

Interim Report. January to March 2007.

LeadIng.


THE LINDE GROUP

Q1

Linde Financial Highlights

in € million	January to March 2007	2006	Change
Share			
Closing price	€ 80.65	71.62	12.6 %
Year high	€ 83.58	73.13	14.3 %
Year low	€ 75.26	62.47	20.5 %
Market capitalisation	12,969	8,585	51.1 %
Earnings per share¹			
Earnings per share	€ 1.07	1.12	-4.5 %
Earnings per share	€ 2.76	1.12	146.4 %
Number of shares outstanding (in 000s)	160,800	119,864	34.2 %
Sales – prior year as reported			
Sales – prior year as reported	2,860	1,492	91.7 %
Sales – comparable ²	2,860	2,614	9.4 %
Operating profit – prior year as reported			
Operating profit – prior year as reported	569	294	93.5 %
Operating profit – comparable ²	569	517	10.1 %
EBIT before amortisation of fair value adjustments and non-recurring items			
EBIT before amortisation of fair value adjustments and non-recurring items	358	185	93.5 %
Earning after taxes on income			
Earning after taxes on income	458	135	239.3 %
Number of employees as at 31 March³			
Number of employees as at 31 March	48,727	51,038	-4.5 %
Gases Division – comparable²			
Sales	2,249	2,153	4.5 %
Operating profit	556	522	6.5 %
Engineering Division – comparable²			
Sales	498	349	42.7 %
Operating profit	44	30	46.7 %

¹ Adjusted for the effects of the purchase price allocation on the acquisition of BOC and for non-recurring items.

² Prior year including BOC.

³ Continuing operations as of 31 March 2007 resp. 31 December 2006.

Interim Report. January to March 2007

First quarter 2007: The new Linde Group makes a successful start to the 2007 financial year

- Sales up 9.4 percent to €2.860 billion
- Operating profit¹ up 10.1 percent to €569 million
- Outlook for 2007 confirmed: further increase in sales and earnings expected

¹ Operating profit: EBITDA before special items, including share of net income from associates and joint ventures.

General economic environment

After four years of brisk expansion, the global economy is maintaining its momentum in the new year. Eminent economic research institutes are forecasting a further increase in world production in 2007 and 2008. However, the economic gap which has developed in the past year between the major industrialised countries is expected to remain.

Whereas industrial production in the United States is likely to slow down by 2008, the economic upturn in Japan and in the European Union is expected to continue.

In the newly industrialised countries, it is anticipated that total economic production will increase in 2007 at a slightly slower rate than in 2006, particularly in Asia. One of the main factors in the dampening down of the economy in Asia is that China has adopted a deliberate economic strategy of slowing down the rate of expansion in its production. In Latin America, on the other hand, the economic upturn is expected to continue at almost the same fast rate in 2007 as in the previous year.

In the view of the EU Commission and various research institutes, growth prospects for the Eurozone continue to be good. Current forecasts indicate steady economic growth until the third quarter. The pundits are expecting the significant expansion in capital expenditure to continue and forecast an upturn in private consumption.

Group

To ensure comparability of the Group's business performance, the prior year figures for sales and operating profit have been adjusted to take account of the new Group structure. The prior year figures include the remaining core activities of BOC. The prior year figures do not include KION, the forklift truck division sold in 2006, the BOC Edwards components business or any of the other companies or other assets sold following the BOC deal.

On this basis, Group sales in the first quarter rose 9.4 percent to €2.860 billion (2006: €2.614 billion). The Linde Group also continued to achieve increases in earnings. Operating profit rose 10.1 percent to €569 million (2006: €517 million).

Earnings before taxes on income increased to €647 million (2006, as reported: €170 million). On the one hand, this figure was adversely affected by the downward trend in the financial result as a result of the BOC acquisition. The net financial expense for the first quarter was €114 million. The figure for earnings before taxes on income was also reduced by a depreciation charge of €107 million recognised in the course of the purchase price allocation of the BOC acquisition. On the other hand, the profit on the sale of parts of the business of €510 million had a positive impact on the earnings trend.

Earnings after tax increased to €458 million (2006, as reported: €135 million). As a result, earnings per share increased to €2.76, compared with the reported figure of €1.12 in the previous year. After adjusting for the effect of the purchase price allocation and the book profit, earnings per share were €1.07. It should be noted here that the number of shares outstanding has increased by approximately 40 million shares to around 161 million shares. The main reason for this was the increase in share capital in July 2006 in the course of the BOC acquisition.

Outlook

For the full financial year, we continue to expect an increase over the previous year in the sales and operating profit of The Linde Group, on a comparable basis.

In the medium term, we have set ourselves the goal of achieving an operating profit of more than €3 billion by the 2010 financial year. The expected cost synergies of €250 million per annum from our merger with BOC, which are forecasted to take full effect by 2009, will contribute towards this target.

Integration of BOC proceeding as planned

The integration of The BOC Group, which has been part of The Linde Group since 5 September 2006, has proceeded as planned in the first quarter of 2007. We have successfully completed the sales programme we announced as a result of our acquisition of BOC. We have fulfilled all the antitrust conditions imposed by the competition authorities within the timeframe envisaged, by disposing of BOC operations in Poland and reorganising our joint ventures with Air Liquide in Asia, as well as selling the Linde gases business in the UK. The sale of the Linde gases business in the UK is still awaiting approval from the competition authorities. With the announced disposal of the BOC Edwards components business, the strategic reorganisation of the Group previously announced was finally completed.

Gases Division

In a dynamic market environment, sales in the Gases Division posted an underlying increase in sales of 7.8 percent. Excluding adjustments for exchange rate movements, changes in the price of natural gas and changes in the companies included in the consolidation, sales increased by 4.5 percent to €2.249 billion (2006: €2.153 billion). Operating profit rose 6.5 percent to €556 million (2006: €522 million). The profit margin increased from 24.2 percent to 24.7 percent.

Global growth in the Gases Division was once again due to positive trends in all geographical regions.

In Europe, sales rose in the first quarter by 9.2 percent to €1.139 billion (2006: €1.043 billion). Most of the impetus continued to come from Eastern Europe. Following the acquisition of Karbogaz in 2006, Linde purchased the Turkish industrial gases company Birllesic Oksijen Sanayi A.S. (BOS). This acquisition, which is still subject to approval by the competition authorities, will enable us to further improve our position in the growth market of Turkey.

In North America, sales rose 1.4 percent to €577 million (2006: €569 million). The increase was held back by exchange rate movements. After adjusting for the effects of exchange rates, sales in North America increased by 10.7 percent. With the disposal of parts of the US cylinder business to the industrial gases company Airgas Inc., a transaction still subject to approval by the competition authorities, Linde will optimise its portfolio in the United States. In future, we will concentrate more on the bulk business and on-site product segments, i.e. on customers with a greater focus on applications technology.

In South America, our sales grew by 8.3 percent to €118 million (2006: €109 million). Excluding the effects of exchange rate movements, this represents an increase of 15.8 percent.

The gases business in Africa, which was adversely affected by exchange rate movements, achieved sales of €120 million, similar to the prior year figure of €121 million. After adjusting for the effects of exchange rate movements, the increase in sales was 15.9 percent.

In the Asia/Pacific region, sales in the first three months of the year rose 1.6 percent to €323 million (2006: €318 million). Here too, adverse exchange rate movements prevented a faster rate of growth. After adjusting for the effects of exchange rate movements, the increase in sales was 5.6 percent.

All the product segments continued to achieve sales growth. On a comparable basis, i.e. after adjusting for exchange rate movements, changes in the price of natural gas and changes in the companies included in the consolidation, the on-site business achieved a 12 percent growth in sales. On the same basis, bulk sales increased by 5.1 percent and cylinder sales by 7.3 percent.

On a comparable basis, sales in the Healthcare segment rose 10.5 percent. In February 2007, we decided on a strategic reorganisation of INO Therapeutics LLC. This company produces the medical gas INO, which has been approved as a pharmaceutical. The subsidiary was transferred at the end of the quarter into a newly formed pharmaceutical company, comprising our INO business and the US biotechnology company Ikaria. This combined company, in which we now have a 17 percent stake, will allow us to capture the potential offered by the international pharmaceuticals market.

Over the next few years we are anticipating an average increase in global demand in the gases market as a whole of around 7 percent per annum. As a result of Linde's good position in the growth segments, we can confirm our medium-range forecast that sales in the Gases Division will grow at a faster rate than the market and that earnings will increase at a faster rate than sales revenue.

Gases Division

in € million	January to March 2007	2006 ¹	Change	Adjusted ²
Sales	2,249	2,153	4.5 %	7.8 %
Europe	1,139	1,043	9.2 %	
America/Africa	796	792	0.5 %	
Asia/Pacific	323	318	1.6 %	
Operating profit	556	522	6.5 %	
Margin	24.7 %	24.2 %	-	

1 Prior year figures including BOC.

2 Adjusted for currency exchange rate effects, natural gas prices and changes in consolidation scope.

Engineering Division

The Engineering Division has made a good start to the new financial year and is continuing on its path of profitable growth. Sales increased by 42.7 percent to €498 million (2006: €349 million). Operating profit rose in the same period by 46.7 percent to €44 million (2006: €30 million).

The Engineering Division also achieved a significant increase in order intake, the most important indicator of future business performance, with an increase of 83 percent to €968 million (2006: €529 million). Order backlog reached a new record high of €4.945 billion (31 December 2006: €4.529 billion).

Most of the order intake (75 percent) came from the Middle East. This was due to Linde obtaining a major contract at the end of 2006 for an ethylene plant in Abu Dhabi in the United Arab Emirates from Borouge, a joint venture between Abu Dhabi National Oil Company and Borealis. Of the remaining orders, 10 percent were from Europe, 8 percent from Asia and 7 percent from America.

As a result of this major contract, the vast majority of the order intake (76 percent) related to the ethylene plant segment. 7 percent of the remaining orders related to air separation plants and to natural gas plants and 4 percent to hydrogen and synthesis gas plants.

Given the high level of orders on hand and assuming the fulfilment of these orders on schedule, we continue to expect significant increases in sales and operating profit in the Engineering Division in future.

Engineering Division

in €million	January to March 2007	2006 ¹	Change
Sales	498	349	42.7 %
Order intake	968	529	83.0 %
Order backlog	4,945	3,627	36.3 %
Operating profit	44	30	46.7 %
Margin	8.8 %	8.6 %	-

¹ Prior year figures including BOC.

Employees

The number of employees in The Linde Group at the end of the first quarter was 53,407 (31 December 2006: 55,445). Of these, 37,188 were employed in the Gases Division and 5,266 in the Engineering Division. Most of the employees under the Other/Corporate heading relate to our Gist Division.

Employees

	31.03.2007	31.12.2006
Employees by division		
Gases Division	37,188	39,142
Engineering Division	5,266	5,166
Other activities	6,273	6,730
Continuing operations	48,727	51,038
Discontinued operations	4,680	4,407
Group	53,407	55,445
Employees by region		
Germany	7,151	7,176
Other Europe	19,342	20,506
North America	7,367	8,518
South America	2,274	2,674
Asia/Pacific	8,413	8,496
Africa	4,180	3,668
Total (continuing operations)	48,727	51,038

Finance

The cash flow from operating activities as at 31 March 2007 was €418 million, compared with €242 million in the same period in the previous year. Here, we must take account of the change in Group structure. The figures for 2006 include the KION Group, which had not yet been sold, and exclude The BOC Group, which had not yet been acquired.

The cash inflow from investing activities in the first quarter was €1.530 billion. This was significantly affected by the successful completion of the sales transactions arising from the BOC acquisition. During the reporting period, the sales process was successfully completed for the Japan Air Gas joint venture, the Linde air separation plants in the US, the subsidiary INO in the US and Linde's Australian subsidiary. A Mexican subsidiary was also sold. The net cash inflow from the sales was €1.783 billion.

Payments for tangible and intangible fixed assets amounted to €251 million compared to €168 million in the prior year.

The higher cash inflow from operating activities and the cash inflow from business disposals had the effect of increasing net cash inflow (free cash flow) during the reporting period by €1.845 billion to €1.948 billion, compared with the prior year figure of €103 million.

Total assets have decreased since the balance sheet date, 31 December 2006 by 3.9 percent (€1.082 billion). The main reason for this is the disposal of companies and groups of assets. The reclassification of the US gas cylinder business and interest in the joint venture in Singapore Oxygen from non-current assets to non-current assets held for sale is the main reason for the decrease in non-current assets from €21.457 billion to €20.705 billion.

On the equity and liabilities side of the balance sheet, the principal reason for the decline in total equity and liabilities was the successful repayment of debt. Prior to the distribution of the proposed dividend, equity rose €470 million to €8.695 billion. The increase was mainly due to the net income of €458 million. This had a positive impact on the equity ratio which was 32.3 percent, compared with 29.4 percent at the balance sheet date, 31 December 2006. Net financial debt was reduced from €9.933 billion as at 31 December 2006 to €8.105 billion as at 31 March 2007. This resulted in an improvement in gearing (the ratio of net financial debt to equity) to 93 percent compared with 121 percent as at 31 December 2006.

Group income statement

in € million	January to March 2007	2006 ¹
Sales	2,860	1,492
Cost of sales	1,907	942
Gross profit on sales	953	550
Marketing and selling expenses	444	225
Research and development costs	28	22
Administration expenses	283	140
Other operating income	55	35
Other operating expenses	21	13
Income from associates and joint ventures	19	-
Non-recurring items	510	-
Financial income	105	28
Financial expenses	219	43
Earnings before taxes on income	647	170
Taxes on income	201	68
Earnings after taxes for continuing operations	446	102
Earnings after taxes for discontinued operations	12	33
Earnings after taxes on income	458	135
Attributable to minority interests	13	1
Attributable to Linde AG shareholders	445	134
Continuing operations		
Earnings per share in €	2.69	0.84
Earnings per share in € – fully diluted –	2.59	0.80
Discontinued operations		
Earnings per share in €	0.07	0.28
Earnings per share in € – fully diluted –	0.07	0.25

1 Adjusted.

Group balance sheet

in € million	31.03.2007	31.12.2006
Assets		
Goodwill	7,332	7,522
Other intangible assets	3,663	3,679
Tangible assets	6,997	7,281
Investments in associates and joint ventures	851	1,087
Other financial assets	355	367
Leased assets	59	83
Receivables from financial services	866	913
Trade receivables	2	-
Other receivables and other assets	334	285
Deferred tax assets	246	240
Non-current assets	20,705	21,457
Inventories	1,052	991
Receivables from financial services	103	88
Trade receivables	1,496	1,587
Other receivables and other assets	701	753
Securities	43	42
Cash and cash equivalents	869	621
Prepaid expenses and deferred charges	28	22
Non-current assets held for sale and disposal groups	1,917	2,435
Current assets	6,209	6,539
Total assets	26,914	27,996

Group balance sheet

in € million	31.03.2007	31.12.2006
Equity and liabilities		
Capital subscribed	412	411
Capital reserve	4,654	4,648
Retained earnings	3,679	3,226
Cumulative changes in equity not recognised through the income statement	-272	-285
Total equity excluding minority interests	8,473	8,000
Minority interests	222	225
Total equity	8,695	8,225
Provisions for pensions and similar obligations	1,168	1,284
Other non-current provisions	400	412
Deferred tax liabilities	2,302	2,315
Financial debt	7,454	9,504
Liabilities from financial services	23	37
Trade payables	4	3
Other non-current liabilities	258	118
Deferred income	1	-
Non-current liabilities	11,610	13,673
Other current provisions	1,926	1,727
Financial debt	1,563	1,092
Liabilities from financial services	24	12
Trade payables	1,895	1,949
Other current liabilities	789	824
Deferred income	70	59
Liabilities related to non-current assets held for sale	342	435
Current liabilities	6,609	6,098
Total equity and liabilities	26,914	27,996

Group cash flow statement

in €million	January to March 2007	2006
Earnings after taxes on income	458	135
Adjustments to earnings after taxes on income to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	315	143
Depreciation of leased assets	2	49
Write-down of financial assets	2	-
Profit/loss on disposal of non-current assets	-508	-5
Net interest	130	18
Other non-cash items	2	3
Changes in assets and liabilities, adjusted for the effect of changes in Group structure		
Change in inventories	-102	-132
Change in trade receivables	12	40
Change in provisions	125	39
Change in trade payables	11	-
Change in other assets and liabilities	-29	-48
Cash flow from operating activities	418	242
Thereof discontinued operations	-	-4
Payment for tangible and intangible assets and plants held under leases in accordance with IFRIC 4	-251	-168
Payments for investments in financial assets	-67	-2
Proceeds on disposal of tangible and intangible assets and the amortisation of receivables from financial services in accordance with IFRIC 4	39	20
Proceeds on disposal of consolidated companies	543	10
Proceeds on disposal of non-current assets held for sale	1,240	-
Proceeds on disposal of financial assets	27	1
Proceeds on sale of securities	-1	-
Cash flow from investing activities	1,530	-139

Group cash flow statement

in € million	January to March 2007	2006
Dividend payments to Linde shareholders and other shareholders	-14	-
Interest received	19	9
Interest paid	-142	-37
Cash outflows for the repayment of loans	-1,551	-102
Change in liabilities from financial services	-1	-7
Cash flow from financing activities	-1,689	-137
Net cash inflow/outflow	259	-34
Opening balance of cash and cash equivalents	621	906
Effects of currency translation and changes in Group structure	-11	-1
Transfer to escrow account	-	-87
Closing balance of cash and cash equivalents	869	784

Statement of recognised income and expense in group financial statements

in €million	1 January to 31 March 2007	1 January to 31 March 2006
Gain/loss in remeasurement of securities	–	–
Gain/loss in remeasurement at fair value of derivative financial instruments	14	24
Currency translation effects	–73	–27
Actuarial gain/loss from pensions and change in effect of the limitation on a defined benefit asset (asset ceiling under IAS 19.58)	68	–
Other gains and losses recognised in equity	–4	–
Gains and losses recognised directly in equity	5	–3
Earnings after taxes on income	458	135
Total gains and losses recognised	463	132
Of which due to		
Linde AG shareholders	458	131
Other shareholders	5	1
Effects of changes in accounting policies		
Linde AG shareholders	–	–
Other shareholders	–	–

To improve the comparability of the figures in the segment reports, the prior year figures have been adjusted. The prior year figures include the sales and earnings of the BOC companies adjusted for the companies and other assets sold following the BOC deal.

Segment information by region

in € million	January to March 2007	2006	2006 ¹	Change
Gases Division				
Sales to third parties	2,248	2,152	1,197	4.5 %
Sales to other segments	1	1	1	0.0 %
Segment sales	2,249	2,153	1,198	4.5 %
Operating profit²	556	522	296	6.5 %
Engineering Division				
Sales to third parties	456	330	297	38.2 %
Sales to other segments	42	19	19	121.1 %
Segment sales	498	349	316	42.7 %
Operating profit	44	30	25	46.7 %
Corporate/Consolidation Division				
Sales to third parties	113	112	-22	0.9 %
Sales to other segments	-	-	-	-
Segment sales	113	112	-22	0.9 %
Operating profit	-31	-35	-27	-11.4 %
Group				
Sales	2,860	2,614	1,492	9.4 %
Operating profit	569	517	294	10.1 %

¹ Continuing operations.

² Operating profit: Operating profit is defined as EBITDA before non-recurring items including the proportional profit in associates and joint ventures.

Additional comments

[1] General accounting policies

The unaudited interim report of Linde AG for the three months ended 31 March 2007 has been drawn up on the basis of § 315a of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards as adopted in the European Union.

We have used the same accounting policies to draw up the interim report as those used to prepare the Group financial statements for the year ended 31 December 2006, with the exception of the following changes, and have also applied IAS 34 "Interim Financial Statements".

At 31 December 2006, the classification of financing costs in relation to pension provisions was adjusted in line with IAS 19. As a result of the acquisition of BOC and the disposal of the KION Group, a major part of the pension obligations has been financed by externally managed pension assets from the 2006 financial year, which is intended to reduce the financing costs of these obligations. Until 2006, the interest cost in the pension provisions and the expected return on plan assets have been recognised in functional costs. In 2006, the financing costs were included in the financial result for the first time, as they arise from the way in which pension obligations are financed. This means that better information can be provided about the impact of the pension obligations on the results of operations. Because of this change in accounting policy, the disclosure in the prior year period has been adjusted ("adjusted").

The application of the following Standards is mandatory from 1 January 2007: IFRS 7 "Financial Instruments: Disclosures", Amendment to IAS 1 "Presentation of Financial Statements: Capital Disclosures" and Revised Guidance on Implementing IFRS 4 "Insurance Contracts". These Standards have no impact on the net assets, financial position and results of operations of The Linde Group, but will result in changes to the information which is required to be disclosed in the Group financial statements for the year ended 31 December 2007 or to more information being given.

In addition to the Standards mentioned above, the following new or revised Standards and Interpretations have been issued by the IASB and IFRIC. These have not been applied in the quarterly financial statements for the three months ended 31 March 2007, as they are either not yet mandatory or have not yet been adopted by the European Commission.

- IFRS 8 "Operating Segments"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements".

[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:

Changes in the base of consolidation

	As at 31.12.2006	Additions	Disposals	As at 31.03.2007
Consolidated subsidiaries	589	7	10	586
of which within Germany	34	-	-	34
of which outside Germany	555	7	10	552
Subsidiaries reported at acquisition costs	31	3	5	29
of which within Germany	3	-	-	3
of which outside Germany	28	3	5	26
Companies accounted for using the equity method	196	1	88	109
of which within Germany	-	-	-	-
of which outside Germany	196	1	88	109

The main disposals during the first quarter of 2007 were the investment in Linde Gas Australia and the joint ventures Japan Air Gases and Indura, all of which were included under the heading "Non-current assets held for sale and disposal groups" as at 31 December 2006.

[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:

Currencies

Exchange rate 1 € =	ISO code	Mid-rate on balance sheet date		Annual average rate January to March	
		31.03.2007	31.03.2006	2007	2006
		Argentina	ARS	4.138800	3.733900
Australia	AUD	1.650600	1.691800	1.667081	1.628339
Brazil	BRL	2.747800	2.622300	2.763907	2.638840
China	CNY	10.325300	9.716000	10.170993	9.688485
Great Britain	GBP	0.678800	0.697300	0.670607	0.686544
Canada	CAD	1.540800	1.416100	1.535309	1.389909
Malaysia	MYR	4.617900	4.463200	4.584598	4.485497
Mexico	MXN	14.748400	13.185600	14.449061	12.756740
Norway	NOK	8.138200	7.942200	8.169423	8.023306
Poland	PLN	3.866500	3.921400	3.885739	3.832061
Sweden	SEK	9.335600	9.439600	9.189008	9.350382
Switzerland	CHF	1.623700	1.580000	1.616418	1.559652
South Africa	ZAR	9.703100	7.471700	9.482206	8.024188
South Korea	KRW	1,256.600000	1,177.390000	1,230.799111	1,175.391023
Czech Republic	CZK	28.009000	28.465000	28.039744	28.594761
Turkey	TRY	1.859100	1.629300	1.848970	1.602126
Hungary	HUF	247.960000	263.950000	252.295333	254.567841
USA	USD	1.335600	1.211800	1.310428	1.203431

[4] Acquisitions and sales

The BOC Group plc, Windlesham, UK

On 6 March 2006, Linde AG submitted a recommended cash offer for The BOC Group plc, Windlesham, UK, (BOC) for £ 16 per share in cash. Following the satisfaction of competition authority preconditions in the United States and in the European Union, the acquisition was also approved by the BOC shareholders and by the English Courts.

The Scheme of Arrangement came into effect on 5 September 2006, thus completing the acquisition of BOC by Linde.

The BOC subsidiaries acquired have been included in the quarterly financial statements for the three months ended 31 March 2007 in accordance with IFRS 3, at the fair values of the assets, liabilities and contingent liabilities

on the acquisition date. Due to the size and complexity of the acquisition, the results of the purchase price allocation remain provisional.

The following table shows the calculation of the provisional figure for goodwill in the financial statements for the three months ended 31 March 2007, based on the purchase price of € 12.4 billion.

in € million

Provisional difference between the cost and net assets acquired before purchase price allocation as at 31 December 2006	9,366
Change as a result of adjustment to cost	15
Provisional difference between the cost and net assets acquired before purchase price allocation as at 31 March 2007	9,381
Customer relationships	2,881
Brand name	411
Technologies	217
Other intangible assets	38
Technical equipment	528
Land and buildings	308
Other tangible assets	480
Investments in associates	624
Non-current assets held for sale and disposal groups	989
Other assets and other liabilities	-279
Other changes to the opening balance	30
Deferred taxes	-1,716
Provisional goodwill as at 31 March 2007	4,870

There were changes to the goodwill figure arising from adjustments to the fair value of „Non-current assets held for sale and disposal groups“, as a result of actual sale prices becoming available for the joint ventures Japan Air Gases and Indura.

[5] Non-recurring items

During the reporting period, the industrial and medical gases business in Mexico, the Australian gases operations of the subsidiary Linde Gas Australia and parts of the US bulk business were all sold. The subsidiary INO Therapeutics LLC was also eliminated from the consolidation in the first quarter. Part of the purchase price was paid in cash and part was paid in the form of a 17 percent stake in Ikaria Holdings. The total profit on the deconsolidation of these businesses was € 510 million, which has been disclosed under non-recurring items.

Moreover, in the first quarter of 2007, the share in the joint venture Japan Air Gases was sold to comply with the conditions imposed by the competition authorities for the acquisition of BOC. The share in the joint venture Indura in Chile was also sold. As a result of the purchase price allocation, the investments had been remeasured to fair value, therefore no profits on disposal arose from these transactions.

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

Following the approval of the EU and US competition authorities granted on 6 June 2006 and 18 July 2006 respectively, Linde was able to proceed with the acquisition of BOC, subject to certain conditions. On 31 March 2007, following the completion of negotiations with Air Liquide, the joint venture arrangements which were disposed of in order to comply with antitrust conditions – Singapore Oxygen (Singapore), Eastern Industrial Gases (Thailand), Vietnam Industrial Gases (Vietnam) and Brunei Oxygen (Brunei) – were disclosed under Non-current assets held for sale and disposal groups. Also disclosed under this heading was the US cylinder gas business, which has been sold.

Taking into account those subsidiaries and investments already sold, the following non-current assets and disposal groups were disclosed as held for sale at 31 March 2007.

Non-current assets held for sale and liabilities directly related to non-current assets held for sale

in €million	BOCE Components	LG US Packaged Gas	Asian Joint Ventures	Other	Total
Intangible assets	37	77	-	-	114
Other non-current assets	501	121	293	424	1,339
Inventories	149	26	-	2	177
Cash and cash equivalents	17	-	-	2	19
Other current assets	236	1	-	31	268
Total non-current assets held for sale and disposal groups	940	225	293	459	1,917
Provisions for pensions and similar obligations	13	-	-	-	13
Other non-current provisions	79	15	-	-	94
Non-current liabilities	31	-	-	-	31
Current liabilities	145	15	-	44	204
Total liabilities directly related to non-current assets held for sale	268	30	-	44	342

BOC Edwards (Components business)

In the course of the BOC acquisition, the components business of BOC Edwards (BOCE) was classified as a discontinued operation of Linde on the opening balance sheet as at 5 September 2006. On 12 March 2007, a contract of sale for the components business of BOC Edwards was signed, which is still subject to the receipt of approval from the competition authorities. The electronic gases business of BOC Edwards remains part of The Linde Group.

All the assets and liabilities attributable to the BOC Edwards components business were reclassified in the balance sheet at 31 March 2007 and disclosed under „Non-current assets held for sale and disposal groups“ and „Liabilities directly related to non-current assets held for sale“. From the date of acquisition on 5 September 2006, the income statement was divided into continuing gas and engineering operations and discontinued operations, i.e. the BOC Edwards components business.

The effect of the classification of the BOC Edwards components business as a discontinued operation can be seen on the following table.

Discontinued operations

	January to March		January to March	
	2007	2006	2007	2006
in € million	BOCE Components	BOCE Components	KION Group	KION Group
Sales	218	-	-	922
Cost of sales	158	-	-	691
Gross profit on sales	60	-	-	231
Other income and other expenses	-44	-	-	-184
Non-recurring items	-	-	-	-
Financial income	-	-	-	5
Financial expense	1	-	-	13
Taxes on income	3	-	-	6
Earnings after taxes on income	12	-	-	33
Attributable to minority interests	-	-	-	-
Cash flow from operating activities	-15.7	-	-	-4.4
Cash flow from investing activities	-5.5	-	-	-41.5

[7] Equity

Statement of changes in Group equity

	Capital subscribed	Capital reserve	Retained earnings
in € million			
At 31 December 2005 – as reported	307	2,704	1,622
Adjustments			
Change in accounting policy IFRIC 4	-	-	57
At 1 January 2006 – restated	307	2,704	1,679
Dividend payments	-	-	-
Change in currency translation differences	-	-	-
Financial instruments	-	-	-
Earnings after taxes on income – restated –	-	-	134
Changes as a result of share option scheme	-	2	-
Other changes	-	-	-1
At 31 March 2006	307	2,706	1,812
At 31 December 2006/ 1 January 2007	411	4,648	3,226
Dividend payments	-	-	-
Change in currency translation effects	-	-	-
Financial instruments	-	-	-
Amount arising from the issue of convertible bond	1	3	-
Earnings after taxes on income	-	-	445
Changes as a result of share option scheme	-	3	-
Other changes	-	-	8
At 31 March 2007	412	4,654	3,679

Cumulative changes in equity not recognised through the income statement

	Currency translation differences	Remeasurements of securities at fair values	Derivative financial instruments	Actuarial gains/losses	Total equity excluding minority interests	Minority interests	Total equity
	-48	-	-9	-212	4,364	49	4,413
	2	-	-	-	59	-	59
	-46	-	-9	-212	4,423	49	4,472
	-	-	-	-	-	-	-
	-27	-	-	-	-27	-	-27
	-	-	24	-	24	-	24
	-	-	-	-	134	1	135
	-	-	-	-	2	-	2
	-	-	-	-	-1	2	1
	-73	-	15	-212	4,555	52	4,607
	-228	1	5	-63	8,000	225	8,225
	-	-	-	-	-	-14	-14
	-69	-	-	-	-69	-4	-73
	-	-	14	-	14	-	14
	-	-	-	-	4	-	4
	-	-	-	-	445	13	458
	-	-	-	-	3	-	3
	-	-	-	68	76	2	78
	-297	1	19	5	8,473	222	8,695

[8] 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 recognised in equity.

In the quarterly reports, an expert 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 31 March 2007, a change was recognised in the parameters on which the pension obligations are based, which amounted to €68 million (after deferred tax), leading to an increase in equity.

[9] Financial debt

Convertible bond

In May 2004, a convertible bond with a nominal value of €550 million was issued. It has a maturity period of 5 years and an interest rate of 1.25 percent. As a result of the positive trends in the Linde AG share price, a total amount of around €4 million of the convertible bond was converted into equity in the first quarter of 2007.

[10] Adjustment to prior year figures

The following table shows the adjustments to prior year figures („adjusted“) as a result of the change in the accounting for and disclosure of the financing costs relating to pension obligations.

Group income statement

in € million	January to March 2006
Earnings after taxes on income – as reported –	135
Reclassification of financing costs relating to pension provisions in accordance with IAS 19	
Change in cost of sales	-2
Change in marketing and selling expenses	-2
Change in research and development costs	-
Change in administration expenses	-1
Change in other operating income	-
Change in other operating expenses	-
Change in interest income	9
Change in interest expenses	14
Earnings after taxes on income – adjusted –	135

[11] Earnings per share (EPS)

	January to March 2007			January to March 2006 ¹		
	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations	Group ¹
in €million/shares in thousands						
Earnings after taxes on income attributable to Linde AG shareholders	433	12	445	101	33	134
Plus: increase in profit due to dilutive effect of convertible bond	3	-	3	3	-	3
Profit after adjusting for dilutive effects	436	12	448	104	33	137
Weighted average number of shares outstanding	160,791	160,791	160,791	119,864	119,864	119,864
Dilution as a result of the Linde Management Incentive Programme	914	914	914	569	569	569
Effect of dilutive convertible bond	6,466	6,466	6,466	9,738	9,738	9,738
Weighted average number of shares outstanding – fully diluted –	168,171	168,171	168,171	130,171	130,171	130,171
Earnings per share in €	2.69	0.07	2.76	0.84	0.28	1.12
Earnings per share in € – fully diluted –	2.59	0.07	2.66	0.80	0.25	1.05

¹ Adjusted.

[12] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation on the acquisition of BOC in accordance with IFRS 3 and for non-recurring items.

Adjusted income statement

in € million	31.03.2007			31.03.2006
	as reported	"Non GAAP" adjustments	Key financial figures	Key financial figures
Sales	2,860	-	2,860	1,492
Cost of sales	1,907	-69	1,838	942
Gross profit on sales	953	69	1,022	550
Research and development costs, marketing, selling and administration expenses	755	-38	717	387
Other operating income and expenses	34	-	34	22
Income from associates	19	-	19	-
Non-recurring items	510	-510	-	-
Financial result	-114	-	-114	-15
Taxes on income	201	-131	70	68
Earnings after taxes on income continuing operations	446	-272	174	102
Earnings after taxes for discontinued operations	12	-	12	33
Earning after taxes on income	458	-272	186	135
Attributable to minority interests	13	-	13	1
Attributable to Linde AG shareholders	445	-272	173	134
Earnings per share in €	2.76	-	1.07	1.12
Earnings per share in € - fully diluted -	2.66	-	1.04	1.05

[13] Significant events

Issue of benchmark bonds

On 19 April 2007, Linde Finance BV issued bonds with a nominal value of more than €2.4 billion in three tranches in euros and British pounds. The transaction comprises a €1 billion five-year fixed-rate bond, a €1 billion ten-year fixed-rate bond and a 16-year sterling tranche for GBP 300 million. The issue is being used to refinance the existing bridge finance on the acquisition of BOC and an existing bond.

Acquisition of the Turkish industrial gases company BOS

On 5 April 2007, the Turkish industrial gases company Birlesic Oksijen Sanayi A.S. (BOS) was acquired at an enterprise value of around €92 million. BOS, a company with around 180 employees, operates in the industrial and specialty gases business and achieved sales of around €30 million in the 2006 financial year. The acquisition is subject to the approval of the relevant competition authorities.

Reorganisation of joint ventures in Asia completed

The reorganisation of the joint ventures between The Linde Group and Air Liquide was completed on 27 April 2007. Linde acquired Air Liquide's holdings in the gases companies Malaysian Oxygen (Malaysia) and Hong Kong Oxygen & Acetylene (Hong Kong) and in return sold its holdings in Singapore Oxygen (Singapore), Eastern Industrial Gases (Thailand), Vietnam Industrial Gases (Vietnam) and Brunei Oxygen (Brunei) to Air Liquide. Following the receipt of unconditional approval from the European Commission, these transactions have now been completed in accordance with the letter of the law. In the course of the purchase price allocation, the shares in the joint ventures were remeasured to fair value, therefore no profit on disposal will arise from this transaction.

Sales of gases activities of BOC Poland completed

The sale of BOC's Polish gases activities (BOC Gazy Sp.z.o.o.) to Air Products and Chemicals, Inc. was completed on 30 April 2007. Following the receipt of unconditional approval from the European Commission and the Polish competition authority, the transaction has now been completed in accordance with the letter of the law. In the course of the purchase price allocation, the investment was remeasured to fair value, therefore no profit on disposal will arise from this transaction.

Other

Apart from the events mentioned above, there have been no significant events for The Linde Group between the end of the reporting period on 31 March 2007 and the publication deadline for these quarterly financial statements.

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Shareholders' Meeting 2007

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Interim Report

January–June 2007
27 July 2007

Autumn press conference

30 October 2007
Munich

Interim Report

January–September 2007
30 October 2007

Shareholders' Meeting 2008

3 June 2008, 10.00 a.m.
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Additional copies of the report and further information about Linde can be obtained from us free of charge.

Investor Relations Calendar

Sal. Oppenheim Chemicals Conference 2007

11 May 2007, Zurich

Deutsche Bank, German Corporate Conference

14–15 May 2007, Tokyo

Luxembourg Roadshow

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