January to March 2006

Interim Report

LeadIng.

Q1

Linde Financial Highlights

in € million		January to March 2006	2005[1]	Change	Year 2005[1]
Share					
Closing price	€	71.62	53.00	35.1 %	65.77
Period high	€	73.13	54.05	35.3 %	66.42
Period low	€	62.47	47.73	30.9 %	47.73
Market capitalization	€	8,585	6,324	35.7 %	7,883
Per share					
Earnings	€	1.12	0.75	49.3 %	4.30
Cash flow from operating activities	€	1.79	1.15	55.7 %	11.89
Number of shares (in 000s)		119,864	119,327	0.5 %	119,864
Group					
Sales		2,415	2,118	14.0 %	9,555
Incoming orders		2,533	2,347	7.9 %	11,062
Operating profit (EBIT)		225	165	36.4 %	909
Earnings before taxes on income (EBT)		208	140	48.6 %	809
Net income after minority interests		134	89	50.6 %	514
EBIT margin		9.3 %	7.8 %	n/a	9.5 %
Capital expenditure (excluding financial assets)		163	152	7.2 %	864
Cash flow from operating activities		214	137	56.2 %	1,422
Equity		4,607	4,057	13.6 %	4,472
Total assets		12,641	11,865	6.5 %	12,617
Number of employees (at the end of the period)		42,404	41,696	1.7 %	42,229

[1] Restated for amendments to accounting standards.

Interim Report January to March 2006

First Quarter 2006: Linde makes a dynamic start to the new fiscal year

→ Sales up 14.0 percent to €2.415 billion

→ Operating profit up 36.4 percent to €225 million

→ 50.6 percent rise in net income after minority interests to €134 million

→ Increase in operating cash flow of €77 million to €214 million

→ Forecast for 2006 confirmed: increase in sales and EBIT

General economic environment

The global economic recovery once again proved to be robust in the first few months of 2006. Despite the massive loss of purchasing power as a result of dramatic rises in oil prices and the tightening of monetary policy, strong worldwide economic growth continued unabated. In the United States, which has until now generated most of the growth, there are still no signs of a sustained slowdown in the economy. Economic prospects have brightened in Japan and the same has also been true recently in the eurozone. The high level of economic dynamism in China has as yet scarcely declined.

As a result of the continuing huge expansion in the global economy, the German economy has also gathered momentum. Indicators of market sentiment such as the German Ifo Business Climate Index and trends in incoming orders and industrial production are suggesting that the economic recovery is strengthening. Exports continued to increase strongly, but there was also significant further expansion in capital expenditure on equipment. The weak point of the economy remained private consumption.

This year, the global economy continued to expand at more or less the same pace. Whereas the rate of growth in the United States will perhaps slow down slightly, the economy in Western Europe, which until now has been the laggard in the global upturn, will gather pace. In the newly industrialized countries of Asia and the new countries of the European Union, the growth rate is virtually unchanged.

The chances of the economic recovery strengthening and broadening in Germany this year are good. With the rapid expansion of world trade, it is expected that the greatest impetus will come from outside Germany. Domestic demand should also recover, however, with investment in equipment a significant contributory factor here.

Group

In these quarterly financial statements, Linde AG has applied IFRIC 4 “Determining Whether an Arrangement Contains a Lease“ for the first time, which was effective starting 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 quarter of 2006, Group sales increased by 14.0 percent to €2.415 billion (2005: €2.118 billion). Sales in Germany rose 10.9 percent to €477 million (2005: €430 million), while sales outside Germany increased by 14.8 percent to €1.938 billion (2005: €1.688 billion). Incoming orders exceeded the high level achieved in the previous year by a further 7.9 percent, rising to €2.533 billion (2005: €2.347 billion).

Group operating profit (EBIT) improved over the comparable period in the previous year by 36.4 percent to €225 million (2005: €165 million). Earnings before taxes on income increased by 48.6 percent to €208 million (2005: €140 million). Net income after minority interests rose 50.6 percent to €134 million (2005: €89 million). As a result, earnings per share was €1.12, compared with €0.75 in the first quarter of 2005.

All the business segments contributed to the profitable growth course of the Group with double-digit growth in operating profit.

Outlook

After the successful first quarter of 2006, Linde is optimistic about the rest of the year and continues to expect an increase in sales and earnings for the full fiscal year.

Group

	January to March		
in € million	2006	2005[1]	Change
Incoming orders	2,533	2,347	7.9 %
Domestic	505	454	11.2 %
Foreign	2,028	1,893	7.1 %
Sales	2,415	2,118	14.0 %
Germany	477	430	10.9 %
Other Europe	1,242	1,155	7.5 %
America	444	334	32.9 %
Asia	192	125	53.6 %
Africa/Australia	60	74	–18.9 %
Foreign total	1,938	1,688	14.8 %

[1] Restated

Recommended cash offer by Linde for BOC

Linde AG, Wiesbaden, has agreed to make a pre-conditional offer to purchase all the shares of The BOC Group plc, Windlesham, UK, in cash for 1,600 pence per share. The making of the offer is subject to the satisfaction or waiver of European and US competition authority clearance pre-conditions. Linde expects that these pre-conditions can be satisfied. Once made, the offer also requires the approval of the BOC shareholders. The Board of Directors of BOC intends to recommend acceptance of the offer to its shareholders.

As a result of this acquisition, Linde would become one of the world's leading industrial gases and engineering groups. The local presence of both companies is highly complementary and will lead to the creation of a strong global network. Linde will be exceptionally well-positioned after the acquisition of BOC, especially for opening up the most important growth markets in the gases industry. This is true both geographically and from the point of view of the different product and customer segments. In each of the growth regions of Eastern Europe, South America and South-east Asia/China, Linde will move into a leading market position. At product level too, a combination of the two companies will significantly improve market opportunities for the segments generating growth: helium, hydrogen, Healthcare and specialty gases. In four of these seven major growth segments, with expected growth rates of from 4 to 15 percent, Linde will become the market leader.

In addition to the improved growth prospects of the enlarged group, Linde AG believes the combination will create the opportunity to deliver annual cost synergies throughout the combined group, prior to any one-off expenses, of approximately €250 million following the takeover.

The cash funds required for the acquisition are being provided under a credit agreement with Commerzbank AG, Deutsche Bank AG, Dresdner Bank AG, Morgan Stanley Bank International Limited and The Royal Bank of Scotland plc. This acquisition credit is being refinanced by an increase in equity of €1.4 billion to €1.8 billion and by raising hybrid capital of €1.2 billion to €1.6 billion, and through bonds, bank loans and the disposal of individual activities. Linde intends to retain an Investment Grade Rating for the Group.

Together with BOC, Linde is creating prime conditions for stable growth in income and cash flows. This strategic takeover will enable Linde to continue on a dynamic path of earnings-based growth and will constitute the basis for a further sustainable increase in corporate value. The newly-established Group will also be an excellent choice for its customers and employees.

Gas and Engineering

In the Gas and Engineering business segment, Linde achieved a 12.1 percent increase in sales by the end of March 2006 to €1.494 billion (2005: €1.333 billion). In the same period, operating profit (EBIT) rose 24.9 percent to €211 million (2005: €169 million). Incoming orders of €1.575 billion (2005: €1.479 billion) were 6.5 percent higher than in the same period in the previous year.

Gas and Engineering

	January to March		
in € million	2006	2005[1]	Change
Sales	1,494	1,333	12.1 %
EBIT	211	169	24.9 %
EBIT margin	14.1 %	12.7 %	–

[1] Restated

Linde Gas

Sales in the Linde Gas division increased in the first three months of the year by 16.1 percent to €1.198 billion (2005: €1.032 billion). Operating profit (EBIT) improved by 20.0 percent to €192 million (2005: €160 million). 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, the increase in sales was 11.7 percent.

In all product segments, Linde saw very good growth rates. In the bulk and cylinder segments, sales rose by 15.2 percent and 10.7 percent respectively. The on-site and Healthcare growth segments both again achieved the double-digit sales growth they were seeking, 30.2 percent in the on-site segment and 12.4 percent in the Healthcare segment.

In Europe, its most important market, Linde Gas increased its sales by 11.4 percent over the same period in the previous year to €809 million (2005: €726 million). In addition to continuing dynamic trends in Eastern Europe, the markets in Western Europe contributed to a greater extent to overall growth. In the course of the quarter, Linde Gas was able to reinforce its leading market position in Eastern Europe, with supply contracts in Slovakia, Russia and Romania. Under the Clean Energy Partnership (CEP), the second public hydrogen filling station was opened in Berlin. By supplying the entire process technology for filling vehicles with either gaseous or liquefied hydrogen, Linde Gas is confirming its leading role in the development of hydrogen technology and its commitment to this important market of the future.

Sales in North America rose by 21.0 percent over the previous year to €242 million (2005: €200 million). After adjusting for the effects of exchange rate movements, Linde achieved sales growth of 10.8 percent.

In South America, Linde Gas achieved a 34.3 percent increase in sales by the end of March to €94 million (2005: €70 million). After deducting the effects of exchange rate movements, growth here was 12.4 percent.

The fastest pace of growth was once again in the Asia/Pacific region. Here, sales rose 47.2 percent to €53 million (2005: 36 million). In the growth market of China, Linde Gas entered into a long-term supply contract with Bayer Polyurethane. Under this agreement, Linde will operate an on-site plant on Bayer's site in Caojing near Shanghai and supply hydrogen and carbon monoxide to the factory there for a period of 15 years. In Vietnam, Linde Gas will construct an air separation plant, thus expanding its activities in South-east Asia to yet another market.

Asia and Eastern Europe and the Healthcare and on-site product segments are the strategic growth areas which will be particularly promoted by the GAP (Growth and Performance) program. As well as the constant optimization of internal operations and processes, these initiatives resulted in a 0.5 percent improvement in the EBIT margin for the first quarter to 16 percent.

During the rest of the fiscal year, Linde expects positive global trends for its industrial and medical gases businesses and anticipates that Linde Gas will again increase its sales and earnings for the full year 2006.

Linde Gas

	January to March		
in € million	2006	2005[1]	Change
Sales	1,198	1,032	16.1 %
EBIT	192	160	20.0 %
EBIT margin	16.0 %	15.5 %	–

[1] Restated

Linde Engineering

After its record year in 2005, Linde Engineering has had a good start to fiscal 2006. The division achieved sales, based on billings, of €316 million, not quite the same level of sales as in the first quarter of 2005 (€357 million), but succeeded at the same time in increasing EBIT by 12.5 percent to €18 million (2005: €16 million).

There continue to be signs of growth in incoming orders. Here, Linde Engineering improved 8.0 percent on the figure for the first three months of 2005 to €502 million (2005: €465 million). As at the end of March 2006, Linde Engineering had achieved its highest ever level of orders on hand of €3.477 billion (Dec. 31, 2005: €3.305 billion).

Linde Engineering was awarded another contract by the South African Sasol Group to supply an alpha olefin plant for the Secunda refinery site near Johannesburg. Overall, 8.9 percent of incoming orders related to the olefin plant segment. However, in the first quarter most of the orders received were for air separation plants (41.1 percent) and hydrogen and synthesis gas projects (24.0 percent). A further 11.5 percent of incoming orders related to natural gas processing plants.

The prospects for the Linde Engineering division remain positive. In the medium term, all the product segments offer potential annual growth rates of 6 to 8 percent.

Based on stable market growth, demand for olefin and polymer plants, for example, continues to be high. The production plants in the Middle East are continuing to expand. New impetus for growth might also come from the development of new plant capacity in Russia and in the Central Asian republics with their high levels of raw materials.

The market for air separation plants will continue to benefit from the dynamic growth in the newly-industrialized countries of Asia and South America. New applications processes such as gas-to-liquids, the conversion of natural gas into diesel fuel, which require very large quantities of oxygen, lead us moreover to expect an increase in market potential for particularly large air separation plants.

The development of gas-fields using LNG technology, where natural gas is liquefied so that it can be transported in tankers, has established itself as a viable alternative in those regions in which it does not make sense to use pipelines for economic or political reasons. The far North of Europe and the Middle East remain the areas generating the greatest growth in this segment.

The demand for hydrogen will continue to be stimulated by legal regulations on the purity of fuels and by the requirements of industrial gases customers. As well as demand from America, additional impetus may come in future in this product segment from the fast-growing newly-industrialized countries.

Given the unchanging good order book position in all the technology segments, Linde continues to expect positive business trends in its plant construction business and anticipates further improvements in sales and earnings in this division compared with the previous year.

Linde Engineering

	January to March		
in € million	2006	2005[1]	Change
Sales	316	357	–11.5 %
Incoming orders	502	465	8.0 %
EBIT	18	16	12.5 %
EBIT margin	5.7 %	4.5 %	–

[1] Restated

Material Handling

The Material Handling business segment had an exceptionally good start to the year. The market environment in the first quarter showed dynamic growth, with demand in our core market of Western Europe in particular increasing at a surprisingly fast rate. In Germany too, the revival of investment in industrial goods created a much improved market environment. Most of the growth at the beginning of the year was again generated by Eastern Europe. The popular success of the CEMAT trade fair in October 2005 also contributed significantly to a noticeable rise in global demand.

Against this background, the Material Handling business segment achieved a substantial increase in sales of 19.6 percent to €922 million (2005: €771 million). Incoming orders of €960 million were 12.4 percent above the prior year figure (€854 million). Operating profit (EBIT) increased significantly by 80.8 percent to €47 million (2005: €26 million). Return on sales improved in comparison with the previous year from 3.4 percent to 5.1 percent. With the new GO (Growth and Operational Excellence) optimization program, Linde has been very successful at maintaining the positive trends in return on sales in the Material Handling business segment.

In the first quarter, it was possible to recognize cost savings according to plan, as a result of the works agreements concluded within the framework of the GO program for the German sites of the Linde and STILL brands. The gradual introduction of these agreements, once it has been fully completed, will make a total additional annual contribution to earnings in the high double-digit millions.

Other measures in the GO program are currently being implemented. The aim of these initiatives is to achieve sustainable improvements in the efficiency and flexibility of the entire value added chain of the Material Handling business segment.

The successful start to the year confirms our assumptions about the continuing robust growth in the world market for industrial trucks. While the increased dynamism of the German and Western European markets in the first quarter is certainly a welcome development, we continue to expect the greatest impetus for growth for the full year to come from the regions of Asia and Eastern Europe. In the United States and in Asia, it is anticipated that in the course of the year demand will regain momentum compared with the figures for the first quarter.

We see the Material Handling business segment as well on its way to achieving its target return on capital employed of 16 percent on schedule in the year 2007. For the current year, we confirm our forecast. For the Material Handling business segment, we are expecting an increase in sales and a significant improvement in earnings compared with the prior year.

Material Handling

	January to March		
in € million	2006	2005[1]	Change
Sales	922	771	19.6 %
Incoming orders	960	854	12.4 %
EBIT	47	26	80.8 %
EBIT margin	5.1 %	3.4 %	–

[1] Restated

Employees

Since December 31, 2005, the number of employees in the Linde Group has risen by 175 to 42,404. Of these, 14,539 were employed in Germany and 27,865 outside Germany.

The increase in the number of employees reflects on the one hand the increase in the capacity of Linde Engineering in the growth markets of China and India. On the other hand, further personnel were recruited in the Material Handling business segment with a view to expanding the sales organization.

Personnel costs at the end of March stood at €562 million compared with €517 million in the same period in 2005.

Number of employees

	Mar. 31, 2006	Dec. 31, 2005	Change
Group	42,404	42,229	175
In Germany	14,539	14,593	–54
Outside Germany	27,865	27,636	229
Gas and Engineering	22,482	22,191	291
Material Handling	19,421	19,323	98
Corporate	501	715	–214

Finance

The cash flow from operating activities at March 31, 2006 was €214 million compared with €137 million in the same period in the previous year. This represents an increase of 56 percent. The rise is due mainly to the good project situation in the Linde Engineering division and to the associated increase in advance payments received from customers. The cash flow from investing activities in the first quarter was €139 million, €28 million below the figure for the corresponding period in the previous year.

Payments for tangible and intangible assets amounted to €168 million compared with €150 million in the first quarter of 2005. The proceeds on disposal of fixed assets and consolidated companies and the repayment of financial liabilities totaled €31 million. The higher level of proceeds compared with the prior year period was due mainly to the sale of consolidated companies.

Higher net cash inflows from operating activities and capital expenditure at the same level as in 2005 led to an increase in free cash flow during the reporting period of €105 million compared with the same period in 2005, to give a net cash inflow for the first quarter of 2006 of €75 million (net cash outflow in the first quarter of 2005 of €30 million).

Total assets have remained virtually unchanged since the balance sheet date, December 31, 2005 and stand at €12.641 billion. The main changes relate to inventories, which rose by €119 million from €1.082 billion to €1.201 billion. This was offset by a decrease in non-current assets. The reason for the increase in inventories is the good order book position in the Material Handling business segment and the good project situation in the Linde Engineering division. Prior to the distribution of the proposed dividend, equity rose by €135 million to €4.607 billion. The increase was mainly due to the net income of €134 million. The equity ratio improved slightly and was 36 percent at March 31, 2006, compared with 35 percent at the balance sheet date, December 31, 2005. Gearing remained virtually unchanged and was 33 percent at March 31, 2006, compared with 34 percent at December 31, 2005.

Group income statement

in € million	January to March 2006	2005[1]	Year 2005[1]
Sales	2,415	2,118	9,555
Cost of sales	1,636	1,447	6,541
Gross profit on sales	779	671	3,014
Marketing and selling expenses	337	304	1,322
Research and development costs	47	44	174
Administration expenses	192	173	712
Other operating income	47	41	209
Other operating expenses	25	26	106
Operating profit (EBIT)	225	165	909
Interest income	23	42	99
Interest charges	41	66	199
Net interest	–18	–24	–100
Income from associates	–	–	1
Other investment income	1	–1	–1
Financial result	–17	–25	–100
Earnings before taxes on income	208	140	809
Taxes on income	73	50	286
Net income	135	90	523
Minority interests	–1	–1	–9
Net income after minority interests	**134**	**89**	**514**
Earnings per share in €	1.12	0.75	4.30
Earnings per share in € - fully diluted	1.05	0.71	4.06

[1] Restated

Group balance sheet

in € million	Mar. 31, 2006	Dec. 31, 2005[1]
Assets		
Goodwill	2,821	2,823
Other intangible assets	316	313
Tangible assets	3,707	3,738
Investments in associates	164	159
Other financial assets	68	84
Leased assets	617	625
Receivables from financial services	480	500
Trade receivables	7	8
Other receivables and other assets	26	74
Deferred tax assets	244	245
Non-current assets	**8,450**	**8,569**
Inventories	1,201	1,082
Receivables from financial services	143	110
Trade receivables	1,515	1,564
Other receivables	405	325
Securities	6	5
Cash and cash equivalents	871	906
Prepaid expenses and deferred charges	50	33
Non-current assets held for sale and disposal groups	–	23
Current assets	**4,191**	**4,048**
Total assets	**12,641**	**12,617**

[1] Restated

Group balance sheet

in € million	Mar. 31, 2006	Dec. 31, 2005[1]
Equity and liabilities		
Capital subscribed	307	307
Capital reserve	2,706	2,704
Retained earnings	1,812	1,679
Cumulative changes in equity not recognized through the income statement	–270	–267
Total equity excluding minority interests	**4,555**	**4,423**
Minority interests	52	49
Total equity	**4,607**	**4,472**
Provisions for pensions and similar obligations	1,128	1,122
Other non-current provisions	119	168
Deferred tax liabilities	354	372
Financial debt	1,980	1,997
Liabilities from financial services	328	338
Trade payables	4	4
Other non-current liabilities	63	92
Deferred income	72	69
Non-current liabilities	**4,048**	**4,162**
Other current provisions	1,402	1,308
Financial debt	334	419
Liabilities from financial services	174	173
Trade payables	1,462	1,467
Other non-current liabilities	498	481
Deferred income	116	124
Liabilities directly related to non-current assets held for sale	–	11
Current liabilities	**3,986**	**3,983**
Total equity and liabilities	**12,641**	**12,617**

[1] Restated

Statement of recognized income and expense

in € million	Jan. 1, 2006 to Mar. 31, 2006	Jan. 1, 2005 to Mar. 31, 2005
Gain/loss on remeasurement of securities	–	–
Gain/loss on remeasurement at fair value of derivative financial instruments	24	3
Currency translation differences	–27	42
Change in actuarial gains/losses on pension provisions and effect of limitation on a defined benefit asset (IAS 19.58)	–	–70
Other gains and losses recognized in equity	–	1
Gains and losses recognized directly in equity	**–3**	**–24**
Net income	**135**	**90**
Total gains and losses recognized	**132**	**66**
of which due to:		
Linde AG shareholders	131	65
Other shareholders	1	1
Effects of changes in accounting policies:		
Linde AG shareholders	–	–91
Other shareholders	–	–

Group cash flow statement

in € million	January to March 2006	2005[1]	Year 2005[1]
Net income after minority interests	134	89	514
Amortization and depreciation of fixed assets	192	185	749
Changes in assets and liabilities, adjusted for the effects of changes in Group structure	−66	−103	359
Change in leased assets	−45	−38	−209
Other items	-1	4	9
Cash flow from operating activities	214	137	1,422
Payments for tangible and intangible assets and technical equipment held under lease agreements in accordance with IFRIC 4	−168	−150	−849
Payments for financial assets and investments in consolidated companies	−2	−29	−63
Proceeds on disposal of fixed assets and consolidated companies and repayment of receivables from financial services in accordance with IFRIC 4	31	12	102
Cash flow from investing activities	−139	−167	−810
Dividend payments and changes in minority interests	–	–	−150
Repayment of financial liabilities	−109	−84	−133
Cash flow from financing activities	−109	−84	−283
Net cash inflow/outflow	−34	−114	329
Opening balance of cash and cash equivalents	906	564	564
Transfer to trust account[2]	−87	–	–
Change in cash and cash equivalents due to effects of currency translation and changes in Group structure	−1	5	13
Closing balance of cash and cash equivalents	**784**	**455**	**906**

[1] Restated

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

Activities

in € million	January to March 2006	2005[1]	Change	Year 2005[1]
Gas and Engineering				
Incoming orders	1,575	1,479	6.5 %	7,233
Sales	1,494	1,333	12.1 %	5,885
EBITDA	315	268	17.5 %	1,175
EBIT	211	169	24.9 %	779
EBT	200	154	29.9 %	712
Linde Gas				
Incoming orders	1,200	1,036	15.8 %	4,509
Sales	1,198	1,032	16.1 %	4,492
EBITDA	294	257	14.4 %	1,092
EBIT	192	160	20.0 %	707
EBT	179	144	24.3 %	632
Linde Engineering				
Incoming orders	502	465	8.0 %	2,913
Sales	316	357	–11.5 %	1,623
EBITDA	22	20	10.0 %	106
EBIT	18	16	12.5 %	89
EBT	20	17	17.6 %	97
Material Handling				
Incoming orders	960	854	12.4 %	3,787
Sales	922	771	19.6 %	3,628
EBITDA	128	106	20.8 %	545
EBIT	47	26	80.8 %	223
EBT	39	18	116.7 %	191
Group				
Incoming orders	2,533	2,347	7.9 %	11,062
Sales	2,415	2,118	14.0 %	9,555
EBITDA	417	350	19.1 %	1,658
EBIT	225	165	36.4 %	909
EBT	208	140	48.6 %	809

[1] Restated

Additional comments

[1] General recognition and measurement policies

The unaudited interim report of Linde AG at March 31, 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 March 31, 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"

[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 March 31, 2006
Consolidated subsidiaries	274	6	6	274
of which within Germany	35	1	1	35
of which outside Germany	239	5	5	239
Subsidiaries reported at acquisition cost	55	3	9	49
of which within Germany	10	–	2	8
of which outside Germany	45	3	7	41
Companies accounted for using the equity method	33	3	–	36
of which within Germany	8	–	–	8
of which outside Germany	25	3	–	28

[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 exchange rates have been used:

Exchange rate €1 =	ISO code	Mid-rate at balance sheet date		Average rate	
		March 31, 2006	March 31, 2005	March 2006	March 2005
Czech Republic	CZK	28.465000	29.880000	28.594761	29.998710
Great Britain	GBP	0.697300	0.688400	0.686544	0.693640
Sweden	SEK	9.439600	9.143500	9.350382	9.073960
Switzerland	CHF	1.580000	1.548500	1.559652	1.548594
USA	USD	1.211800	1.296200	1.203431	1.311924

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

In this quarterly report, Linde AG has applied IFRIC 4 "Determining Whether an Arrangement Contains a Lease" for the first time. The application of IFRIC 4 is mandatory from January 1, 2006. As a result of the change in accounting policy required by IFRIC 4, the comparative figures 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. This will lead in future to a reduction in sales in the Linde Gas division. Only the finance income relating to receivables from financial services will be disclosed, together with a one-off amount included in sales on the completion and bringing on stream of the plant. Assets under construction, which in future must be classified as "embedded finance leases", will be disclosed under inventories and no longer under tangible assets.

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 March	Fiscal
in € million	2005	2005
Net income after minority interests – as reported	85	501
Previously unrecognized actuarial gains/losses relating to the measurement of pension provisions (IAS 19)	2	–
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	–6	54
Change in cost of sales	4	–58
Change in finance income from lease agreements	5	24
Deferred tax expense	–1	–7
Net income after minority interests – restated	89	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 March 31, 2006, the actuarial parameters on which the pension obligations are based had not changed significantly, so that the calculation of the obligation continues to be based on the underlying assumptions at December 31, 2005.

[6] Earnings per share

	January to March		Year
in € million/Shares in thousands	2006	2005[1]	2005[1]
Net income after minority interests	134	89	514
Plus: increase in profit due to dilutive effect of convertible bond	3	3	13
Profit after adjusting for dilutive effects	137	92	527
Weighted average number of shares outstanding	119,864	119,327	119,564
Dilutive effect of Linde Management Incentive Programme	569	293	358
Effect of dilutive convertible bond	9,738	9,738	9,738
Weighted average number of shares outstanding - fully diluted	130,171	129,358	129,660
Earnings per share in €	**1.12**	**0.75**	**4.30**
Earnings per share in € – fully diluted	**1.05**	**0.71**	**4.06**

[1] Restated

[7] 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: Currency translation differences	Re-measurement of securities at fair value	Derivative financial instruments	Actuarial gains/ losses	Total equity excluding minority interests	Minority interests	Total equity
As at Jan. 1, 2005 – figures originally published	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	–	–	–	–	–	–	–	–	–	–
Change in currency translation differences	–	–	–	42	–	–	–	42	–	42
Financial instruments	–	–	–	–	–	3	–	3	–	3
Net income – restated	–	–	89	–	–	–	–	89	–	89
Changes as a result of the share option scheme	–	2	–	–	–	–	–	2	–	2
Other changes	–	–	–	–	–	–	−70	−70	1	−69
As at March 31, 2005 – restated	305	2,682	1,403	−163	–	–	−209	4,018	39	4,057
As at Dec. 31, 2005 – figures originally published	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	–	–	–	–	–	–	–	–	–	–
Change in currency translation differences	–	–	–	–27	–	–	–	–27	–	–27
Financial instruments	–	–	–	–	–	24	–	24	–	24
Net income	–	–	134	–	–	–	–	134	1	135
Changes as a result of share option scheme	–	2	–	–	–	–	–	2	–	2
Other changes	–	–	–1	–	–	–	–	−1	2	1
As at March 31, 2006	307	2,706	1,812	−73	–	15	−212	4,555	52	4,607

[8] Significant events

See page 3 for details about the submission of a recommended cash offer to The BOC Group plc.

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.

Other

During the reporting period, two bonds with a total volume of €60 million were repaid on schedule. Apart from the events mentioned above, there have been no significant events for the Linde Group between the end of the reporting period on March 31, 2006 and the publication deadline for these quarterly financial statements.

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Interim Report
January – June 2006
July 28, 2006

Fall Press Conference
October 31, 2006
Corporate Center, Wiesbaden

Interim Report
January – September 2006
October 31, 2006

Shareholders' Meeting 2007
June 5, 2007, 10.00 am
International Congress Center, Munich

Shareholders' Meeting 2008
June 3, 2008, 10.00 am
International Congress Center, Munich

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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.

Investor Relations Calendar

Deutsche Bank German Corporate Conference
May 31, 2006, Frankfurt

Sal. Oppenheim Chemical Conference
June 22, 2006, Zurich

HypoVereinsbank German Investment Conference
September 28, 2006, Munich

USA Roadshow
October 10–12, 2006

WestLB Deutschland Conference
November 15–16, 2006, Frankfurt

London Roadshow
November 22–23, 2006

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