Linde Half-Year Financial Report.
January to June 2011.

H1

Leading.

THE LINDE GROUP

Linde financial highlights

in € million		January to June 2011	2010	Change
Share				
Closing price	€	120.90	86.51	39.8 %
Year high	€	122.40	92.20	32.8 %
Year low	€	102.35	76.70	33.4 %
Market capitalisation (at closing price on 30 June)		20,645	14,635	41.1 %
Adjusted earnings per share[1]	€	3.79	3.15	20.3 %
Earnings per share – undiluted	€	3.32	2.63	26.2 %
Number of shares outstanding (in 000s)		170,757	169,173	0.9 %
Sales		6,774	6,104	11.0 %
Operating profit[2]		1,559	1,396	11.7 %
Operating margin		23.0 %	22.9 %	+10 bp[4]
EBIT before amortisation of fair value adjustments		1,039	922	12.7 %
Earnings after taxes on income		598	483	23.8 %
Number of employees[3]		49,075	48,430	1.3 %
Gases Division				
Sales		5,436	4,931	10.2 %
Operating profit		1,483	1,337	10.9 %
Operating margin		27.3 %	27.1 %	+20 bp[4]
Engineering Division				
Sales		1,226	1,095	12.0 %
Operating profit		141	123	14.6 %
Operating margin		11.5 %	11.2 %	+30 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 June 2011/31 December 2010.
[4] Basis points.

Linde Half-Year Financial Report. January to June 2011.

First half of 2011: Linde again achieves double-digit growth in sales and earnings

→ Group sales grow 11.0 percent to EUR 6.774 bn

→ Group operating profit[1] up 11.7 percent to EUR 1.559 bn

→ Group operating margin rises to 23.0 percent (2010: 22.9 percent)

→ Increase in earnings per share from EUR 2.63 to EUR 3.32

→ Outlook for 2011 confirmed:

- Group: growth in sales and earnings
- Gases Division: sales growth and 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

The global economic recovery continued in the second quarter of 2011. Compared with the first quarter, however, the pace of growth has slowed a little. 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 3.2 percent for the full year 2011. This is slightly lower than the figure forecast at 31 March 2011 of 3.5 percent. Global Insight is expecting global industrial production (IP) to grow by 4.5 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 first quarter of 5.1 percent.

Global Insight is still forecasting that the highest growth rates will be achieved in Asia. In China, in particular, the dynamic upward trend in the economy will continue. However, the more mature markets of Europe and the markets in Eastern Europe may also expand.

Nevertheless, uncertainty remains as to the extent, sustainability and intensity of global economic growth. In the more mature economies, fiscal consolidation measures and restrictive monetary policies are having a dampening effect. High levels of public debt in major economies might also have an adverse impact on global economic trends. In the newly industrialised nations, strong economic performance increasingly entails risks of inflation and instability, which governments might need to address with restrictive measures. The stability of financial markets has not yet been restored and unemployment levels remain high in many industrialised countries. The continuing political conflict in parts of the Arab world and a further increase in the price of oil and raw materials might also have an adverse effect on general economic trends. Therefore, the structural development potential of emerging economies will remain the major driver of global economic growth for the foreseeable future.

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 2.4 percent (Q1 report: 2.3 percent). In the eurozone, the institute is now expecting growth of 1.9 percent (Q1 report: 1.7 percent). Economists are forecasting an increase in economic output in Germany of 3.5 percent (Q1 report: 3.0 percent). An upturn of 4.0 percent (Q1 report: 3.8 percent) is expected in Eastern Europe. In the Middle East, the economy is expected to expand by 5.4 percent in 2011 (Q1 report: 5.4 percent). The experts are forecasting economic growth in Africa of 5.2 percent (Q1 report: 4.9 percent). The current forecast for growth in the Americas region is 2.9 percent (Q1 report: 3.4 percent). Global Insight has cut its previous growth forecast for the United States to 2.5 percent (Q1 report: 3.2 percent). At 4.8 percent, the forecast increase in GDP for South America remained virtually unchanged (Q1 report: 4.9 percent). In the Asia/Pacific region, a high growth rate is again expected. The forecast here for 2011 is 6.8 percent (Q1 report: 6.9 percent). Most of this growth will again be generated by China, where it is predicted that economic output will rise by 9.3 percent (Q1 report: 9.5 percent). Global Insight is also continuing to expect strong growth in India, with an increase in GDP of 7.9 percent (Q1 report: 8.3 percent). The estimated rise in GDP in Australia is 2.1 percent (Q1 report: 2.5 percent).

Group

In the first half of 2011, the technology company The Linde Group has taken advantage of the improvement in general economic conditions when compared with the first half of 2010 and has continued to achieve profitable growth. The Group achieved double-digit increases in sales and operating profit in the six months to 30 June 2011. Group sales in the first half of 2011 rose by 11.0 percent to EUR 6.774 bn, compared with the figure for the first half of 2010 of EUR 6.104 bn. After adjusting for exchange rate effects, the increase in sales was 10.3 percent. In the first six months of 2011, the share of sales from the Group's interest in joint ventures (not disclosed in Group sales in accordance with accounting rules) was EUR 199 m (2010: EUR 178 m).

In the first six months of 2011, Linde continued the rigorous implementation of its HPO (High Performance Organisation) programme, a holistic concept for sustainable process optimisation and productivity gains, and increased Group operating profit by 11.7 percent to EUR 1.559 bn (2010: EUR 1.396 bn). The Group operating margin was 23.0 percent, slightly above the figure for the corresponding prior-year period of 22.9 percent.

The net financial expense in the six months to 30 June 2011 was EUR 126 m (2010: EUR 151 m). This figure includes income of EUR 30 m arising from the repayment of a loan relating to the 2007 sale of BOC Edwards, which was recognised in the first quarter of 2011.

Earnings before taxes on income were EUR 792 m, exceeding the figure for the comparable prior-year period of EUR 646 m by 22.6 percent. Earnings after tax rose by 23.8 percent to EUR 598 m (2010: EUR 483 m). After adjusting for non-controlling interests, earnings attributable to Linde AG shareholders were EUR 566 m (2010: EUR 445 m). Earnings per share increased as a result by 26.2 percent to EUR 3.32 (2010: EUR 2.63). 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 3.79 (2010: EUR 3.15).

Gases Division

During the reporting period, the general economic recovery also fuelled demand for gases worldwide. Due to the Group's global footprint and its strong market position in the emerging economies, Linde was able to benefit from this positive trend in all product areas.

Sales in the Gases Division in the first six months of 2011 grew 10.2 percent to EUR 5.436 bn (2010: EUR 4.931 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, the increase in sales was 8.5 percent. The Group's share of sales from its interests in joint ventures (not included in the sales of the division in accordance with accounting rules) was EUR 192 m in the reporting period, compared with EUR 172 m in the first six months of 2010.

Operating profit in the Gases Division rose by 10.9 percent to EUR 1.483 bn (2010: EUR 1.337 bn). One of the factors contributing to the increase 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 six months of 2010 of 27.1 percent.

The share of income from associates and joint ventures in the Gases Division in the reporting period included in operating profit was EUR 36 m (2010: EUR 39 m).

Looking at business trends in the individual operating segments in the Gases Division, it is clear that the pace of economic recovery still varies from region to region. In the first six months of 2011, the highest growth rates were once again to be seen in the emerging economies of Asia, especially China, and in South America. At the same time, the economic recovery continued in the more mature markets such as the US and Western Europe.

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 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 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 first half of 2010 have been adjusted to take account of the new structure.

EMEA

In the EMEA operating segment, Linde achieved sales growth of 8.1 percent in the first half of 2011 to EUR 2.824 bn (2010: EUR 2.613 bn). On a comparable basis, the growth in sales was 5.9 percent. Operating profit again increased at a faster rate than sales, rising 9.5 percent to EUR 807 m (2010: EUR 737 m). This resulted in an operating margin of 28.6 percent (2010: 28.2 percent). Here too, the rigorous implementation of the various productivity improvement and process standardisation initiatives under the HPO programme made a positive contribution.

The economic recovery in the EMEA region continued to strengthen in the second quarter of 2011. Linde was able to achieve significant rates of growth in all market segments in the region and in all product areas.

In the second quarter of 2011, Linde recognised an impairment loss of EUR 15 m in its African subsidiary Afrox. The impairment loss, which related to a plant, had to be recognised when an on-site contract which was due to expire in the future could not be renewed.

In Sweden, Linde officially inaugurated the country's first terminal for liquefied natural gas (LNG) in the second quarter. Linde is the owner and operator of the terminal and sells the LNG to customers in industry, transport and shipping. With this new terminal, Linde has gained entry into a promising growth market in Europe.

Linde has built a new air separation plant on the Muttenz site near Basle in Switzerland, investing a total of CHF 68 m. This plant, which was officially opened on 20 May 2011, will further reinforce Linde's market position in the region comprising Switzerland, France and Germany.

Moreover, Linde announced in the second quarter of 2011 that it would be working together with automobile manufacturer Daimler to make further progress on establishing an infrastructure for fuel cell vehicles. The two companies will build 20 more hydrogen filling stations in Germany over the next three years, thereby ensuring a supply of hydrogen exclusively from renewable sources for the ever-increasing number of fuel cell vehicles. As a result of this joint initiative by Linde and Daimler, which involves investment in the double-digit millions, the number of public hydrogen filling stations in Germany will more than triple.

Asia/Pacific

Linde achieved a high rate of growth in the Asia/Pacific operating segment, powered by continued economic dynamism in Asia and based on its leading position in these markets. In the first six months of 2011, sales in this region grew 17.5 percent to EUR 1.473 bn (2010: EUR 1.254 bn). On a comparable basis, the increase in sales was 11.2 percent. Operating profit rose by 15.3 percent to EUR 406 m (2010: EUR 352 m). The operating margin in this segment for the six months to 30 June 2011 was 27.6 percent (2010: 28.1 percent). When comparing the operating margin for the first half of 2011 with that for the first half 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 for infrastructure expansion and the employment of new staff in the dynamic 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 again achieved its fastest business expansion in the Greater China region. However, it also achieved double-digit growth in the reporting period in South and East Asia and in 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, the development of the business was also driven by the start-up of several new plants. In Chongqing, for example, Linde supplies industrial gases for use in production at Sinopec Sichuan Vinylon Works (SVW), while in Beijing the Group supplies high-purity liquefied gases to BOE Display Technology for use in the manufacture of thin-layer transistors.

In a joint enterprise with Chongqing Chemical & Pharmaceutical Holding Company (CCPHC), Linde is to build and operate a large hydrogen and synthesis gas plant in the Chongqing Chemical Park in Western China. In future, the new on-site plant will supply carbon monoxide, hydrogen and synthesis gas to the BASF and CCPHC production plants on the site. The contract for this joint enterprise, which has an investment value of around EUR 200 m, was signed on 11 April 2011. The new plant, which will be supplied by Linde's Engineering Division, is expected to come on stream in the third quarter of 2014. This project strengthens Linde's position in Western China and reinforces its position as the leading gases and engineering company in China.

In Indonesia, Linde entered into a long-term on-site agreement in the second quarter of 2011 with the steel company PT Krakatau POSCO (PTKP). Under the agreement, Linde will build the largest air separation plant in the country on the Cilegon site, around 100 kilometres west of Jakarta, a total investment of around EUR 88 m. This strengthens Linde's position in one of the fastest-growing economies in South-east Asia.

Americas

In the Americas operating segment, sales in the first half of 2011 grew 7.1 percent to EUR 1.173 bn (2010: EUR 1.095 bn). On a comparable basis, the increase in sales was 11.8 percent.

Operating profit improved by 8.9 percent to EUR 270 m (2010: EUR 248 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 in the first quarter of 2011. The operating margin rose to 23.0 percent (2010: 22.6 percent).

In North America, the improvement in the general economic situation also resulted in higher demand for industrial gases. Linde was able to achieve growth in all product areas. Linde also benefited here from the start-up of new plants: for example, an on-site plant for the steel company AK Steel in Butler, Pennsylvania, came on stream during the reporting period.

In the first half of 2011, the economy again grew at a faster rate in the South America region than in North America. Against this background, Linde achieved double-digit growth rates here in the six months to 30 June 2011. All the product areas saw positive trends, with the on-site and Healthcare segments performing particularly well.

Product areas

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

The highest rate of sales growth was in the on-site business, where Linde supplies gases on site to major customers. Boosted by the continuous ramp-up of plants which came on stream in the third and fourth quarters of 2010 and the start-up of new plants, sales rose here on a comparable basis by 11.4 percent to EUR 1.331 bn (2010: EUR 1.195 bn). The upward trend in the liquefied gases and cylinder gas business accelerated, with cylinder gas sales growing 8.0 percent to EUR 2.224 bn (2010: EUR 2.060 bn). Sales of liquefied gases in the first six months of 2011 increased by 7.8 percent to EUR 1.297 bn (2010: EUR 1.203 bn). The Healthcare product area again saw steady growth, achieving sales of EUR 584 m, an increase of 5.4 percent over the figure for the first half of 2010 of EUR 554 m.

Gases Division

	January to June					
	2011			2010		
in € million	Sales	Operating profit	Margin in percent	Sales	Operating profit	Margin in percent
EMEA	2,824	807	28.6	2,613	737	28.2
Asia/Pacific	1,473	406	27.6	1,254	352	28.1
Americas	1,173	270	23.0	1,095	248	22.6
Consolidation	–34	–	–	–31	–	–
Gases Division	**5,436**	**1,483**	**27.3**	**4,931**	**1,337**	**27.1**

Gases Division

	2nd Quarter					
	2011			2010		
in € million	Sales	Operating profit	Margin in percent	Sales	Operating profit	Margin in percent
EMEA	1,431	412	28.8	1,349	386	28.6
Asia/Pacific	766	210	27.4	677	190	28.1
Americas	593	134	22.6	581	136	23.4
Consolidation	–16	–	–	–16	–	–
Gases Division	**2,774**	**756**	**27.3**	**2,591**	**712**	**27.5**

Engineering Division

The international large-scale engineering market continued to stabilise in the second quarter of 2011. Sales in the Engineering Division in the first six months of 2011 increased by 12.0 percent to EUR 1.226 bn (2010: EUR 1.095 bn). The continuing successful execution of a number of individual projects meant that operating profit grew at a faster rate than sales, rising 14.6 percent to EUR 141 m (2010: EUR 123 m). The operating margin was 11.5 percent (2010: 11.2 percent). When considering the earnings trend, it should be noted that during the reporting period 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 half of 2011 was EUR 1.149 bn, 19.4 percent above the figure for the first half of 2010 of EUR 962 m. In the second quarter of 2011, two major orders from China and Indonesia had a significant impact on order intake. The first of these orders, for a hydrogen and synthesis gas plant in the Chongqing Chemical Park commissioned by Linde's Gases Division, is worth around EUR 200 m.

The second of these orders, worth EUR 88 m, was for Linde to build a new air separation plant to supply gases to the steel company PTKP in Indonesia. The new plant will have a production capacity of around 2,000 tonnes of oxygen per day. The plant will not only generate gaseous products for the steelworks, but also liquefied oxygen, nitrogen and argon for the local market, in order to meet rising demand for industrial gases in Western Java. The air separation plant is expected to come on stream in October 2013.

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

Over 50 percent of the order intake related to the natural gas and air separation plant product segments, while the remainder was evenly distributed across the other plant types.

Linde's order backlog remains high. At 30 June 2011, it stood at EUR 3.763 bn (31 December 2010: EUR 3.965 bn).

Together with its project partner, SBM Offshore (Netherlands), Linde's Engineering Division entered into 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). 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.

Engineering Division

	2nd Quarter		January to June	
in € million	2011	2010	2011	2010
Sales	635	578	1,226	1,095
Order intake	705	460	1,149	962
Order backlog at 30.06./31.12.	–	–	3,763	3,965
Operating profit	79	72	141	123
Margin in %	12.4	12.5	11.5	11.2

Engineering Division – Order intake by region

	January to June			
in € million	2011	in percent	2010	in percent
Asia/Pacific	597	52.0	283	29.4
Europe	196	17.1	252	26.2
North America	184	16.0	121	12.6
Middle East	100	8.7	143	14.9
Africa	47	4.0	155	16.1
South America	25	2.2	8	0.8
Total	**1,149**	**100.0**	**962**	**100.0**

Engineering Division – Order intake by region

	2nd Quarter			
in € million	2011	in percent	2010	in percent
Asia/Pacific	453	64.2	131	28.5
Europe	78	11.1	137	29.8
North America	49	7.0	99	21.5
Middle East	79	11.2	77	16.7
Africa	38	5.4	12	2.6
South America	8	1.1	4	0.9
Total	**705**	**100.0**	**460**	**100.0**

Engineering Division – Order intake by plant type

	January to June			
in € million	2011	in percent	2010	in percent
Air separation plants	318	27.7	252	26.2
Natural gas plants	279	24.3	194	20.2
Hydrogen and synthesis gas plants	270	23.5	192	20.0
Olefin plants	160	13.9	230	23.8
Other	122	10.6	94	9.8
Total	**1,149**	**100.0**	**962**	**100.0**

Engineering Division – Order intake by plant type

	2nd Quarter			
in € million	2011	in percent	2010	in percent
Air separation plants	197	27.9	143	31.1
Natural gas plants	138	19.6	98	21.3
Hydrogen and synthesis gas plants	208	29.5	109	23.7
Olefin plants	92	13.0	63	13.7
Other	70	10.0	47	10.2
Total	**705**	**100.0**	**460**	**100.0**

Finance

During the reporting period, cash flow from operating activities rose 8.3 percent to EUR 977 m (2010: EUR 902 m). This increase was partly the result of the significant rise in earnings before taxes on income and partly the result of the cash inflow of EUR 59 m from the early repayment of the loan relating to the 2007 sale of BOC Edwards. Net cash outflow from investing activities in the first half of 2011 was EUR 485 m (2010: EUR 436 m). Cash outflows in the reporting period for investments in tangible and intangible assets, including plants held under leases in accordance with IFRIC 4, were EUR 547 m, 8.7 percent above the figure for the first half of 2010 of EUR 503 m. Net cash inflow (free cash flow before financing activities) increased by 5.6 percent to EUR 492 m (2010: EUR 466 m).

Total assets have decreased since the balance sheet date, 31 December 2010, by 2.5 percent or EUR 672 m to EUR 26.216 bn. Non-current assets, which comprise 80.9 percent of total assets, fell by EUR 1.061 bn, mainly as a result of current depreciation on tangible assets and exchange rate movements. Investments in assets in the first half of the year had a positive impact on the non-current assets figure. Net financial debt (financial debt less cash and cash equivalents and securities) fell by EUR 79 m to EUR 5.418 bn at 30 June 2011 (31 December 2010: EUR 5.497 bn). Exchange rate effects had a positive impact here. The changes arising from the remeasurement of fair value hedges also had a positive impact. The dynamic indebtedness factor (net financial debt to operating profit for the past twelve months) fell from 1.9 at 31 December 2010 to 1.8 at 30 June 2011.

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 6.789 bn at 30 June 2011 (31 December 2010: EUR 6.673 bn), EUR 1.199 bn (31 December 2010: EUR 459 m) is disclosed as current and EUR 5.590 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 cash and cash equivalents of EUR 1.355 bn (31 December 2010: EUR 1.159 bn) and a EUR 2.5 bn syndicated credit facility available until 2015.

The long-term nature of Linde's financing is demonstrated by the capital market transaction concluded in the first half of the financial year. 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.

Equity decreased by EUR 431 m to EUR 10.931 bn. This reduction in equity was due primarily to the dividend payment of EUR 392 m, as well as to exchange rate effects and the change in actuarial gains and losses relating to pension provisions. Earnings after tax of EUR 598 m and the remeasurement of derivative financial instruments at fair value had a positive impact on equity. The Group's gearing (the ratio of net debt to equity) increased as a result of the reduction in equity at the end of the first half of 2011 to 49.6 percent (31 December 2010: 48.4 percent). At 41.7 percent, the equity ratio at 30 June 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 June 2011 was 49,075 (31 December 2010: 48,430). Of this number, 38,203 were employed in the Gases Division and 6,012 in the Engineering Division. The majority of the 4,860 staff in the Other Activities segment are employed by Gist, Linde's logistics service provider.

Group – Employees by division

	30.06.2011	31.12.2010
Gases Division	38,203	37,603
Engineering Division	6,012	5,811
Other Activities	4,860	5,016
Group	**49,075**	**48,430**

Gases Division – Employees by operating segment

	30.06.2011	31.12.2010
EMEA	20,742	20,575
Asia/Pacific	10,336	10,051
Americas	7,125	6,977
Total	**38,203**	**37,603**

Outlook

Group

The leading economic research institutes are forecasting increases for the current year 2011 both in global gross domestic product and worldwide industrial production. Recently, however, the forecasts have been revised down somewhat. Uncertainty remains as to the sustainability and intensity of the recovery. Factors which could dampen steady global growth include rising public debt levels across the world, monetary instability, the currency crisis in the eurozone and continuing relatively high levels of unemployment in the US and in some European countries, as well as the prevailing uncertain political situation in some countries in the Arab world.

Given current economic predictions and on the basis of its business performance in the first half of 2011, Linde confirms its forecast. The Group continues to assume 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 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, environment and health and by dynamic trends in the emerging economies.

Outlook – Gases Division

Recent economic forecasts suggest that the market environment in the global gases industry will continue to improve. Demand is expected to rise in the major end customer segments. 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. The liquefied gases and cylinder gas business is set to benefit from the ongoing general economic recovery. Linde expects positive business trends in the Healthcare product area to continue, with a higher rate of sales growth than in 2010.

Based on the assumptions and targets outlined above, Linde anticipates 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

Investment activity in the international large-scale plant construction business has continued to stabilise in recent months.

At EUR 3.763 bn, the order backlog in the Engineering Division remains at a very high level, creating a good basis for a solid business performance over the next two years. The Group expects to achieve the same level of sales in its engineering business in the 2011 financial year as in 2010. Given the positive trends in the first half of the year, the Group expects to achieve an operating margin in the current financial year of at least 10 percent. In the medium term, the target for the operating margin continues to be 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 continues. 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.

Significant events after the balance sheet date

Linde has been commissioned to build and operate two air separation plants to supply the Chinese company Yantai Wanhua in Shandong (East China). The contract for the project, which will involve investment of around EUR 130 m, was signed on 26 July 2011.

The two plants, which are to be built by Linde's Engineering Division and are expected to come on stream at the end of 2013 or beginning of 2014, will supply oxygen and nitrogen to Yantai Wanhua's production plants. 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.

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 automobile industries. China is in the process of becoming one of the principal markets for MDI.

Group income statement

	2nd Quarter		January to June	
in € million	2011	2010	2011	2010
Sales	3,449	3,210	6,774	6,104
Cost of sales	2,159	2,053	4,288	3,934
Gross profit on sales	**1,290**	**1,157**	**2,486**	**2,170**
Marketing and selling expenses	526	469	1,011	887
Research and development costs	23	24	47	44
Administration expenses	297	270	581	522
Other operating income	67	75	140	130
Other operating expenses	57	43	102	82
Income from associates and joint ventures (at equity)	18	20	33	32
Financial income	80	101	192	191
Financial expenses	157	184	318	342
Earnings before taxes on income	**395**	**363**	**792**	**646**
Taxes on income	100	93	194	163
Earnings after taxes on income	**295**	**270**	**598**	**483**
Attributable to non-controlling interests	13	23	32	38
Attributable to Linde AG shareholders	282	247	566	445
Earnings per share in € – undiluted	1.65	1.46	3.32	2.63
Earnings per share in € – diluted	1.64	1.45	3.29	2.61

Statement of recognised income and expense

	January to June	
in € million	2011	2010
Unrealised gains/losses on available-for-sale financial assets	–	1
Unrealised gains/losses on derivative financial instruments	187	–295
Currency translation differences	–772	1,699
Actuarial gains/losses on pension provisions	–76	–56
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	3	9
Gains and losses recognised directly in equity	**–658**	**1,358**
Earnings after taxes on income	**598**	**483**
Total gains and losses recognised	**–60**	**1,841**
Of which attributable to		
Linde AG shareholders	–53	1,760
Non-controlling interests	–7	81

Group balance sheet

in € million	30.06.2011	31.12.2010
Assets		
Goodwill	7,571	7,799
Other intangible assets	3,207	3,506
Tangible assets	8,417	8,723
Investments in associates and joint ventures (at equity)	660	678
Other financial assets	297	338
Receivables from finance leases	302	344
Other receivables and other assets	431	566
Income tax receivables	6	–
Deferred tax assets	308	306
Non-current assets	**21,199**	**22,260**
Inventories	1,008	956
Receivables from finance leases	45	48
Trade receivables	2,016	1,855
Other receivables and other assets	506	483
Income tax receivables	71	105
Securities	16	17
Cash and cash equivalents	1,355	1,159
Non-current assets classified as held for sale and disposal groups	–	5
Current assets	**5,017**	**4,628**
Total assets	**26,216**	**26,888**

Group balance sheet

in € million	30.06.2011	31.12.2010
Equity and liabilities		
Capital subscribed	437	436
Capital reserve	5,224	5,205
Revenue reserves	5,227	5,108
Cumulative changes in equity not recognised through the income statement	–448	99
Total equity attributable to Linde AG shareholders	**10,440**	**10,848**
Non-controlling interests	491	514
Total equity	**10,931**	**11,362**
Provisions for pensions and similar obligations	832	884
Other non-current provisions	426	487
Deferred tax liabilities	1,931	1,990
Financial debt	5,590	6,214
Liabilities from finance leases	37	39
Trade payables	5	5
Other non-current liabilities	154	187
Liabilities from income taxes	78	88
Non-current liabilities	**9,053**	**9,894**
Other current provisions	1,314	1,515
Financial debt	1,199	459
Liabilities from finance leases	9	10
Trade payables	2,557	2,564
Other current liabilities	1,022	950
Liabilities from income taxes	131	134
Current liabilities	**6,232**	**5,632**
Total equity and liabilities	**26,216**	**26,888**

Group cash flow statement

	January to June	
in € million	2011	2010
Earnings before taxes on income	792	646
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	641	599
Impairment of financial assets	1	–
Profit/loss on disposal of non-current assets	–14	–7
Net interest	141	133
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	12	21
Income from associates and joint ventures (at equity)	–33	–32
Distributions/dividends received from associates and joint ventures	21	19
Income taxes paid	–159	–167
Changes in assets and liabilities		
Change in inventories	–86	26
Change in trade receivables	–237	–155
Change in provisions	–220	–166
Change in trade payables	149	28
Change in other assets and liabilities	–31	–43
Cash flow from operating activities	977	902
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–547	–503
Payments for investments in consolidated companies	–5	–10
Payments for investments in financial assets	–9	–5
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	47	60
Proceeds on disposal of non-current assets held for sale and disposal groups	11	–
Proceeds on disposal of financial assets	15	21
Proceeds on disposal of current financial assets	3	2
Cash flow from investing activities	–485	–436

Group cash flow statement

	January to June	
in € million	2011	2010
Dividend payments to Linde AG shareholders and non-controlling interests	–392	–316
Acquisition of minorities	8	14
Interest received	93	104
Interest paid	–252	–246
Proceeds of loans and capital market debt	924	625
Cash outflows for the repayment of loans and capital market debt	–630	–735
Change in liabilities from finance leases	–3	–2
Cash flow from financing activities	–252	–556
Net cash inflow/outflow	240	–90
Opening balance of cash and cash equivalents	1,159	831
Effects of currency translation	–44	61
Closing balance of cash and cash equivalents	1,355	802

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	–	–	−46	445
Dividend payments	–	–	–	−304
Changes as a result of share option scheme	1	21	–	–
Other changes	–	–	–	–
At 30 June 2010	433	5,124	−403	4,757
At 31 Dec. 2010/1 Jan. 2011	436	5,205	−200	5,308
Total gains and losses recognised	–	–	−72	566
Dividend payments	–	–	–	−375
Changes as a result of share option scheme	1	19	–	–
Other changes	–	–	–	–
At 30 June 2011	437	5,224	−272	5,499

	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
	1,632	1	−272	1,760	81	1,841
	–	–	–	−304	−12	−316
	–	–	–	22	–	22
	–	–	–	–	−7	−7
	426	5	−128	10,214	513	10,727
	121	−1	−21	10,848	514	11,362
	−733	–	186	−53	−7	−60
	–	–	–	−375	−17	−392
	–	–	–	20	–	20
	–	–	–	–	1	1
	−612	−1	165	10,440	491	10,931

Segment information

in € million See Note [8]	Reportable segments			
	Total Gases Division		Engineering Division	
	January to June		January to June	
	2011	2010	2011	2010
Sales to third parties	5,432	4,929	1,054	919
Sales to other segments	4	2	172	176
Segment sales	**5,436**	**4,931**	**1,226**	**1,095**
Operating profit	**1,483**	**1,337**	**141**	**123**
Of which share of profit/loss from associates/joint ventures (at equity)	36	39	–	–
Amortisation of intangible assets and depreciation of tangible assets	613	566	18	18
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	110	115	4	4
EBIT (Earnings before interest and tax)	**870**	**771**	**123**	**105**

in € million See Note [8]	Reportable segments			
	Gases Division			
	EMEA		Asia/Pacific	
	January to June		January to June	
	2011	2010	2011	2010
Sales to third parties	2,818	2,609	1,469	1,254
Sales to other segments	6	4	4	–
Segment sales	**2,824**	**2,613**	**1,473**	**1,254**
Operating profit	**807**	**737**	**406**	**352**
Of which share of profit/loss from associates/joint ventures (at equity)	3	2	23	25
Amortisation of intangible assets and depreciation of tangible assets	295	263	189	171
Of which amortisation of fair value adjustments identified in the course of purchase price allocation	31	33	52	48
EBIT (Earnings before interest and tax)	**512**	**474**	**217**	**181**

	Reportable segments					
	Other Activities		Reconciliation		Total Group	
	January to June		January to June		January to June	
	2011	2010	2011	2010	2011	2010
	288	256	–	–	6,774	6,104
	–	2	–176	–180	–	–
	288	258	–176	–180	6,774	6,104
	28	26	–93	–90	1,559	1,396
	–	–	–3	–7	33	32
	10	15	–	–	641	599
	7	6	–	–	121	125
	18	11	–93	–90	918	797

	Reportable segments			
	Gases Division			
	Americas		Total Gases Division	
	January to June		January to June	
	2011	2010	2011	2010
	1,145	1,066	5,432	4,929
	28	29	4	2
	1,173	1,095	5,436	4,931
	270	248	1,483	1,337
	10	12	36	39
	129	132	613	566
	27	34	110	115
	141	116	870	771

Additional Comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the six months ended 30 June 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.

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 2010 and have also applied IAS 34 *Interim Financial Reporting*. 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 six months ended 30 June 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 six months ended 30 June 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 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 30.06.2011
Consolidated subsidiaries	496	1	6	491
Of which within Germany	23	–	1	22
Of which outside Germany	473	1	5	469
Companies accounted for using the equity method	49	5	–	54
Of which within Germany	–	–	–	–
Of which outside Germany	49	5	–	54

Most of the disposals of companies included in the consolidation are the result of the Reduction of Legal Entities project, which forms part of the HPO programme designed to achieve sustainable process optimisation and increased efficiency. The aim of this project is to simplify the legal structure of the consolidated companies and to reduce the number of entities through liquidations and mergers.

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 in Uraltech Gas to 72 percent. The company was consolidated in the EMEA operating segment as of this date. The provisional difference before purchase price allocation amounted to 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.

[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, all 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 June	
		30.06.2011	31.12.2010	2011	2010
Argentina	ARS	5.94710	5.31130	5.68082	5.13791
Australia	AUD	1.35100	1.30750	1.35716	1.48654
Brazil	BRL	2.27160	2.22030	2.28799	2.38767
Canada	CAD	1.39950	1.33450	1.37107	1.37476
China	CNY	9.36780	8.81730	9.17783	9.07233
Czech Republic	CZK	24.31300	25.04200	24.34612	25.72444
Hungary	HUF	265.82000	278.39000	269.42436	271.68782
Malaysia	MYR	4.37700	4.12520	4.25628	4.39667
Norway	NOK	7.76810	7.79200	7.82860	8.01577
Poland	PLN	3.98520	3.96650	3.95212	4.00181
South Africa	ZAR	9.80620	8.85590	9.67318	9.99689
South Korea	KRW	1,547.14000	1,500.06000	1,544.91365	1,532.82177
Sweden	SEK	9.16130	8.98340	8.94168	9.79550
Switzerland	CHF	1.20810	1.24950	1.26949	1.43642
Turkey	TRY	2.35290	2.06280	2.20594	2.02505
UK	GBP	0.90390	0.85750	0.86821	0.87049
USA	USD	1.44890	1.33790	1.40372	1.32909

[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 June 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 73 m (after deferred tax). 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	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Financial debt	1,199	459	5,590	6,214	6,789	6,673
Less: Securities	16	17	–	–	16	17
Less: Cash and cash equivalents	1,355	1,159	–	–	1,355	1,159
Net financial debt	**–172**	**–717**	**5,590**	**6,214**	**5,418**	**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.

Of the financial debt at 30 June 2011, EUR 1.886 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 6.789 bn (31 December 2010: EUR 6.673 bn) would have been EUR 136 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 130 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 27 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 June	
in € million	2011	2010
Earnings after taxes on income attributable to Linde AG shareholders	566	445
Shares in thousands		
Weighted average number of shares outstanding	170,345	168,958
Dilution as a result of share option scheme	1,630	1,622
Weighted average number of shares outstanding – diluted	171,975	170,580
Earnings per share in € – undiluted	**3.32**	**2.63**
Earnings per share in € – diluted	**3.29**	**2.61**

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 & 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 the RBU Africa & UK, to take better advantage in future of 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 34 m (2010: EUR 31 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 of the segment result

	January to June	
in € million	2011	2010
Segment sales		
Sales in the reportable segments	6,950	6,284
Consolidation	−176	−180
Group sales	**6,774**	**6,104**
Operating profit		
Operating profit from the reportable segments	1,652	1,486
Operating result from Corporate activities	−66	−49
Amortisation and depreciation	641	599
Of which fair value adjustments identified in the course of the purchase price allocation	121	125
Financial income	192	191
Financial expenses	318	342
Consolidation	−27	−41
Earnings before taxes on income	792	646

[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 June 2011			January to June 2010		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Sales	6,774	–	6,774	6,104	–	6,104
Cost of sales	–4,288	26	–4,262	–3,934	41	–3,893
Gross profit on sales	2,486	26	2,512	2,170	41	2,211
Research and development costs, marketing, selling and administration expenses	–1,639	95	–1,544	–1,453	84	–1,369
Other operating income and expenses	38	–	38	48	–	48
Income from associates and joint ventures (at equity)	33	–	33	32	–	32
EBIT	918	121	1,039	797	125	922
Financial result	–126	–	–126	–151	–	–151
Taxes on income	–194	–42	–236	–163	–37	–200
Earnings after taxes – Group	598	79	677	483	88	571
Attributable to non-controlling interests	32	–	32	38	–	38
Attributable to Linde AG shareholders	566	79	645	445	88	533
Earnings per share in € – undiluted	3.32	–	3.79	2.63	–	3.15
Earnings per share in € – diluted	3.29	–	3.75	2.61	–	3.12

During the reporting period, the non-GAAP adjustments for research and development costs, marketing and selling expenses and administration expenses increased from EUR 84 m to EUR 95 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 therefore have 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 half-year financial 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 changes 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

Linde has been commissioned to build and operate two air separation plants to supply the Chinese company Yantai Wanhua in Shandong (East China). The contract for the project, which will involve investment of around EUR 130 m, was signed on 26 July 2011.

The two plants, which are to be built by Linde's Engineering Division and are expected to come on stream at the end of 2013 or beginning of 2014, will supply oxygen and nitrogen to Yantai Wanhua's production plants. 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.

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 automobile industries. China is in the process of becoming one of the principal markets for MDI.

Apart from the event referred to above, there have been no significant events for The Linde Group between the end of the reporting period on 30 June 2011 and the publication deadline for these condensed Group interim financial statements.

Munich, 28 July 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

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 30 June 2011 that are part of the quarterly financial report according to § 37w 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, 28 July 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Harald v. Heynitz	Günter Nunnenkamp
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(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, 28 July 2011

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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

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

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