Linde Interim Report.
January to September 2011.

Q3

LeadIng.

THE LINDE GROUP

Linde financial highlights

in € million		January to September 2011	January to September 2010	Change
Share				
Closing price	€	100.75	95.48	5.5 %
Year high	€	125.80	97.81	28.6 %
Year low	€	97.59	76.70	27.2 %
Market capitalisation (at closing price on 30 September)		17,225	16,200	6.3 %
Adjusted earnings per share[1]	€	5.68	4.88	16.4 %
Earnings per share – undiluted	€	5.02	4.13	21.5 %
Number of shares outstanding (in 000s)		170,970	169,670	0.8 %
Sales		10,209	9,405	8.5 %
Operating profit[2]		2,363	2,145	10.2 %
Operating margin		23.1 %	22.8 %	+30 bp[4]
EBIT before amortisation of fair value adjustments		1,580	1,424	11.0 %
Earnings after taxes on income		903	748	20.7 %
Number of employees[3]		49,981	48,430	3.2 %
Gases Division				
Sales		8,270	7,590	9.0 %
Operating profit		2,254	2,055	9.7 %
Operating margin		27.3 %	27.1 %	+20 bp[4]
Engineering Division				
Sales		1,776	1,674	6.1 %
Operating profit		214	184	16.3 %
Operating margin		12.0 %	11.0 %	+100 bp[4]

[1] Adjusted for the effects of the purchase price allocation.
[2] EBITDA including share of net income from associates and joint ventures.
[3] At 30 September 2011/31 December 2010.
[4] Basis points.

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January to September 2011: Linde continues good business performance and confirms outlook

→ Group sales grow 8.5 percent to EUR 10.209 bn

→ Group operating profit[1] increases at a faster rate than sales, by 10.2 percent to EUR 2.363 bn

→ Group operating margin rises to 23.1 percent (2010: 22.8 percent)

→ Increase in earnings per share to EUR 5.02 (2010: EUR 4.13)

→ Outlook for 2011 confirmed:
- Group: growth in sales and earnings
- Gases Division: sales growth, earnings increasing at a faster rate than sales
- Engineering Division: sales constant, operating margin of at least 10 percent

[1] Operating profit: EBITDA including share of net income from associates and joint ventures.

Group Interim Management Report

General economic environment

Compared with the first two quarters of 2011, there has been a slowdown in economic growth in the third quarter. Following a 4.1 percent increase in 2010 in global gross domestic product (GDP) according to data from the international forecasting institute Global Insight, experts are currently expecting worldwide growth of 2.7 percent for the full year 2011. Once again, this is lower than the figure forecast at the end of the previous quarter. The figure forecast at 30 June 2011 was 3.2 percent. Global Insight is expecting global industrial production (IP) to grow by 4.0 percent in the course of 2011. This figure has also been revised down from the forecast for the year made at the end of the second quarter of 4.5 percent.

Global Insight is still forecasting that the highest growth rates will be achieved in Asia. In China and India in particular, the dynamic upward trend in the economy will continue. Positive economic trends are also expected to continue in the Middle East and in Eastern Europe.

Uncertainty as to the extent, sustainability and intensity of global economic growth intensified in the third quarter of 2011. High levels of public debt in major economies require a wide range of fiscal consolidation measures, which act as a brake on economic development. In addition, the euro crisis is jeopardising the stability of the international financial markets. At the same time, unemployment levels remain high in many industrialised countries. The continuing strength of the economy in the newly industrialised nations increasingly entails risks of inflation and instability, which governments might need to address with restrictive measures. The political conflict still affecting 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. Against this background, the structural development potential in the emerging economies will remain the major driver of global economic growth for the foreseeable future. Moreover, investment in the megatrends energy and the environment should ensure positive momentum.

Economists are continuing to forecast different rates of growth in 2011 in the various regions. Global Insight is expecting GDP in the EMEA region (Europe, Middle East and Africa) to rise by 2.2 percent (H1 report: 2.4 percent). In the eurozone, the institute is now expecting growth of only 1.6 percent (H1 report: 1.9 percent). Economists are forecasting an increase in economic output in Germany of 3.0 percent (H1 report: 3.5 percent). An upturn of 3.8 percent (H1 report: 4.0 percent) is expected in Eastern Europe. In the Middle East, the economy is expected to expand by 5.6 percent in 2011 (H1 report: 5.4 percent). The experts are forecasting economic growth in Africa of 4.9 percent (H1 report: 5.2 percent). The current forecast for growth in the Americas region is 2.0 percent (H1 report: 2.9 percent). Global Insight has significantly reduced its previous growth forecast for the United States to 1.5 percent (H1 report: 2.5 percent). The economic forecast for South America was also revised down – to 4.3 percent (H1 report: 4.8 percent). In the Asia/Pacific region, a high growth rate is again expected. The forecast here for 2011 is 6.6 percent (H1 report: 6.8 percent). Most of this growth should again be generated by China, where it is predicted that economic output will rise by 9.2 percent (H1 report: 9.3 percent). Global Insight is also continuing to expect strong growth in India, with an increase in GDP of 7.5 percent (H1 report: 7.9 percent). The estimated rise in GDP in Australia is 1.8 percent (H1 report: 2.1 percent).

Group

In the third quarter of 2011, the technology company The Linde Group built on its good business performance in the first half of the financial year, achieving significant increases in Group sales and Group operating profit in the nine months to 30 September 2011. In the first nine months of the current financial year, Group sales rose by 8.5 percent to EUR 10.209 bn, compared with the figure for the first nine months of 2010 of EUR 9.405 bn. After adjusting for exchange rate effects, the increase in sales was 9.0 percent. In the first nine months of 2011, the Group's share of sales from its interest in joint ventures (which is not disclosed in Group sales, in accordance with the accounting rules) was EUR 301 m (2010: EUR 271 m).

Linde increased Group operating profit at a faster rate than sales in the first nine months of 2011, by 10.2 percent to EUR 2.363 bn (2010: EUR 2.145 bn), mainly due to the rigorous implementation of its HPO (High Performance Organisation) programme, a holistic concept for sustainable process optimisation and productivity gains. The Group operating margin was 23.1 percent, 30 basis points above the figure for the corresponding prior-year period of 22.8 percent.

The net financial expense in the nine months to 30 September 2011 was EUR 215 m (2010: EUR 230 m). Earnings before taxes on income were EUR 1.184 bn, significantly exceeding the figure for the prior-year period of EUR 1.003 bn by 18.0 percent. Earnings after tax rose by 20.7 percent to EUR 903 m (2010: EUR 748 m). After adjusting for non-controlling interests, earnings attributable to Linde AG shareholders were EUR 856 m (2010: EUR 698 m). Earnings per share increased as a result by 21.5 percent to EUR 5.02 (2010: EUR 4.13). On an adjusted basis, i.e. after adjusting for the effects of the purchase price allocation in the course of the BOC acquisition, earnings per share stood at EUR 5.68 (2010: EUR 4.88).

Gases Division

Given the improvement in the general economic environment in the first nine months of 2011 compared with the prior-year period, demand in the global gases business rose. Due to the Group's global footprint and its strong market position, especially in the emerging economies, Linde was able to benefit from this trend in all its product areas.

Sales in the Gases Division in the first nine months of 2011 grew 9.0 percent to EUR 8.270 bn, compared with sales of EUR 7.590 bn in the prior-year period. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure, the increase in sales was 8.1 percent. The Group's share of sales from its interests in joint ventures (not included in the sales of the division, in accordance with the accounting rules) was EUR 293 m (2010: EUR 263 m).

The Gases Division achieved a 9.7 percent increase in operating profit to EUR 2.254 bn (2010: EUR 2.055 bn). One of the factors contributing to the increase, which once again was at a faster rate than the increase in sales, was the continuing implementation of Linde's HPO measures. The operating margin rose to 27.3 percent, exceeding the high figure achieved in the first nine months of 2010 of 27.1 percent.

Business trends in the individual operating segments in the Gases Division make it clear that the pace of economic recovery still varies from region to region. In the first nine months of 2011, the highest growth rates were once again to be seen in the emerging economies of Asia, especially in China and India, and in South America. Demand also increased in the more mature markets such as the US and Western Europe, compared with that in the first nine months of 2010.

During the reporting period, Linde changed the segment structure of the Gases Division and reallocated regional responsibilities. The Group established a specific regional responsibility on the Executive Board for the Asia/Pacific segment to capitalise on the huge potential offered by growth markets in Asia. Until the end of the 2010 financial year, the Group's reporting structure in the Gases Division was based on four operating segments: Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa. From the beginning of the first quarter of 2011, Linde's reporting structure in the Gases Division has been based on the following three operating segments: EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. The comparative figures for the third quarter of 2010 have been adjusted to take account of the new structure.

EMEA

In the EMEA operating segment, Linde achieved sales growth of 7.0 percent in the first nine months of 2011 to EUR 4.258 bn (2010: EUR 3.978 bn). On a comparable basis, the growth in sales was 5.6 percent. Operating profit increased by 7.9 percent to EUR 1.215 bn (2010: EUR 1.126 bn). This resulted in an operating margin of 28.5 percent (2010: 28.3 percent). Here too, as well as higher volumes, the continuous implementation of the various productivity improvement and process standardisation initiatives under the HPO programme made a positive contribution.

Overall, there was significant growth in the economy in the EMEA region, although in the third quarter of 2011 the recovery slowed slightly. Linde was able to achieve growth in all submarkets of the operating segment and in all product areas.

During the reporting period, Linde brought on stream two large air separation plants in the coastal town of Mirfa in Abu Dhabi, United Arab Emirates, through Elixier, its joint venture with ADNOC. The new plants recover 670,000 standard cubic metres of nitrogen per hour from the air in the atmosphere. The gas is transported inland to Habshan via a 50-kilometre pipeline, where it is injected into the gas field. This major project involved total investment of around USD 800 m.

In August 2011, Linde commenced production of a new hydrogen plant to supply Wacker Chemie at the Nünchritz site in Germany. The plant is remotely controlled and operated out of Linde's European Remote Operating Centre (ROC) in Leuna, Germany.

In the third quarter of 2011, Linde also opened its new cylinder filling centre in Hamburg. The state-of-the-art facility is Linde's most important logistics hub in Northern Germany and can fill 500,000 cylinders per annum with industrial gases and food-grade gases. The cylinder-filling systems offer supreme flexibility, making it possible to adapt quickly to specific customer requirements.

In addition, Linde brought on stream during the reporting period the third HyCO plant for the production of hydrogen and carbon monoxide on the Kazincbarcika site in Hungary. The gases produced there are used to supply the chemical company BorsodChem. The strategic cooperation between Linde and BorsodChem has been in place for more than ten years. Linde delivered the first two HyCO plants for BorsodChem in 2001 and 2006. The investment in the new plant was around EUR 100 m.

During the reporting period, Linde Healthcare also scored a major success in Europe. The European Commission granted Linde Healthcare a new indication for its INOmax® therapy for use during cardiac surgery, as a treatment for peri- and post-operative pulmonary hypertension in adults and children of all ages.

Asia/Pacific

Economic dynamism in Asia continues unabated. Against this background and based on its leading position in these markets, Linde again achieved double-digit growth rates in the Asia/Pacific operating segment. In the nine months ended 30 September 2011, sales in this region rose by 16.2 percent to EUR 2.283 bn (2010: EUR 1.965 bn). On a comparable basis, the increase in sales was 10.8 percent. Operating profit rose by 14.9 percent to EUR 634 m (2010: EUR 552 m). The operating margin in this segment for the nine months ended 30 September 2011 was 27.8 percent (2010: 28.1 percent). When comparing the operating margin for the first nine months of 2011 with that for the first nine months of 2010, factors to be taken into account are the pass-through of increases in the price of natural gas and the preliminary investment required to establish infrastructure and employ new staff in the rapidly expanding Chinese market. To sustain steady profitability, Linde is also continuing with the rigorous implementation of its HPO concept in the Asia/Pacific segment.

Within the Asia/Pacific operating segment, Linde once again achieved its fastest business expansion in the Greater China region. However, in the reporting period it also achieved double-digit growth rates in both South & East Asia and the South Pacific region.

With its integrated business model, the Group has benefited in China from ever-rising demand in the market for liquefied and cylinder gases in the industrial zones. In the on-site segment, Linde started to invest in the third quarter of 2011, which will further strengthen the business.

So, for example, Linde is to build and operate two large air separation plants in the province of Shandong in eastern China for the polyurethane producer Yantai Wanhua. In future, the new on-site plants will supply oxygen and nitrogen to the production plants situated there. In addition, Linde will produce liquefied products for the open market in the Shandong region. The project includes the construction of a 20-kilometre pipeline in the Yantai Technology Park. The contract for this project, which involves investment of around EUR 130 m, was signed on 26 July 2011. The new plants, which are being supplied by Linde's Engineering Division, are expected to come on stream at the end of 2013 or beginning of 2014. Yantai Wanhua is the only Chinese company which has the technical know-how to produce MDI. MDI is an intermediate product in the manufacture of polyurethane, which is used in large quantities, for example, in the construction and automotive industries. China is in the process of becoming one of the major markets for MDI.

In addition, during the third quarter of 2011, Linde signed a long-term on-site contract with the Chinese steel company Fujian Fuxin Special Steel. Under this agreement, Linde's Engineering Division will build a state-of-the-art air separation plant on the Zhangzhou site in the Fujian province of China. Around EUR 25 m is to be invested in the new plant, which will produce 10,000 standard cubic metres of oxygen per hour. The plant is expected to come on stream in the second half of 2012.

In July 2011, Linde completed the construction of the last two out of a total of four steam reformers used in production by GCL-Poly Energy Holdings in Xuzhou in the Jiangsu province of China. The plant is now working at full capacity and Linde is currently supplying the customer with 12,000 standard cubic metres of hydrogen per hour.

In Thailand, Linde will have built the largest air separation plant in the country by September 2013. The new plant is being constructed right next to the existing plant in Map Ta Phut. The investment is worth around EUR 78 m. Once it is complete, the air separation plant will produce 800 tonnes of gases per day.

Americas

In the Americas operating segment, sales in the nine months to 30 September 2011 rose by 4.6 percent to EUR 1.778 bn (2010: EUR 1.700 bn). On a comparable basis, the increase in sales here was 10.5 percent.

Operating profit improved by 7.4 percent to EUR 405 m (2010: EUR 377 m). Factors contributing to this increase in earnings, apart from higher volumes, were the progress made by Linde in the implementation of HPO and positive one-off effects from the first quarter of 2011. At 22.8 percent, the operating margin exceeded the figure for the prior-year period of 22.2 percent by 60 basis points.

In North America, the improvement in the general economic situation during the reporting period compared with the first nine months of 2010 also resulted in higher demand for industrial gases. However, as in parts of the EMEA region, the economic recovery here too slowed in the third quarter of 2011. Overall, Linde was able to achieve growth in all product areas.

In September 2011, the Group brought a new plant on stream at the Hillsboro site in Oregon for the production of high-purity nitrogen and oxygen. This will enable Linde to meet the rising demand from its customers in the electronics industry in the north-western United States.

In the South America region, the economy again grew at a faster rate than in North America. Once more, in the nine months to 30 September 2011, Linde achieved double-digit growth here as a result of these positive economic trends. All the product areas contributed to this growth.

Product areas

The performance of the individual product areas confirms the overall positive trends in the Gases Division.

The highest rate of growth was again achieved in the on-site business, where Linde supplies gases on site to major customers. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure, sales here in the nine months to 30 September 2011 rose by 9.7 percent to EUR 2.015 bn (2010: EUR 1.837 bn). Linde benefited not only from increased utilisation of existing plant capacity but also from the start-up of new plants. Significant growth was also achieved by Linde in its liquefied gases and cylinder gas business. In the liquefied gases product area, sales rose to EUR 1.993 bn. On a comparable basis, this figure was 9.0 percent above the figure for the prior-year period of EUR 1.828 bn. Cylinder gas sales increased to EUR 3.382 bn. On a comparable basis, this figure was 7.4 percent higher than the figure for the first nine months of 2010 of EUR 3.148 bn.

The Healthcare product area again saw steady growth, achieving sales of EUR 880 m. On a comparable basis, this figure was 5.0 percent higher than the figure for the prior-year period of EUR 838 m.

Gases Division

	January to September					
	2011			2010		
in € million	Sales	Operating profit	Margin in percent	Sales	Operating profit	Margin in percent
EMEA	4,258	1,215	28.5	3,978	1,126	28.3
Asia/Pacific	2,283	634	27.8	1,965	552	28.1
Americas	1,778	405	22.8	1,700	377	22.2
Consolidation	–49	–	–	–53	–	–
Gases Division	**8,270**	**2,254**	**27.3**	**7,590**	**2,055**	**27.1**

Gases Division

	3rd Quarter					
	2011			2010		
in € million	Sales	Operating profit	Margin in percent	Sales	Operating profit	Margin in percent
EMEA	1,434	408	28.5	1,365	389	28.5
Asia/Pacific	810	228	28.1	711	200	28.1
Americas	605	135	22.3	605	129	21.3
Consolidation	–15	–	–	–22	–	–
Gases Division	**2,834**	**771**	**27.2**	**2,659**	**718**	**27.0**

Engineering Division

In the first nine months of the 2011 financial year, the market environment for international large-scale plant construction proved largely stable.

Sales in the Engineering Division in the nine months to 30 September 2011 increased by 6.1 percent to EUR 1.776 bn (2010: EUR 1.674 bn). The continuing successful execution of a number of individual projects meant that operating profit grew at a faster rate than sales, rising 16.3 percent to EUR 214 m (2010: EUR 184 m). The operating margin was 12.0 percent (2010: 11.0 percent). When considering the earnings trend, it should be noted that in the second quarter of 2011 Linde recognised an expense of EUR 35 m in compensation for economic advantage which was declared by the public prosecutor's office to have accrued to the Engineering Division of the Group as a result of legal breaches by external business partners.

Order intake in the first nine months of 2011 was EUR 1.676 bn, 9.0 percent above the figure for the first nine months of 2010 of EUR 1.538 bn. In the third quarter, order intake was influenced primarily by two major orders from China and Thailand. In Thailand, Linde's Engineering Division was awarded a contract by the Group's own Gases Division to supply an air separation plant which will have a capacity of 800 tonnes of gases per day. As well as oxygen, the plant will produce nitrogen and argon for Linde's customers in the region. In addition, Linde will supply two air separation plants with a capacity of 110,000 standard cubic metres per hour for the Chinese Yantai Wanhua Group. Once the plants have come on stream, they will also supply industrial gases to third-party customers (see the Gases Division section).

In addition to these major orders, order intake was characterised by a number of small and medium-sized new orders, as in previous quarters. Just under half of new orders came from the Asia/Pacific region. Another third were from Europe and North America.

Over half of the new orders related to the natural gas and air separation plant product areas, while the remainder were distributed across the other plant types.

The order backlog in Linde's Engineering Division remains high. At 30 September 2011, it stood at EUR 3.761 bn (31 December 2010: EUR 3.965 bn).

Together with its project partner SBM Offshore, Netherlands, Linde's Engineering Division signed a cooperation agreement during the reporting period with the Thai oil group PTT (Petroleum Authority of Thailand) to develop a floating natural gas liquefaction plant in the Timor Sea off the northern coast of Australia. The project will involve the conversion of natural gas from three gas fields into LNG (Liquefied Natural Gas). The feasibility studies for this project started in March 2011. If the gas reserves meet expectations, the project will move into the front-end engineering and design phases by the end of 2011. The final investment decision would be made at the end of 2012. Commercial production would be expected to commence at the end of 2016.

In addition, the Engineering Division entered into a technology partnership in the third quarter of 2011 with Bechtel Corporation, which involves the two companies working together to construct a new ethylene cracker in North America and to expand existing plants. This strategic alliance is a continuation of the successful collaboration between the two companies to build a petrochemical plant for Borouge in Abu Dhabi (United Arab Emirates) in 2002.

In North America, Linde was also able to position itself favourably during the reporting period in the promising market for the efficient exploitation of shale gas reserves.

Engineering Division

	3rd Quarter		January to September	
in € million	2011	2010	2011	2010
Sales	550	579	1,776	1,674
Order intake	527	576	1,676	1,538
Order backlog at 30.09./31.12.	–	–	3,761	3,965
Operating profit	73	61	214	184
Margin in %	13.3	10.5	12.0	11.0

Engineering Division – Order intake by region

	January to September			
in € million	2011	in percent	2010	in percent
Asia/Pacific	812	48.5	540	35.1
Europe	327	19.5	397	25.8
North America	303	18.1	138	9.0
Middle East	150	8.9	249	16.2
Africa	52	3.1	179	11.6
South America	32	1.9	35	2.3
Total	**1,676**	**100.0**	**1,538**	**100.0**

Engineering Division – Order intake by region

	3rd Quarter			
in € million	2011	in percent	2010	in percent
Asia/Pacific	215	40.8	257	44.6
Europe	131	24.9	145	25.2
North America	119	22.6	17	3.0
Middle East	50	9.5	106	18.4
Africa	5	0.9	24	4.2
South America	7	1.3	27	4.7
Total	**527**	**100.0**	**576**	**100.0**

Engineering Division – Order intake by plant type

	January to September			
in € million	2011	in percent	2010	in percent
Air separation plants	491	29.3	474	30.8
Natural gas plants	391	23.3	204	13.3
Hydrogen and synthesis gas plants	388	23.2	279	18.1
Olefin plants	210	12.5	427	27.8
Other	196	11.7	154	10.0
Total	**1,676**	**100.0**	**1,538**	**100.0**

Engineering Division – Order intake by plant type

	3rd Quarter			
in € million	2011	in percent	2010	in percent
Air separation plants	173	32.8	222	38.6
Natural gas plants	112	21.3	10	1.7
Hydrogen and synthesis gas plants	118	22.4	87	15.1
Olefin plants	50	9.5	197	34.2
Other	74	14.0	60	10.4
Total	**527**	**100.0**	**576**	**100.0**

Finance

During the reporting period, cash flow from operating activities rose by 10.8 percent to EUR 1.699 bn (2010: EUR 1.533 bn). This increase was partly the result of an improvement in working capital and partly the result of an upward trend in operating profit, which increased by 10.2 percent to EUR 2.363 bn (2010: EUR 2.145 bn). Net cash outflow from investing activities in the first nine months of 2011 includes “Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4” of EUR 893 m, significantly exceeding the figure for the first nine months of 2010 of EUR 764 m. In addition, this heading in the cash flow statement includes a payment of EUR 600 m for long-term securities, which are being held as a strategic liquidity reserve. Net cash outflow from investing activities in the nine months to 30 September 2011 was EUR 1.432 bn

(2010: EUR 663 m). Net cash inflow (free cash flow before financing activities) decreased as a result by EUR 603 m to EUR 267 m (2010: EUR 870 m).

Total assets have decreased slightly since 31 December 2010 by EUR 49 m to EUR 26.839 bn (2010: EUR 26.888 bn). The main component of total assets is non-current assets of EUR 21.987 bn (2010: EUR 22.260 bn). Tangible assets, which are included in this figure, have fallen from EUR 8.723 bn to EUR 8.543 bn. Intangible assets have declined from EUR 11.305 bn to EUR 10.803 bn. The decrease in both tangible and intangible assets is due mainly to exchange rate movements and amortisation and depreciation. Investment in tangible assets, which relates mainly to new on-site projects in the gases business, had the opposite effect on the non-current assets figure. Another factor affecting the non-current assets figure was additions to long-term securities disclosed in Other financial assets. This liquidity reserve is disclosed in non-current assets due to its strategic nature. At the balance sheet date, it stood at EUR 602 m.

Net financial debt comprises financial debt less cash and cash equivalents and securities. Net financial debt has been reduced by EUR 265 m from EUR 5.497 bn at 31 December 2010 to EUR 5.232 bn at 30 September 2011. The dynamic indebtedness factor (net financial debt to operating profit for the past twelve months) fell to 1.7. At 31 December 2010, the figure was still 1.9.

The Linde Group is financed on a long-term basis, as can be seen from the maturity profile of the financial debt. Of the financial debt of EUR 7.013 bn (31 December 2010: EUR 6.673 bn), EUR 1.376 bn (31 December 2010: EUR 459 m) is disclosed as current and EUR 5.637 bn (31 December 2010: EUR 6.214 bn) as non-current financial debt. Over 75 percent of the financial debt has a due date later than 2012. Financial debt repayable within one year is matched by liquid funds (cash, cash equivalents and liquidity reserves) of EUR 1.765 bn (31 December 2010: EUR 1.159 bn) and a EUR 2.5 bn syndicated credit facility available until 2015 which is not currently drawn down.

Equity decreased by EUR 135 m compared with the figure at 31 December 2010 to EUR 11.227 bn. This reduction in equity was due primarily to the dividend payment of EUR 403 m, as well as to exchange rate effects and actuarial losses arising from the remeasurement of pension obligations. Earnings after tax of EUR 903 m had a positive impact on equity. The Group's gearing (the ratio of net debt to equity) fell to 46.6 percent (31 December 2010: 48.4 percent). At 41.8 percent, the equity ratio at 30 September 2011 was slightly under the figure at 31 December 2010 of 42.3 percent.

Employees

The number of employees in The Linde Group worldwide at 30 September 2011 was 49,981 (31 December 2010: 48,430). Of these, 38,793 were employed in the Gases Division and 6,234 in the Engineering Division. The majority of the 4,954 staff in the Other Activities segment are employed by Gist, Linde's logistics service provider.

Group – Employees by division

	30.09.2011	31.12.2010
Gases Division	38,793	37,603
Engineering Division	6,234	5,811
Other Activities	4,954	5,016
Group	**49,981**	**48,430**

Gases Division – Employees by operating segment

	30.09.2011	31.12.2010
EMEA	20,917	20,575
Asia/Pacific	10,716	10,051
Americas	7,160	6,977
Total	**38,793**	**37,603**

Outlook

Group

The leading economic research institutes are continuing to forecast increases for the current year 2011 both in global gross domestic product and worldwide industrial production. Recently, however, the forecasts have been revised down, in some cases significantly. Uncertainty about the extent, sustainability and intensity of the recovery has heightened in the third quarter of 2011. Factors which are hampering steady global growth include rising public debt levels across the world, the currency crisis in the eurozone and continuing relatively high levels of unemployment in the US and some European countries, as well as the prevailing uncertain political situation in some countries in the Arab world.

Nevertheless, on the basis of its business performance in the first nine months of 2011, Linde confirms its forecast for the current year. The Group still assumes that it will be able to achieve a higher level of Group sales and Group operating profit in the 2011 financial year than in 2010.

The Group will continue to optimise its business processes over the coming years and systematically roll out its holistic concept for sustainable productivity gains (HPO or High Performance Organisation). Under HPO, Linde still expects to achieve total reductions in gross costs in the four-year period from 2009 to 2012 of between EUR 650 m and EUR 800 m.

As described in the 2010 Annual Report, Linde has set itself a medium-term target for the 2014 financial year of achieving Group operating profit of at least EUR 4 bn. For that same year, the Group has defined a minimum target of 14 percent for return on capital employed (ROCE), one of the Group's key performance indicators.

Linde expects these positive business trends to be supported by the megatrends, energy, the environment and health, and by dynamic trends in the emerging economies.

Outlook – Gases Division

It is anticipated that demand will continue to rise in the major end customer segments of the global gases industry in the coming months. However, recent economic forecasts suggest that economic growth will be more modest than before. 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 the on-site business, Linde has a full project pipeline which will make a significant contribution to sales and earnings in the 2011 financial year. In the liquefied gases and cylinder gas business, steady growth rates are expected to continue for the rest of the year, despite the forecast slowdown in economic activity. Linde anticipates that positive business trends in the Healthcare product area will continue, with a higher rate of sales growth than in 2010.

Based on the assumptions and targets outlined above, Linde continues to expect that sales generated by the Gases Division in the 2011 financial year will exceed sales achieved in 2010 and that operating profit will grow at a faster pace than sales.

Outlook – Engineering Division

The market environment in the international large-scale plant construction business has been generally stable in the 2011 financial year to date.

At EUR 3.761 bn, the order backlog in Linde's Engineering Division at 30 September 2011 remains at a very high level, creating a good basis for a solid business performance over the next two years. The Group still expects to achieve the same level of sales in its engineering business in the 2011 financial year as in 2010 and continues to assume 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.

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 intensified in the third quarter of 2011. In addition to the risk of a drop in sales 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 The Linde Group has not changed since the 2010 Annual Report.

Changes to the Executive Board

During the reporting period, the Supervisory Board of Linde AG appointed Thomas Blades as a new member of the Executive Board. Mr Blades succeeds J. Kent Masters, who stepped down from the Linde AG Executive Board on 30 September 2011, and will assume his position by 1 April 2012 at the latest. Like his predecessor, Mr Masters, he will be the Executive Board member responsible for the Group's gases business in North and South America, as well as for the liquefied gases and cylinder gas business and global healthcare operations.

Group income statement

	3rd Quarter		January to September	
in € million	2011	2010	2011	2010
Sales	3,435	3,301	10,209	9,405
Cost of sales	2,189	2,134	6,477	6,068
Gross profit on sales	**1,246**	**1,167**	**3,732**	**3,337**
Marketing and selling expenses	495	476	1,506	1,363
Research and development costs	25	22	72	66
Administration expenses	283	265	864	787
Other operating income	45	47	185	177
Other operating expenses	28	34	130	116
Income from associates and joint ventures (at equity)	21	19	54	51
Financial income	75	88	267	279
Financial expenses	164	167	482	509
Earnings before taxes on income	**392**	**357**	**1,184**	**1,003**
Taxes on income	87	92	281	255
Earnings after taxes on income	**305**	**265**	**903**	**748**
Attributable to non-controlling interests	15	12	47	50
Attributable to Linde AG shareholders	290	253	856	698
Earnings per share in € – undiluted	1.70	1.50	5.02	4.13
Earnings per share in € – diluted	1.68	1.47	4.97	4.08

Statement of recognised income and expense

	January to September	
in € million	2011	2010
Unrealised gains/losses on available-for-sale financial assets	2	–
Unrealised gains/losses on derivative financial instruments	36	–104
Currency translation differences	–526	984
Actuarial gains/losses on pension provisions	–209	–137
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	15	10
Gains and losses recognised directly in equity	**–682**	**753**
Earnings after taxes on income	**903**	**748**
Total gains and losses recognised	**221**	**1,501**
Of which attributable to		
Linde AG shareholders	211	1,421
Non-controlling interests	10	80

Group balance sheet

in € million	30.09.2011	31.12.2010
Assets		
Goodwill	7,638	7,799
Other intangible assets	3,165	3,506
Tangible assets	8,543	8,723
Investments in associates and joint ventures (at equity)	697	678
Other financial assets	905	338
Receivables from finance leases	301	344
Other receivables and other assets	416	566
Income tax receivables	6	–
Deferred tax assets	316	306
Non-current assets	**21,987**	**22,260**
Inventories	1,087	956
Receivables from finance leases	47	48
Trade receivables	1,934	1,855
Other receivables and other assets	525	483
Income tax receivables	79	105
Securities	16	17
Cash and cash equivalents	1,163	1,159
Non-current assets held for sale and disposal groups	1	5
Current assets	**4,852**	**4,628**
Total assets	**26,839**	**26,888**

Group balance sheet

in € million	30.09.2011	31.12.2010
Equity and liabilities		
Capital subscribed	438	436
Capital reserve	5,242	5,205
Revenue reserves	5,393	5,108
Cumulative changes in equity not recognised through the income statement	–354	99
Total equity attributable to Linde AG shareholders	**10,719**	**10,848**
Non-controlling interests	508	514
Total equity	**11,227**	**11,362**
Provisions for pensions and similar obligations	911	884
Other non-current provisions	435	487
Deferred tax liabilities	1,907	1,990
Financial debt	5,637	6,214
Liabilities from finance leases	36	39
Trade payables	4	5
Other non-current liabilities	171	187
Liabilities from income taxes	81	88
Non-current liabilities	**9,182**	**9,894**
Other current provisions	1,327	1,515
Financial debt	1,376	459
Liabilities from finance leases	8	10
Trade payables	2,641	2,564
Other current liabilities	945	950
Liabilities from income taxes	133	134
Current liabilities	**6,430**	**5,632**
Total equity and liabilities	**26,839**	**26,888**

Group cash flow statement

in € million	January to September 2011	2010
Earnings before taxes on income	**1,184**	**1,003**
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	964	912
Impairment of financial assets	2	–
Profit/loss on disposal of non-current assets	–18	–14
Net interest	215	195
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	18	33
Income from associates and joint ventures (at equity)	–54	–51
Distributions/dividends received from associates and joint ventures	31	35
Income taxes paid	–267	–241
Changes in assets and liabilities		
Change in inventories	–161	–10
Change in trade receivables	–139	–181
Change in provisions	–204	–219
Change in trade payables	186	65
Change in other assets and liabilities	–58	6
Cash flow from operating activities	**1,699**	**1,533**
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–893	–764
Payments for investments in consolidated companies	–24	–10
Payments for investments in financial assets	–31	–25
Payments for investments in securities (strategic liquidity reserve)	–600	–
Payments for investments in current financial assets	–	–1
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	67	101
Proceeds on disposal of non-current assets held for sale and disposal groups	11	–
Proceeds on disposal of financial assets	35	34
Proceeds on disposal of current financial assets	3	2
Cash flow from investing activities	**–1,432**	**–663**

Group cash flow statement

	January to September	
in € million	2011	2010
Dividend payments to Linde AG shareholders and non-controlling interests	−403	−340
Acquisition of minorities	13	37
Interest received	145	170
Interest paid	−427	−410
Proceeds of loans and capital market debt	1,259	625
Cash outflows for the repayment of loans and capital market debt	−807	−862
Change in liabilities from finance leases	−4	−5
Cash flow from financing activities	**−224**	**−785**
Net cash inflow/outflow	**43**	**85**
Opening balance of cash and cash equivalents	**1,159**	**831**
Effects of currency translation	−39	31
Closing balance of cash and cash equivalents	**1,163**	**947**

Statement of changes in Group equity

			Revenue reserves	
in € million	Capital subscribed	Capital reserve	Actuarial gains/losses	Retained earnings
At 1 Jan. 2010	432	5,103	–357	4,616
Total gains and losses recognised	–	–	–126	698
Dividend payments	–	–	–	–304
Changes as a result of share option scheme	2	49	–	–
Other changes	–	–	–	–5
At 30 September 2010	434	5,152	–483	5,005
At 31 Dec. 2010/1 Jan. 2011	436	5,205	–200	5,308
Total gains and losses recognised	–	–	–192	856
Dividend payments	–	–	–	–375
Changes as a result of share option scheme	2	37	–	–
Other changes	–	–	–	–4
At 30 September 2011	438	5,242	–392	5,785

	Cumulative changes in equity not recognised through the income statement					
	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total equity attributable to Linde AG shareholders	Non-controlling interests	Total equity
	–1,206	4	144	8,736	451	9,187
	948	–	–99	1,421	80	1,501
	–	–	–	–304	–36	–340
	–	–	–	51	–	51
	–	–	–	–5	–4	–9
	–258	4	45	9,899	491	10,390
	121	–1	–21	10,848	514	11,362
	–490	2	35	211	10	221
	–	–	–	–375	–28	–403
	–	–	–	39	–	39
	–	–	–	–4	12	8
	–369	1	14	10,719	508	11,227

Segment information

	Reportable segments			
	Total Gases Division		Engineering Division	
in € million	January to September		January to September	
See Note [8]	2011	2010	2011	2010
Sales to third parties	8,265	7,586	1,518	1,423
Sales to other segments	5	4	258	251
Segment sales	**8,270**	**7,590**	**1,776**	**1,674**
Operating profit	**2,254**	**2,055**	**214**	**184**
Of which share of profit/loss from associates/joint ventures (at equity)	58	63	–	–
Amortisation of intangible assets and depreciation of tangible assets	922	863	28	27
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	165	175	6	6
EBIT (Earnings before interest and tax)	**1,332**	**1,192**	**186**	**157**

	Reportable segments			
	Gases Division			
	EMEA		Asia/Pacific	
in € million	January to September		January to September	
See Note [8]	2011	2010	2011	2010
Sales to third parties	4,251	3,970	2,277	1,961
Sales to other segments	7	8	6	4
Segment sales	**4,258**	**3,978**	**2,283**	**1,965**
Operating profit	**1,215**	**1,126**	**634**	**552**
Of which share of profit/loss from associates/joint ventures (at equity)	4	3	36	41
Amortisation of intangible assets and depreciation of tangible assets	436	398	288	260
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	47	50	78	74
EBIT (Earnings before interest and tax)	**779**	**728**	**346**	**292**

	Reportable segments					
	Other Activities		Reconciliation		Total Group	
	January to September		January to September		January to September	
	2011	2010	2011	2010	2011	2010
	426	396	–	–	10,209	9,405
	–	2	−263	−257	–	–
	426	398	−263	−257	10,209	9,405
	42	41	−147	−135	2,363	2,145
	–	–	−4	−12	54	51
	14	22	–	–	964	912
	10	10	–	–	181	191
	28	19	−147	−135	1,399	1,233

	Reportable segments			
	Gases Division			
	Americas		Total Gases Division	
	January to September		January to September	
	2011	2010	2011	2010
	1,737	1,655	8,265	7,586
	41	45	5	4
	1,778	1,700	8,270	7,590
	405	377	2,254	2,055
	18	19	58	63
	198	205	922	863
	40	51	165	175
	207	172	1,332	1,192

Additional Comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the nine months to 30 September 2011 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.

Items in the financial statements are reported in euro. All amounts are shown in millions of euro (EUR m) unless stated otherwise.

A review of the financial statements included in 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 2010. IAS 34 *Interim Financial Reporting* has also been applied. Since 1 January 2011, the following standards or interpretations have either become effective or have been early adopted in the condensed Group interim financial statements of The Linde Group for the nine months ended 30 September 2011:

→ Revised IAS 24 *Related Party Disclosures*
→ *Improvements to International Financial Reporting Standards (2010)*
→ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
→ Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

These standards and interpretations do not have a material impact on the net assets, financial position and results of operations of The Linde Group.

In addition to the changes mentioned above, 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 nine months ended 30 September 2011, 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 IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
→ Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
→ Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

IFRS 9 is expected to become effective from the 2013 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 onwards and may lead to changes in the companies included in the consolidation or to changes in the measurement of investments in the Group financial statements. IAS 19 is expected to become effective from the 2013 financial year onwards and may have an impact on the interest income from plan assets included in the financial result.

The other standards will 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 in the condensed Group interim financial statements of The Linde Group comprise the following:

Changes in the base of consolidation

	As at 31.12.2010	Additions	Disposals	As at 30.09.2011
Consolidated subsidiaries	496	4	7	493
Of which within Germany	23	–	1	22
Of which outside Germany	473	4	6	471
Companies accounted for using the equity method	49	5	1	53
Of which within Germany	–	–	–	–
Of which outside Germany	49	5	1	53

On 31 January 2011, The Linde Group acquired 22 percent of Uraltech Gas, Russia, for a purchase price of EUR 5 m paid in cash. This acquisition increased Linde's shareholding to 72 percent. The company was consolidated in the EMEA operating segment as of this date. The provisional difference before purchase price allocation was EUR 5 m. After fair value adjustments, mainly for tangible assets, provisional goodwill of EUR 2 m was recognised. The Group did not opt to disclose goodwill in respect of non-controlling interests. The goodwill that has been recognised in the balance sheet is not tax-deductible.

On 16 August 2011, The Linde Group acquired 51 percent of the shares in the joint venture Eastern Oxygen Industries Sdn. Bhd (EOX), Malaysia. As a result of purchasing the shares from BNDM Incorporated Holdings Sdn. Bhd., Linde increased its shareholding from 49 percent to 100 percent. 80 percent of the purchase price or EUR 23 m was paid in cash, while the remainder of the purchase price will be paid over the coming four years. The outstanding payments have been recognised in the purchase price on a discounted basis. Since the date of the acquisition, the company has been included as a subsidiary in the Group financial statements of The Linde Group and has been allocated to the Asia/Pacific segment. Due to the fact that the acquisition took place soon before the balance sheet date of these interim financial statements, the purchase price allocation should be viewed as provisional. The provisional figure for the excess of the purchase price, including the shares already held restated at fair value, over the net assets acquired before the purchase price allocation is EUR 32 m. This figure comprises mainly goodwill, customer relationships and fair value adjustments relating to tangible assets. The acquisition of the shares resulted in a remeasurement of the existing 49 percent shareholding at a provisional fair value of EUR 22 m. Of this amount, EUR 3 m was recognised as a loss in the financial result.

During the reporting period, The Linde Group acquired further shares in the subsidiary Abelló Linde S. A., Barcelona, Spain, from other companies. As a result, the Group's shareholding increased by 5 percent to 85 percent and a purchase price of EUR 10 m was paid. The difference between the purchase price and the non-controlling interests of EUR 4 m recognised in equity was offset against 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 September	
		30.09.2011	31.12.2010	2011	2010
Argentina	ARS	5.68170	5.31130	5.749790	5.122300
Australia	AUD	1.39100	1.30750	1.353360	1.467220
Brazil	BRL	2.48790	2.22030	2.293320	2.344670
Canada	CAD	1.41140	1.33450	1.375480	1.364020
China	CNY	8.63070	8.81730	9.142900	8.962990
Czech Republic	CZK	24.66000	25.04200	24.350160	25.453540
Hungary	HUF	292.27000	278.39000	271.132670	275.250460
Malaysia	MYR	4.30910	4.12520	4.259320	4.288990
Norway	NOK	7.89380	7.79200	7.808750	7.996160
Poland	PLN	4.41930	3.96650	4.016590	4.003550
South Africa	ZAR	10.88460	8.85590	9.809110	9.816840
South Korea	KRW	1,597.20000	1,500.06000	1,539.962600	1,531.283220
Sweden	SEK	9.26000	8.98340	9.010940	9.655940
Switzerland	CHF	1.21930	1.24950	1.234320	1.401660
Turkey	TRY	2.51490	2.06280	2.289220	2.001980
UK	GBP	0.86730	0.85750	0.871460	0.857920
USA	USD	1.35220	1.33790	1.407240	1.316650

[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 quarterly 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 30 September 2011, 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 194 m (after deferred tax) when compared to 31 December 2010. During the reporting period, some changes were also made to the conditions which apply to the pension plan in the UK. These changes comprise mainly an increase in members' contributions, as well as some restrictions to pensionable earnings and to cap the increases on pensions in payment. As a result of these amendments, income of EUR 16 m relating to negative past service cost in pension plans was recognised in the first quarter in operating profit under Corporate activities. Moreover, from the second quarter of 2011 onwards, the current service cost for this pension plan is lower than in previous quarters. These measures are intended to ensure the long-term financial viability of the pension plan.

[5] Net financial debt

	Current		Non-current		Total	
in € million	30.09.2011	31.12.2010	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Financial debt	1,376	459	5,637	6,214	7,013	6,673
Less: Securities	16	17	602	–	618	17
Less: Cash and cash equivalents	1,163	1,159	–	–	1,163	1,159
Net financial debt	**197**	**–717**	**5,035**	**6,214**	**5,232**	**5,497**

In May 2011, Linde Finance B.V. issued a new EUR 600 m bond under the EUR 10 bn Debt Issuance Programme. The ten-year bond has a fixed interest coupon of 3.875 percent and is guaranteed by Linde AG. The proceeds of the transaction were primarily used to finance the redemption offer published in May 2011 for the EUR 1 bn bond with a 4.375 percent coupon due in 2012 and the EUR 300 m bond with a 5.375 percent coupon due in 2013. The remaining funds are being used in the general financing of the business. Under the terms of the redemption, Linde Finance B.V. repurchased EUR 276 m of the nominal volume of the EUR 1 bn bond due in 2012 at a price of 102.444 and EUR 84 m of the nominal volume of the EUR 300 m bond due in 2013 at a price of 107.013. This transaction has enabled Linde to secure long-term funds at an attractive interest rate and to extend the maturity profile of its financial debt.

Securities include not only securities held as current assets of EUR 16 m, but also the strategic liquidity reserve of The Linde Group of EUR 602 m. The strategic liquidity reserve can be converted into cash at short notice at any time, but is disclosed in Other financial assets under Non-current assets due to its strategic nature.

Of the financial debt at 30 September 2011, EUR 2.028 bn is in a fair value hedging relationship (31 December 2010: EUR 2.284 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 7.013 bn (31 December 2010: EUR 6.673 bn) would have been EUR 151 m (31 December 2010: EUR 188 m) lower.

From the 2009 financial year onwards, Linde has concluded 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 103 m (31 December 2010: EUR 156 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 53 m (31 December 2010: EUR 53 m) has been disclosed in cash equivalents.

[6] Financial income and expenses

Financial income includes income of EUR 30 m recognised in the first quarter of 2011 arising from a redemption penalty in respect of the early repayment of a loan relating to the sale of BOC Edwards in the 2007 financial year. Income of EUR 29 m arising from the reversal of an impairment loss on this loan was recognised in the fourth quarter of 2010.

[7] Earnings per share

	January to September	
in € million	2011	2010
Earnings after taxes on income attributable to Linde AG shareholders	856	698
Shares in thousands		
Weighted average number of shares outstanding	170,530	169,110
Dilution as a result of share option scheme	1,663	1,836
Weighted average number of shares outstanding – diluted	172,193	170,946
Earnings per share in € – undiluted	**5.02**	**4.13**
Earnings per share in € – diluted	**4.97**	**4.08**

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 the operating segments as those described in the Group financial statements for the year ended 31 December 2010.

Change in segment structure

IFRS 8 *Operating Segments* requires segments to be defined on the basis of internal management within the organisation. The previous organisational structure of the Gases Division derived from operational management at regional level in nine Regional Business Units (or RBUs): North America, South America, Continental and Northern Europe, UK & Ireland, Eastern Europe & Middle East, South & East Asia, Greater China, South Pacific and Africa. These RBUs within the Gases Division were combined to form the four operating segments: Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa.

To meet future operational challenges, the Executive Board of The Linde Group reassigned the Group's regional responsibilities by creating a specific Executive Board portfolio for the Asia/Pacific operating segment.

Since the beginning of the first quarter of 2011, Linde's Gases Division has reported on the basis of the following three operating segments:

→ EMEA (Europe, Middle East and Africa)
→ Asia/Pacific
→ Americas

In the course of the change in internal organisational structure for the EMEA operating segment, the existing RBUs Africa and UK & Ireland were merged to form RBU Africa & UK, to take better advantage in future of the synergies between the two RBUs.

During the reporting period, the segment structure of the Gases Division was adjusted retrospectively to match the change in internal organisational structure.

No changes were made to the reporting structure of the other operating segments (the Engineering Division and Other Activities), nor to the Reconciliation column.

To arrive at the figure for the Gases Division as a whole from the operating segments in the Gases Division, consolidation adjustments of EUR 49 m (2010: EUR 53 m) were deducted from sales. Therefore, it is not possible to arrive at the figures for the Gases Division as a whole by merely adding together the operating segments of the Gases Division.

The reconciliation of segment sales to Group sales and of segment operating profit to Group earnings before taxes on income is shown in the table below:

Reconciliation of segment sales and segment result

	January to September	
in € million	2011	2010
Segment sales		
Sales in the reportable segments	10,472	9,662
Consolidation	–263	–257
Group sales	**10,209**	**9,405**
Operating profit		
Operating profit from the reportable segments	2,510	2,280
Operating result from Corporate activities	–108	–71
Amortisation and depreciation	964	912
Of which fair value adjustments identified in the course of the purchase price allocation	181	191
Financial income	267	279
Financial expenses	482	509
Consolidation	–39	–64
Earnings before taxes on income	**1,184**	**1,003**

[9] 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 September 2011			January to September 2010		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Sales	10,209	–	10,209	9,405	–	9,405
Cost of sales	−6,477	39	−6,438	−6,068	62	−6,006
Gross profit on sales	3,732	39	3,771	3,337	62	3,399
Research and development costs, marketing, selling and administration expenses	−2,442	142	−2,300	−2,216	129	−2,087
Other operating income and expenses	55	–	55	61	–	61
Income from associates and joint ventures (at equity)	54	–	54	51	–	51
EBIT	1,399	181	1,580	1,233	191	1,424
Financial result	−215	–	−215	−230	–	−230
Taxes on income	−281	−68	−349	−255	−64	−319
Earnings after taxes – Group	903	113	1,016	748	127	875
Attributable to non-controlling interests	47	–	47	50	–	50
Attributable to Linde AG shareholders	856	113	969	698	127	825
Earnings per share in € – undiluted	5.02	–	5.68	4.13	–	4.88
Earnings per share in € – diluted	4.97	–	5.63	4.08	–	4.83

During the reporting period, the non-GAAP adjustments for research and development costs, marketing and selling expenses and administration expenses increased from EUR 129 m to EUR 142 m. The brand names acquired in the course of the BOC acquisition and other acquisitions have been accounted for to date as intangible assets with indefinite useful lives and have therefore not been amortised. During the reporting period, it was decided that The Linde Group would adopt a uniform brand identity in the medium term and therefore these brand names, which are included in intangible assets, were redefined as intangible assets with finite useful lives. As a result of this decision, there was an increase in amortisation during the reporting period.

[10] 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 balance sheet and income statement. 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 and
- → 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 in the balance sheet 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.

[11] Significant events after the balance sheet date

There have been no significant events for The Linde Group between the end of the reporting period on 30 September 2011 and the publication deadline for these condensed Group interim financial statements.

Munich, 27 October 2011

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
Member of the Executive Board
of Linde AG

Sanjiv Lamba
Member of the Executive Board
of Linde AG

Review Report

To Linde AG, Munich

We have reviewed the condensed interim consolidated financial statements of Linde AG, Munich – comprising the income statement, statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in Group equity and selected explanatory notes – together with the interim Group management report of Linde AG, Munich, for the period from 1 January to 30 September 2011 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 European Union, and of the interim Group 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 these condensed interim consolidated financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with 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 conduct 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 European Union, and that the interim Group 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 believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial accounting, as adopted by the European Union, or that the interim Group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim Group management reports.

Munich, 27 October 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Harald v. Heynitz
Wirtschaftsprüfer
(German Public Auditor)

Günter Nunnenkamp
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 interim Group 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, 27 October 2011

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
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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

Autumn Press Conference
28 October 2011
Carl von Linde Haus, Munich

Interim Report
January to September 2011
28 October 2011

Press Conference on Annual Results
9 March 2012
Carl von Linde Haus, Munich

Interim Report
January to March 2012
4 May 2012

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

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