Interim Report

January to June 2005

Linde Group

Linde Financial Highlights in € million

The figures in brackets exclude Refrigeration and amortization of goodwill		January to June					Year 2004
		2005	2004		Change		
Share							
Closing price	€	55.85	45.25		23.4%		46.06
Period high	€	59.40	47.63		24.7%		49.10
Period low	€	47.73	40.50		17.9%		40.50
Market capitalization		6,682	5,396		23.8%		5,496
Per share							
Earnings	€	1.62	0.60		–		2.23
Cash flow from operating activities	€	4.11	3.50		17.4%		10,47
Number of shares	(in 000s)	119,636	119,262		n/a		119,327
Group							
Sales		4,464	4,438	(4,121)	0.6%	(8.3%)	9,421
Incoming orders		4,840	4,996	(4,550)	–3.1%	(6.4%)	9,637
EBITA		372	281	(309)	32.4%	(20.4%)	777
Earnings before taxes on income (EBT)		308	148	(241)	–	(27.8%)	510
Net income		193	71	(164)	–	(17.7%)	266
EBITA return on sales		8.3%	6.3%	(7.5%)	n/a	n/a	8.2%
Capital expenditure (excluding financial assets)		508	451		12.6%		987
Cash flow from operating activities		490	417		17.5%		1,249
Equity		4,286	3,936		8.9%		4,081
Total assets		11,939	12,000		–0.5%		11,591
Number of employees (at the end of the period)		41,961	46,749		–10.2%		41,383

Linde well on its way

- Increase in sales* of 8.3 percent to €4.464 billion
- 20.4 percent improvement in operating profit* to €372 million
- Outlook for 2005 confirmed: increase in sales and operating profit

* excluding Refrigeration

General economic environment / Outlook

In the second quarter of 2005, the global economy once again proved robust, although the pace of growth slowed as a result of the sharp rise in the oil prices. Whereas the expansionary economies in the United States and China continued to generate much of the world's growth, there has not yet been any evidence of dynamism in the domestic economy of the eurozone.

The slow growth of the German economy was again evident in the second quarter. The continuing boom in export business only partially offset the weakness in domestic demand.

Expert opinion anticipates robust growth in the world economy in the next few months, but at a slower pace. The United States and China will continue to underpin this growth. An economic turnaround in the eurozone is not yet in sight. The persistent weakness in domestic demand in Germany will also hinder stronger economic growth.

Although the economic conditions remain difficult, the Linde Group confirms its forecast for the year 2005: sales and operating profit (EBITA) will exceed prior year figures. However, as has already been announced, the rate of increase in earnings will fall slightly compared with that of the previous year.

The business trends described below are based on prior year figures adjusted for the disposal of the *Refrigeration business segment* and for *the amortization of goodwill.* The prior year figures for the Group and for the business segments have been restated to take account of revised accounting regulations and the change in the disclosure of the financial result from long-term contracts.

Group

In the first half of 2005, the Linde Group achieved sales growth of 8.3 percent to €4.464 billion (2004: €4.121 billion). While sales in Germany rose by 3.1 percent to €928 million (2004: €900 million), sales outside Germany increased by 9.8 percent to €3.536 billion (2004: €3.221 billion). Incoming orders of €4.840 billion (2004: €4.550 billion) increased by 6.4 percent, also significantly exceeding the figures for the same period in 2004.

Operating profit (EBITA) rose 20.4 percent based on comparable prior year figures to €372 million (2004: €309 million). Earnings before taxes on income increased by 27.8 percent to €308 million (2004: €241 million). Net income rose 17.7 percent to €193 million (2004: €164 million). As a result, there was a 17.4 percent increase in earnings per share from €1.38 to €1.62.

All the business segments contributed to the positive business trends in the first half of 2005.

Effect of Refrigeration and the amortization of goodwill on the first half year 2004 in € million

January to June 2004	Group income statement	Refrigeration (Loss)	Amortization of goodwill (other business segments)	Group income statement, comparable figures
EBITA	281	28	–	309
Amortization of goodwill	–64	1	63	–
Financial result	–69	1	–	–68
EBT	148	30	63	241
Taxes on income	–77	–	–	–77
Net income	**71**	**30**	**63**	**164**

Group incoming orders and sales in € million

	January to June		
	2005	2004 excluding Refrigeration	Change
Incoming orders	4,840	4,550	6.4%
Domestic	954	955	–0.1%
Foreign	3,886	3,595	8.1%
Sales	4,464	4,121	8.3%
Germany	928	900	3.1%
Rest of Europe	2,364	2,253	4.9%
America	739	638	15.8%
Asia	292	235	24.3%
Africa/Pacific	141	95	48.4%
Foreign total	3,536	3,221	9.8%

Gas and Engineering

The Gas and Engineering business segment achieved a 10.6 percent rise in sales in the six months to June 2005 to €2.763 billion (2004: €2.499 billion). The 14.8 percent increase in operating profit (EBITA), from €310 million in 2004 to €356 million in 2005, was even higher than the increase in sales. Incoming orders at €2.980 billion (2004: €2.782 billion) were 7.1 percent higher than in the previous year.

Gas and Engineering in € million

	2nd quarter			January to June		
	2005	2004	Change	2005	2004	Change
Sales	1,424	1,271	12.0%	2,763	2,499	10.6%
EBITA	186	158	17.7%	356	310	14.8%
EBITA margin	13.1%	12.4%	–	12.9%	12.4%	–

Linde Gas

Sales in the Linde Gas division in the first half of 2005 showed a welcome double-digit increase of 10.6 percent to €2.151 billion (2004: €1.944 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 6.8 percent rise.

With an increase of 13.8 percent, operating profit (EBITA) rose at an even higher rate than sales. This was partly due to the positive impact of optimization programs being implemented as planned.

In the second quarter, it was possible to maintain the good performance achieved in the first quarter in all the product areas. In the six months to June, the on-site business again achieved the highest growth rate (24.4 percent). Sales in the bulk business rose by a good 9.0 percent, while the cylinder business also experienced positive trends, with a 3.8 percent increase in sales.

The Healthcare segment again achieved double-digit growth, with a 12.7 percent increase in sales to €347 million (2004: €308 million). Once more, it was the Homecare segment which generated the highest rate of growth (28 percent).

The Linde Gas division achieved a 7.3 percent increase in sales in Europe to €1.496 billion (2004: €1.394 billion). All the regions again contributed to this growth. In Eastern Europe, Linde was able to enhance its leading market position by bringing into operation an air separation plant for the Romanian chemical company, Oltchim SA. In the second quarter, Linde was also able to conclude an on-site agreement with the Russian Maksi Group. The plant, which involves a capital outlay of €27 million, will be used primarily to supply oxygen, nitrogen and argon to a steelworks in Berezovsky in the Sverdlovsk region. It will also have sufficient capacity to supply liquefied gases to the merchant market in this rapidly expanding region.

Sales in North America increased by 10.2 percent from €384 million in 2004 to €423 million in 2005. After adjusting for the effects of exchange rate movements, sales rose 14.1 percent. All the product segments achieved positive growth rates, with the on-site business in particular achieving above-average growth.

The business trends in South America continued to be positive. Sales in the first six months of the year increased by 15.3 percent to €151 million (2004: €131 million). All the segments achieved double-digit growth rates, with the greatest increase in sales being achieved in the bulk and on-site businesses.

Once again, there was a significant increase in sales in the Asia/Pacific region from €36 million in 2004 to €81 million in 2005. The growth was partly due to the first-time consolidation of a number of companies in Singapore, Malaysia and Thailand which were acquired in 2004.

Against a background of positive business trends in the first six months of the year and continuing market growth, the Linde Gas division continues to anticipate that sales and operating profit (EBITA) for the year 2005 will be up on the previous year.

Linde Gas in € million

	2nd quarter			January to June		
	2005	2004	Change	2005	2004	Change
Sales	1,113	981	13.5%	2,151	1,944	10.6%
EBITA	175	149	17.4%	339	298	13.8%
EBITA margin	15.7%	15.2%	–	15.8%	15.3%	–

Linde Engineering

The extremely positive performance of the Linde Engineering division has continued into the second quarter. Sales in the first half of 2005 increased by 15.6 percent to €725 million (2004: €627 million). Operating profit (EBITA) rose significantly compared to the same period in the previous year to €33 million (2004: €18 million).

Incoming orders again slightly exceeded the high level achieved the previous year, increasing by 1.7 percent to €902 million (2004: €887 million). The order book at the end of June 2005 stood at €2.2 billion, virtually the same as in June 2004. The major contracts in the second quarter included the first part of a contract for two large ethylene plants for the Bakhtar Petrochemical Company in Iran, as well as contracts for two air separation plants in Saudi Arabia and Germany.

Due to a high rate of economic growth, the Middle East and Far East will in the coming months continue to be the regions with the highest demand for ethylene and air separation plants. The United States will remain the country with the greatest need in the product area of hydrogen and synthesis gas plants, but worldwide demand from refineries and the petrochemical industry for such plants will rise more sharply in future.

In the natural gas liquefaction plant segment, decisions will be made in the next few months about a number of interesting projects in the Middle East and Norway, which means that Linde will have the opportunity to obtain new orders.

Given the extremely positive market situation and order position, the Linde Engineering division confirms its forecast for the year 2005 and continues to anticipate that sales and operating profit (EBITA) will be at least as high as in 2004.

Linde Engineering in € million

	2nd quarter			January to June		
	2005	2004	Change	2005	2004	Change
Sales	368	337	9.2%	725	627	15.6%
Incoming orders	437	473	–7.6%	902	887	1.7%
EBITA	17	13	30.8%	33	18	83.3%
EBITA margin	4.6%	3.9%	–	4.6%	2.9%	–

Material Handling

The Material Handling business segment has also continued to experience positive business trends and achieved a 4.8 percent increase in sales to €1.668 billion (2004: €1.591 billion). Incoming orders rose 5.7 percent compared with the same period in the previous year to €1.829 billion (2004: €1.731 billion).

Operating profit (EBITA) showed a significant improvement of 15.4 percent to €75 million (2004: €65 million). This rise was partly due to progress with the implementation of optimization programs.

Linde was able to perform well in this field, although the global rate of growth was lower than in the previous year. There continued to be two distinct business trends in Europe. While the West European market remained static compared with the previous year, the Eastern European countries again achieved double-digit growth rates. North America and Asia (especially China) continued to be the linchpins of world market growth.

By launching a second brand in China, Linde has fulfilled yet another important condition for future growth in this fast-expanding market. Since May, the Material Handling business segment has offered a product in the middle price segment under the OM brand name. The size of this market is now around 14,000 units and in the next few years it will grow at an average rate of 15-20 percent, which is higher than the growth rate in the market as a whole. The company is seeking to achieve a 15 percent market share in this segment by the year 2008. In China, Linde has a local manufacturing facility and is already a market leader for premium products with its Linde brand.

In the first half of 2005, Linde entered into a number of full-service contracts with major European customers, each with a fleet to be managed of over 100 vehicles. This proves once again that Linde is seen as a competent service-provider.

No significant changes in trends are forecast in the market in the next few months. As far as Europe is concerned, most of the growth is being generated in Eastern Europe, where double-digit growth rates are being achieved, while only a moderate rise in demand is anticipated in the Western European market. Continuing positive market trends in the United States and China will be a significant factor in ensuring that the world market maintains its rate of growth in the second half of 2005.

The Material Handling business segment continues to anticipate an increase in sales and a significant improvement in operating profit (EBITA) for the year 2005.

Material Handling in € million

	2nd quarter			January to June		
	2005	2004	Change	2005	2004	Change
Sales	897	847	5.9%	1,668	1,591	4.8%
Incoming orders	975	921	5.9%	1,829	1,731	5.7%
EBITA	50	42	19.0%	75	65	15.4%
EBITA margin	5.6%	5.0%	–	4.5%	4.1%	–

Employees

Since December 31, 2004, the number of employees in the Linde Group has risen by 578 to 41,961. Of these, 14,690 were employed in Germany and 27,271 outside Germany. The increase in the number of employees outside Germany of 555 was due mainly to new companies being included in the consolidation.

Personnel costs, excluding the prior year costs for Refrigeration, increased by €55 million to €1.064 billion (2004: €1.009 billion).

Number of employees

	June 30, 2005	Dec. 31, 2004	Change
Group	41,961	41,383	578
Domestic	14,690	14,667	23
Foreign	27,271	26,716	555
Gas and Engineering	22,177	21,787	390
Material Handling	19,006	18,878	128
Corporate	778	718	60

Finance

The cash flow from operating activities at June 30, 2005 was €490 million, compared with €417 million in the same period in the previous year. This represents an improvement of 17.5 percent. The main reasons for this are the increase in operating cash flow in the Linde Gas division, due to positive earnings trends, and the exclusion of the Refrigeration business segment, which ceased to belong to the Linde Group in October 2004, which had a negative cash flow from operating activities at June 30, 2004 of €17 million.

The cash flow from investing activities at June 30, 2005 was €376 million, which was €17 million more than in the corresponding period in the previous year. €38 million was spent on acquisitions and other financial assets. Part of this related to the purchase of a majority interest in Linde Nippon Sanso GmbH & Co. KG by the Linde Gas division. The amount invested in tangible fixed assets and intangible assets was €360 million, as against €320 million in the previous year.

The higher cash flow from operating activities and the small increase in capital expenditure compared with the previous year led to an increase in free cash flow in the reporting period compared with the prior year period of €56 million to €114 million.

Total assets have increased since December 31, 2004 by €348 million. The rise is due mainly to the increase in tangible fixed assets of €178 million and the increase in inventories of €174 million. These are set against a net cash outflow of cash and cash equivalents of €112 million. The equity figure rose by €205 million to €4.286 billion. The main components of this increase were net income of €193 million, positive exchange rate movements and a decrease in equity resulting from the dividend payment of €151 million. The equity ratio benefited as a result and was 36 percent at June 30, 2005, compared with 35 percent at December 31, 2004.

Group income statement in € million

	2nd quarter		January to June		Year 2004
	2005	2004	2005	2004	
Sales	2,340	2,327	4,464	4,438	9,421
Discontinued operation	–	200	–	332	578
Cost of sales	1,587	1,597	3,038	3,059	6,539
Gross profit on sales	753	730	1,426	1,379	2,882
Marketing and selling expenses	334	332	638	651	1,314
Research and development costs	52	51	96	95	177
Administration expenses	174	179	348	356	731
Other operating income less other operating expenses	14	–4	28	4	117
Amortization of goodwill	–	34	–	64	141
Operating profit (EBIT)	207	130	372	217	636
Discontinued operation	–	1	–	–29	6
Financial result	–34	–31	–64	–69	–126
Earnings before taxes on income (EBT)	173	99	308	148	510
Discontinued operation	–	–	–	–30	4
Taxes on income	62	48	111	77	239
Earnings after taxes on income	111	51	197	71	271
Minority interests	–3	–	–4	–	–5
Net income	**108**	**51**	**193**	**71**	**266**
Discontinued operation	–	–1	–	–30	–
Earnings per share in €	0.91	0.43	1.62	0.60	2.23
Earnings per share in € – fully diluted	0.87	0.42	1.55	0.59	2.18

Group balance sheet in € million

	June 30, 2005	Dec. 31, 2004
Assets		
Goodwill	2,819	2,788
Other intangible assets	284	277
Tangible assets	3,992	3,814
Investments in associates	137	139
Other financial assets	91	83
Leased assets	591	574
Fixed assets	**7,914**	**7,675**
Receivables from financial services	129	132
Trade receivables	21	45
Other receivables and other assets	20	21
Deferred tax assets	127	123
Other non-current assets	**297**	**321**
Inventories	1,116	942
Receivables from financial services	74	82
Trade receivables	1,505	1,409
Other receivables and other assets	514	560
Securities	5	3
Cash and cash equivalents	450	564
Prepaid expenses and deferred charges	64	35
Current assets	**3,728**	**3,595**
Total assets	**11,939**	**11,591**

Group balance sheet in € million

Equity and liabilities	June 30, 2005	Dec. 31, 2004
Capital subscribed	306	305
Capital reserve	2,694	2,663
Retained earnings	1,310	1,283
Cumulative changes in equity not recognized through the income statement	–79	–208
Total equity excluding minority interests	**4,231**	**4,043**
Minority interests	55	38
Total equity	**4,286**	**4,081**
Provisions for pensions and similar obligations	849	840
Other non-current provisions	191	177
Deferred tax liabilities	318	294
Financial debt	2,021	2,230
Liabilities from financial services	349	349
Trade payables	26	6
Other non-current liabilities	37	56
Deferred income	76	76
Non-current liabilities and deferred income	**3,867**	**4,028**
Other current provisions	1,216	1,107
Financial debt	485	305
Liabilities from financial services	158	174
Trade payables	1,192	1,194
Other current liabilities	608	575
Deferred income	127	127
Current liabilities and deferred income	**3,786**	**3,482**
Total equity and liabilities	**11,939**	**11,591**

Statement of changes in Group equity in € million

	Capital sub-scribed	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	Derivative financial instru-ments			
As at Jan. 1, 2004 (figures originally published)	**305**	**2,595**	**1,144**	**−183**	**–**	**3,861**	**35**	**3,896**
Adjustments arising from first-time application of IFRS 2	–	9	−9	–	–	–	–	–
As at Jan. 1, 2004 (restated)	**305**	**2,604**	**1,135**	**−183**	**–**	**3,861**	**35**	**3,896**
Dividend payments	–	–	−135	–	–	−135	–	−135
Change in currency translation differences	–	–	–	41	–	41	–	41
Financial instruments	–	–	–	–	1	1	–	1
Net income (restated)	–	–	71	–	–	71	–	71
Amount from the placement of the convertible bond	–	67	–	–	–	67	–	67
Other changes (restated)	–	3	4	–	–	7	−2	5
As at June 30, 2004 (restated)	**305**	**2,674**	**1,075**	**−142**	**1**	**3,913**	**33**	**3,946**
As at Jan. 1, 2005	**305**	**2,680**	**1,266**	**−205**	**−3**	**4,043**	**38**	**4,081**
Dividend payments	–	–	−149	–	–	−149	−2	−151
Change in currency translation differences	–	–	–	129	–	129	1	130
Financial instruments	–	–	–	–	–	–	–	–
Net income	–	–	193	–	–	193	4	197
Changes due to share option scheme	1	14	–	–	–	15	–	15
Other changes	–	–	–	–	–	–	14	14
As at June 30, 2005	**306**	**2,694**	**1,310**	**−76**	**−3**	**4,231**	**55**	**4,286**

For information on the adjustments, see the additional comments on the share option scheme.

Group cash flow statement in € million

	January to June		Year 2004
	2005	2004	
Net income	193	71	266
Amortization and depreciation of fixed assets	389	444	902
Changes in assets and liabilities, adjusted for the effects of changes in Group structure	2	4	309
Change in leased assets	–94	–100	–176
Other items	–	–2	–52
Cash flow from operating activities	**490**	**417**	**1,249**
Discontinued operation	–	–17	–6
Payments for tangible and intangible assets	–360	–320	–734
Payments for financial assets and investments in consolidated companies	–38	–64	–133
Proceeds on disposal of fixed assets and consolidated companies	22	25	207
Net cash from changes in securities held as current assets	–	–	–84
Cash flow from investing activities	**–376**	**–359**	**–744**
Discontinued operation	–	–10	–13
Dividend payment	–151	–136	–137
Repayment of financial liabilities	–85	–85	–362*
Cash flow from financing activities	**–236**	**–221**	**–499**
Discontinued operation	–	22	86
Net cash inflow/outflow	**–122**	**–163**	**6**
Opening balance of cash and cash equivalents	564	557	557
Changes in cash and cash equivalents due to effects of currency translation and changes in Group structure	8	8	1
Closing balance of cash and cash equivalents	**450**	**402**	**564**

* includes issue of employee shares

Activities in € million

	2nd quarter 2005	2004	Change	January to June 2005	2004	Change	Year 2004
Gas and Engineering							
Incoming orders	1,495	1,434	4.3%	2,980	2,782	7.1%	5,394
Sales	1,424	1,271	12.0%	2,763	2,499	10.6%	5,406
EBITDA	293	260	12.7%	569	518	9.8%	1,103
EBITA	186	158	17.7%	356	310	14.8%	681
EBT	162	106	52.8%	311	214	45.3%	471
Linde Gas							
Incoming orders	1,113	985	13.0%	2,155	1,956	10.2%	4,007
Sales	1,113	981	13.5%	2,151	1,944	10.6%	4,003
EBITDA	281	252	11.5%	549	502	9.4%	1,054
EBITA	175	149	17.4%	339	298	13.8%	638
EBT	148	96	54.2%	291	199	46.2%	423
Linde Engineering							
Incoming orders	437	473	–7.6%	902	887	1.7%	1,525
Sales	368	337	9.2%	725	627	15.6%	1,581
EBITDA	21	17	23.5%	41	26	57.7%	82
EBITA	17	13	30.8%	33	18	83.3%	68
EBT	19	15	26.7%	36	21	71.4%	74
Material Handling							
Incoming orders	975	921	5.9%	1,829	1,731	5.7%	3,442
Sales	897	847	5.9%	1,668	1,591	4.8%	3,372
EBITDA	133	118	12.7%	238	217	9.7%	485
EBITA	50	42	19.0%	75	65	15.4%	189
EBT	41	29	41.4%	58	43	34.9%	132
Refrigeration (Discontinued operation)							
Incoming orders	–	274	–	–	466	–	733
Sales	–	200	–	–	332	–	578
EBITDA	–	7	–	–	–17	–	24
EBITA	–	1	–	–	–28	–	9
EBT	–	–	–	–	–30	–	4
Group							
Incoming orders	2,487	2,638	–5.7%	4,840	4,996	–3.1%	9,637
Sales	2,340	2,327	0.6%	4,464	4,438	0.6%	9,421
EBITDA	404	353	14.4%	761	661	15.1%	1,532
EBITA	207	164	26.2%	372	281	32.4%	777
EBT	173	99	74.7%	308	148	108.1%	510

Additional comments:

1. General accounting and valuation policies

The unaudited interim report of Linde AG at June 30, 2005 has been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, where these became operative on or before June 30, 2005. The term IFRS also includes International Accounting Standards (IAS) where these are still effective. All mandatory interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), for the fiscal year 2005 were also applied.

We have used the same accounting and valuation policies to draw up the interim report as those used to prepare the Group financial statements for the year ended December 31, 2004, with the exception of the following changes.

We have applied IFRS 2 “Share-based Payment” with effect from January 1, 2005. Further details about this are given in the section on the share option scheme.

IFRS 3 “Business Combinations” and related versions of IAS 36 “Impairment of Assets” and IAS 38 “Intangible Assets” (both revised in 2004) already applied in the 2004 Group financial statements to companies acquired after March 31, 2004. For companies acquired before March 31, 2004, the application of the above standards is mandatory from January 1, 2005. As a result, there will be no more scheduled amortization of goodwill from 2005 onwards. Goodwill will now be assessed for impairment annually. In the first six months of fiscal 2004, scheduled amortization of goodwill was €64 million.

In addition to the standards mentioned above, the following new or revised standards and interpretations issued by IASB and IFRIC came into force on January 1, 2005. However, these either had no material effect on the net assets, financial position and results of operations of the Linde Group or were not relevant to the Group financial statements.
– IFRS 4 “Insurance Contracts”
– IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
– IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities”
– IFRIC 2 “Members’ Shares in Co-operative Entities and Similar Instruments”.

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, 2004	Additions	Disposals	As at June 30, 2005
Consolidated subsidiaries	272	19	4	287
of which within Germany	30	7	1	36
of which outside Germany	242	12	3	251
Subsidiaries reported at acquisition cost	61	3	8	56
of which within Germany	16	–	3	13
of which outside Germany	45	3	5	43
Companies accounted for using the equity method	20	2	1	21
of which within Germany	4	1	–	5
of which outside Germany	16	1	1	16

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 main exchange rates used are as follows:

Exchange rate €1 =

	ISO code	Mid-rate at balance sheet date		Average rate	
		June 30, 2005	June 30, 2004	June 2005	June 2004
Czech Republic	CZK	30.000000	31.810000	30.057480	32.430157
Great Britain	GBP	0.671900	0.671000	0.685894	0.673635
Sweden	SEK	9.422000	9.142500	9.142444	9.166067
Switzerland	CHF	1.548600	1.524800	1.546024	1.553213
USA	USD	1.205100	1.215600	1.285110	1.227480

4. Share option scheme

It was resolved at the shareholders' meeting of Linde AG held on May 14, 2002 to introduce a share option scheme for management (Linde Management Incentive Program 2002), under which up to 6 million subscription rights can be issued.

The options confer the right to subscribe to shares in Linde AG at the exercise price. The exercise price for acquiring new shares in Linde AG is 120 percent of the base price.

The option conditions provide for a qualifying period for the share options of two years from the date of issue. At the end of this period, the options can be exercised during the entire option term, i.e. during the five years from the end of the qualifying period, excluding any blocked periods. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorized for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the XETRA closing price of Linde shares on the exercise date.

In accounting for options, it is assumed that the option entitlements will be fulfilled by the issue of shares.

According to IFRS 2 "Share-based Payment", the total value of share options granted to management will be determined at the issue date using an option pricing model. The total value of the share options calculated at the issue date will then be allocated as a personnel expense over the period in which the company receives service in return from the employee. This period will generally be the same as the agreed qualifying period. The other side of the entry will be made directly in equity. IFRS 2 was applied for the first time in fiscal 2005. The figures for the corresponding prior year period have been restated in accordance with IFRS 2.55.

The calculation of the expense is based on the fair value of the options issued, using the Black-Scholes option pricing model.

Movements in options included in the Linde Management Incentive Program were as follows:

Options

	Originally issued	Dec. 31, 2004	Exercised in 2005	Expired in 2005	June 30, 2005
1st tranche (2002)	1,000,000	966,400	–	–	966,400
2nd tranche (2003)	1,017,600	995,700	308,900	1,100	685,700
3rd tranche (2004)	1,004,500	1,001,500	–	7,100	994,400
Total	**3,022,100**	**2,963,600**	**308,900**	**8,200**	**2,646,500**

The exercise of 308,900 options during the reporting period resulted in an increase in capital subscribed of €1 million and in the capital reserve of €10 million.

Recognizing the expense in the income statement has the following effect on earnings:

Options

	Value of the options €	Dec. 31, 2002 € million	Dec. 31, 2003 € million	June 30, 2004 € million	Dec. 31, 2004 € million	June 30, 2005 € million
1st tranche (2002)	9.84	2	5	1	2	–
2nd tranche (2003)	7.16	–	2	2	4	2
3rd tranche (2004)	7.92	–	–	–	2	2
Total		**2**	**7**	**3**	**8**	**4**

5. Reconciliation of prior year figures

As a result of the restatement of prior year figures, the following amendments were made:

Group income statement in € million

	January to June 2004	Year 2004
Operating profit (EBIT) before restatement	**213**	**644**
Adjustment to financial result from long-term contracts	7	–
Change in accounting regulations (IFRS 2)	–3	–8
Operating profit (EBIT), restated	**217**	**636**
Adjustment to financial result from long-term contracts	–7	–
Financial result, restated	**–69**	**–126**
Earnings before taxes on income (EBT), restated	**148**	**510**

The adjustments were made in Administration expenses and Other operating income as well as in the Financial result.

6. Earnings per share

in € million / Shares in thousands

	January to June		Year 2004
	2005	2004	
Net income	193	71	266
Plus: Increase in profit due to dilutive effect of convertible bond	7	–	8
Profit after adjusting for dilutive effects	200	71	274
Weighted average number of shares outstanding	119,336	119,262	119,273
Effect of dilutive subscription rights	227	122	182
Effect of dilutive convertible bond	9,738	–	6,429
Weighted average number of shares outstanding – fully diluted	129,301	119,384	125,884
Earnings per share in €	**1.62**	**0.60**	**2.23**
Earnings per share in € – fully diluted	**1.55**	**0.59**	**2.18**

7. Significant events

The Linde Executive Board and employee representatives concluded an agreement at the end of July 2005 to make lasting improvements in the competitiveness of the Linde Material Handling brand.

The Executive Board of Linde AG has signed an agreement with the representatives of the employees and IG-Metall which will make a significant contribution towards strengthening the leading world position of the Material Handling business segment in the long term and towards ensuring that it achieves its ambitious target returns.

This agreement will take effect gradually and will lead to an annual improvement in earnings which is clearly into double figures in millions of euros. Substantial closure costs and relocation costs will also be avoided as a result of the agreement.

The agreement comprises a comprehensive package of measures designed to achieve a sustainable reduction in the unit labor cost of the products. The measures include, in particular, reducing the wages and salaries line, converting wage and salary components which have been paid on a regular basis into profit-related pay, cutting overtime supplements and payments in excess of the agreed scale, increasing working hours, increasing the number of regular shifts a week from 14 to 17, introducing more flexible deployment between locations and ensuring that employees play an active role in wide-ranging optimization projects.

In return, Linde gave its employees assurances that it would maintain current production sites and avoid relocating jobs to Eastern Europe. This commitment will be valid for a period of six years. The works agreement may be terminated if there are significant lasting changes in economic and operational conditions.

The agreement applies initially only to the Linde Material Handling brand and its sites in Germany. Similar negotiations are currently taking place in respect of the German locations for the STILL brand, and it is estimated that these will be concluded by the end of August.

Syndicated credit renewed

Linde has renegotiated a €1.8 billion syndicated credit facility with 26 national and international banks. The agreement has a seven-year term and was signed on July 26, 2005. The credit facility will safeguard the long-term liquidity of the Linde Group on favorable terms.

Imprint

Published by
Linde AG
Abraham-Lincoln-Strasse 21
65189 Wiesbaden
Germany

Design
KW43, Düsseldorf

Production, typesetting and lithography
CPI, Düsseldorf

Printed by
Druckpartner, Essen

Contact Information

Linde AG
Abraham-Lincoln-Strasse 21
65189 Wiesbaden
Germany
Phone +49.611.770-0
Fax +49.611.770-269
www.linde.com

Communications
Phone +49.611.770-146
Fax +49.611.770-447
E-Mail info@linde.com

Investor Relations
Phone +49.611.770-128
Fax +49.611.770-690
E-Mail investorrelations@linde.com

This report and the annual financial statements are available in both German and English and can also be downloaded from our website at *www.linde.com.*

Further copies of the report and additional information about the Linde Group can be obtained from us free of charge.

Scheduled Dates

Fall Press Conference
November 7, 2005
Corporate Center, Wiesbaden

Interim Report
January – September 2005
November 7, 2005

Shareholders' Meeting 2006
May 4, 2006, 10.00 am
International Congress Center, Munich

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

Linde Management Investor Events 2005

US Roadshow
September 7 – 9, 2005

London Roadshow
September 15 –16, 2005

Berenberg Bank Investment Conference
September 19, 2005
Hamburg

Switzerland Roadshow
September 23, 2005

Hypovereinsbank German Investment Conference
September 28, 2005
Munich

UBS Conference
November 16, 2005
London

WestLB German Conference
November 17, 2005
Frankfurt

Linde AG
Abraham-Lincoln-Strasse 21
65189 Wiesbaden
Germany

Phone +49.611.770-0
Fax +49.611.770-269
www.linde.com