from financial services	499	499
Other liabilities	1,629	1,586
Deferred taxes and deferred income	529	562
Total equity and liabilities	**11,833**	**12,206**

Consolidated statement of changes in Group equity in € million	Capital subscribed	Capital reserve	Retained earnings	Cumulative changes in equity not recognized through the income statement			Total
				Currency translation differences	Revaluation of securities at fair value	Derivative financial instruments	
As of January 1, 2002	305	2,595	1,047	256	113	−3	4,313
Dividend payments			−135				−135
Change in currency translation differences				−130			−130
Financial instruments					−112	4	−108
Net income			214				214
Other changes			2				2
As of June 30, 2002	305	2,595	1,128	126	1	1	4,156
As of January 1, 2003	305	2,595	1,160	23	1	2	4,086
Dividend payments			−135				−135
Change in currency translation differences				−120			−120
Financial instruments					2	−4	−2
Net income			52				52
Other changes			−4				−4
As of June 30, 2003	305	2,595	1,073	−97	3	−2	3,877

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 fot the annual report 2002.

Scheduled Dates

Fall Press Conference
November 13, 2003
Wiesbaden

Interim Report January – September 2003
November 13, 2003

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
International Congress Center, Munich

Shareholders' Meeting 2005
June 8, 2005, 10.00 am
International 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.