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January to June 2006

Interim Report

LeadIng.

Q2

Linde Financial Highlights

		January to June			Year 2005[1]
in € million		2006	2005[1]	Change	
Share					
Closing price[2]	€	60.28	55.85	7.9 %	65.77
Period high[2]	€	70.56	59.40	18.8 %	66.42
Period low[2]	€	55.30	47.73	15.9 %	47.73
Market capitalization		7,225	6,682	8.1 %	7,883
Per share					
Earnings	€	2.25	1.71	31.6 %	4.30
Cash flow from operating activities	€	4.31	4.05	6.4 %	11.89
Number of shares[3] (in 000s)		120,002	119,636	0.3 %	119,864
Group					
Sales		4,991	4,508	10.7 %	9,555
Incoming orders		5,391	4,884	10.4 %	11,062
Operating profit (EBIT)		481	373	29.0 %	909
Earnings before taxes on income (EBT)		423	321	31.8 %	809
Net income after minority interests		270	204	32.4 %	514
EBIT margin		9.6 %	8.3 %	–	9.5 %
Capital expenditure (excluding financial assets)		357	391	–8.7 %	864
Cash flow from operating activities		517	483	7.0 %	1,422
Number of employees (at the end of the period)		42,367	41,961	1.0 %	42,229

[1] Restated for amendments to accounting standards

[2] Xetra prices, adjusted in 2006 for ex-rights markdown

[3] Before capital increase in 2006

Interim Report January to June 2006

First six months of 2006: Linde significantly increases sales and earnings

- Sales up 10.7 percent to €4.991 billion
- 29.0 percent improvement in operating profit to €481 million
- Net income after minority interests up 32.4 percent to €270 million
- Outlook for 2006 confirmed: further improvements in sales and operating profit anticipated

General economic environment

The global economy continued to expand strongly in the first six months of 2006. The increase in oil prices did not have much of a dampening effect, despite prices being at a new historic high. The recovery broadened, and development in the major economic areas was increasingly homogeneous. Strong growth continued in the United States and China. In Japan, the pace of economic growth remained high, while Europe also saw substantial increases in demand and production. Equally buoyant was the economic development in the newly industrialized countries of Eastern Asia and Latin America.

The economic upturn in Germany started to show real momentum. Not only were exports increasing at a fast rate, but domestic demand also gathered pace. Capital expenditure on equipment in particular recovered, due to favorable financing terms and improved sales prospects both within and outside Germany.

The positive economic trends in the past few months are, however, subject to a number of risk factors. The situation in the oil markets remains fragile. On the monetary side, the wind is disappearing from the sails now that financial policy is being tightened worldwide after a long expansionary period. Since May, driven by fears about inflation and interest rates, there have been significant price adjustments and increasing volatility on the international financial markets. Nevertheless, the expansion in the global economy should remain vigorous this year, only gradually flattening out slightly. The positive economic trends are based mainly on the good recent results of operations of companies.

It is expected that the economic recovery in Germany will continue on a broad basis during the next few months, before domestic demand, and private consumption in particular, are once again depressed by increases in taxation and social security contributions.

Group

In the current financial year, Linde AG has applied IFRIC 4 “Determining whether an Arrangement contains a Lease” for the first time, which was effective from January 1, 2006. As a result of the change in accounting policy necessitated by IFRIC 4, comparatives have been restated accordingly (“restated”).

In the first half of 2006, the Linde Group achieved sales growth of 10.7 percent to €4.991 billion (2005: €4.508 billion). Sales in Germany rose by 6.1 percent to €980 million (2005: €924 million).

Sales outside Germany increased by 11.9 percent to €4.011 billion (2005: €3.584 billion). Incoming orders also increased by comparison with the previous year. At €5.391 billion at the end of June, these exceeded the prior year figure of €4.884 billion by 10.4 percent.

Operating profit (EBIT) showed a 29.0 percent improvement to the end of June to €481 million (2005: €373 million). In the second quarter of 2006, the financial result was adversely affected by the costs of financing the offer for The BOC Group plc. Nevertheless, earnings before taxes on income as at the end of June had risen by 31.8 percent to €423 million (2005: €321 million). Linde achieved an increase in net income after minority interests of 32.4 percent to €270 million (2005: €204 million). As a result, earnings per share at the end of June increased to €2.25 (2005: €1.71).

Outlook

The prospects for the Linde Group remain positive after a successful first six months. We confirm our forecast for the 2006 financial year and anticipate that sales and operating profit will exceed the levels achieved in the previous year.

Group

	January to June		
in € million	2006	2005[1]	Change
Incoming orders	5,391	4,884	10.4 %
Domestic	1,029	949	8.4 %
Foreign	4,362	3,935	10.9 %
Sales	4,991	4,508	10.7 %
Germany	980	924	6.1 %
Other Europe	2,532	2,410	5.1 %
America	900	742	21.3 %
Asia	441	291	51.5 %
Africa/Australia	138	141	−2.1 %
Foreign total	4,011	3,584	11.9 %

[1] Restated

BOC offer is right on target

In the past few months, Linde has made significant progress with its recommended cash offer for the English gases company The BOC Group plc.

On June 6, 2006, the European Commission approved the acquisition. The American antitrust authority, the Federal Trade Commission (FTC) gave its approval on July 18, 2006.

This means that both contractual preconditions for the cash offer have been met. The official offer, in the form of a scheme document, was therefore sent to the BOC shareholders on July 22, 2006. The completion of the transaction is expected to take place in September 2006 as planned. The conditions imposed by the two competition authorities on the approvals they have granted are in line with expectations. Linde will proceed swiftly with the required disposals of individual businesses, contracts, or plants, while taking account of the market situation.

In the second quarter, Linde has already reached two important milestones regarding the funding of the proposed acquisition. On May 2, 2006, the placement of syndicated loans of GBP 8.9 billion and €2 billion was successfully completed. The price structure and the high level of oversubscription to this acquisition loan demonstrate the confidence of the banks in the strategic reorientation of Linde.

In addition, at the beginning of July, the first two important steps were taken towards the successful financing of the bridging loan. With a capital increase in the form of a rights issue, Linde was able to raise additional equity of €1.8 billion. The 37 million or so new Linde shares also met with buoyant demand on the capital market. There was an equally successful placement with the issue of hybrid bonds in EUR and GBP with a total volume of around €1.05 billion. With the first hybrid loan in the industry in GBP, Linde once again proved to be a trailblazer on the international capital markets. Through the 50 percent equity credit of the bond (a proportion Linde was seeking to achieve), this issue will also contribute towards further strengthening of the balance sheet structure as well as Linde's credit rating.

Gas and Engineering

The Gas and Engineering business segment achieved a 9.1 percent rise in the first half of 2006 to €3.061 billion (2005: €2.806 billion). Operating profit (EBIT) increased in the first six months by 20.9 percent to €428 million (2005: €354 million). Incoming orders at €3.398 billion were 12.4 percent higher than for the same period in the previous year (2005: €3.024 billion).

Gas and Engineering

	2nd Quarter			January to June		
in € million	2006	2005[1]	Change	2006	2005[1]	Change
Sales	1,567	1,473	6.4 %	3,061	2,806	9.1 %
EBIT	217	185	17.3 %	428	354	20.9 %
EBIT margin	13.8 %	12.6 %	–	14.0 %	12.6 %	–

[1] Restated

Linde Gas

Sales in the Linde Gas division in the six months to June rose by 8.8 percent to €2.388 billion (2005: €2.194 billion). Based on comparable prior year figures, i.e. excluding the effects of exchange rate movements, changes in the price of natural gas and new companies included in the consolidation, sales in Linde Gas would have shown a 6.9 percent rise in the first half of the year.

Operating profit (EBIT) improved by 16.0 percent to €385 million (2005: €332 million). Despite the adverse effect of natural gas price rises, the Linde Gas division significantly improved its profitability. The operating margin of 16.1 percent in the first six months of 2006 was one percentage point higher than the comparable figure for the previous year of 15.1 percent.

Of the individual product segments, the on-site business again achieved the highest rate of growth, with an 11.6 percent increase in sales. Sales in the bulk business and Healthcare segments rose by 10.3 and 9.8 percent respectively. Linde's cylinder business also continued on its growth course, with a 7.4 percent increase in sales.

Linde Gas was able to expand its business in all geographical regions in the first half of 2006.

Sales in Europe increased by 5.9 percent in the first six months of the year to €1.627 billion (2005: €1.536 billion). Growth in Western Europe, including Germany, continued to be dynamic, partly as a result of the start-up of various new on-site contracts. In the second quarter, Linde secured an order from the Dutch steel and aluminum producer Corus to build an air separation plant. The production site in Ijmuiden in the Netherlands will be the largest plant of this type operated by Linde itself. The Linde Gas division again also achieved high growth rates in Eastern Europe, mainly due to the high demand for liquefied gases and cylinder gases.

Moreover, in May 2006, the Linde Gas division launched its new Fred Butler product line in Germany. The environmentally friendly textile-cleaning process will initially be available in selected conurbations in Germany, Scandinavia, and the Netherlands, and is the first Europe-wide branch and franchise system in the highly fragmented cleaning industry.

In North America, sales increased by 11.7 percent over the previous year to €468 million (2005: €419 million). After adjusting for the effects of exchange rate movements, sales rose 7.1 percent. In this region, most of the growth in sales was generated by the Healthcare business.

There was a 16.5 percent rise in sales in South America to €184 million (2005: €158 million). After adjusting for exchange rate movements, the increase in sales was 5.1 percent. The bulk business showed particularly dynamic growth, which was due to the negotiation of a number of new supply contracts.

With an increase in sales of 32.1 percent to €107 million (2005: €81 million), the Asia/Pacific region again achieved a disproportionate rate of growth. After adjusting for exchange rate effects, the growth rate was 27.4 percent. In China, Linde Gas brought a new production plant for specialty and electronic gases on stream in the second quarter, which it will use to supply the Chinese and Eastern Asian markets.

Against a background of positive business trends in the first six months of the year, the Linde Gas division confirms its forecast for the year and continues to expect an increase in sales and operating profit compared to the previous year.

Linde Gas

	2nd Quarter			January to June		
in € million	2006	2005[1]	Change	2006	2005[1]	Change
Sales	1,190	1,162	2.4 %	2,388	2,194	8.8 %
EBIT	193	172	12.2 %	385	332	16.0 %
EBIT margin	16.2 %	14.8 %	–	16.1 %	15.1 %	–

[1] Restated

Linde Engineering

Business trends in the Linde Engineering division continued to be very positive in the first half of 2006. Sales in the first six months reached €721 million, the same high level as in the same period in the previous year (2005: €725 million). Operating profit (EBIT) rose 27.3 percent to €42 million (2005: €33 million).

Incoming orders of €1.153 billion significantly exceeded the figure for the six months to June 2005, showing an increase of 27.8 percent. As a result, the order book had increased by the end of June 2006 to €3.621 billion, a new record high (December 31, 2005: €3.305 billion).

Growth in plant construction continues to be distributed evenly across the world, with the majority of orders in the first half of 2006 coming from Europe (32 percent), Asia (27 percent), and the Middle East (21 percent).

Linde secured an order, for example, from the German company Ruhr Öl GmbH to build five turnkey cracking furnaces for an ethylene plant on the Gelsenkirchen site. The contract volume is €130 million.

The prospects continue to be very positive in all four product segments of plant construction. In the coming months, various ethylene plant projects are due to be awarded, especially in the Middle East and also in Asia and Russia. Demand for natural gas liquefaction plants (LNG) is continuing to come principally from Northern Europe and the Middle East, where the liquefaction of natural gas for shipment by tanker is an economically attractive alternative to the conventional transportation of natural gas by pipeline. Given the good economic situation worldwide in the industrial gases sector, demand for air separation plants and hydrogen plants also remains high. The main growth markets here are the newly industrialized countries of Asia, Eastern Europe, and South America.

In view of these favorable market conditions, Linde continues to anticipate that sales and operating profit in the plant construction business will exceed the figures for the previous year.

Linde Engineering

	2nd Quarter			January to June		
in € million	2006	2005[1]	Change	2006	2005[1]	Change
Sales	405	368	10.1 %	721	725	−0.6 %
Incoming orders	651	437	49.0 %	1,153	902	27.8 %
EBIT	24	17	41.2 %	42	33	27.3 %
EBIT margin	5.9 %	4.6 %	–	5.8 %	4.6 %	–

[1] Restated

Material Handling

The Material Handling business segment has continued on its positive course in 2006 in the second quarter of the year. Sales in the first six months increased by 15.9 percent to €1.933 billion (2005: €1.668 billion). Incoming orders of €1.995 billion exceeded the prior year figure of €1.829 billion by 9.1 percent. Operating profit (EBIT) also improved again at a faster rate than sales, rising 48.7 percent to €116 million (2005: €78 million). As a result, the operating margin increased from 4.7 to 6.0 percent.

The market environment in the first six months of the year continued to show very positive trends. Due to high demand in all geographical regions, the world market for industrial trucks grew 13 percent.

Growth in the Western European sales market, an important market for Linde, continued to be very robust, achieving a rate of eight percent. The German market in particular expanded significantly, with an 11 percent increase in demand. While the market in the US continued to flourish, most of the growth was once again generated by the emerging nations of Asia and Eastern Europe. China once again started to show some of its past dynamism, with a 34 percent increase in demand.

In addition to the growth momentum coming from the economically booming newly industrialized countries, the successful improvement measures which have been implemented within the Material Handling business segment are increasingly bearing fruit. With its two optimization programs, TRIM and GO, Linde has created a culture in the whole of the Material Handling business segment of continuous improvements in internal processes. As a result, the positive trend in profitability continued in the second quarter of the year, with a further improvement in the operating margin. The target return on capital employed (ROCE) of 16 percent for the year 2007 is therefore still within our sights.

No major changes in the market environment are anticipated during the rest of the year. New investment in the logistical infrastructure is the direct consequence of the expansion of the international trade in goods. In Western Europe and the United States, the increased earning power of customers has given demand in the first six months of the year an unexpectedly strong push. We continue to anticipate that there will be robust market growth in the world market for industrial trucks over the whole year. Most of the growth will be generated in Asia, Eastern Europe, and South America.

The Material Handling business segment is in a very good position in what continues to be a dynamic market environment. Against this background, Linde stands by its whole-year forecast and is anticipating an increase in sales and a significant improvement in operating profit in the Material Handling business segment.

Material Handling

	2nd Quarter			January to June		
in € million	2006	2005[1]	Change	2006	2005[1]	Change
Sales	1,011	897	12.7 %	1,933	1,668	15.9 %
Incoming orders	1,035	975	6.2 %	1,995	1,829	9.1 %
EBIT	69	52	32.7 %	116	78	48.7 %
EBIT margin	6.8 %	5.8 %	–	6.0 %	4.7 %	–

[1] Restated

Employees

Since December 31, 2005, the number of employees in the Linde Group has risen by 138 to 42,367. Of these, 14,622 were employed in Germany and 27,745 outside Germany.

Actual staff numbers have therefore remained virtually unchanged since the beginning of the year.

Number of employees

	June 30, 2006	June 30, 2005	Dec. 31, 2005
Group	42,367	41,961	42,229
In Germany	14,622	14,690	14,593
Outside Germany	27,745	27,271	27,636
Gas and Engineering	22,419	22,177	22,191
Material Handling	19,442	19,006	19,323
Corporate	506	778	715

Personnel costs for the six months to June 30, 2006, were €1.128 billion, which was €64 million higher than the figure for the six months to June 30, 2005 of €1.064 billion.

Finance

The cash flow from operating activities at June 30, 2006, was €517 million, compared with €483 million in the same period in the previous year. This represents an increase of seven percent. The rise is due mainly to the good project situation in the Linde Engineering division and the resulting increase in advance payments received from customers. The cash flow from investing activities in the first six months of the year was €284 million, €85 million below the figure for the same period in 2005.

Payments for intangible and tangible fixed assets amounted to €348 million as against €366 million in the prior year. The proceeds on disposal of fixed assets, on disposal of consolidated companies and from the repayment of financial debts amounted to €67 million. The higher level of receipts in 2006 compared with the same period in the previous year is due mainly to the sale of consolidated companies.

The higher net cash inflow from operating activities and the lower net cash outflow from investing activities had the effect of increasing the net cash inflow (free cash flow) during the reporting period by €119 million to €233 million, compared with the prior year figure of €114 million.

Total assets have decreased since the balance sheet date, December 31, 2005, by €110 million and stand at €12.507 billion. Non-current assets fell by €344 million. One of the reasons for this is the reclassification of the investment in Komatsu Forklift Co. Ltd as an asset held for sale and the reclassification of air separation plants to be sold to comply with antitrust conditions under the balance sheet heading “Non-current assets held for sale and disposal groups”. In addition to these reclassifications, the level of current assets was increased by inventories, which rose by €142 million from €1.082 billion to €1.224 billion. The reason for this was the good order position and project situation in the Material Handling business segment and in the Linde Engineering division. The equity figure rose by €82 million to €4.554 billion.

The main reason for the increase was the net income of €270 million set against the dividend payment of €168 million. There was a slight increase in the equity ratio from 35 percent at December 31, 2005, to 36 percent at June 30, 2006. Gearing remained virtually unchanged at 33 percent at June 30, 2006, compared with 34 percent at December 31, 2005.

Group income statement

in € million	2nd Quarter 2006	2005[1]	January to June 2006	2005[1]	Year 2005[1]
Sales	2,576	2,390	4,991	4,508	9,555
Cost of sales	1,777	1,634	3,413	3,081	6,541
Gross profit on sales	799	756	1,578	1,427	3,014
Marketing and selling expenses	337	336	674	640	1,322
Research and development costs	43	52	90	96	174
Administration expenses	181	174	373	347	712
Other operating income	34	30	81	71	209
Other operating expenses	16	16	41	42	106
Operating profit (EBIT)	256	208	481	373	909
Interest income	14	12	37	29	99
Interest charges	55	43	96	84	199
Net interest	–41	–31	–59	–55	–100
Income from associates	–4	1	–4	1	1
Other investment income	4	3	5	2	–1
Financial result	–41	–27	–58	–52	–100
Earnings before taxes on income	215	181	423	321	809
Taxes on income	77	63	150	113	286
Net income	138	118	273	208	523
Minority interests	–2	–3	–3	–4	–9
Net income after minority interests	**136**	**115**	**270**	**204**	**514**
Earnings per share in €	1.13	0.96	2.25	1.71	4.30
Earnings per share in € – fully diluted	1.08	0.92	2.13	1.63	4.06

[1] Restated

Group balance sheet

in € million	June 30, 2006	Dec. 31, 2005[1]
Assets		
Goodwill	2,819	2,823
Other intangible assets	318	313
Tangible assets	3,586	3,738
Investments in associates	56	159
Other financial assets	98	84
Leased assets	613	625
Receivables from financial services	480	500
Trade receivables	7	8
Other receivables and other assets	25	74
Deferred tax assets	223	245
Non-current assets	**8,225**	**8,569**
Inventories	1,224	1,082
Receivables from financial services	129	110
Trade receivables	1,550	1,564
Other receivables	459	325
Securities	7	5
Cash and cash equivalents	718	906
Prepaid expenses and deferred charges	48	33
Non-current assets held for sale and disposal groups	147	23
Current assets	**4,282**	**4,048**
Total assets	**12,507**	**12,617**

[1] Restated

Group balance sheet

in € million	June 30, 2006	Dec. 31, 2005[1]
Equity and liabilities		
Capital subscribed	307	307
Capital reserve	2,718	2,704
Retained earnings	1,781	1,679
Cumulative changes in equity not recognized through the income statement	−304	−267
Total equity excluding minority interests	**4,502**	**4,423**
Minority interests	52	49
Total equity	**4,554**	**4,472**
Provisions for pensions and similar obligations	1,041	1,122
Other non-current provisions	122	168
Deferred tax liabilities	358	372
Financial debt	1,326	1,997
Liabilities from financial services	342	338
Trade payables	3	4
Other non-current liabilities	73	92
Deferred income	59	69
Non-current liabilities	**3,324**	**4,162**
Other current provisions	1,355	1,308
Financial debt	840	419
Liabilities from financial services	166	173
Trade payables	1,654	1,467
Other non-current liabilities	500	481
Deferred income	114	124
Liabilities directly related to non-current assets held for sale	–	11
Current liabilities	**4,629**	**3,983**
Total equity and liabilities	**12,507**	**12,617**

[1] Restated

Statement of recognized income and expense

in € million	Jan. 1, 2006 to June 30, 2006	Jan. 1, 2005 to June 30, 2005
Gain/loss on remeasurement of securities	1	–
Gain/loss on remeasurement at fair value of derivative financial instruments	14	–
Currency translation differences	–106	125
Change in actuarial gains/losses on pension provisions and effect of limitation on a defined benefit asset (IAS 19.58)	55	–71
Other gains and losses recognized in equity	–	–
Gains and losses recognized directly in equity	–36	54
Net income	273	208
Total gains and losses recognized	237	262
of which due to:		
Linde AG shareholders	233	256
Other shareholders	4	6
Effects of changes in accounting policies:		
Linde AG shareholders	–	–91
Other shareholders	–	–

[1] Restated

Group cash flow statement

in € million	January to June 2006	2005[1]	Year 2005[1]
Net income after minority interests	270	204	514
Amortization and depreciation of fixed assets	382	374	749
Changes in assets and liabilities, adjusted for the effects of changes in Group structure	-64	–	359
Change in leased assets	-72	-94	-209
Other items	1	-1	9
Cash flow from operating activities	**517**	**483**	**1,422**
Payments for tangible and intangible assets and technical equipment held under lease agreements in accordance with IFRIC 4	-348	-366	-849
Payments for financial assets and investments in consolidated companies	-3	-38	-63
Proceeds on disposal of fixed assets and consolidated companies and repayment of receivables from financial services in accordance with IFRIC 4	67	35	102
Cash flow from investing activities	**-284**	**-369**	**-810**
Dividend payments and changes in minority interests	-168	-151	-150
Repayment of financial liabilities	-241	-85	-133
Cash flow from financing activities	**-409**	**-236**	**-283**
Net cash inflow/outflow	**-176**	**-122**	**329**
Opening balance of cash and cash equivalents	906	564	564
Transfer to trust account[2]	-82	–	–
Change in cash and cash equivalents due to effects of currency translation and changes in Group structure	-11	8	13
Closing balance of cash and cash equivalents	**637**	**450**	**906**

[1] Restated

[2] Arising from proposed purchase of Spectra Gases Inc.

Activities

in € million	2nd Quarter 2006	2005[1]	Change	January to June 2006	2005[1]	Change	Year 2005[1]
Gas and Engineering							
Incoming orders	1,823	1,545	18.0 %	3,398	3,024	12.4 %	7,233
Sales	1,567	1,473	6.4 %	3,061	2,806	9.1 %	5,885
EBITDA	320	285	12.3 %	635	553	14.8 %	1,175
EBIT	217	185	17.3 %	428	354	20.9 %	779
EBT	199	167	19.2 %	399	321	24.3 %	712
Linde Gas							
Incoming orders	1,197	1,163	2.9 %	2,397	2,199	9.0 %	4,509
Sales	1,190	1,162	2.4 %	2,388	2,194	8.8 %	4,492
EBITDA	294	269	9.3 %	588	526	11.8 %	1,092
EBIT	193	172	12.2 %	385	332	16.0 %	707
EBT	176	152	15.8 %	355	296	19.9 %	632
Linde Engineering							
Incoming orders	651	437	49.0 %	1,153	902	27.8 %	2,913
Sales	405	368	10.1 %	721	725	−0.6 %	1,623
EBITDA	28	21	33.3 %	50	41	22.0 %	106
EBIT	24	17	41.2 %	42	33	27.3 %	89
EBT	26	19	36.8 %	46	36	27.8 %	97
Material Handling							
Incoming orders	1,035	975	6.2 %	1,995	1,829	9.1 %	3,787
Sales	1,011	897	12.7 %	1,933	1,668	15.9 %	3,628
EBITDA	150	134	11.9 %	278	240	15.8 %	545
EBIT	69	52	32.7 %	116	78	48.7 %	223
EBT	63	42	50.0 %	102	60	70.0 %	191
Group							
Incoming orders	2,858	2,537	12.7 %	5,391	4,884	10.4 %	11,062
Sales	2,576	2,390	7.8 %	4,991	4,508	10.7 %	9,555
EBITDA	446	397	12.3 %	863	747	15.5 %	1,658
EBIT	256	208	23.1 %	481	373	29.0 %	909
EBT	215	181	18.8 %	423	321	31.8 %	809

[1] Restated

Additional comments

[1] General accounting policies

The unaudited interim report of Linde AG at June 30, 2006, has been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, where these became effective on or before June 30, 2006. The term IFRS also includes International Accounting Standards (IAS), where these are still effective, and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). In accordance with the EU Regulation dated July 19, 2002 (EC No. 1606/2002), only those IFRS which have already been adopted by the European Commission have been applied in the quarterly report.

We have used the same recognition and measurement policies to draw up the interim report as those used to prepare the Group financial statements for the year ended December 31, 2005, with the exception of the following changes and have also applied IAS 34 “Interim Financial Statements”.

With effect from January 1, 2006, Linde AG has applied IFRIC 4 “Determining whether an Arrangement contains a Lease”. The application of this Standard will result in certain technical equipment in the Linde Gas division being recognized as finance leases. As a result, there was a transfer from tangible assets to receivables from financial services and the reclassification of part of the corresponding revenue in the financial result. The change in accounting policy required by IFRIC 4 results in a restatement of prior year figures (“restated”). Further details about the effect of the change in accounting policy are given in the note on “Embedded leases”.

Furthermore, in fiscal 2005, IAS 19 was amended in respect of the recognition of actuarial gains and losses relating to the measurement of pension provisions. At December 31, 2005, Linde AG made use of the newly available option of immediately recognizing actuarial gains and losses in equity. As a result of this change in accounting policy at December 31, 2005, the comparatives in these quarterly financial statements have been restated (“restated”). Further details about the effect of the amendment to IAS 19 are given in the note on “Pension obligations”.

In addition to the Standard referred to above, the following new or amended Standards and Interpretations issued by IASB and IFRIC came into effect on January 1, 2006. However, either these did not have a significant effect on the net assets, financial position and results of operations of the Group or they were not relevant for the Group financial statements.

- Amendment to IAS 39 and IFRS 4 “Financial Guarantee Contracts”
- Amendment to IFRS 4 “Revised Guidance on Implementing IFRS 4”
- IFRIC 8 “Scope of IFRS 2”
- IFRIC 9 “Reassessment of Embedded Derivatives”

[2] Changes in Group structure

The Group financial statements comprise Linde AG and all significant companies in which Linde AG has a direct or indirect majority holding or the majority of the voting rights and in which it has the power to govern the financial and operating policies, based on the concept of control.

The Linde Group comprises the following companies:

	As at Dec. 31, 2005	Additions	Disposals	As at June 30, 2006
Consolidated subsidiaries	274	17	12	**279**
of which within Germany	35	7	1	**41**
of which outside Germany	239	10	11	**238**
Subsidiaries reported at acquisition cost	55	10	13	**52**
of which within Germany	10	–	3	**7**
of which outside Germany	45	10	10	**45**
Companies accounted for using the equity method	33	9	5	**37**
of which within Germany	8	–	2	**6**
of which outside Germany	25	9	3	**31**

The main disposals from the companies included in the consolidation relate to the deconsolidation of the gases business in the UK following the approval for the acquisition of The BOC Group plc, Windlesham, Great Britain, granted by the EU and US competition authorities.

[3] Foreign currency translation

The financial statements of companies outside the European Currency Union are translated in accordance with the functional currency concept. We apply the closing rate method to all our companies.

The following major exchange rates have been used:

Exchange rate €1 =	ISO code	Mid-rate at balance sheet date		Average rate	
		June 30, 2006	June 30, 2005	June 2006	June 2005
Czech Republic	CZK	28.481000	30.000000	28.487581	30.057480
Great Britain	GBP	0.692100	0.671900	0.687259	0.685894
Sweden	SEK	9.207800	9.422000	9.325224	9.142444
Switzerland	CHF	1.563600	1.548600	1.561428	1.546024
USA	USD	1.278900	1.205100	1.230714	1.285110

[4] First-time application of IFRIC 4 (Embedded Leases)

Linde AG has applied IFRIC 4 "Determining whether an Arrangement contains a Lease" for the first time starting January 1, 2006. As a result of the change in accounting policy required by IFRIC 4, the comparatives have been restated ("restated").

In accordance with the criteria set out in IFRIC 4, certain technical equipment in the Linde Gas division – in particular certain on-site plants and ECOVAR plants – must be classified as "embedded finance leases". As a result, the accounting treatment involves the implied sale of tangible assets and the recognition of the future minimum lease payments due from the customer, equivalent to the net investment in the lease, under receivables from financial services. Now, a one-off amount will be recognized in sales on the completion and bringing on stream of the plant, whereas prior to the application of the new rule the sale was recognized over the estimated useful life of the plant or over the term of the on-site contract.

Intra-Group profits and losses on plants built by Linde Engineering eliminated in prior years have been eliminated through the income statement.

Group balance sheet

in € million	Dec. 31, 2005
Equity at Dec. 31, 2005 – as reported	**4,413**
Adjustments as a result of the change in accounting treatment of certain technical equipment in the Linde Gas division recognized as finance leases under IFRIC 4	
Change in tangible assets	–372
Change in inventories	58
Change in receivables from financial services	405
Deferred tax	–32
Equity at Dec. 31, 2005 – restated	**4,472**

Group income statement

	January to June	Year
in € million	2005	2005
Net income after minority interests – as reported	**193**	**501**
Previously unrecognized actuarial gains/losses relating to the measurement of pension provisions (IAS 19)	3	–
Adjustment to earnings as a result of the change in accounting treatment of certain technical equipment in the Linde Gas division recognized as finance leases under IFRIC 4		
Change in sales	44	54
Change in cost of sales	–46	–58
Change in finance income from lease agreements	12	24
Deferred tax expense	–2	–7
Net income after minority interests – restated	**204**	**514**

[5] Pension obligations

The actuarial valuation of provisions for pensions is based on the projected unit credit method set out in IAS 19 "Employee Benefits" for defined benefit obligations. 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 based on biometric accounting principles. Actuarial gains and losses are directly recognized in equity.

The expense arising from additions to the provisions, including the relevant interest portion, is allocated to the functions in the income statement.

In the quarterly reports, a competent estimate of the pension obligation is made, based on trends in the actuarial parameters (discount rate, expected return on plan assets, growth in future benefits, growth in pensions), and taking into account any exceptional effects in the current quarter.

At June 30, 2006, a change was recognized in the actuarial parameters on which the pension obligations are based which amounted to €55 million (after taking into account deferred tax) and lead to an increase in equity.

[6] Non-current assets held for sale

The investment in Linde's strategic partner Komatsu Forklift Co. Ltd., Tokyo, Japan, which has in the past been accounted for as an associate, has been disclosed with effect from June 30, 2006, as held for sale.

The proposed acquisition of The BOC Group plc, Windlesham, UK, is conditional on the approval of the EU and US competition authorities. The approvals granted by the EU competition authorities on June 6, 2006, and the US antitrust authorities on July 18 were subject to certain conditions. Based on the approval of the US antitrust authorities, a total of eight air separation plants in the United States have therefore been classified as non-current assets held for sale at June 30, 2006.

[7] Earnings per share

	January to June		Year
in € million/shares in thousands	2006	2005[1]	2005[1]
Net income after minority interests	270	204	514
Plus: increase in profit due to dilutive effect of convertible bond	7	7	13
Profit after adjusting for dilutive effects	277	211	527
Weighted average number of shares outstanding	119,879	119,336	119,564
Dilutive effect of Linde Management Incentive Program	442	227	358
Effect of dilutive convertible bond	9,738	9,738	9,738
Weighted average number of shares outstanding – fully diluted	130,059	129,301	129,660
Earnings per share in €	**2.25**	**1.71**	**4.30**
Earnings per share in € – fully diluted	**2.13**	**1.63**	**4.06**

[1] Restated

[8] Equity

Statement of changes in Group equity

in € million	Capital subscribed	Capital reserve	Retained earnings	Cumulative changes in equity not recognized through the income statement				Total equity excluding minority interests	Minority interests	Total equity
				Currency translation differences	Remeasurement of securities at fair value	Derivative financial instruments	Actuarial gains/losses			
As at Jan. 1, 2005 – as reported	305	2,680	1,266	−205	–	−3	–	4,043	38	4,081
Adjustments: Change in accounting policy IAS 19	–	–	4	–	–	–	−139	−135	–	−135
Change in accounting policy IFRIC 4	–	–	44	–	–	–	–	44	–	44
As at Jan. 1, 2005 – restated	305	2,680	1,314	−205	–	−3	−139	3,952	38	3,990
Dividend payments	–	–	−149	–	–	–	–	−149	−2	−151
Change in currency translation differences	–	–	–	124	–	–	–	124	1	125
Financial instruments	–	–	–	–	–	–	–	–	–	–
Net income – restated	–	–	204	–	–	–	–	204	4	208
Changes as a result of the share option scheme	1	14	–	–	–	–	–	15	–	15
Other changes	–	–	–	–	–	–	−71	−71	14	−57
As at June 30, 2005 – restated	306	2,694	1,369	−81	–	−3	−210	4,075	55	4,130
As at Dec. 31, 2005 – as reported	307	2,704	1,622	−48	–	−9	−212	4,364	49	4,413
Adjustments: Change in accounting policy IFRIC 4	–	–	57	2	–	–	–	59	–	59
As at Jan. 1, 2006 – restated	307	2,704	1,679	−46	–	−9	−212	4,423	49	4,472
Dividend payments	–	–	−168	–	–	–	–	−168	−2	−170
Change in currency translation differences	–	–	–	−107	–	–	–	−107	1	−106
Financial instruments	–	–	–	–	1	14	–	15	–	15
Net income	–	–	270	–	–	–	–	270	3	273
Changes as a result of share option scheme	–	14	–	–	–	–	–	14	–	14
Other changes	–	–	–	–	–	–	55	55	1	56
As at June 30, 2006	307	2,718	1,781	−153	1	5	−157	4,502	52	4,554

[9] Significant events

Recommended cash offer for The BOC Group plc, Windlesham, UK

On March 6, 2006, Linde AG submitted a recommended cash offer for The BOC Group plc, Windlesham, UK, for 1,600 pence per share in cash. The Board of Directors of The BOC Group plc intends to recommend acceptance of this offer to its shareholders.

The making of the offer is subject to the satisfaction or waiver of EU and US competition authority clearance pre-conditions. With regard to this, on June 6, 2006, the European Commission and on July 18, 2006, the Federal Trade Commission (FTC) approved the acquisition of BOC subject to certain conditions. In addition, the offer is subject to the requisite approval of the BOC shareholders and the English Courts. Linde is confident that all the conditions will be met in the third quarter of 2006 and that the transaction will be completed at that time.

Credit agreement negotiated in order to finance the cash offer

In connection with the recommended cash offer for The BOC Group plc, a credit agreement was negotiated on March 3, 2006, with the lead banks, Commerzbank AG, Deutsche Bank AG, Dresdner Kleinwort Wasserstein, Morgan Stanley Bank International Limited, and The Royal Bank of Scotland plc for total amounts of GBP 8,900,000,000 and €2,000,000,000. It is intended to refinance the funds received under the credit agreement through a combination of equity and debt finance on the capital market, proceeds from the sale of individual activities and income from current operations.

Increase in share capital and hybrid bond

On June 23, 2006, it was resolved to increase the share capital of the company by €95 million from its current figure of €307 million to €402 million out of authorized capital. An entry relating to the capital increase was made in the commercial register on July 5, 2006. The increase in share capital was successfully completed with the new shares being included in the determination of the price on July 11, 2006.

Moreover, on July 7, 2006, a hybrid bond was issued by the subsidiary responsible for Group financing, Linde Finance B.V., in two tranches for consideration of €1.05 billion. The GBP 250 million tranche was issued with a coupon of 8.125 percent and the €700 million tranche with a coupon of 7.375 percent.

The proceeds from the capital increase and from the issue of the hybrid bond will be used to finance the proposed offer to acquire all the shares of The BOC Group plc, Windlesham, UK.

Sale of Komatsu

In July 2006, a share transfer agreement was signed between Linde and Komatsu Ltd for the repurchase of the 35 percent interest in the joint venture Komatsu Forklift Co. Ltd by Komatsu. The transaction is expected to be completed in August 2006.

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 June 30, 2006, and the publication deadline for these quarterly financial statements.

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Shareholders' Meeting 2007
June 5, 2007, 10:00 a.m.
International Congress Center, Munich

Shareholders' Meeting 2008
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Investor Relations Calendar

HypoVereinsbank German Investment Conference
September 28, 2006, Munich

WestLB Deutschland Conference
November 15 , 2006, Frankfurt