Q1

Interim Report.

January to March 2008.

LeadIng.

THE LINDE GROUP

Linde Financial Highlights

in € million		January to March 2008	2007	Change
Share				
Closing price	€	**89.49**	80.65	11.0%
Year high	€	**97.83**	83.58	17.0%
Year low	€	**79.81**	75.26	6.0%
Market capitalisation		**14,891**	12,969	14.8%
Earnings per share[1]	€	**1.29**	1.07	20.6%
Earnings per share	€	**0.96**	2.76	–65.2%
Number of shares outstanding (in 000s)		**166,393**	160,800	3.5%
Sales		**2,917**	2,860	2.0%
Operating profit		**602**	569	5.8%
EBIT before amortisation of fair value adjustments and non-recurring items		**397**	358	10.9%
Non-recurring items		**15**	510	–
Earnings after taxes on income		**172**	458	–62.4%
Number of employees[2]		**51,017**	50,485	1.1%
Gases Division				
Sales		**2,301**	2,249	2.3%
Operating profit		**586**	556	5.4%
Engineering Division				
Sales		**542**	498	8.8%
Operating profit		**47**	44	6.8%

[1] Adjusted for the effects of the purchase price allocation on the acquisition of BOC and for non-recurring items.
[2] Continuing operations as of 31 March 2008/31 December 2007.

Interim Report. January to March 2008.

A solid start for The Linde Group in the new financial year

- 7.5 percent increase in sales to EUR 2.917 bn after adjusting for exchange rate effects; reported sales growth of 2.0 percent
- 11.1 percent increase in operating profit[1] to EUR 602 m after adjusting for exchange rate effects; reported operating profit[1] up 5.8 percent
- Adjusted earnings per share up 20.6 percent to EUR 1.29
- Outlook for 2008 unchanged: sales expected to increase and earnings expected to rise at a faster rate than sales
- Medium-term target for 2010 confirmed: operating profit[1] of more than EUR 3 bn and ROCE (return on capital employed) of at least 13 percent

[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 latest economic indicators suggest that the financial market crisis in the United States is having an increasing impact on global trends in the "real economy". Therefore, all the major economic research institutes recently revised their growth forecasts down for the year 2008. Although the US economy slowed down in the first quarter, stable economic trends continued to be seen in Europe, Asia and the newly industrialised countries. Only time will tell to what extent the newly industrialised countries, in particular, with their own brand of dynamism, will be able to offset the expected slowdown in the global economy.

Group

The Linde Group has seen a solid start to the new financial year. After adjusting for exchange rate effects, sales increased by 7.5 percent in the first quarter to EUR 2.917 bn. Operating profit, after adjusting for exchange rate effects, rose 11.1 percent to EUR 602 m. Therefore, the operating margin improved by 70 basis points to 20.6 percent. Synergies arising from the acquisition of BOC contributed to this positive trend.

If exchange rate effects are not taken into account, the increase in sales in the first quarter was 2.0 percent (2007: EUR 2.860 bn). On this basis, operating profit rose 5.8 percent (2007: EUR 569 m).

The EUR 35 m improvement in the net financial expense to EUR 79 m (2007: EUR 114 m) is evidence of the successful debt reduction in the past few quarters.

Earnings before taxes on income of EUR 239 m were lower than the figure for the comparable prior year period of EUR 647 m. However, this is mainly due to the fact that the figure for the first three months of 2007 included a book profit of EUR 510 m from the disposal of businesses.

Earnings after tax were EUR 172 m (EUR 458 m). Earnings attributable to Linde AG shareholders were EUR 160 m (2007: EUR 445 m), giving earnings per share of EUR 0.96 (2007: EUR 2.76). On an adjusted basis, i.e. after adjusting for the effect of the purchase price allocation in the course of the BOC acquisition and the book profit on the sale of businesses, earnings per share increased by 20.6 percent from EUR 1.07 to EUR 1.29.

Gases Division

In a global market environment which continued to be stable, the Gases Division achieved an 8.0 percent increase in sales in the first quarter after adjusting for exchange rate effects to EUR 2.301 bn. If changes in the price of natural gas and changes to Group structure are also taken into account, the rate of sales growth was 7.5 percent. On the basis of reported figures, sales increased by 2.3 percent (2007: EUR 2.249 bn).

The Linde Group's participation in joint ventures gave rise to an increase in sales of 13.0 percent, after adjusting for exchange rate effects, to EUR 139 m. This sales growth demonstrates that the joint venture business model is an important part of our strategy, especially in the Asian region. These sales are not included in Group sales, in accordance with Linde's accounting rules.

The operating profit of the Gases Division rose 10.7 percent after adjusting for exchange rate effects to EUR 586 m. The reported increase in operating profit was 5.4 percent (2007: EUR 556 m). The operating margin improved again by 80 basis points to 25.5 percent.

All the regions and segments contributed once again to the positive business performance of the Gases Division.

On a comparable basis, i. e. after taking account of exchange rate effects, changes in the price of natural gas and changes to Group structure, the Western Europe operating segment achieved a 5.6 percent increase in sales in the first three months of 2008 to EUR 1.030 bn. On the basis of reported figures, the increase was 4.7 percent (2007: EUR 984 m). Operating profit rose by 3.7 percent to EUR 283 m (2007: EUR 273 m). The operating margin remained high at 27.5 percent (2007: 27.7 percent).

This trend was boosted by a good market environment in our core markets. In the UK, our Healthcare and cylinder gas segments performed particularly well, while growth in Germany was broadly based.

During the reporting period, we entered into new contracts which will strengthen our leading market position in Western Europe. In the fast-growing photovoltaic market, Linde will be responsible for the supply of all gases to Malibu GmbH & Co. KG, a joint venture between E.ON and Schüco. We will not only supply gases to the Osterweddingen site in Germany, but also work together with our customer on the development of innovative gases technology for photovoltaic applications.

Moreover, a new tonnage contract with our largest English customer, Corus, will lead to the expansion of our capacity in the UK, BOC's home market. A new air separation plant will be built at the Scunthorpe site, which will enable us to provide our long-standing customer with the additional oxygen and nitrogen required to expand production from 2010.

On a comparable basis, the Americas operating segment achieved an 8.0 percent increase in sales in the first three months of 2008. On the basis of reported figures, sales in this segment of EUR 528 m were significantly lower than the prior year figure of EUR 680 m. The decrease in sales was due not only to adverse exchange rate movements, but also to changes in Group structure. The prior year sales figures included the activities sold in 2007 like the US cylinder gas business, the American INO medical gases business and the eight air separation plants which Linde had to sell as a result of the conditions imposed by the competition authorities.

Given these factors, the operating profit in this region of EUR 104 m was also lower than the figure for the comparable prior year period of EUR 128 m. However, the increase in the operating margin of 90 basis points to 19.7 percent highlights the improvement in the profitability of our Americas business following the reorganisation.

Our business in this region was boosted by favourable price movements in the merchant business and by the ramp-up of several hydrogen plants in the tonnage segment.

In the Asia & Eastern Europe operating segment, which saw an increase in sales to EUR 464 m in the first quarter of 2008, the comparable rate of sales growth was 9.7 percent. On the basis of reported figures, the rate of growth was 48.2 percent, from EUR 313 m in the first quarter of 2007. The former joint ventures in Malaysia, Hong Kong and Taiwan were not included in the consolidation for the comparative period. Operating profit also showed a strong improvement of 47.2 percent in the first quarter to EUR 131 m (2007: EUR 89 m). The operating margin at 28.2 percent was almost as high as the figure for the comparable prior year period (2007: 28.4 percent).

Growth in Eastern Europe was based on good business performance throughout the region. In the product segments, the best performance was in the cylinder gases business. In Asia, Linde benefited from a high level of demand in the major markets. We achieved significant growth, especially in China's industrial clusters.

Moreover, after the end of the reporting period, a new tonnage contract was agreed under the joint venture with ADNOC (Elixier) for the injection of nitrogen into an onshore condensate field (see Note [13], Significant events after the balance sheet date).

The South Pacific & Africa operating segment achieved an increase in sales on a comparable basis of 10.3 percent to EUR 297 m. On the basis of reported figures, the increase over the prior year figure of EUR 289 m, as a result of exchange rate effects, was only 2.8 percent. Operating profit rose by 3.0 percent to EUR 68 m (2007: EUR 66 m). The operating margin in this region remained virtually unchanged at 22.9 percent (2007: 22.8 percent).

There were positive trends in the cylinder gas segment in this region, and we were also able to benefit from a good market environment for the product Liquefied Petroleum Gas (LPG).

There were also increases in the individual product areas in the Gases Division. 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 tonnage business grew 7.0 percent to EUR 578 m (2007: EUR 540 m). Sales in the bulk business rose 6.2 percent to EUR 569 m (2007: EUR 536 m) and in the cylinder gas business by 8.0 percent to EUR 910 m (2007: EUR 843 m). The Healthcare business achieved a 9.9 percent increase over the comparable prior year quarter to EUR 244 m (2007: EUR 222 m).

Gases Division

	January to March 2008			2007		
in € million	Sales	Operating profit	Margin	Sales	Operating profit	Margin
Western Europe	1,030	283	27.5%	984	273	27.7%
Americas	528	104	19.7%	680	128	18.8%
Asia & Eastern Europe	464	131	28.2%	313	89	28.4%
South Pacific & Africa	297	68	22.9%	289	66	22.8%
Consolidation	–18	–	–	–17	–	–
Gases Division	2,301	586	25.5%	2,249	556	24.7%

Engineering Division

The Engineering Division made a successful start to 2008, achieving an 8.8 percent increase in sales in the first quarter to EUR 542 m (2007: EUR 498 m). Operating profit rose 6.8 percent to EUR 47 m (2007: EUR 44 m). The operating margin was 8.7 percent (2007: 8.8 percent), once again a very good figure. The 8 percent target we had set ourselves is well above the market average.

Order intake in the first quarter was EUR 406 m (2007: EUR 968 m). It should be noted here that the major contract Linde received from Borouge (a joint venture between Abu Dhabi National Oil Company and Borealis) in 2007 to build an ethylene plant in Abu Dhabi (United Arab Emirates) made a significant difference to the figure for the first quarter of 2007. The order backlog at 31 March 2008 stood at EUR 4.152 bn (31 December 2007: EUR 4.391 bn).

A high level of demand continued to be seen in the markets for our four major product segments (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants).

In the first quarter, the highest proportion of the order intake (40 percent) related to air separation plants. The natural gas and olefin plant segments contributed 20 percent and 11 percent respectively of order intake in the first quarter. 17 percent of order intake related to hydrogen and synthesis gas plants. In this latter segment, the new contracts signed by the Engineering Division included one awarded by BASF for the construction of a hydrogen plant at its Ludwigshafen site. The remaining 12 percent of order intake relates to other types of plant.

The spread of order intake across the regions clearly demonstrates the global nature of our engineering activities. During the first quarter, 37 percent of orders came from Europe, 35 percent of orders from the Asia/Pacific region and 11 percent from the Americas. A further 12 percent of orders originated in Africa and 5 percent in the Middle East.

After the end of the reporting period, another major contract, worth USD 800 m, was recorded in order intake. This contract, under the joint venture with ADNOC (Elixier), was for two air separation plants (see Note [13], Significant events after the balance sheet date).

Engineering Division

in € million	January to March 2008	2007
Sales	542	498
Order intake	406	968
Order backlog as of 31.03./31.12	4,152	4,391
Operating profit	47	44
Margin	8.7%	8.8%

Engineering Division – order intake by regions

in € million	January to March 2008	in %	2007	in %
Europe	151	37.2	95	9.8
North America	30	7.4	56	5.8
South America	15	3.7	10	1.0
Asia/Pacific	140	34.5	82	8.5
Middle East	20	4.9	723	74.7
Africa	50	12.3	2	0.2

Finance

Cash flow from operating activities in the reporting period is EUR 337 m, compared with EUR 418 m in the same period in the previous year. It should be noted here that the sale of companies and businesses in 2007 makes it difficult to compare these figures directly. The decrease is due mainly to the changes in working capital. In 2007, advance payments received from customers in respect of a major Linde Engineering contract also had a positive effect on cash flow.

The net cash outflow from investing activities in the first quarter of 2008 is EUR 225 m (2007: net cash inflow of EUR 1.530 bn). The decrease is mainly a result of cash inflows relating to sales transactions in the first quarter of 2007.

Investments in the reporting period were EUR 256 m, a similar figure to that in the first quarter of 2007 (EUR 251 m).

Cash inflows from sales transactions relating to the BOC acquisition were lower than in the comparable prior year period, resulting in a decrease in net cash inflows (free cash flow) in the reporting period to EUR 112 m (net cash inflows at 31 March 2007: EUR 1.948 bn).

Total assets have decreased since the balance sheet date, 31 December 2007, by 4.7 percent (EUR 1.165 bn). Net financial debt (financial debt less cash and cash equivalents and securities) was EUR 6.251 bn, as against EUR 6.427 bn at 31 December 2007. Equity fell by EUR 604 m to EUR 8.606 bn. The decrease was due mainly to exchange rate effects, although earnings after taxes on income had a positive impact of EUR 172 m. The equity ratio, which was 36 percent, was almost the same as the figure at the balance sheet date, 31 December 2007, of 37 percent.

Employees

The number of employees in The Linde Group worldwide at 31 March 2008 was 51,017 (31 December 2007: 50,704).

Of this number, 39,939 staff were employed in the Gases Division. There were 5,792 employees in the Engineering Division, and 5,286 staff under the Other/Corporate heading, most of whom are employed by the logistics business Gist.

Group – employees by divisions

	31.03.2008	31.12.2007
Gases Division	39,939	39,577
Engineering Division	5,792	5,637
Other/Corporate	5,286	5,271
Discontinued operations	–	219
Group	51,017	50,704

Gases Division – employees by operating segments

	31.03.2008	31.12.2007
Western Europe	13,423	13,284
Americas	7,700	7,554
Asia & Eastern Europe	11,313	11,309
South Pacific & Africa	7,503	7,430
Total (continuing operations)	39,939	39,577

Outlook

Group

Although it can be assumed that there will be a slowdown in the global economy in the current year, we do not see any sign at present that this development has a negative effect or will have a lasting adverse impact on our business. With its new structure, Linde is robustly placed. We are now much less dependent on economic cycles, and our global orientation enables us to cushion the impact of unfavourable economic conditions in the regions. In our gases and engineering business, we are also able to benefit from structural growth drivers, e.g. in the energy sector. Therefore, we continue to be optimistic about the short-term and medium-term future of our Group, despite the uncertainties about global economic trends.

We continue to assume that Group sales will increase in the current financial year and that earnings will rise at a faster rate than sales. We confirm our medium-term target and are seeking to achieve Group operating profit of more than EUR 3 bn in the 2010 financial year. By 2010, we also want to achieve a return on capital employed (ROCE) of at least 13 percent. We will also benefit from the synergies arising from the acquisition of BOC. We are convinced that we will be able to achieve the previously announced cost synergies of EUR 250 m per annum as planned in full for the first time from the year 2009.

Gases Division

The gases business is and remains a stable growth market. Linde expects average annual growth of around 7 percent in 2008 and in subsequent years in the global gases industry. Our short-term and medium-term targets remain the same. Linde wants to grow at a more rapid pace than the market and to increase its earnings at a faster rate than sales. This is based in particular on our position in the emerging markets and on growth synergies between our Gases and Engineering divisions.

Engineering Division

The global situation for the international plant construction business remains good. Against this background, Linde expects an increase in sales in the Engineering Division in the coming years of 8 to 10 percent per annum on the basis of a high order backlog and the anticipated processing of orders.

Risk report

Linde is exposed to a number of risks in conducting operations as a result of its international orientation and its wide product range. To minimise the potential negative impact of such risks, we are continually developing and improving our integrated risk management system. Risks specific to a region or a business activity are identified locally using an early warning system. Those responsible for risk assessment are guided by standards which are defined centrally, all the risks identified are analysed by applying independent processes, and appropriate countermeasures and security precautions are adopted.

Based on these well-practised processes, we are not aware of any new findings prior to the publication of this report which would lead us to a different assessment of the risks than the one set out in the 2007 Annual Report. No new risk factors have emerged which might have a significant or lasting impact on the financial position or the business performance of The Linde Group.

Group income statement

in € million	January to March 2008	2007
Sales	2,917	2,860
Cost of sales	1,958	1,907
Gross profit on sales	**959**	**953**
Marketing and selling expenses	409	444
Research and development costs	23	28
Administration expenses	279	283
Other operating income	92	55
Other operating expense	46	21
Income from associates and joint ventures (at equity)	9	19
Non-recurring items	15	510
Financial income	109	105
Financial expenses	188	219
Earnings before taxes on income	**239**	**647**
Taxes on income	67	201
Earnings after taxes for continuing operations	**172**	**446**
Earnings after taxes for discontinued operations	**–**	**12**
Earnings after taxes on income	**172**	**458**
Attributable to minority interests	12	13
Attributable to Linde AG shareholders	**160**	**445**
Continuing operations		
Earnings per share in €	0.96	2.69
Earnings per share in € – fully diluted –	0.95	2.59
Discontinued operations		
Earnings per share in €	0.00	0.07
Earnings per share in € – fully diluted –	0.00	0.07

Group balance sheet

in € million	31.03.2008	31.12.2007
Assets		
Goodwill	7,043	7,332
Other intangible assets	3,445	3,791
Tangible assets	6,873	7,213
Investments in associates and joint ventures	518	516
Other financial assets	349	395
Receivables from financial services	721	765
Trade receivables	–	1
Other receivables and other assets	476	406
Deferred tax assets	137	151
Non-current assets	**19,562**	**20,570**
Inventories	1,110	1,062
Receivables from financial services	79	95
Trade receivables	1,625	1,609
Other receivables and other assets	549	604
Securities	75	45
Cash and cash equivalents	740	858
Non-current assets held for sale and disposal groups	50	112
Current assets	**4,228**	**4,385**
Total assets	**23,790**	**24,955**

Group balance sheet

in € million	31.03.2008	31.12.2007
Equity and liabilities		
Capital subscribed	426	426
Capital reserve	4,955	4,948
Retained earnings	4,107	3,940
Cumulative changes in equity not recognised through the income statement	−1,286	−553
Total equity excluding minority interests	**8,202**	**8,761**
Minority interests	404	449
Total equity	**8,606**	**9,210**
Provisions for pensions and similar obligations	764	747
Other non-current provisions	298	241
Deferred tax liabilities	2,015	2,164
Financial debt	5,711	6,027
Liabilities from financial services	23	24
Trade payables	12	8
Other non-current liabilities	176	162
Non-current liabilities	**8,999**	**9,373**
Other current provisions	1,785	1,886[1]
Financial debt	1,355	1,303
Liabilities from financial services	13	12
Trade payables	2,081	2,210[1]
Other current liabilities	950	910
Liabilities related to non-current assets held for sale	1	51
Current liabilities	**6,185**	**6,372**
Total equity and liabilities	**23,790**	**24,955**

[1] Adjusted, see note [1].

Group cash flow statement

in € million	January to March 2008	2007
Earnings before taxes on income	**239**	**647**
Adjustments to earnings before taxes (on income) to calculate cash flow from operating activities		
Earnings after taxes from discontinued operations	**–**	**12**
Amortisation of intangible assets/depreciation of tangible assets	299	318
Write-down of financial assets	–	2
Profit/loss on disposal of non-current assets	–22	–508
Net interest	106	114
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	13	16
Income from associates and joint ventures	–9	–19
Distributions/dividends received from operating associates and joint ventures	5	7
Income taxes paid	–38	–201
Changes in assets and liabilities, adjusted for the effects of changes in Group structure		
Change in inventories	–78	–102
Change in trade accounts receivables	–47	12
Change in provisions	7	131[1]
Change in trade payables	–74	5[1]
Change in other assets and liabilities	–64	–16
Cash flow from operating activities	**337**	**418**
thereof discontinued operations	–	–16
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4	–256	–251
Payments for investments in financial assets	–11	–67
Payments for investments in securities held as current assets	–36	–1
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from financial services in accordance with IFRIC 4	40	39
Proceeds on disposal of consolidated companies	–	543
Proceeds on disposal of non-current assets held for sale and disposal groups	38	1,240
Proceeds on disposal of financial assets	–	27
Cash flow from investing activities	**–225**	**1,530**
thereof discontinued operations	–	–6

[1] Adjusted, see note [1].

Group cash flow statement

in € million	January to March 2008	2007
Dividend payments to Linde AG shareholders and minority shareholders	–	–14
Interest received	19	19
Interest paid	–108	–142
Proceeds of benchmark bonds and other loans	95	–
Cash outflows for the repayment of loans and bonds	–213	–1,551
Change in liabilities from financial services	–	–1
Cash flow from financing activities	**–207**	**–1,689**
Net cash inflow/outflow	**–95**	**259**
Opening balance of cash and cash equivalents	**858**	**621**
Effects of currency translation and changes in Group structure	–24	–11
Closing balance of cash and cash equivalents	**739**	**869**

Statement of recognised income and expense

in € million	1 January to 31 March 2008	1 January to 31 March 2007
Gain/loss from remeasurement of securities	–1	–
Gain/loss on remeasurement at fair value of derivative financial instruments	–4	14
Currency translation differences	–733	–73
Change in actuarial gains/losses on pension provisions	–27	68
Other gains and losses recognised in equity	–	–4
Gains and losses recognised directly in equity	**–765**	**5**
Earnings after taxes on income	**172**	**458**
Total gains and losses recognised	**–593**	**463**
Of which attributable to		
Linde AG shareholders	–573	458
Other shareholders	–20	5

Segment information

in € million	Reportable segments – Total Gases Division 01.01. to 31.03.2008	Total Gases Division 01.01. to 31.03.2007	Engineering Division 01.01. to 31.03.2008	Engineering Division 01.01. to 31.03.2007
Sales to third parties	2,300	2,248	482	464
Sales to other segments	1	1	60	34
Segment sales	**2,301**	**2,249**	**542**	**498**
Operating profit (before non-recurring items)	**586**	**556**	**47**	**44**
of which share of profit/loss from associates/joint ventures	9	19	–	–
Amortisation of intangible assets and depreciation of tangible assets	281	298	9	7
of which amortisation of fair value adjustments identified in the course of purchase price allocation	89	101	2	2
Non-recurring items	–	–	–	–
EBIT (earnings before interest and tax)	**305**	**258**	**38**	**37**

in € million	Gases Division – Western Europe 01.01. to 31.03.2008	Western Europe 01.01. to 31.03.2007	Americas 01.01. to 31.03.2008	Americas 01.01. to 31.03.2007
Sales to third parties	1,024	982	519	668
Sales to other segments	6	2	9	12
Segment sales	**1,030**	**984**	**528**	**680**
Operating profit (before non-recurring items)	**283**	**273**	**104**	**128**
of which share of profit/loss from associates/joint ventures	–	–	4	3
Amortisation of intangible assets and depreciation of tangible assets	105	125	72	85
of which amortisation of fair value adjustments identified in the course of purchase price allocation	21	29	32	36
Non-recurring items	–	–	–	–
EBIT (earnings before interest and tax)	**178**	**148**	**32**	**43**

Reportable segments					
Other activities		Reconciliation		Total Group	
01.01. to 31.03.2008	01.01. to 31.03.2007	01.01. to 31.03.2008	01.01. to 31.03.2007	01.01. to 31.03.2008	01.01. to 31.03.2007
135	148	–	–	2,917	2,860
–	–	−61	−35	–	–
135	**148**	**−61**	**−35**	**2,917**	**2,860**
11	**11**	**−42**	**−42**	**602**	**569**
–	–	–	–	9	19
7	8	2	5	299	318
3	4	–	–	94	107
–	–	15	510	15	510
4	**3**	**−29**	**463**	**318**	**761**

Gases Division					
Asia & Eastern Europe		South Pacific & Africa		Total Gases Division	
01.01. to 31.03.2008	01.01. to 31.03.2007	01.01. to 31.03.2008	01.01. to 31.03.2007	01.01. to 31.03.2008	01.01. to 31.03.2007
460	309	297	289	2,300	2,248
4	4	–	–	1	1
464	**313**	**297**	**289**	**2,301**	**2,249**
131	**89**	**68**	**66**	**586**	**556**
6	17	−1	−1	9	19
60	39	44	49	281	298
13	8	23	28	89	101
–	–	–	–	–	–
71	**50**	**24**	**17**	**305**	**258**

Additional comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the three months ended 31 March 2008 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 Deutsche Treuhand-Gesellschaft.

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 2007 and have also applied IAS 34 “Interim Financial Reporting”. With effect from 1 January 2008, amounts due to third parties for outstanding invoices have been disclosed under Trade payables. The prior year figures for Other current provisions and Trade payables have been adjusted accordingly.

The effective date of IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” is 1 January 2008. However, as this standard has not yet been adopted by the European Union, IFRIC 14 has not been applied in the Group interim financial statements for the three months ended 31 March 2008. The application of this standard is expected to result in an increase in the provision for pension obligations, not affecting profit or loss, as Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements. It will, however, not lead to the recognition of an asset, because of the asset ceiling described in IAS 19.58.

In addition to the interpretation 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 2008, as they are either not yet mandatory or have not yet been adopted by the European Commission:

- → IFRIC 12 “Service Concession Arrangements”
- → IFRIC 13 “Customer Loyalty Programmes”
- → Revised IFRS 3 “Business Combinations”
- → Amendments to IAS 27 “Consolidated and Separate Financial Statements”
- → Amendments to IAS 32 and IAS 1 “Puttable Financial Instruments and Obligations Arising on Liquidation”
- → Amendments to IAS 1 “Presentation of Financial Statements”

With the exception of IFRIC 14, the impact on the net assets, financial position and results of operations of The Linde Group of the standards and interpretations which have not been applied will not 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 Linde Group comprises the following companies:

Changes in the base of consolidation

	As at 31.12.2007[1]	Additions	Disposals	As at 31.03.2008
Consolidated subsidiaries	**544**	**–**	**15**	**529**
of which within Germany	36	–	5	31
of which outside Germany	508	–	10	498
Subsidiaries reported at acquisition cost	**112**	**2**	**1**	**113**
of which within Germany	3	–	–	3
of which outside Germany	109	2	1	110
Companies accounted for using the equity method	**66**	**1**	**1**	**66**
of which within Germany	–	–	–	–
of which outside Germany	66	1	1	66

[1] Adjusted.

[3] Acquisitions

On 19 January 2008, the Board of Directors of BOC India Ltd. issued and allotted on a preferential basis 36,200,000 new shares for cash at a price of INR 165 per share to The BOC Group plc, a Group company of The Linde Group. As a result, The BOC Group's shareholding increased from 54.80 percent to 73.99 percent.

Following this preferential allotment, The BOC Group plc is required to make a mandatory public takeover offer to acquire up to 20 percent of the outstanding share capital of BOC India Ltd. The public announcement regarding the mandatory takeover offer was made on 22 January 2008. The documents required in order to obtain the approval of the mandatory takeover offer have been submitted to the Indian regulatory authority, the Securities and Exchange Board of India (SEBI).

[4] 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 closing rate and items in the income statement using the average rate.

The main exchange rates used are as follows:

Currencies

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date		Annual average rate January to March	
		31.03.2008	31.12.2007	2008	2007
Argentina	ARS	4.997500	4.595500	4.728300	4.058440
Australia	AUD	1.727800	1.665800	1.657050	1.667080
Brazil	BRL	2.770500	2.596800	2.607720	2.763910
Canada	CAD	1.619100	1.453800	1.507460	1.535310
China	CNY	11.062700	10.656700	10.738710	10.170990
Czech Republic	CZK	25.233000	26.521000	25.564420	28.039740
Great Britain	GBP	0.795400	0.735100	0.758100	0.670610
Hungary	HUF	260.650000	252.990000	259.404840	252.295330
Malaysia	MYR	5.045100	4.824900	4.836320	4.584600
Mexico	MXN	16.783000	15.915900	16.203590	14.449060
Norway	NOK	8.042000	7.931600	7.966810	8.169420
Poland	PLN	3.514600	3.603100	3.574270	3.885740
South Africa	ZAR	12.821400	10.016100	11.339100	9.482210
South Korea	KRW	1,562.130000	1,365.480000	1,434.573850	1,230.799110
Sweden	SEK	9.379900	9.435600	9.397850	9.189010
Switzerland	CHF	1.567500	1.654000	1.599020	1.616420
Turkey	TRY	2.100300	1.703600	1.812980	1.848970
USA	USD	1.577300	1.459000	1.499770	1.310430

[5] Non-recurring items

In the first quarter of 2008, the remaining parts of the BOC Edwards components business – BOC Edwards Pharmaceutical Systems – were sold. The profit arising on deconsolidation was EUR 15 m.

In the first quarter of 2007, Linde sold the industrial and medical gases business in Mexico operated by its subsidiary AGA S. A. de CV, the Australian gases activities of its subsidiary Linde Gas Australia and its US liquefied gases business. The subsidiary INO Therapeutics LLC was also deconsolidated in the first quarter of 2007. These sales gave rise to a total profit on deconsolidation of EUR 510 m.

[6] Non-current assets held for sale and discontinued operations

At 31 March 2008, the investment in the subsidiary Gases Industriales de Colombia S. A. (or Cryogas S. A.), Colombia, which was acquired in the course of the BOC transaction, was disclosed under “Non-current assets held for sale”. This subsidiary was sold after the quarterly balance sheet date (see Note [13], Significant events after the balance sheet date).

In the income statement for the three months ended 31 March 2007, the BOC Edwards components business was disclosed under Discontinued operations. It was also classified under this heading in the opening balance at 5 September 2006.

Discontinued operations

	January to March	
in € million	2008 BOCE Components	2007 BOCE Components
Sales	–	218
Cost of sales	–	158
Gross profit on sales	**–**	**60**
Other income and expenses	–	–44
Non-recurring items	–	–
Financial income	–	–
Financial expense	–	1
Taxes on income	–	3
Earnings after taxes on income	**–**	**12**
Attributable to minority interests	–	–
Cash flow from operating activities	–	–16
Cash flow from investing activities	–	–6

[7] Equity

Statement of changes in Group equity

in € million	Capital subscribed	Capital reserve	Retained earnings
At 1 Jan. 2007	411	4,648	3,226
Dividend payments	–	–	–
Change in currency translation differences	–	–	–
Financial instruments	–	–	–
Amount arising from issue of convertible bond	1	3	–
Earnings after taxes on income	–	–	445
Changes as a result of share option scheme	–	3	–
Other changes	–	–	8
At 31 March 2007	412	4,654	3,679
At 31 Dec. 2007/1 Jan. 2008	426	4,948	3,940
Dividend payments	–	–	–
Change in currency translation differences	–	–	–
Financial instruments	–	–	–
Amount arising from issue of convertible bond	–	3	–
Earnings after taxes on income	–	–	160
Changes as a result of share option scheme	–	4	–
Other changes	–	–	7
At 31 March 2008	426	4,955	4,107

Cumulated changes in equity not recognised through the income statement						
Currency translation differences	Remeasurement of securities at fair value	Derivative financial instruments	Actuarial gains/losses	Total equity excluding minority interests	Minority interests	Total equity
−228	1	5	−63	8,000	225	8,225
–	–	–	–	–	−14	−14
−69	–	–	–	−69	−4	−73
–	–	14	–	14	–	14
–	–	–	–	4	–	4
–	–	–	–	445	13	458
–	–	–	–	3	–	3
–	–	–	68	76	2	78
−297	1	19	5	8,473	222	8,695
−905	–	187	165	8,761	449	9,210
–	–	–	–	–	–	–
−701	–	–	–	−701	−32	−733
–	−1	−4	–	−5	–	−5
–	–	–	–	3	–	3
–	–	–	–	160	12	172
–	–	–	–	4	–	4
–	–	–	−27	−20	−25	−45
−1,606	−1	183	138	8,202	404	8,606

[8] Pension obligations

The actuarial valuation of 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 provisions is determined using actuarial reports. Actuarial gains and losses are recognised directly in equity.

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

At 31 March 2008, changes were made to the parameters on which the pension obligations are based, which led to a decrease in equity of EUR 27 m (after deferred tax).

[9] Financial debt

Convertible bond

In May 2004, a convertible bond with a nominal amount of EUR 550 m was issued. It has a maturity period of five years and an interest rate of 1.25 percent. During the reporting period, a total amount of EUR 2.6 m of the convertible bond was converted into equity. This is equivalent to a total of 46,032 shares. The nominal amount outstanding at 31 March 2008 was EUR 102.1 m.

After the quarterly balance sheet date, the outstanding nominal amount of the convertible bond was fully converted into equity (see Note [13], Significant events after the balance sheet date).

[10] Earnings per share

in € million	January to March 2008 Continuing operations	January to March 2008 Discontinued operations	January to March 2008 Group	January to March 2007 Continuing operations	January to March 2007 Discontinued operations	January to March 2007 Group
Earnings after taxes on income attributable to Linde AG shareholders	160	–	160	433	12	445
Plus: increase in profit due to dilutive effect of convertible bond	1	–	1	3	–	3
Profit after adjusting for dilutive effects	161	–	161	436	12	448
Shares in thousands						
Weighted average number of shares outstanding	166,390	166,390	166,390	160,791	160,791	160,791
Dilution as a result of the Linde Management Incentive Programme	1,113	1,113	1,113	914	914	914
Effect of dilutive convertible bond	1,811	1,811	1,811	6,466	6,466	6,466
Weighted average number of shares outstanding – fully diluted –	169,314	169,314	169,314	168,171	168,171	168,171
Earnings per share in €	**0.96**	**0.00**	**0.96**	**2.69**	**0.07**	**2.76**
Earnings per share in € – fully diluted –	**0.95**	**0.00**	**0.95**	**2.59**	**0.07**	**2.66**

[11] Segment reporting

IFRS 8 "Operating Segments" was applied to the reporting of segment information in the Group financial statements for the year ended 31 December 2007 and has also been applied in the first quarter of 2008. The prior year figures were adjusted to reflect the new operating segments of The Linde Group.

For the operating segments, the same accounting policies apply as those set out in the Group financial statements for the year ended 31 December 2007. No changes were made to the segment structure during the reporting period.

To arrive at the figure for the Gases Division as a whole from the figures for the operating segments in the Gases Division, consolidation adjustments of EUR 18 m (2007: EUR 17 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 result

in € million	01.01. to 31.03.2008	01.01. to 31.03.2007
Segment sales		
Sales in the reportable segments	2,978	2,895
Consolidation	–61	–35
Group sales (continuing operations)	**2,917**	**2,860**
Operating profit		
Operating profit from the reportable segments	644	611
Corporate activities	–36	–39
Amortisation and depreciation	299	318
including fair value adjustments in the course of the purchase price allocation	94	107
Non-recurring items	15	510
Financial income	109	105
Financial expense	188	219
Consolidation	–6	–3
Group earnings before taxes on income	**239**	**647**

[12] Reconciliation of key financial figures

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

Adjusted financial figures

	31.03.2008			31.03.2007		
in € million	As reported	Non-GAAP adjust-ments	Key financial figures	As reported	Non-GAAP adjust-ments	Key financial figures
Sales	2,917	–	2,917	2,860	–	2,860
Cost of sales	–1,958	57	–1,901	–1,907	69	–1,838
Gross profit on sales	**959**	**57**	**1,016**	**953**	**69**	**1,022**
Research and development costs, marketing, selling and administration expenses	–711	37	–674	–755	38	–717
Other operating income and expenses	46	–	46	34	–	34
Income from associates	9	–	9	19	–	19
Non-recurring items	15	–15	–	510	–510	–
EBIT	**318**	**79**	**397**	**761**	**–403**	**358**
Financial result	–79	–	–79	–114	–	–114
Taxes on income	–67	–24	–91	–201	131	–70
Earnings after taxes on income from continuing operations	**172**	**55**	**227**	**446**	**–272**	**174**
Earnings after taxes on income from discontinued operations	–	–	–	12	–	12
Earnings after taxes on income – Group	**172**	**55**	**227**	**458**	**–272**	**186**
Attributable to minority interests	12	–	12	13	–	13
Attributable to Linde AG shareholders	**160**	**55**	**215**	**445**	**–272**	**173**
Earnings per share in €	**0.96**	**–**	**1.29**	**2.76**	**–**	**1.07**
Earnings per share in € – fully diluted –	**0.95**	**–**	**1.28**	**2.66**	**–**	**1.04**

[13] Significant events after the balance sheet date

Exercise of the option to repay the convertible bond in shares prior to its maturity date

On 8 April 2008, The Linde Group announced that it was exercising the option set out in § 4 (3) of the bond terms to repay the 2004/2009 1.25% euro convertible bond in shares prior to its maturity date, as a result of price movements. Therefore, all the bonds outstanding at 30 April 2008 were repaid in the form of shares, with share fractions (if applicable) being repaid in cash. The conversion of the outstanding bonds into equity will result in a reduction in financial debt and an increase in equity in The Linde Group.

Sale of the subsidiary Cryogas S. A. (Colombia) to Indura S. A. (Chile)

On 2 May 2008, The Linde Group sold its Colombian subsidiary Cryogas S. A. at an enterprise value of EUR 90 m to the Chilean industrial gases company Indura S. A. Once the usual closing conditions had been met, the transaction was completed in accordance with the letter of the law.

The sale was subject to a condition imposed by the Colombian regulatory authority SIC on the acquisition of The BOC Group plc by Linde, effective on 5 September 2006. The Linde Group held 73.95 percent of the shares in Cryogas S. A. and had recently increased its holding by a further 26.00 percent. All the shares have now been sold to Indura S. A. The company had already been deconsolidated as a result of the conditions imposed by the competition authorities. The investment is disclosed under Non-current assets held for sale.

Cryogas S. A., which has around 400 employees, achieved sales of EUR 49 m in the 2007 financial year.

The Linde Group and ADNOC build two large air separation plants in Abu Dhabi (United Arab Emirates)

On 8 May 2008, The Linde Group and the Abu Dhabi National Oil Corporation (ADNOC) announced that they have decided to construct two large air separation units (ASU) through their joint venture Elixier in Abu Dhabi (United Arab Emirates). The total investment costs amount to approximately USD 800 m and will be constructed by Linde Engineering for the joint venture.

Starting at the end of 2010, the new plants will be connected to the utility and pipeline network and will supply nitrogen for injection into the onshore condensate field in Habshan in the Emirate of Abu Dhabi to free natural gas for the national grid. The two ASUs will have a total nitrogen capacity of 670,000 standard cubic metres per hour.

The Linde Group sells its valve production facility MAPAG to Metso (Finland)

On 7 May 2008, The Linde Group has sold its valve production facility MAPAG Valves GmbH (Germany) to the international technology corporation Metso (Finland) at an enterprise value of EUR 36 m. The contract was signed and will enter into effect on approval from the relevant anti-trust authorities. The company employs a staff of around 100 and achieved sales of approximately EUR 31 m in the 2007 financial year.

Other

Apart from the events mentioned above, there have been no significant events for The Linde Group between the end of the reporting period on 31 March 2008 and the publication deadline for these condensed Group interim financial statements.

Munich, 8 May 2008

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 balance sheet, the income statement, cash flow statement, statement of recognised income and expense and selected explanatory notes – together with the interim Group management report of Linde AG, Munich, for the period from 1 January to 31 March 2008 that are part of the quarterly financial report according to § 37x (3) WpHG "German Securities Trading Act". 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 the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 all 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, 8 May 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer
(German Public Auditor)

Manfred Huber
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

To the best of our knowledge and belief, and in accordance with the applicable reporting 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, 8 May 2008

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

Imprint

Published by
Linde AG
Leopoldstrasse 252
80807 Munich
Germany

Design
Peter Schmidt Group, Hamburg

Text
Linde AG

Production and typesetting
Brand Implementation GmbH, Hamburg

Printed by
Offsetdruck Raff, Riederich

Financial calendar

Shareholders' Meeting 2008
3 June 2008, 10.00 a.m.
International Congress Centre, Munich

Dividend Payment
4 June 2008

Interim Report
January to June 2008
1 August 2008

Autumn Press Conference
3 November 2008
Munich

Interim Report
January to September 2008
3 November 2008

Shareholders' Meeting 2009
15 May 2009, 10 a.m.
International Congress Centre, Munich

Contact details

Linde AG
Leopoldstrasse 252
80807 Munich
Germany
Phone +49.89.35757-01
Fax +49.89.35757-1075
www.linde.com

Communications
Phone +49.89.35757-1321
Fax +49.89.35757-1398
E-mail info@linde.com

Investor Relations
Phone +49.89.35757-1321
Fax +49.89.35757-1398
E-mail investorrelations@linde.com

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Published by

Linde AG
Leopoldstrasse 252
80807 Munich
Germany
Phone +49.89.35757-01
Fax +49.89.35757-1075
www.linde.com