Linde Interim Report.
January to March 2010.

Q1

LeadIng.

THE LINDE GROUP

Linde financial highlights

in € million		January to March 2010	2009	Change
Share				
Closing price	€	88.34	51.20	72.5 %
Year high	€	88.68	64.95	36.5 %
Year low	€	76.70	49.93	53.6 %
Market capitalisation		14,921	8,627	73.0 %
Adjusted earnings per share[1]	€	1.41	0.99	42.4 %
Earnings per share – undiluted	€	1.17	0.68	72.1 %
Number of shares outstanding (in 000s)		168,907	168,492	0.2 %
Sales		2,894	2,695	7.4 %
Operating profit		641	538	19.1 %
Operating margin		22.1 %	20.0 %	+ 210 bp[3]
EBIT before amortisation of fair value adjustments		410	323	26.9 %
Earnings after taxes on income		213	128	66.4 %
Number of employees[2]		47,405	47,731	–0.7 %
Gases Division				
Sales		2,340	2,157	8.5 %
Operating profit		625	546	14.5 %
Operating margin		26.7 %	25.3 %	+ 140 bp[3]
Engineering Division				
Sales		517	549	–5.8 %
Operating profit		51	45	13.3 %
Operating margin		9.9 %	8.2 %	+ 170 bp[3]

1 Adjusted for the effects of the purchase price allocation.

2 At 31 March 2010/31 December 2009.

3 Basis points.

Linde Interim Report. January to March 2010.

January to March 2010:
A good start to Linde's new financial year

→ Group sales grow 7.4 percent to EUR 2.894 bn

→ Group operating profit[1] increases at a faster rate than sales, by 19.1 percent to EUR 641 m

→ Group operating margin up 210 basis points to 22.1 percent

→ Earnings per share rise from EUR 0.68 to EUR 1.17

→ Increasing impact of programme for sustainable process optimisation and improved productivity (HPO)

→ Group outlook for 2010 confirmed: growth in sales and earnings expected

[1] Operating profit: EBITDA before non-recurring items, including share of net income from associates and joint ventures.

Group Interim Management Report

General economic environment

The economic recovery trends which appeared in the second half of 2009 gained strength in the first quarter of 2010. In almost all regions, however, economic development continues to be affected by the deep economic and financial crisis.

Despite exceptionally low bank base rates and ongoing support from governments, global growth in gross domestic product (GDP) remains modest. The same applies to global industrial production, the key indicator for our gases business.

Particularly in North America and Europe, the two dominant trading areas, the recovery has been fairly moderate so far. There is evidence that investors and consumers are still reluctant to spend in these regions.

This was in contrast to unfettered growth at the beginning of 2010 in the newly-industrialised countries and emerging nations. In Asia in particular, with its two major emerging economies China and India, the first quarter saw high rates of growth. Economists expect these markets to continue to make the greatest contribution to global economic growth as the year progresses. On the other hand, more cautious predictions are being made about the mature economic regions, the US and Western Europe.

Overall, economic development in the first quarter of 2010 more or less matched the forecasts of the economic experts. Global Insight expects global GDP to grow 3.0 percent in the full year 2010, slightly raising its estimate from the figure of 2.6 percent cited in our current annual report. The economists are continuing to forecast increases in GDP in the current year of 1.0 percent for Western Europe and 0.9 percent for the eurozone. For the US, Global Insight has raised its growth forecast for 2010 from the 2.2 percent cited in our annual report to 3.0 percent. The economic forecast for South America remained virtually unchanged, with an increase in GDP of 3.6 percent (annual report: 3.4 percent). China is expected to achieve a high rate of growth in 2010 of 10.3 percent (annual report: 10 percent). In the most recent growth forecasts for the South Pacific and Africa region, economists have revised their figures up from the 3 percent cited in the annual report to 3.4 percent.

Group

The technology group The Linde Group has made a good start to the new financial year, achieving significant increases in sales and operating profit. In the first quarter of 2010, Group sales rose 7.4 percent compared with the prior-year period to EUR 2.894 bn (2009: EUR 2.695 bn). After adjusting for exchange rate effects, the increase in sales was 3.9 percent.

The Group improved its profitability, with Group operating profit for the first three months of the financial year increasing at a faster rate than sales, by 19.1 percent to EUR 641 m (2009: EUR 538 m). As a result, the Group operating margin rose by 210 basis points to 22.1 percent (2009: 20.0 percent). It should be noted here that restructuring costs of EUR 20 m were recognised in the first quarter of 2009.

Towards the end of the first quarter of 2010, Linde noticed a revival in demand. At the same time it benefited from the increasing impact of HPO. HPO (High Performance Organisation) is an integrated concept for sustainable process optimisation and improved productivity.

The net financial expense in the first quarter improved from EUR 79 m in 2009 to EUR 68 m in 2010. This decrease was mainly due to the lower level of net indebtedness in 2010 than in 2009.

Earnings before taxes on income rose to EUR 283 m, 66.5 percent above the figure for the first quarter of 2009 of EUR 170 m.

Group earnings after tax in the first quarter increased by 66.4 percent to EUR 213 m (2009: EUR 128 m). After adjusting for minority interests, earnings attributable to Linde AG shareholders were EUR 198 m (2009: EUR 115 m). Earnings per share improved as a result by 72.1 percent to EUR 1.17 (2009: EUR 0.68). On an adjusted basis, i.e. after adjusting for the effect of the purchase price allocation in the course of the BOC acquisition, earnings per share in the first three months of 2010 stood at EUR 1.41 (2009: EUR 0.99).

Gases Division

In the global gases industry, the market stabilisation which began in the second half of 2009 was reinforced in the course of the first quarter of 2010. With its global orientation, the Gases Division was able to benefit from this and once again achieve significant improvements in profitability.

Sales in the Gases Division increased in the first three months of 2010 by 8.5 percent to EUR 2.340 bn (2009: EUR 2.157 bn). 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 rose by 3.9 percent.

Operating profit increased in the first quarter of 2010 at a faster rate than sales, by 14.5 percent to EUR 625 m (2009: EUR 546 m). The operating margin rose 140 basis points from 25.3 percent to 26.7 percent. The main reason for this increase in profitability was the positive impact of HPO.

Sales arising from the Group's participation in joint ventures, which are not included in Group sales in accordance with accounting standards, were EUR 82 m in the three months to 31 March 2010, as against EUR 73 m for the prior-year period.

Macroeconomic trends varied from region to region in the first quarter of 2010. Whereas the economic recovery was still fairly weak in the mature markets, some of the emerging economies were able to achieve double-digit growth rates once more. Linde benefits particularly from this trend, because the Group is very well-positioned in these dynamic markets: e.g. in Greater China and in South and East Asia.

In the Western Europe operating segment, sales for the first quarter of 2010 of EUR 970 m were 3.7 percent above the figure for the first quarter of 2009 of EUR 935 m. On a comparable basis, growth was 2.6 percent. Operating profit improved significantly by 11.3 percent to EUR 275 m (2009: EUR 247 m). The operating margin in this region rose as a result by 200 basis points to 28.4 percent (2009: 26.4 percent). The positive impact of our productivity improvement and cost optimisation measures can be seen here too.

Overall, the market environment in Western Europe in the first three months of the current financial year continued to stabilise. As a result of this trend, Linde was able to achieve significant increases in sales in the on-site (tonnage) product segment, whereas there was only a small rise in demand in the liquefied gases and cylinder gas business. Our medical gases or Healthcare business continues to prove stable. In Germany, our electronic gases supplier Linde Electronics will extend its cooperation with Bosch Solar Energy in Erfurt, Arnstadt, a major solar energy site, reinforcing the close partnership of the two companies.

In the Americas operating segment, Linde achieved a 2.6 percent increase in sales in the first quarter of 2010 to EUR 514 m (2009: EUR 501 m). On a comparable basis, the increase in sales was significantly higher at 5.9 percent. Operating profit rose 7.7 percent compared with the prior-year quarter to EUR 112 m (2009: EUR 104 m). The operating margin was 21.8 percent, 100 basis points up on the figure for the first quarter of 2009 of 20.8 percent. The cost reduction and productivity improvement measures more than offset the adverse impact on the margin of the passing on of higher natural gas prices.

In North America, demand trends in the first quarter were slightly better than in Western Europe. In most industry sectors, production rates increased. Against this background, Linde was able to achieve significant growth in the liquefied gases product segment and especially in the on-site business.

In the South American region as well, the economy continued to see dynamic growth in the first three months of 2010. Linde achieved the greatest increases in sales here in its on-site product segment and Healthcare business.

We were able to expand our business in the Asia & Eastern Europe operating segment significantly as expected, with a 17.3 percent increase in sales to EUR 502 m (2009: EUR 428 m). On a comparable basis, Linde achieved double-digit growth in sales in this region of 12.3 percent. This positive trend underlines the uninterrupted economic growth in the newly-industrialised countries and emerging nations. Operating profit also improved significantly, increasing by 20.2 percent to EUR 155 m (2009: EUR 129 m). The operating margin was 30.9 percent (2009: 30.1 percent). These quarterly results not only demonstrate the good business performance of our joint venture activities in Asia, but also the positive impact of HPO.

In the Asia & Eastern Europe operating segment, Linde achieved significant growth rates above all in the on-site product segment. The liquefied gases business also performed well. This was principally due to a rise in demand from the food industry and the construction sector. Moreover, Linde was able to conclude several contracts in Asia during the reporting period with leading Chinese solar energy companies. We shall be constructing two new hydrogen plants for the complete supply of the entire production chain for solar cells at the Xuzhou site in China. Linde will satisfy the growing demand for liquefied gases with targeted increases in capacity and an expanded range of new applications in the various local markets.

Compared with the economic dynamism of the Asian region, the economic recovery in Eastern Europe in the first quarter was fairly modest. Nevertheless, our capacity utilisation improved even in this region. As a result of additional productivity improvement and cost optimisation measures and on the basis of our good market position, we were able to maintain a high level of profitability in this region too.

In the South Pacific & Africa operating segment, Linde achieved sales in the first quarter of 2010 of EUR 375 m. This was a 21.4 percent rise compared to the figure of EUR 309 m achieved in the first quarter of 2009. Positive exchange rate movements in the Australian dollar and South African rand contributed to this increase. On a comparable basis, sales in the reporting period were 3.9 percent below the figure for the first quarter of 2009. Operating profit improved by 25.8 percent, also as a result of exchange rate effects, to EUR 83 m (2009: EUR 66 m). The operating margin rose as a result from 21.4 percent to 22.1 percent.

In the South Pacific region, which has proved relatively robust until now in the economic crisis, there are many indications that there will be a further recovery in the economic environment, while in Africa there were not yet any clear signs of a market revival. Output in this region therefore remained below the level achieved in 2009.

In the individual product segments of the Gases Division, sales in the first quarter of 2010 on a comparable basis were as follows:

The highest growth rate was to be seen in the on-site business. As a result of continual production plant start-ups, sales here increased on a comparable basis (i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure) by 10.3 percent to EUR 569 m (2009: EUR 516 m). The liquefied gases business grew 5.2 percent to EUR 569 m (2009: EUR 541 m). Sales in the cylinder gas business remained constant in the first quarter at EUR 937 m (2009: EUR 937 m). The Healthcare product segment continued to grow steadily, achieving sales of EUR 265 m, 2.7 percent above the figure for the first quarter of 2009 of EUR 258 m.

Gases Division

	January to March 2010			January to March 2009		
in € million	Sales	Operating profit	Margin in percent	Sales	Operating profit	Margin in percent
Western Europe	970	275	28.4	935	247	26.4
Americas	514	112	21.8	501	104	20.8
Asia & Eastern Europe	502	155	30.9	428	129	30.1
South Pacific & Africa	375	83	22.1	309	66	21.4
Consolidation	–21	–	–	–16	–	–
Gases Division	**2,340**	**625**	**26.7**	**2,157**	**546**	**25.3**

Engineering Division

In its international plant construction business, Linde noticed a slight increase in demand in the first quarter in the four major product segments: olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants. This had a positive impact on order intake in the Engineering Division. In the first quarter of 2010, we recorded total incoming orders of EUR 502 m, virtually double the figure achieved in the prior-year period of EUR 285 m.

Sales in the Engineering Division in the first quarter of 2010 of EUR 517 m were 5.8 percent down on the figure for the first quarter of 2009 of EUR 549 m. This was due to differences in project structure and project execution compared with the prior-year period. On the other hand, operating profit improved by 13.3 percent to EUR 51 m (2009: EUR 45 m). The operating margin rose as a result from 8.2 percent to 9.9 percent. This means that Linde again exceeded its target margin of 8 percent which is well above the industry average.

Most of the order intake related to the Asia/Pacific region (30.3 percent), Africa (28.5 percent) and Europe (22.9 percent). 13.1 percent of orders related to the Middle East, followed by North America with 4.4 percent. Most of the order intake (33.3 percent) related to the olefin plant product segment. Air separation plants comprised 21.7 percent of the total. A further 19.1 percent related to natural gas plants and 16.5 percent to hydrogen and synthesis gas plants.

The order backlog at 31 March 2010 was EUR 4.281 bn, exceeding the very high order backlog at 31 December 2009 of EUR 4.215 bn. Our customers include a number of internationally renowned companies in the chemical, energy and steel sectors. As a result of contracts signed in the past year which relate to several major projects, most of the order backlog relates to the olefin plant segment, followed by air separation plants and hydrogen and synthesis gas plants. In terms of regional focus, most of our orders relate to the Middle East, Russia and Asia. Here we are currently working on the execution of several major projects. These include, for example, olefin plants in Abu Dhabi, Siberia and India and the air separation plants we are building for Shell in Qatar.

Engineering Division

in € million	January to March 2010	2009
Sales	517	549
Order intake	502	285
Order backlog at 31.03./31.12.	4,281	4,215
Operating profit	51	45
Margin in %	9.9	8.2

Engineering Division – Order intake by region

in € million	January to March 2010	in percent	2009	in percent
Europe	115	22.9	162	56.8
North America	22	4.4	20	7.0
South America	4	0.8	20	7.0
Asia/Pacific	152	30.3	51	17.9
Middle East	66	13.1	31	10.9
Africa	143	28.5	1	0.4
Total	**502**	**100.0**	**285**	**100.0**

Engineering Division – Order intake by plant type

in € million	January to March 2010	in percent	2009	in percent
Olefin plants	167	33.3	107	37.6
Natural gas plants	96	19.1	33	11.6
Hydrogen and synthesis gas plants	83	16.5	57	20.0
Air separation plants	109	21.7	48	16.8
Other	47	9.4	40	14.0
Total	**502**	**100.0**	**285**	**100.0**

Finance

Net cash inflow (free cash flow before financing activities) increased during the reporting period by around 58 percent to EUR 206 m (2009: EUR 130 m). Cash flow from operating activities was EUR 397 m, slightly under the high figure for the first quarter of 2009 of EUR 412 m. This slight decrease was due mainly to movements in working capital as a result of increased business volumes. Net cash outflow from investment activities in the first three months of 2010 was EUR 191 m (2009: EUR 282 m). Cash outflows for investments in tangible and intangible assets in the reporting period, including plants held under leases in accordance with IFRIC 4, were EUR 223 m, 16.5 percent below the figure for the first three months of 2009 of EUR 267 m. Cash outflows for investments in consolidated companies of EUR 59 m disclosed in the first quarter of 2009 relate to the acquisition of our subsidiary SIGAS in Saudi Arabia.

Total assets have increased since the balance sheet date, 31 December 2009, by 3.7 percent or EUR 898 m to EUR 25.279 bn. Non-current assets, which comprise 84 percent of total assets, rose by EUR 741 m, mainly as a result of capital expenditure in the first quarter and exchange rate movements. Net financial debt (financial debt less cash and cash equivalents and securities) fell by EUR 65 m from EUR 6.119 bn at 31 December 2009 to EUR 6.054 bn at 31 March 2010. It should be noted here that the reduction in net financial debt was adversely affected by exchange rate effects and the valuation of designated hedging relationships (fair value hedges). 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 6.897 bn at 31 March 2010 (31 December 2009: EUR 6.967 bn), EUR 798 m (31 December 2009: EUR 381 m) is disclosed as current and EUR 6.099 bn (31 December 2009: EUR 6.586 bn) as non-current financial debt. Financial debt repayable within one year is matched by liquid funds of EUR 826 m and a EUR 2 bn syndicated credit facility available until 2011. More than 80 percent of the financial debt is repayable after the year 2011.

Prior to the payment of the dividend, equity had risen by EUR 826 m to EUR 10.013 bn. This increase in equity was due primarily to exchange rate effects and to earnings after tax of EUR 213 m. The remeasurement of derivative financial instruments at fair value had a negative impact on equity. At 40 percent, the equity ratio was higher than the figure at 31 December 2009 of 38 percent.

Employees

The number of employees in The Linde Group worldwide at 31 March 2010 was 47,405 (31 December 2009: 47,731). Of this number, 37,266 were employed in the Gases Division and 5,575 in the Engineering Division. The majority of the 4,564 staff in the Corporate/Other Activities segment are employed by Gist, our logistics service provider.

Group – Employees by division

	31.03.2010	31.12.2009
Gases Division	37,266	37,362
Engineering Division	5,575	5,716
Corporate/Other Activities	4,564	4,653
Group	**47,405**	**47,731**

Gases Division – Employees by operating segment

	31.03.2010	31.12.2009
Western Europe	12,758	12,814
Americas	6,943	6,970
Asia & Eastern Europe	11,007	10,983
South Pacific & Africa	6,558	6,595
Total	**37,266**	**37,362**

Outlook

Group

The leading economic research institutes are predicting increases for the current year 2010 both in global gross domestic product and in global industrial production. Linde too has noticed increased economic activity in the course of the first quarter. Considerable uncertainty is still attached to these economic predictions, especially for the second half of 2010.

Against this background, we will continue to do everything we can to improve our productivity and to sustain our robust business development. We will persist in our efforts to achieve sustainable process optimisation and improved productivity. Our objective is still to reduce our gross costs by between EUR 650 m and EUR 800 m in the four-year period from 2009 to 2012 on the basis of HPO. Due to the accelerated implementation of the programme in 2009, it may be assumed that the rate of cost reductions will tend to be somewhat lower in 2010.

Given current economic predictions for the year 2010 and on the basis of our business performance in the first quarter, we confirm our forecast and continue to assume that we will be able to achieve a higher level of Group sales and Group earnings in the 2010 financial year than in 2009. Our goal is to achieve a faster rate of growth in Group operating profit than in Group sales.

In order to achieve this, we are relying not only on HPO, but also on our comparatively stable business model, our global orientation and our leading market positions in the emerging economies.

Gases Division

Signs of a discernible recovery in the market environment of the global gases industry should increase in the current year 2010. Economic forecasts for industrial production indicate that an upturn in business activity is expected, even in those sectors which were badly hit in 2009 by the downturn, such as the steel industry and the chemical industry.

Our original target for the gases business has not changed. We want to grow at a more rapid pace than the market and to continue to increase our productivity.

In the on-site business, we can fall back on a full project pipeline as a result of the successful conclusion of contracts over the past few years. A greater contribution to sales and earnings will be made in 2010 due to the start-up of numerous plants during the year. In the liquefied gases and cylinder gas business, we are expecting demand to rise. In these product segments in particular, we benefit from our strong market positions and from a broad and well-balanced customer base. In the Healthcare segment, we are anticipating further growth in the current financial year.

Based on these factors and given current economic forecasts and our business performance in the first quarter, we continue to expect an increase in sales and earnings in the Gases Division in the current year 2010. We also assume that we will be able to exceed the record operating profit achieved in 2008.

Engineering Division

Growth in investment in the international construction of large-scale plants is expected to come primarily from China, India and the Middle East during the remaining part of 2010. At the same time, given the continuing economic uncertainty, it is still likely that the award of some new projects will be postponed.

The order backlog for the Engineering Division remains very high at more than EUR 4 bn, continuing to provide the basis for a relatively stable business performance over the next two years. We are expecting sales in the Engineering Division in the 2010 financial year to be at least at the same level as in 2009. The target for our operating margin remains at 8 percent. Linde is well-placed internationally in the plant construction business and will continue to benefit from the structural growth drivers energy and the environment.

Risk report

Uncertainty about future global economic trends continues. In addition to the potential drop in sales volumes if there is another economic slowdown, the potential loss of new business and an increase in the risk of bad debts in our operating business due to the increasing inability of our customers to make payments (counterparty risk) also represent a risk to the Group. 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 2009 annual report.

Group income statement

in € million	January to March 2010	2009
Sales	2,894	2,695
Cost of sales	1,881	1,809
Gross profit on sales	**1,013**	**886**
Marketing and selling expenses	418	384
Research and development costs	20	23
Administration expenses	252	247
Other operating income	55	88
Other operating expenses	39	90
Income from associates and joint ventures (at equity)	12	19
Financial income	90	84
Financial expenses	158	163
Earnings before taxes on income	**283**	**170**
Taxes on income	70	42
Earnings after taxes on income	**213**	**128**
Attributable to minority interests	15	13
Attributable to Linde AG shareholders	198	115
Earnings per share in € – undiluted	1.17	0.68
Earnings per share in € – diluted	1.16	0.68

Statement of recognised income and expense

in € million	January to March 2010	2009
Unrealised gains/losses on available-for-sale financial assets	1	–
Unrealised gains/losses on derivative financial instruments	−113	−83
Currency translation differences	713	312
Change in actuarial gains/losses on pension provisions	13	−69
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	–	−1
Gains and losses recognised directly in equity	**614**	**159**
Earnings after taxes on income	**213**	**128**
Total gains and losses recognised	**827**	**287**
Of which attributable to		
Linde AG shareholders	788	264
Minority interests	39	23

Group balance sheet

in € million	31.03.2010	31.12.2009
Assets		
Goodwill	7,527	7,297
Other intangible assets	3,441	3,318
Tangible assets	7,843	7,566
Investments in associates and joint ventures (at equity)	600	559
Other financial assets	399	375
Receivables from financial services	585	570
Other receivables and other assets	468	447
Deferred tax assets	261	251
Non-current assets	**21,124**	**20,383**
Inventories	965	966
Receivables from financial services	78	75
Trade receivables	1,711	1,607
Other receivables and other assets	466	404
Income tax receivables	92	98
Securities	17	17
Cash and cash equivalents	826	831
Current assets	**4,155**	**3,998**
Total assets	**25,279**	**24,381**

Group balance sheet

in € million	31.03.2010	31.12.2009
Equity and liabilities		
Capital subscribed	432	432
Capital reserve	5,107	5,103
Revenue reserves	4,469	4,259
Cumulative changes in equity not recognised through the income statement	–480	–1,058
Total equity excluding minority interests	**9,528**	**8,736**
Minority interests	485	451
Total equity	**10,013**	**9,187**
Provisions for pensions and similar obligations	1,073	1,098
Other non-current provisions	454	443
Deferred tax liabilities	1,811	1,780
Financial debt	6,099	6,586
Liabilities from financial services	16	17
Trade payables	1	2
Other non-current liabilities	186	152
Income tax liabilities	116	104
Non-current liabilities	**9,756**	**10,182**
Other current provisions	1,472	1,468
Financial debt	798	381
Liabilities from financial services	11	11
Trade payables	2,084	2,133
Other current liabilities	1,015	886
Income tax liabilities	130	133
Current liabilities	**5,510**	**5,012**
Total equity and liabilities	**25,279**	**24,381**

Group cash flow statement

in € million	January to March 2010	2009
Earnings before taxes	**283**	**170**
Adjustments to earnings before taxes to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	290	289
Profit/loss on disposal of non-current assets	–1	–4
Net interest	59	75
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	10	12
Income from associates and joint ventures (at equity)	–12	–19
Distributions/dividends received from operating associates and joint ventures	8	20
Income taxes paid	–64	–78
Changes in assets and liabilities		
Change in inventories	34	6
Change in trade receivables	–56	–3
Change in provisions	–78	–79
Change in trade payables	–76	–40
Change in other assets and liabilities	–	63
Cash flow from operating activities	**397**	**412**
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–223	–267
Payments for investments in consolidated companies	–	–59
Payments for investments in non-current financial assets	–6	–1
Payments for investments in current financial assets	–1	–33
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from financial services in accordance with IFRIC 4/IAS 17	31	39
Proceeds on disposal of non-current financial assets	7	3
Proceeds on disposal of current financial assets	1	36
Cash flow from investing activities	**–191**	**–282**

Group cash flow statement

in € million	January to March 2010	2009
Dividend payments to Linde AG shareholders and minority shareholders	–	–1
Interest received	51	45
Interest paid	–73	–83
Proceeds of loans and capital market debt	71	59
Cash outflows for the repayment of loans and capital market debt	–283	–318
Change in liabilities from financial services	–1	–2
Cash flow from financing activities	**–235**	**–300**
Net cash inflow/outflow	**–29**	**–170**
Opening balance of cash and cash equivalents	**831**	**1,002**
Effects of currency translation and changes in Group structure	24	15
Closing balance of cash and cash equivalents	**826**	**847**

Statement of changes in Group equity

in € million	Capital subscribed	Capital reserve	Revenue reserves: Actuarial gains/losses	Revenue reserves: Retained earnings
At 1 Jan. 2009	431	5,074	−153	4,362
Total gains and losses recognised	–	–	−70	115
Dividend payments	–	–	–	–
Changes as a result of share option scheme	–	3	–	–
Other changes	–	–	–	6
At 31 March 2009	431	5,077	−223	4,483
At 31 Dec. 2009/1 Jan. 2010	432	5,103	−357	4,616
Total gains and losses recognised	–	–	12	198
Dividend payments	–	–	–	–
Changes as a result of share option scheme	–	4	–	–
Other changes	–	–	–	–
At 31 March 2010	432	5,107	−345	4,814

	Cumulative changes in equity not recognised through the income statement					
	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total equity excluding minority interests	Minority interests	Total equity
	–1,983	5	136	7,872	377	8,249
	302	–	–83	264	23	287
	–	–	–	–	–1	–1
	–	–	–	3	–	3
	–	–	–	6	30	36
	–1,681	5	53	8,145	429	8,574
	–1,206	4	144	8,736	451	9,187
	680	1	–103	788	39	827
	–	–	–	–	–	–
	–	–	–	4	–	4
	–	–	–	–	–5	–5
	–526	5	41	9,528	485	10,013

Segment information

	Reportable segments			
	Total Gases Division		Engineering Division	
in € million	January to March 2010	2009	January to March 2010	2009
Sales to third parties	2,338	2,155	435	432
Sales to other segments	2	2	82	117
Segment sales	**2,340**	**2,157**	**517**	**549**
Operating profit	**625**	**546**	**51**	**45**
Of which share of profit/loss from associates/joint ventures (at equity)	16	18	–	–
Amortisation of intangible assets and depreciation of tangible assets	274	274	9	8
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	54	70	2	2
EBIT (earnings before interest and tax)	**351**	**272**	**42**	**37**

	Gases Division			
	Western Europe		Americas	
in € million	January to March 2010	2009	January to March 2010	2009
Sales to third parties	962	931	502	492
Sales to other segments	8	4	12	9
Segment sales	**970**	**935**	**514**	**501**
Operating profit	**275**	**247**	**112**	**104**
Of which share of profit/loss from associates/joint ventures (at equity)	1	–	3	7
Amortisation of intangible assets and depreciation of tangible assets	93	95	63	73
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	11	14	16	28
EBIT (earnings before interest and tax)	**182**	**152**	**49**	**31**

Reportable segments					
Other Activities		Reconciliation		Total Group	
January to March 2010	2009	January to March 2010	2009	January to March 2010	2009
121	108	–	–	2,894	2,695
–	–	−84	−119	–	–
121	**108**	**−84**	**−119**	**2,894**	**2,695**
11	**10**	**−46**	**−63**[1]	**641**	**538**
–	–	−4	1	12	19
7	6	–	1	290	289
3	2	–	–	59	74
4	**4**	**−46**	**−64**	**351**	**249**

[1] Includes restructuring costs of EUR 20 m.

Gases Division					
Asia & Eastern Europe		South Pacific & Africa		Total Gases Division	
January to March 2010	2009	January to March 2010	2009	January to March 2010	2009
500	424	374	308	2,338	2,155
2	4	1	1	2	2
502	**428**	**375**	**309**	**2,340**	**2,157**
155	**129**	**83**	**66**	**625**	**546**
12	11	–	–	16	18
67	64	51	42	274	274
10	12	17	16	54	70
88	**65**	**32**	**24**	**351**	**272**

Additional Comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the three months ended 31 March 2010 have been drawn up in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting, as adopted by the European Union.

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

We have used the same accounting policies in the condensed Group interim financial statements as those used to prepare the Group financial statements for the year ended 31 December 2009 and have also applied IAS 34 *Interim Financial Reporting*. Since 1 January 2010, the following standards have either become effective or have been early adopted in the condensed Group interim financial statements of The Linde Group at 31 March 2010:

→ *Improvements to International Financial Reporting Standards* (2009),
→ Amendment to IFRS 2 *Group Cash-settled Share-based Payment Transactions*,
→ Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues*,
→ IFRIC 17 *Distributions of Non-Cash Assets to Owners*,
→ IFRIC 18 *Transfer of Assets from Customers*.

The provisions of IFRIC 18 *Transfer of Assets from Customers* are applied to situations in which the Group receives assets from customers in the form of a subsidy and must use the assets to supply the customer. The application of this rule will lead to the recognition by The Linde Group of additional non-current assets and to the recognition of revenue and depreciation associated with those assets. In the first quarter of 2010, the application of IFRIC 18 *Transfer of Assets from Customers* had no impact on the net assets, financial position and results of operations of the Group.

With effect from 1 January 2010, that portion of cumulative changes in equity not recognised through the income statement which relates to minority interests has been allocated directly to minority interests and disclosed accordingly in the statement of changes in Group equity. In compliance with the Amendment to IAS 1 *Presentation of Financial Statements: A Revised Presentation*, this rule is to be applied prospectively from 1 January 2010.

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 this country are no longer accounted for on a historic cost basis but after adjustments for the effects of inflation.

In addition to the changes mentioned above, the following new or revised standards and interpretations have been issued by the IASB and IFRIC. These have not been applied in the condensed Group interim financial statements for the three months ended 31 March 2010, as they are either not yet mandatory or have not yet been adopted by the European Commission:

→ IFRS 9 *Financial Instruments*,
→ Revised IAS 24 *Related Party Disclosures*,
→ Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*,
→ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

The impact of the standards and interpretations which have not been applied on the presentation of the net assets, financial position and results of operations of The Linde Group is not expected to be significant overall.

[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 31.12.2009	Additions	Disposals	As at 31.03.2010
Consolidated subsidiaries	**507**	**5**	**8**	**504**
Of which within Germany	26	–	–	26
Of which outside Germany	481	5	8	478
Other investments	**79**	**7**	**5**	**81**
Of which within Germany	2	1	–	3
Of which outside Germany	77	6	5	78
Companies accounted for using the equity method	**57**	**1**	**10**	**48**
Of which within Germany	–	–	–	–
Of which outside Germany	57	1	10	48

[3] Foreign currency translation

The financial statements of companies outside the European Currency Union are translated in accordance with the functional currency concept. For all our companies, we translate items in the balance sheet using the spot rate and items in the income statement using the average rate.

The principal exchange rates used are as follows:

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date		Average rate January to March	
		31.03.2010	31.12.2009	2010	2009
Argentina	ARS	5.20640	5.44250	5.31115	4.63034
Australia	AUD	1.46760	1.59560	1.53159	1.96462
Brazil	BRL	2.40470	2.49580	2.49394	3.02418
Canada	CAD	1.36680	1.50570	1.44065	1.62398
China	CNY	9.17460	9.77520	9.45275	8.93411
Czech Republic	CZK	25.45500	26.38800	25.87708	27.59666
Hungary	HUF	266.48000	270.57000	268.66339	293.79100
Malaysia	MYR	4.39050	4.90250	4.66761	4.73572
Norway	NOK	8.02870	8.29800	8.11075	8.96256
Poland	PLN	3.86410	4.10540	3.99013	4.49661
South Africa	ZAR	9.86330	10.61040	10.39615	12.96415
South Korea	KRW	1,520.78000	1,669.71000	1,583.90467	1,847.26644
Sweden	SEK	9.72830	10.24750	9.95106	10.94518
Switzerland	CHF	1.43160	1.48270	1.46269	1.49813
Turkey	TRY	2.04640	2.14810	2.08910	2.16783
UK	GBP	0.88960	0.88620	0.88737	0.90963
USA	USD	1.34400	1.43180	1.38450	1.30693

[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 31 March 2010, 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 an increase in equity of EUR 13 m (after deferred tax).

[5] Net financial debt

	Non-current		Current		Total	
in € million	31.03.2010	31.12.2009	31.03.2010	31.12.2009	31.03.2010	31.12.2009
Financial debt	6,099	6,586	798	381	6,897	6,967
Less: Securities	–	–	17	17	17	17
Less: Cash and cash equivalents	–	–	826	831	826	831
Net financial debt	6,099	6,586	–45	–467	6,054	6,119

Of the financial debt at 31 March 2010, EUR 2.654 bn was in a fair value hedging relationship (31 December 2009: EUR 3.121 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 6.897 bn (31 December 2009: EUR 6.967 bn) would have been EUR 204 m (31 December 2009: EUR 172 m) lower.

Since the 2009 financial year, The Linde Group has begun to conclude Collateral Security Agreements (CSA) 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 9 m (31 December 2009: EUR 0 m) in respect of these agreements has been disclosed in financial debt and an amount of EUR 30 m (31 December 2009: EUR 0 m) has been disclosed in cash equivalents.

[6] Earnings per share

in € million	January to March 2010	2009
Earnings after taxes on income attributable to Linde AG shareholders	198	115
Shares in 000s		
Weighted average number of shares outstanding	168,907	168,492
Dilution as a result of share option schemes	1,370	535
Weighted average number of shares outstanding – diluted	170,277	169,027
Earnings per share in € – undiluted	**1.17**	**0.68**
Earnings per share in € – diluted	**1.16**	**0.68**

[7] 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 2009. During the reporting period, no changes were made to the segment structure.

To arrive at the figure for the Gases Division as a whole from the figures for the operating segments in the Gases Division, consolidation adjustments of EUR 21 m (2009: EUR 16 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 in 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

in € million	January to March 2010	2009
Segment sales		
Sales in the reportable segments	2,978	2,814
Consolidation	–84	–119
Group sales	**2,894**	**2,695**
Operating profit		
Operating profit from the reportable segments	687	601
Corporate activities	–28	–54
Amortisation and depreciation	290	289
Of which fair value adjustments identified in the course of the purchase price allocation	59	74
Financial income	90	84
Financial expenses	158	163
Consolidation	–18	–9
Group earnings before taxes on income	**283**	**170**

[8] 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 2010			January to March 2009		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Sales	2,894	–	2,894	2,695	–	2,695
Cost of sales	–1,881	20	–1,861	–1,809	39	–1,770
Gross profit on sales	**1,013**	**20**	**1,033**	**886**	**39**	**925**
Research and development costs, marketing, selling and administration expenses	–690	39	–651	–654	35	–619
Other operating income and expenses	16	–	16	–2	–	–2
Income from associates and joint ventures (at equity)	12	–	12	19	–	19
EBIT	**351**	**59**	**410**	**249**	**74**	**323**
Financial result	–68	–	–68	–79	–	–79
Taxes on income	–70	–18	–88	–42	–23	–65
Earnings after taxes on income – Group	**213**	**41**	**254**	**128**	**51**	**179**
Attributable to minority interests	15	–	15	13	–	13
Attributable to Linde AG shareholders	**198**	**41**	**239**	**115**	**51**	**166**
Earnings per share in € – undiluted	**1.17**	**–**	**1.41**	**0.68**	**–**	**0.99**
Earnings per share in € – diluted	**1.16**	**–**	**1.40**	**0.68**	**–**	**0.98**

[9] 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,
- → the assessment of lease transactions.

Any change in the key factors which are applied in an impairment review (especially of goodwill) 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.

Discretionary decisions for lease transactions are required to be made, for example, in assessing whether a transfer of substantially all the risks and rewards incident to ownership of an asset has taken place.

[10] Significant events after the balance sheet date

Rating increased

On 14 April 2010, the rating agency Standard & Poor's (S&P) raised the long-term rating of The Linde Group one notch from BBB+ to A– with a stable outlook. The short-term rating remained at A2. On 28 April 2010, the rating agency Moody's also raised its long-term rating of the Group one notch, from Baa1 to A3 with a stable outlook. The short-term rating remained at Prime 2.

Linde invests in Kazakhstan

On 29 April 2010, Linde signed a contract with ArcelorMittal, the world's biggest steel company, for the long-term supply of gases to ArcelorMittal's steelworks on the Temirtau site in Kazakhstan. Under this agreement, Linde will build a large state-of-the-art air separation unit (ASU) in Temirtau. The on-site plant, the first large ASU in Kazakhstan, will have a capacity of 2,000 tons per day (tpd). The plant is expected to come on stream in mid-2012. This will be the first air separation unit to be built and operated by Linde for a customer in Kazakhstan. The investment in the new ASU will be around EUR 95 m.

Apart from the events referred to above, there have been no significant events for The Linde Group between the end of the reporting period on 31 March 2010 and the publication deadline for these condensed Group interim financial statements.

Munich, 3 May 2010

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

J. Kent Masters
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 31 March 2010 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, 3 May 2010

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 assets, liabilities, 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, 3 May 2010

Professor Dr Wolfgang Reitzle
Chief Executive Officer
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Georg Denoke
Member of the Executive Board
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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

Interim Report
January to March 2010
4 May 2010

Annual General Meeting 2010
4 May 2010, 10 a.m.
ICM – International Congress Centre Munich

Dividend Payment
5 May 2010

Interim Report
January to June 2010
2 August 2010

Autumn Press Conference
2 November 2010
Linde AG, Carl von Linde Haus, Munich

Interim Report
January to September 2010
2 November 2010

Annual General Meeting 2011
12 May 2011, 10 a.m.
ICM – International Congress Centre Munich

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