Linde Interim Report.
January to March 2012.

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THE LINDE GROUP

Linde financial highlights

in € million		January to March 2012	2011	Change
Share				
Closing price	€	134.55	111.45	20.7 %
Year high	€	134.55	112.95	19.1 %
Year low	€	116.95	102.35	14.3 %
Market capitalisation (at closing price on 31 March)		23,016	18,980	21.3 %
Adjusted earnings per share[1]	€	1.89	1.88	0.5 %
Earnings per share – undiluted	€	1.68	1.67	0.6 %
Number of shares outstanding (in 000s)		171,061	170,297	0.4 %
Revenue		3,505	3,325	5.4 %
Operating profit[2]		808	761	6.2 %
Operating margin		23.1 %	22.9 %	+ 20 bp[4]
EBIT before amortisation of fair value adjustments		537	507	5.9 %
Profit for the period		308	303	1.7 %
Number of employees[3]		50,189	50,417	– 0.5 %
Gases Division				
Revenue		2,855	2,662	7.3 %
Operating profit		784	727	7.8 %
Operating margin		27.5 %	27.3 %	+ 20 bp[4]
Engineering Division				
Revenue		601	591	1.7 %
Operating profit		73	62	17.7 %
Operating margin		12.1 %	10.5 %	+ 160 bp[4]

[1] Adjusted for the effects of the purchase price allocation.

[2] EBITDA including share of profit or loss from associates and joint ventures.

[3] At 31 March 2012/31 December 2011.

[4] Basis points.

Linde Interim Report. January to March 2012.

January to March 2012: Linde continues to achieve profitable growth

→ Group revenue up 5.4 percent to EUR 3.505 bn
→ Group operating profit[1] increases by 6.2 percent to EUR 808 m
→ Group operating margin rises to 23.1 percent (2011: 22.9 percent)
→ Short-term and medium-term Group outlook confirmed:
  - 2012: Increase in revenue and operating profit expected
  - 2014: Targets for operating profit of at least EUR 4 bn and ROCE[2] of at least 14 percent

[1] Operating profit: EBITDA including share of profit or loss from associates and joint ventures.
[2] Return on capital employed based on the definition given on page 046 of the 2011 Financial Report.

Group Interim Management Report

General economic environment[1]

The global economy continued to grow in the first quarter of 2012, although as expected this was at a slower pace than in the first quarter of 2011. Economic experts are moderately optimistic about the rest of the year. Given that global gross domestic product (GDP) rose by 2.7 percent in 2011 according to data provided by the international forecasting institute The Economist Intelligence Unit Ltd. (EIU)[2], economists are currently predicting an increase of 2.2 percent for the full year 2012. Global industrial production (IP) is expected to rise by 2.8 percent over the year 2012 (2011: 3.5 percent).

Uncertainty still exists as to the extent, sustainability and intensity of the global economic recovery. The main factors hampering a robust global economy are high levels of sovereign debt, volatile exchange rates and relatively high unemployment levels in the US and in some European countries. Moreover, the continuing strength of the economy in the newly industrialised nations entails inflation risks. Political conflict in parts of the Arab world and a further increase in the price of oil and raw materials might also have an adverse effect on general economic trends.

Economists are expecting structural development potential in the growth markets will remain the major driver of global economic growth for the foreseeable future. In the long term, most investment momentum will come from global megatrends, energy, the environment and health.

Economic experts are continuing to forecast very different rates of growth in 2012 in the various regions. EIU is expecting the fastest rates of growth to continue to be in the Asia/Pacific region, where GDP is forecast to rise by 6.1 percent (31 December 2011: 6.4 percent). China is once again expected to be out in front, with economic output predicted to rise by 8.3 percent (31 December 2011: 9.2 percent). EIU expects strong growth to continue in India too, with a forecast increase in GDP of 7.0 percent (31 December 2011: 7.1 percent). It estimates a rise in GDP in Australia of 2.9 percent (31 December 2011: 2.0 percent).

Significantly weaker growth is forecast in the EMEA region (Europe, Middle East and Africa). Here, EIU expects only a slight increase in GDP of 0.3 percent (31 December 2011: 2.2 percent). Meanwhile, the Institute is predicting a decline in economic output of 0.6 percent in the eurozone. GDP in Germany is expected to rise by 0.1 percent (31 December 2011: 3.1 percent). In Eastern Europe, on the other hand, the forecast is for economic growth of 2.3 percent (31 December 2011: 4.0 percent), while in the Middle East growth is expected to be high, at 4.4 percent (31 December 2011: 5.6 percent). Economic experts are predicting relatively robust economic trends in Africa, with an increase in GDP of 4.2 percent (31 December 2011: 4.4 percent).

The current forecast for the Americas region in 2012 is for growth of 2.4 percent (31 December 2011: 2.2 percent). EIU recently revised its estimate of GDP growth in the United States up to 2.2 percent (31 December 2011: 1.7 percent) and revised its estimate of GDP growth in South America down from the forecast made at 31 December 2011 of 4.5 percent to the current figure of 3.9 percent.

Group

The technology company The Linde Group continued to achieve profitable growth in the first quarter of 2012, with increases in Group revenue and Group operating profit. In the first three months of the current financial year, Group revenue rose by 5.4 percent to EUR 3.505 bn, compared with EUR 3.325 bn for the first three months of 2011. After adjusting for exchange rate effects, the increase in revenue was 3.1 percent. In the first quarter of 2012, the Group's share of revenue from its interest in joint ventures (which is not disclosed in Group revenue) was EUR 124 m (2011: EUR 100 m).

[1] The data given in the "General economic environment" section has until now been supplied by the forecasting institute IHS Global Insight. Since the beginning of the 2012 financial year, Linde has been using data provided by renowned international firm The Economist Intelligence Unit Ltd.

Linde increased Group operating profit by 6.2 percent to EUR 808 m (2011: EUR 761 m) partly as a result of the rigorous implementation of its HPO (High Performance Organisation) programme, a holistic concept for sustainable process optimisation and productivity gains. The Group was able to continue to improve its profitability, despite the fact that one-off income of EUR 16 m relating to the amendment made to UK pension plans was included in operating profit in the first quarter of 2011 as part of Corporate activities.

In the first quarter of 2012, the Group operating margin rose to 23.1 percent (2011: 22.9 percent).

The net financial expense in the three months ended 31 March 2012 was EUR 92 m (2011: EUR 49 m). Various factors need to be taken into consideration when comparing the figures for the first quarter of 2012 with those of the prior-year period. The figure for the first quarter of 2011 includes one-off income of EUR 30 m arising from the repayment of a loan relating to the 2007 sale of BOC Edwards. Moreover, in the first quarter of 2012, Linde had both a higher level of securities, cash and cash equivalents (freely available funds) and a higher level of gross financial debt than in the first quarter of 2011. Some of the freely available funds are being held in readiness for the repayment of debt in the second quarter of 2012 and for the acquisition of Air Products' Continental European homecare business (see the Gases Division section). As expected, the interest income arising from the freely available funds did not fully compensate for the rise in interest expenses resulting from the increase in gross financial debt.

As a result of the factors described above, Linde generated profit before tax of EUR 384 m, just below the high figure achieved in the first quarter of 2011 of EUR 397 m. Profit for the period, on the other hand, increased slightly in the first quarter of 2012, by 1.7 percent to EUR 308 m (2011: EUR 303 m). The income tax expense fell from EUR 94 m in the first quarter of 2011 to EUR 76 m in the first quarter of 2012. The reduction was due in part to the release of a tax provision following the completion of the tax audit of a foreign subsidiary and also to a positive one-off effect resulting from an adjustment to the deferred tax liability as a result of the drop in the UK tax rate.

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 287 m (2011: EUR 284 m). This gives earnings per share of EUR 1.68 (2011: EUR 1.67). On an adjusted basis, i.e. after adjusting for the effects of the purchase price allocation from the BOC acquisition, earnings per share stood at EUR 1.89 (2011: EUR 1.88).

Gases Division

The slight increase in economic output in the first quarter of 2012 compared with the first quarter of 2011 also fuelled demand for gases worldwide. Linde was able to benefit from this positive trend in all product areas. The Group has a global footprint and a strong market position especially in the emerging economies.

Revenue in the Gases Division in the first three months of 2012 grew 7.3 percent to EUR 2.855 bn, compared with the figure of EUR 2.662 bn for the prior-year period. On a comparable basis, i.e. after adjusting for exchange rate effects and changes in the price of natural gas, the increase in revenue was 4.1 percent. The Group's share of revenue from its interests in joint ventures (not included in the revenue of the division) rose to EUR 122 m (2011: EUR 100 m).

Linde's Gases Division achieved a 7.8 percent increase in operating profit to EUR 784 m (2011: EUR 727 m). One of the factors which had a positive impact on this upward trend was the continuing implementation of Linde's HPO measures. The operating margin rose to 27.5 percent, exceeding the high figure achieved in the first three months of 2011 of 27.3 percent. The share of profit or loss from associates and joint ventures in the Gases Division disclosed in operating profit in the first quarter of 2012 was EUR 21 m (2011: EUR 17 m).

Business trends in the individual segments in the Gases Division make it clear that the pace of economic recovery still varies from region to region. In the first three months of 2012, the highest growth rates were once again to be seen in the emerging economies. Robust trends were also visible in North America, whereas the increase in demand in Western Europe was relatively modest.

EMEA

In the EMEA reportable segment (Europe, Middle East, Africa), Linde achieved revenue growth of 3.7 percent in the first three months of 2012 to EUR 1.445 bn (2011: EUR 1.393 bn). On a comparable basis, the growth in revenue was 3.3 percent. Operating profit increased by 4.8 percent to EUR 414 m (2011: EUR 395 m). This resulted in an operating margin of 28.7 percent (2011: 28.4 percent). Here too, the continuous implementation of the various productivity improvement and process standardisation initiatives under the HPO programme contributed to the positive trend.

Although the economic recovery in the EMEA segment in the first quarter of 2012 was not as strong as in the prior-year period, Linde was able to achieve growth in all the regions of the segment. It also succeeded in winning major orders during the reporting period and in paving the way for a strategic acquisition in the healthcare product area.

An example of this success was the conclusion of an agreement to supply on-site gases to Sadara Petrochemical Company (Sadara) in Jubail, Saudi Arabia. Linde will invest USD 380 m to provide Sadara, a joint venture between the Saudi Arabian Oil Company (Saudi Aramco) and The Dow Chemical Company (Dow), with long-term supplies of carbon monoxide (CO), hydrogen (H_2) and ammonia (NH_3) at one of the world's largest chemical complexes. This is Linde's biggest on-site petrochemical project in the region and the very first in Jubail. The order will reinforce the Group's world-leading position in the production and supply of carbon monoxide for MDI and TDI manufacturing on integrated chemical sites. The petrochemical segment in Saudi Arabia is an area of dynamic growth. Linde expects this major project to generate considerable momentum for the continuing expansion of its gases and engineering businesses in the Middle East. Linde's Engineering Division will design, supply and build new turnkey gases plants on Sadara's site in the petrochemical cluster Jubail 2 (see also Engineering Division section). The production plants should be completed in 2015.

In January 2012, Linde signed an agreement to acquire the Continental European homecare business of the gases company Air Products at an enterprise value of EUR 590 m. In 2011, this business achieved revenue of EUR 210 m with around 850 employees. The transaction covers Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain and all the legal formalities were completed at the end of April 2012 (see Significant events after the balance sheet date). Homecare is the term applied to medical services relating to the treatment of patients in settings other than hospitals. These include respiratory services such as oxygen therapy, sleep therapy and ventilation services. Healthcare is one of three strategic areas where Linde expects to achieve above-average rates of growth. It is a stable business which will continue to benefit from demographic trends. Linde is the second largest supplier of medical gases and related maintenance and advisory services in the world and this acquisition will strengthen its product portfolio. The Group is laying good foundations for the development of new treatment methods and care plans.

Asia/Pacific

In the Asia/Pacific reportable segment, Linde achieved revenue growth of 14.3 percent in the first three months of 2012 to EUR 808 m (2011: EUR 707 m). On a comparable basis, the increase in revenue was 4.8 percent. Growth in the first quarter was adversely impacted by stagnating demand in the market for electronic gases. Revenue trends during the reporting period were also affected by plant stoppages in South and East Asia.

Operating profit was up 11.2 percent to EUR 218 m (2011: EUR 196 m). This resulted in an operating margin of 27.0 percent (2011: 27.7 percent). When comparing the operating margin for the first three months of 2012 with that for the first three months of 2011, factors to be taken into account are the pass-through of increases in the price of natural gas and the up-front investment required to grow the business and employ new staff in the rapidly expanding Asian market, especially in China. To sustain high levels of profitability, Linde is also continuing with the rigorous implementation of its HPO concept in the Asia/Pacific segment.

Within the Asia/Pacific segment, Linde achieved its fastest business expansion in the Greater China region. However, during the reporting period, it also achieved revenue growth in the South Pacific region and in South and East Asia.

In the on-site business, the Group was awarded a number of new contracts in the first quarter of 2012 which will further strengthen its business in the Asia/Pacific region.

Linde will, for example, supply gases to the chemical company Dahua Group at its site on Songmu Island in Dalian in north-eastern China. Under this EUR 70 m on-site contract, Linde will acquire two existing air separation units (ASUs) from the customer in Dalian and assume their operation. In addition, Linde's Engineering Division will construct a new air separation plant on the site with a production capacity of 38,000 normal cubic metres of oxygen per hour (nm^3/h). The new ASU will come on stream in 2014. This will replace both the old plants and will supply additional quantities of gaseous oxygen to meet the rising demand for gases from the chemical company in Dalian. The new ASU will also produce liquefied gases for the regional gases market. Moreover, the two companies have agreed to form a 50:50 joint venture which will ensure the local supply of gases. The Linde-Dahua (Dalian) Gases Company, Ltd. will also supply gaseous and liquefied gases products and will offer engineering services to neighbouring industrial complexes. Supplementing the existing joint venture for CO_2 business, this is the second joint venture partnership between the two companies in Dalian. This project will enable Linde to strengthen its position as a leading gases and engineering company in the growth market of China.

Furthermore, during the reporting period Linde increased the scope of its existing contract to supply gases to the Chinese LED manufacturer Kaistar. Under the new agreement, Linde will supply the company with liquefied gases and high-purity ammonia on its production site in Xiamen, China. Kaistar requires the high-purity ammonia for the manufacture of high-grade LED devices. Kaistar is a joint venture between Epistar Taiwan, a world-leading manufacturer of LED chips and the China Electronics Corporation.

Linde also concluded a major on-site contract in New Zealand in the first quarter of 2012 for the long-term supply of industrial gases to the steel-producer New Zealand Steel on the Glenbrook site (around 60 kilometres south of Auckland). The agreement comprises a new separation unit (ASU) and the installation of gas supply systems. Linde will invest around EUR 56 m in this project. With the new gas supply infrastructure, Linde will be able to serve its expanding customer base in New Zealand more efficiently and cost-effectively. In addition to supplying air gases to the steelworks, the ASU will also produce large quantities of liquefied oxygen, nitrogen and argon for the regional market in New Zealand. The plant should be completed in December 2013.

Americas

In the Americas reportable segment, Linde achieved revenue growth of 7.8 percent in the first three months of 2012 to EUR 625 m (2011: EUR 580 m). On a comparable basis, the increase in revenue here was 5.9 percent.

Operating profit rose by 11.8 percent to EUR 152 m (2011: EUR 136 m). Factors contributing to this increase in earnings were higher capacity utilisation of plants and the progress made by Linde in the implementation of HPO. At 24.3 percent, the operating margin exceeded the figure for the first three months of 2011 of 23.4 percent by 90 basis points.

In North America, the improvement in the general economic situation also resulted in higher demand for industrial gases. The Group saw above-average trends in its on-site and cylinder gas business, especially for the Canadian market.

As a result of relatively robust economic trends, Linde achieved double-digit growth in South America in the first quarter of 2012. It was able to continue to strengthen its position in particular in its on-site business and in the market for medical gases.

Product areas

The performance of the individual product areas confirms the steady trends overall in the Gases Division. Linde achieved its highest rate of growth in the liquefied gases business. Revenue in this product area rose on a comparable basis by 6.4 percent to EUR 811 m at 31 March 2012 (2011: EUR 762 m). The Group also achieved increases in revenue in its cylinder gas business and on-site business (where Linde supplies gases on site to major customers). In the cylinder gas product area, revenue rose to EUR 1.022 bn, 3.0 percent higher on a comparable basis than the figure for the first quarter of 2011 of EUR 992 m. The on-site business also achieved revenue growth of 3.0 percent on a comparable basis, despite plant stoppages, with revenue rising to EUR 712 m (2011: EUR 691 m).

The Healthcare product area continued to give a robust performance, with revenue increasing on a comparable basis by 4.0 percent to EUR 310 m (2011: EUR 298 m).

Gases Division

	January to March					
	2012			2011		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,445	414	28.7	1,393	395	28.4
Asia/Pacific	808	218	27.0	707	196	27.7
Americas	625	152	24.3	580	136	23.4
Consolidation	–23	–	–	–18	–	–
Gases Division	**2,855**	**784**	**27.5**	**2,662**	**727**	**27.3**

Engineering Division

In the first quarter of 2012, the Engineering Division achieved a 1.7 percent increase in revenue to EUR 601 m (2011: EUR 591 m). The very successful execution of a number of individual projects meant that Linde was able to increase operating profit in its plant construction business at a faster rate than revenue, by 17.7 percent to EUR 73 m (2011: EUR 62 m). The operating margin rose to 12.1 percent (2011: 10.5 percent), again significantly exceeding the medium-term target of 8 percent.

Order intake was EUR 759 m in the quarter ended 31 March 2012, 70.9 percent above the figure for the first quarter of 2011 of EUR 444 m. This positive trend was due in particular to the major contract in Saudi Arabia awarded to Linde's Engineering Division in the first quarter by the Group's Gases Division. The USD 380 m order is for the turnkey construction of a two-stream HyCo plant plus a single-stream ammonia plant with a large storage tank. The new plants will enable Linde to provide long-term supplies of carbon monoxide (CO), hydrogen (H_2) and ammonia (NH_3) to Sadara Petrochemical Company (Sadara) in Jubail at one of the world's largest chemical complexes (see also Gases Division section).

This order is confirmation of Linde's integrated business model and an example of the way in which the Group's Engineering Division supports the targeted expansion of the on-site business in the Gases Division.

Order intake was characterised not only by this substantial project, but also, as in previous quarters, by a number of small and medium-sized new orders. Considerably more than half of incoming orders came from Asia and the Middle East. These also include several projects won by Linde's subsidiary Cryostar from South Korean shipyards. These projects, with a total volume of EUR 80 m, will see The Linde Group supplying cryogenic compressors and heat exchangers for operations aboard liquefied natural gas ships. Most of the other orders were from Europe and North America.

In addition, Linde was awarded a USD 95 m contract during the reporting period in the market for the efficient exploitation of shale gas reserves in North America, thereby continuing to improve its position in this promising business.

Around 45 percent of the order intake was generated in the hydrogen and synthesis gas plant product area. The natural gas plant and air separation plant product areas also contributed to the high level of incoming orders, with 20 percent of the total each, while the rest of the orders were spread across the remaining types of plant.

Given the positive trends in orders, the order backlog in the Engineering Division grew in the course of the first quarter of 2012. At 31 March 2012, it had risen to EUR 3.695 bn (31 December 2011: EUR 3.600 bn).

During the reporting period, Linde's Engineering Division entered into an agreement with the Hamburg Port Authority (Germany) to work together to promote the use of liquefied natural gas (LNG) as an environmentally friendly fuel. To this end, Linde will conduct an extensive feasibility study on the cost-effective use of LNG in the port of Hamburg, the results of which should be available in mid-2012.

In the first quarter of 2012, the Engineering Division also acquired Carbo-V® technology from the company Choren Industries GmbH in Freiberg, Germany. This is a multi-stage process for biomass gasification which may be used by Linde as licensor or by Linde itself.

Engineering Division

	January to March	
in € million	2012	2011
Revenue	601	591
Order intake	759	444
Order backlog at 31.03./31.12.	3,695	3,600
Operating profit	73	62
Operating margin	12.1 %	10.5 %

Engineering Division – Order intake by region

	January to March			
in € million	2012	in percent	2011	in percent
Asia/Pacific	241	31.8	144	32.4
North America	102	13.4	135	30.4
Europe	114	15.0	118	26.6
Middle East	271	35.7	21	4.8
South America	25	3.3	17	3.8
Africa	6	0.8	9	2.0
Total	**759**	**100.0**	**444**	**100.0**

Engineering Division – Order intake by plant type

	January to March			
in € million	2012	in percent	2011	in percent
Natural gas plants	157	20.7	141	31.8
Air separation plants	191	25.2	121	27.3
Olefin plants	20	2.6	68	15.3
Hydrogen and synthesis gas plants	333	43.9	62	14.0
Other	58	7.6	52	11.6
Total	**759**	**100.0**	**444**	**100.0**

Finance

Cash flow from operating activities for the first quarter of 2012 was EUR 385 m. When comparing this with the figure for the prior-year period of EUR 440 m, the main item to be considered is the cash inflow of EUR 59 m from the early repayment of the loan relating to the 2007 sale of BOC Edwards which was recognised in the first quarter of 2011. A lower level of advance payments received from customers also had an adverse impact on cash flow from operating activities. Cash flow from investing activities is net of payments during the reporting period for investments in tangible and intangible assets and plants held under leases in accordance with IFRIC 4 of EUR 321 m, significantly exceeding the figure for the prior-year period of EUR 237 m. The net cash outflow from investment activities in the three months ended 31 March 2012 was EUR 281 m (2011: net cash outflow of EUR 207 m). Net cash inflow (free cash flow before financing activities) fell as a result by EUR 129 m to EUR 104 m (2011: EUR 233 m).

Total assets have remained virtually unchanged at EUR 28.969 bn, compared with the figure of EUR 28.915 bn at 31 December 2011. Non-current assets comprised a significant proportion of total assets (EUR 22.867 bn at 31 March 2012 and EUR 23.071 bn at 31 December 2011). Goodwill, included under this heading, declined by EUR 26 m, mainly as a result of exchange rate effects. Tangible assets decreased from EUR 9.030 bn to EUR 9.008 bn. Other intangible assets also fell, from EUR 3.300 bn to EUR 3.233 bn. The decline in both tangible and other intangible assets was due primarily to amortisation, depreciation and exchange rate movements. Investment in tangible assets had the opposite effect. Receivables from finance leases fell during the reporting period by EUR 19 m as a result of scheduled amortisation of lease receivables. Current assets rose by EUR 258 m. Contributory factors here were the EUR 60 m increase in inventories and the EUR 106 m increase in trade receivables.

Equity rose by EUR 133 m from EUR 12.144 bn at 31 December 2011 to EUR 12.277 bn at 31 March 2012. This increase was mainly as a result of the profit for the period of EUR 308 m. Items which had the opposite effect on equity were actuarial losses arising from the remeasurement of pension obligations and exchange rate movements. At 42.4 percent, the equity ratio at 31 March 2012 prior to the payment of the dividend was slightly below the figure of 42.0 percent at 31 December 2011.

Net financial debt comprises gross financial debt less securities intended to be held long term, short-term securities, cash and cash equivalents. Net financial debt has remained stable at EUR 5.095 bn when compared with the figure at 31 December 2011. The dynamic indebtedness factor (net financial debt to operating profit for the past twelve months) of 1.6 is the same at 31 March 2012 as it was at 31 December 2011. The Group's gearing (the rate of net debt to equity) fell slightly to 41.5 percent (31 December 2011: 41.9 percent).

The Linde Group is financed on a long-term basis, as can be seen from the maturity profile of the financial debt. Of the gross financial debt of EUR 7.818 bn (31 December 2011: EUR 7.768 bn), EUR 1.414 bn (31 December 2011: EUR 1.277 bn) is disclosed as current and EUR 6.404 bn (31 December 2011: EUR 6.491 bn) as non-current financial debt. Over 75 percent of the financial debt has a due date later than 2013.

Gross financial debt repayable within one year is matched by short-term securities of EUR 1.069 bn, cash and cash equivalents of EUR 1.053 bn and a EUR 2.5 bn syndicated credit facility available until 2015 which is not currently drawn down. At 31 March 2012, available liquidity was therefore EUR 3.208 bn. If the securities intended to be held long term of EUR 601 m are also taken into account, available liquidity was EUR 3.809 bn. In the second quarter of 2012, Linde will use part of this liquidity to make a redemption payment for a bond of EUR 724 m and to pay the purchase price of EUR 590 m for the acquisition of Air Products' Continental European homecare business.

Employees

The number of employees in The Linde Group worldwide at 31 March 2012 was 50,189 (31 December 2011: 50,417). Of this number, 39,081 were employed in the Gases Division and 6,349 in the Engineering Division. The majority of the 4,759 staff in the Other Activities segment are employed by Gist, Linde's logistics service provider.

Group – Employees by reportable segment

	31.03.2012	31.12.2011
Gases Division	39,081	39,031
EMEA	20,819	20,920
Asia/Pacific	10,965	10,868
Americas	7,297	7,243
Engineering Division	6,349	6,319
Other Activities	4,759	5,067
Group	**50,189**	**50,417**

Outlook

Group

Leading economic research institutes are forecasting an economic downturn in the current year 2012. They expect smaller increases in both global gross domestic product (GDP) and worldwide industrial production (IP) in 2012 than in 2011. The economic experts are projecting that trends will improve somewhat again in 2013 and 2014. Uncertainty remains, however, as to the sustainability and pace of economic recovery. The main factors which might impede robust global economic growth include high levels of sovereign debt, volatile exchange rates and continuing relatively high levels of unemployment in the US and in some European countries, as well as the prevailing uncertain political situation in some countries in the Arab world.

Based on current economic predictions and prevailing exchange rates and given business trends in the first three months of 2012, Linde confirms its forecast for the current year. The Group continues to assume that it will be able to achieve a higher level of Group revenue and Group operating profit in the 2012 financial year than in 2011.

Linde also remains committed to its medium-term targets. The Group continues to aim to generate Group operating profit of at least EUR 4 bn and to achieve in the same year return on capital employed[1] (ROCE, the Group's core performance indicator) of at least 14 percent.

Linde anticipates that it will continue to benefit in the coming years from megatrends such as energy and the environment and health as well as from dynamic growth in the emerging economies.

The Group will also continue to improve its business processes and remains committed to the systematic implementation of its holistic concept for sustainable productivity gains (High Performance Organisation or HPO). As a result of applying the HPO programme, Linde is still expecting to achieve a reduction in gross costs in the four-year period from 2009 to 2012 of between EUR 650 m and EUR 800 m.

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a somewhat slower rate in 2012 than in 2011. Linde remains committed to its original target in the gases business of growing at a faster pace than the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline, which will continue to make a substantial contribution to revenue and earnings trends for the rest of the 2012 financial year and especially in subsequent years. The Group expects its liquefied gases and cylinder gas business to perform in line with macroeconomic trends. In the Healthcare product area, Linde is anticipating continuing steady growth. Additional momentum will be generated here by the acquisition of Air Products' Continental European homecare business.

Against this background, Linde continues to expect that revenue generated by the Gases Division in the 2012 financial year will exceed revenue generated in 2011 and that operating profit will improve.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business during the rest of the financial year. At almost EUR 3.7 bn, the order backlog in Linde's Engineering Division at 31 March 2012 remains at a high level, creating a good basis for a solid business performance over the next two years. The Group continues to expect to achieve the same level of revenue in its plant construction business in the 2012 financial year as in 2011. Linde is still anticipating that it will achieve an operating margin in the current financial year of at least 10 percent. In the medium term, the target for the operating margin remains at 8 percent.

[1] Return on capital employed based on the definition given on page 046 of the 2011 Financial Report.

Linde is well-positioned in the international market for olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants, and will derive lasting benefit in particular from investment in two structural growth areas: energy and the environment.

Risk report

Uncertainty about future global economic trends continues. In addition to the risk of a drop in revenue volumes if there is another economic slowdown, the Group is also exposed to the risk of the loss of new business and an increase in the risk of bad debts in its operating business due to the increase in the inability of customers to make payments (counterparty risk). The high level of volatility in the financial markets continues to make it difficult to arrive at an accurate assessment of the future net assets, financial position and results of operations of The Linde Group.

The risk situation for Linde as described in the 2011 Financial Report has not changed in the three months ended 31 March 2012.

Changes in the composition of the Executive Board

During the 2011 financial year, the Supervisory Board of Linde AG appointed Thomas Blades to the Executive Board. Blades succeeded J. Kent Masters, who stepped down from the Linde AG Executive Board on 30 September 2011. Blades assumed his position on 8 March 2012. Like his predecessor, Mr Masters, Mr Blades is the Executive Board member with responsibility for the Group’s gases business in North and South America, the liquefied gases and cylinder gas business and global healthcare operations.

Events after the balance sheet date

On 18 April 2012, the European Commission issued its unconditional approval of the acquisition of the Continental European homecare business of the gases company Air Products by Linde AG. Following this decision, the legal formalities relating to the transaction were completed on 30 April 2012.

The acquisition comprises Air Products’ homecare operations in Belgium, France, Germany, Portugal and Spain. This business, acquired by Linde at an enterprise value of EUR 590 m, generated revenue in 2011 of EUR 210 m with around 850 employees.

Homecare is the term applied to medical services relating to the treatment of patients in settings other than hospitals. It comprises respiratory services such as oxygen therapy, sleep therapy and ventilation services. Linde generated revenue of EUR 300 m in this area in the 2011 financial year. In the Healthcare product segment, which comprises not only Homecare but also Hospital Care (the supply of medical gases and services to hospitals), Linde generated revenue in the 2011 financial year of around EUR 1.2 bn. Linde is the second largest supplier of medical gases and related services in the world.

Group statement of profit or loss

	January to March	
in € million	2012	2011
Revenue	3,505	3,325
Cost of sales	2,225	2,129
Gross profit	**1,280**	**1,196**
Marketing and selling expenses	522	485
Research and development costs	24	24
Administration expenses	308	284
Other operating income	60	73
Other operating expenses	32	45
Share of profit or loss from associates and joint ventures (at equity)	22	15
Financial income	74	112
Financial expenses	166	161
Profit before tax	**384**	**397**
Taxes on income	76	94
Profit for the period	**308**	**303**
attributable to Linde AG shareholders	287	284
attributable to non-controlling interests	21	19
Earnings per share in € – undiluted	1.68	1.67
Earnings per share in € – diluted	1.67	1.65

Group statement of comprehensive income

	January to March	
in € million	2012	2011
Profit for the period	308	303
Other comprehensive income (net of tax)	–149	–505
Unrealised gains/losses on available-for-sale financial assets	–3	–
Unrealised gains/losses on derivative financial instruments	47	143
Currency translation differences	–132	–626
Actuarial gains/losses on pension provisions	–85	–24
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	24	2
Total comprehensive income	159	–202
attributable to Linde AG shareholders	143	–187
attributable to non-controlling interests	16	–15

Group statement of financial position

in € million	31.03.2012	31.12.2011
Assets		
Goodwill	7,842	7,868
Other intangible assets	3,233	3,300
Tangible assets	9,008	9,030
Investments in associates and joint ventures (at equity)	754	754
Other financial assets	891	918
Receivables from finance leases	283	302
Other receivables and other assets	506	526
Income tax receivables	5	5
Deferred tax assets	345	368
Non-current assets	22,867	23,071
Inventories	1,096	1,036
Receivables from finance leases	49	50
Trade receivables	2,136	2,030
Other receivables and other assets	596	558
Income tax receivables	103	97
Securities	1,069	1,073
Cash and cash equivalents	1,053	1,000
Current assets	6,102	5,844
Total assets	28,969	28,915

Group statement of financial position

in € million	31.03.2012	31.12.2011
Equity and liabilities		
Capital subscribed	438	438
Capital reserve	5,270	5,264
Revenue reserves	5,968	5,752
Cumulative changes in equity not recognised through the statement of profit or loss	67	150
Total equity attributable to Linde AG shareholders	**11,743**	**11,604**
Non-controlling interests	534	540
Total equity	**12,277**	**12,144**
Provisions for pensions and similar obligations	981	938
Other non-current provisions	477	445
Deferred tax liabilities	1,931	2,012
Financial debt	6,404	6,491
Liabilities from finance leases	33	33
Trade payables	3	6
Other non-current liabilities	195	194
Liabilities from income taxes	102	96
Non-current liabilities	**10,126**	**10,215**
Other current provisions	1,502	1,455
Financial debt	1,414	1,277
Liabilities from finance leases	12	13
Trade payables	2,500	2,712
Other current liabilities	1,006	996
Liabilities from income taxes	132	103
Current liabilities	**6,566**	**6,556**
Total equity and liabilities	**28,969**	**28,915**

Group statement of cash flows

	January to March	
in € million	2012	2011
Profit before tax	384	397
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	332	315
Profit/loss on disposal of non-current assets	–6	–6
Net interest	81	71
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	6	6
Share of profit or loss from associates and joint ventures (at equity)	–22	–15
Distributions/dividends received from associates and joint ventures	3	4
Income taxes paid	–73	–68
Changes in assets and liabilities		
Change in inventories	–65	–57
Change in trade receivables	–116	–93
Change in provisions	69	–52
Change in trade payables	–137	–30
Change in other assets and liabilities	–71	–32
Cash flow from operating activities	385	440
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–321	–237
Payments for investments in consolidated companies	–	–5
Payments for investments in financial assets	–3	–8
Payments for investments in securities	–4	–
Proceeds on disposal of securities	3	3
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	27	21
Proceeds on disposal of non-current assets held for sale and disposal groups	–	11
Proceeds on disposal of financial assets	17	8
Cash flow from investing activities	–281	–207

Group statement of cash flows

	January to March	
in € million	2012	2011
Dividend payments to Linde AG shareholders and non-controlling interests	–3	–
Cash outflows for purchase of non-controlling interests	–29	–
Interest received	26	35
Interest paid	–94	–80
Proceeds of loans and capital market debt	197	235
Cash outflows for the repayment of loans and capital market debt	–150	–144
Change in liabilities from finance leases	–1	–2
Cash flow from financing activities	–54	44
Net cash inflow/outflow	50	277
Opening balance of cash and cash equivalents	1,000	1,159
Effects of currency translation	3	–32
Closing balance of cash and cash equivalents	1,053	1,404

Statement of changes in Group equity

in € million	Capital subscribed	Capital reserve	Revenue reserves: Actuarial gains/losses	Revenue reserves: Retained earnings
At 1 Jan. 2011	436	5,205	–200	5,308
Profit for the period	–	–	–	284
Other comprehensive income (net of tax)	–	–	–21	–
Total comprehensive income	–	–	–21	284
Dividend payments	–	–	–	–
Changes as a result of share option scheme	–	5	–	–
Other changes	–	–	–	–
At 31 March 2011	436	5,210	–221	5,592
At 31 Dec. 2011/1 Jan. 2012	438	5,264	–351	6,103
Profit for the period	–	–	–	287
Other comprehensive income (net of tax)	–	–	–61	–
Total comprehensive income	–	–	–61	287
Dividend payments	–	–	–	–
Changes as a result of share option scheme	–	6	–	–
Other changes	–	–	–	–10
At 31 March 2012	438	5,270	–412	6,380

Cumulative changes in equity not recognised through the statement of profit or loss					
Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total equity attributable to Linde AG shareholders	Non-controlling interests	Total equity
121	−1	−21	10,848	514	11,362
–	–	–	284	19	303
−592	–	142	−471	−34	−505
−592	–	142	−187	−15	−202
–	–	–	–	–	–
–	–	–	5	–	5
–	–	–	–	2	2
−471	−1	121	10,666	501	11,167
275	4	−129	11,604	540	12,144
–	–	–	287	21	308
−127	−3	47	−144	−5	−149
−127	−3	47	143	16	159
–	–	–	–	−3	−3
–	–	–	6	–	6
–	–	–	−10	−19	−29
148	1	−82	11,743	534	12,277

Segment information

in € million See Note [8]	Reportable segments			
	Total Gases Division		Engineering Division	
	January to March		January to March	
	2012	2011	2012	2011
Revenue from third parties	2,853	2,660	510	526
Revenue from other segments	2	2	91	65
Total revenue from the reportable segments	**2,855**	**2,662**	**601**	**591**
Operating profit	**784**	**727**	**73**	**62**
of which share of profit or loss from associates/joint ventures (at equity)	21	17	–	–
Amortisation of intangible assets and depreciation of tangible assets	320	301	9	9
of which amortisation of fair value adjustments identified in the course of purchase price allocation	55	56	2	2
EBIT (earnings before interest and tax)	**464**	**426**	**64**	**53**
Capital expenditure (excluding financial assets)	282	237	7	3

in € million See Note [8]	Reportable segments	
	Gases Division	
	EMEA	
	January to March	
	2012	2011
Revenue from third parties	1,443	1,390
Revenue from other segments	2	3
Total revenue from the reportable segments	**1,445**	**1,393**
Operating profit	**414**	**395**
of which share of profit or loss from associates/joint ventures (at equity)	6	1
Amortisation of intangible assets and depreciation of tangible assets	142	139
of which amortisation of fair value adjustments identified in the course of purchase price allocation	15	16
EBIT (earnings before interest and tax)	**272**	**256**
Capital expenditure (excluding financial assets)	132	102

Reportable segments					
Other Activities		Reconciliation		Total Group	
January to March		January to March		January to March	
2012	2011	2012	2011	2012	2011
142	139	–	–	3,505	3,325
–	–	−93	−67	–	–
142	139	−93	−67	3,505	3,325
10	12	−59	−40	808	761
–	–	1	−2	22	15
8	5	−5	–	332	315
4	3	–	–	61	61
2	7	−54	−40	476	446
4	3	20	−45	313	198

Reportable segments					
Gases Division					
Asia/Pacific		Americas		Total Gases Division	
January to March		January to March		January to March	
2012	2011	2012	2011	2012	2011
805	705	605	565	2,853	2,660
3	2	20	15	2	2
808	707	625	580	2,855	2,662
218	196	152	136	784	727
11	11	4	5	21	17
105	95	73	67	320	301
27	26	13	14	55	56
113	101	79	69	464	426
98	98	52	37	282	237

Additional Comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the three months ended 31 March 2012 have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

The reporting currency is the euro. All amounts are shown in millions of euro (EUR m), unless stated otherwise.

A review of the condensed Group interim financial statements has been performed by KPMG AG Wirtschaftsprüfungsgesellschaft.

The same accounting policies have been used in the condensed Group interim financial statements as those used to prepare the Group financial statements for the year ended 31 December 2011. IAS 34 *Interim Financial Reporting* has also been applied. Since 1 January 2012, the following standard has become effective:

→ Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

This standard does not have a material impact on the net assets, financial position and results of operations of The Linde Group.

The following new or revised standards and interpretations have been issued by the IASB and the IFRS Interpretations Committee. These have not been applied in the condensed Group interim financial statements for the three months ended 31 March 2012, as they are either not yet mandatory or have not yet been adopted by the European Commission:

→ IFRS 9 *Financial Instruments*
→ IFRS 10 *Consolidated Financial Statements*
→ IFRS 11 *Joint Arrangements*
→ IFRS 12 *Disclosures of Interests in Other Entities*
→ IFRS 13 *Fair Value Measurement*
→ IAS 19 *Employee Benefits (revised 2011)*
→ IAS 28 *Investments in Associates and Joint Ventures*
→ Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
→ Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*
→ Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

IFRS 9 is expected to become effective from the 2015 financial year onwards and may lead to changes in the classification and measurement of financial assets in the Group financial statements.

IFRS 10 and IFRS 11 are expected to become effective from the 2013 financial year and may lead to changes in the companies included in the consolidation and/or changes in the measurement of investments in the Group financial statements. IAS 19 is expected to become effective from the 2013 financial year and may lead to a slight reduction in the interest income on plan assets recognised in the financial result.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

[2] Changes in Group structure

The condensed Group interim financial statements comprise Linde AG and all the companies over which Linde AG exercises direct or indirect control by virtue of its power to govern their financial and operating policies.

The companies included in the condensed Group interim financial statements of The Linde Group comprise the following:

Changes in the base of consolidation

	As at 31.12.2011	Additions	Disposals	As at 31.03.2012
Consolidated subsidiaries	488	3	8	483
of which within Germany	22	–	1	21
of which outside Germany	466	3	7	462
Other investments	59	2	2	59
of which within Germany	2	–	–	2
of which outside Germany	57	2	2	57
Companies accounted for using the equity method	53	–	1	52
of which within Germany	–	–	–	–
of which outside Germany	53	–	1	52

During the reporting period, Linde increased its stake in its subsidiary Abelló Linde S.A., Barcelona, Spain, by 15 percent to 99.99 percent by acquiring shares from non-controlling shareholders. The purchase price for the shares acquired was EUR 29 m. The EUR 10 m difference between the share of net assets acquired from the non-controlling shareholders and the purchase price of the additional shares was offset in revenue reserves.

[3] Foreign currency translation

The financial statements of companies outside the European Monetary Union are translated in accordance with the functional currency concept. For all companies, items in the balance sheet are translated using the spot rate and items in the income statement using the average rate. Since 1 January 2010, Venezuela has been classified as a hyperinflationary economy in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. As a result, the activities of The Linde Group in that country are no longer accounted for on a historic cost basis but after adjustment for the effects of inflation. The local inflation index INPC (Indice Nacional de Precios al Consumidor) is used for this purpose.

The principal exchange rates used are as follows:

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date		Average rate January to March	
		31.03.2012	31.12.2011	2012	2011
Argentina	ARS	5.84364	5.57540	5.68781	5.48871
Australia	AUD	1.28441	1.26830	1.24249	1.36083
Brazil	BRL	2.43567	2.41410	2.31467	2.28140
Canada	CAD	1.33189	1.32320	1.31434	1.34899
China	CNY	8.41816	8.15510	8.27266	9.00229
Czech Republic	CZK	24.74828	25.59900	25.11132	24.37932
Hungary	HUF	295.18867	315.54000	297.26295	272.48833
Malaysia	MYR	4.09843	4.10740	4.01610	4.17039
Norway	NOK	7.63268	7.74920	7.59855	7.83201
Poland	PLN	4.15228	4.46750	4.23929	3.94584
South Africa	ZAR	10.28390	10.48220	10.18508	9.57636
South Korea	KRW	1,514.09472	1,502.04000	1,483.29681	1,531.63467
Sweden	SEK	8.84657	8.91400	8.84802	8.87233
Switzerland	CHF	1.20521	1.21540	1.20812	1.28666
Turkey	TRY	2.37995	2.44240	2.35635	2.15908
UK	GBP	0.83425	0.83430	0.83462	0.85428
USA	USD	1.33630	1.29570	1.31105	1.36823

[4] Pension obligations

The actuarial valuation of the pension obligations is based on the projected unit credit method set out in IAS 19 *Employee Benefits*. This method takes into account not only vested future benefits and known pensions at the balance sheet date, but also expected future increases in salaries and pensions. The calculation of the provision is determined using actuarial reports. Actuarial gains and losses are recognised immediately in equity.

In the interim financial reports, a competent estimate of the pension obligation is made, based on trends in actuarial assumptions and taking into account any exceptional effects in the current quarter.

At 31 March 2012, there were changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets, which led to a decrease in equity of EUR 61 m (after deferred tax) when compared with the figure at 31 December 2011.

[5] Net financial debt

	Current		Non-current		Total	
in € million	31.03.2012	31.12.2011	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Financial debt	1,414	1,277	6,404	6,491	7,818	7,768
less: Securities	1,069	1,073	601	601	1,670	1,674
less: Cash and cash equivalents	1,053	1,000	–	–	1,053	1,000
Net financial debt	**–708**	**–796**	**5,803**	**5,890**	**5,095**	**5,094**

Of the financial debt at 31 March 2012, EUR 3.048 bn is in a fair value hedging relationship (31 December 2011: EUR 2.943 bn). If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 7.818 bn (31 December 2011: EUR 7.768 bn) would have been EUR 163 m (31 December 2011: EUR 167 m) lower.

To minimise the liquidity risk, The Linde Group concludes Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. An amount of EUR 93 m (31 December 2011: EUR 95 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 62 m (31 December 2011: EUR 45 m) has been disclosed in cash equivalents.

[6] Financial income and expenses

The net financial expense has increased by EUR 43 m, from EUR 49 m at 31 March 2011 to EUR 92 m at 31 March 2012. It should be noted here that in the first quarter of 2011 the net financial expense included one-off income of EUR 30 m arising from the repayment of a loan relating to the sale of BOC Edwards in 2007. In addition, interest expenses rose in 2012 due to the higher figure for gross financial debt at 31 March 2012 of EUR 7.818 bn, compared with gross financial debt at 31 March 2011 of EUR 6.642 bn. Total securities and cash and cash equivalents (freely available funds) also increased, reaching a figure of EUR 2.723 bn at 31 March 2012 (31 March 2011: EUR 1.420 bn). As expected, the interest income arising from the freely available funds did not compensate for the rise in interest expenses.

[7] Earnings per share

	January to March	
in € million	2012	2011
Profit for the period attributable to Linde AG shareholders	287	284
Shares in thousands		
Weighted average number of shares outstanding	171,061	170,297
Dilution as a result of share option schemes	1,311	1,447
Weighted average number of shares outstanding – diluted	172,372	171,744
Earnings per share in € – undiluted	**1.68**	**1.67**
Earnings per share in € – diluted	**1.67**	**1.65**

Included in the figure for diluted earnings per share is the issue of shares relating to the employee share option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (fully diluted), on a weighted basis until the date they are exercised.

[8] Segment reporting

The same accounting policies apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2011. No changes were made to the segment structure during the reporting period.

To arrive at the figure for the Gases Division as a whole from the figures for the reportable segments within the Gases Division, consolidation adjustments of EUR 23 m (2011: EUR 18 m) were deducted from revenue. Therefore, it is not possible to arrive at the figures for the Gases Division as a whole by merely adding together the reportable segments in the Gases Division.

The reconciliation of segment revenue to Group revenue and of the operating profit of the reportable segments to Group profit before tax is shown in the table below:

Reconciliations of segment revenue and of the segment result

	January to March	
in € million	2012	2011
Revenue		
Total revenue from the reportable segments	3,598	3,392
Consolidation	–93	–67
Group revenue	**3,505**	**3,325**
Operating profit		
Operating profit from the reportable segments	867	801
Operating profit from Corporate activities	–47	–24
Amortisation and depreciation	332	315
of which fair value adjustments identified in the course of the purchase price allocation	61	61
Financial income	74	112
Financial expenses	166	161
Consolidation	–12	–16
Profit before tax	**384**	**397**

[9] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings in the Notes to the Group financial statements for the year ended 31 December 2011. Goods and services provided by the Group to associates or joint ventures and provided by associates or joint ventures to the Group (related party transactions) were as follows:

	January to March	
	2012	2011
in € million	With associates or joint ventures	With associates or joint ventures
Revenue	62	43
Goods and services purchased	33	28

Receivables from and liabilities to associates or joint ventures arising from related party transactions were as follows:

	31.03.2012	31.03.2011
in € million	With associates or joint ventures	With associates or joint ventures
Receivables	278	264
Liabilities	28	34

Transactions with non-consolidated subsidiaries during the reporting period were immaterial.

Related parties include the members of the Executive Board and Supervisory Board. During the reporting period, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board. Some members of Linde's Executive and Supervisory Boards hold similar positions in other companies. Linde has normal business relationships with virtually all these companies. The sale and purchase of goods and services to and from these companies take place under the usual market conditions.

[10] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation in accordance with IFRS 3 on the acquisition of BOC and on acquisitions directly related to the BOC transaction.

Adjusted financial figures

	January to March					
	2012			2011		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Revenue	3,505	–	3,505	3,325	–	3,325
Cost of sales	–2,225	12	–2,213	–2,129	13	–2,116
Gross profit	**1,280**	**12**	**1,292**	**1,196**	**13**	**1,209**
Research and development costs, marketing, selling and administration expenses	–854	49	–805	–793	48	–745
Other operating income and expenses	28	–	28	28	–	28
Share of profit or loss from associates and joint ventures (at equity)	22	–	22	15	–	15
EBIT	**476**	**61**	**537**	**446**	**61**	**507**
Financial result	–92	–	–92	–49	–	–49
Taxes on income	–76	–25	–101	–94	–25	–119
Profit for the period	**308**	**36**	**344**	**303**	**36**	**339**
attributable to Linde AG shareholders	287	36	323	284	36	320
attributable to non-controlling interests	21	–	21	19	–	19
Earnings per share in € – undiluted	**1.68**	**–**	**1.89**	**1.67**	**–**	**1.88**
Earnings per share in € – diluted	**1.67**	**–**	**1.87**	**1.65**	**–**	**1.86**

[11] Discretionary decisions and estimates

The preparation of the interim report in accordance with IFRS requires discretionary decisions and estimates for some items which might have an effect on their recognition and measurement in the statement of financial position and statement of profit or loss. The actual amounts realised may differ from these estimates. Estimates are required in particular for:

- the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories,
- the recognition and measurement of pension obligations,
- the recognition and measurement of other provisions,
- the assessment of the stage of completion of long-term construction contracts,
- the assessment of lease transactions.

Any change in the key factors which are applied in impairment reviews of goodwill, other intangible assets, tangible assets or inventories may possibly result in higher or lower impairment losses or no impairment losses at all being recognised.

The obligation arising from defined benefit commitments is determined on the basis of actuarial assumptions. Any change in the assumptions would have no effect on earnings, as actuarial gains and losses are recognised directly in equity.

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources to settle the obligation, and on past experience and circumstances known at the balance sheet date. The actual amount utilised may therefore differ from the figure set aside under other provisions.

The assessment of the stage of completion of long-term construction contracts is based on the percentage of completion method, subject to certain conditions being met. The stage of completion of the contract is determined on the basis of the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For major projects, the calculation and analysis of the stage of completion of the project takes into account in particular contract costs incurred by subcontractors. External experts are sometimes used to assist with the calculation of these costs.

Discretionary decisions are required to be made, for example, in assessing whether all the substantial risks and rewards incidental to the ownership of an asset have in fact been transferred to the lessee. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. If the measurement was made on a different basis, this could lead to a different classification of the plants.

[12] Significant events after the balance sheet date

On 9 January 2012, Linde signed an agreement to acquire the Continental European homecare business of the gases company Air Products cash and debt free for EUR 590 m. Following approval by the antitrust authorities, consultation with relevant works councils and the fulfilment of the other closing conditions, the acquisition was completed on 30 April 2012. With effect from that date, the business will be fully integrated into the Group financial statements of Linde AG.

The transaction comprises Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain. The operations in each country are conducted in separate companies and Linde is acquiring all the shares in each company (100 percent of the shares with voting rights): Air Products Healthcare Belgium S. P. R. L. (Belgium), Air Products Healthcare France S. A. S. (France), Air Products Medical GmbH (Germany), GASIN – Gases Industriais S. A. (Portugal), Air Products Sud Europa S. L. (Spain). The business which has been acquired generated revenue of EUR 210 m in 2011 with around 850 employees.

The purchase price of EUR 590 m was paid in cash and is subject to contingent adjustment mechanisms. The aim of the acquisition is to reinforce the Group's position in the structural growth market of Healthcare. Given the proximity of the date of acquisition to the date of preparation of this report, reliable information regarding the measurement of the contingent components of the purchase price, the purchase price allocation and the contribution in terms of revenue and earnings that the business acquired might make to the annual earnings or annual revenue of the Group if it were assumed the business had been acquired at the beginning of the financial year is not yet available.

No other significant events have occurred for The Linde Group between the end of the reporting period on 31 March 2012 and the publication deadline for these condensed Group interim financial statements.

Munich, 3 May 2012

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of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Professor Dr Aldo Belloni
Member of the Executive Board
of Linde AG

Sanjiv Lamba
Member of the Executive Board
of Linde AG

Thomas Blades
Member of the Executive Board
of Linde AG

Review Report

To Linde AG, Munich

We have reviewed the condensed interim consolidated financial statements - comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde AG, Munich, for the period from 1 January to 31 March 2012 that are part of the quarterly financial report according to § 37x (3) of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer e. V. (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditors' report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 3 May 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer
(German Public Auditor)

Christoph B. Schenk
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

To the best of our knowledge and belief, and in accordance with the applicable accounting principles for interim reporting, the condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining part of the financial year.

Munich, 3 May 2012

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Professor Dr Aldo Belloni
Member of the Executive Board
of Linde AG

Sanjiv Lamba
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This report is available in both German and English and can be downloaded from our website at www.linde.com.

Additional copies of the report and further information about Linde can be obtained from us free of charge.

Financial Calendar

Interim Report
January to March 2012
4 May 2012

Annual General Meeting 2012
4 May 2012, 10 a.m.
International Congress Centre Munich

Dividend Payment
7 May 2012

Interim Report
January to June 2012
27 July 2012

Autumn Press Conference
29 October 2012
Carl von Linde Haus, Munich

Interim Report
January to September 2012
29 October 2012

Annual General Meeting 2013
29 May 2013, 10 a.m.
International Congress Centre Munich

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