



# UBS 2010 Best of Germany Conference, New York.

LeadIng.



THE LINDE GROUP

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Member of the Executive Board and CFO

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## Operational performance

- Growth accelerating over H1 2010
- HPO (High Performance Organisation)
- 2010 outlook

## Set-up for sustainable profitable growth

- Emerging market footprint
- Business synergies Gases and Engineering
- Energy and Environmental mega-trend
- Healthcare mega-trend

## Appendix

## **Growth accelerating over H1 2010**

Group sales up 11.5% to €6.104 bn, comparable Gases growth improving to 7.1% in Q2

Group operating profit increased 26.4% to €1.396 bn

Reported EPS of €2.63 (+78.9%), adjusted EPS of €3.15 (+52.9%)

Operating Cash Flow up 7.3% to €902 m, driven by a 17.7% increase in Q2

## **Improving market conditions and HPO drive double-digit earnings growth**

Growth still led by our emerging market activities, especially in Asia and South America

Further economic recovery in the US, Western and Eastern Europe

HPO savings drive further margin improvement of 270 bp to 22.9%

## **Stable growth set-up in a still fragile economic environment**

Solid financial structure with long-term oriented maturity profile

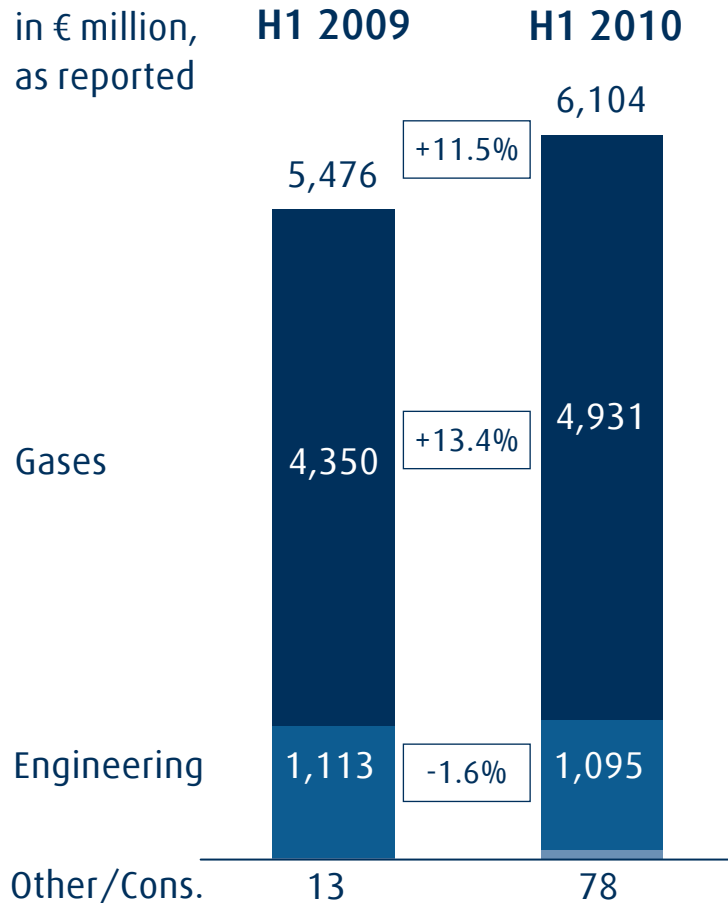
Well positioned for the mega-trends Healthcare, Energy/ Environment and Emerging Markets

Leverage of technology and customer synergies between our Gases and Engineering set-up

# Group, sales by Divisions

Ongoing recovery and currencies drive group sales up 11.5%

in € million,  
as reported



## Gases Division

- Comparable\* sales growth accelerating to 7.1% in Q2
- Global economic recovery visible in all product areas, strongest growth in tonnage and bulk segments
- Supportive currency development: major translational effects on AUD and ZAR

## Engineering Division

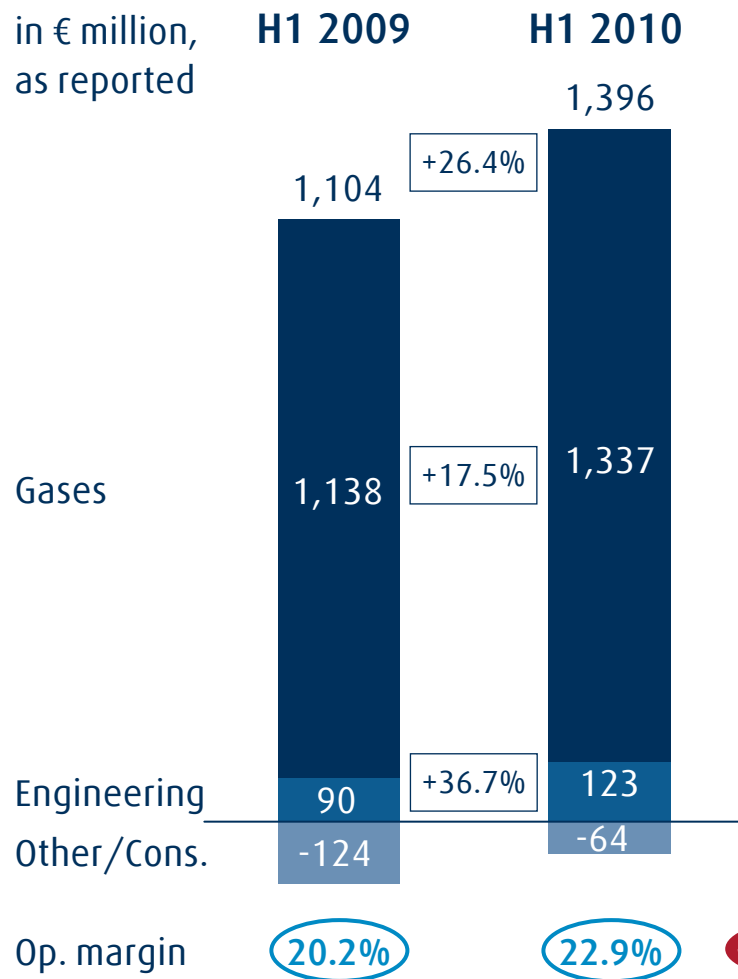
- Sales on last year's level
- Execution of order backlog fully on track

\*excluding currency, natural gas price and consolidation effect

# Group, operating profit by Divisions

270 bp group margin increase supported by HPO savings

in € million,  
as reported



## Gases Division

- Ongoing double-digit operating profit\* growth
- Over-proportionate growth compared to sales: operating margin of 27.1%, up 90 bp YoY
- Full commitment to our HPO initiatives: We are continuously improving our long-term profitability.

## Engineering Division

- Margin of 11.2%, ahead of our 8% target
- Successful completion of several projects

**+270 bp** on reported basis

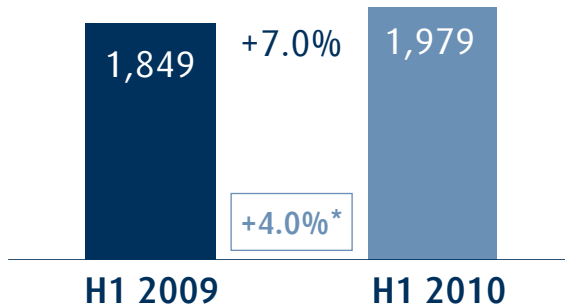
+150 bp, adjusted for €67 m restructuring charges in H1 2009

# Gases Division, sales by operating segment

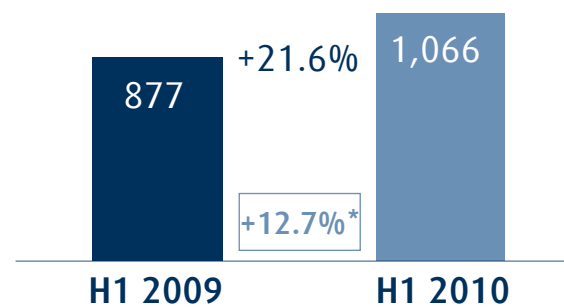
## Emerging markets show the strongest growth momentum

in € million

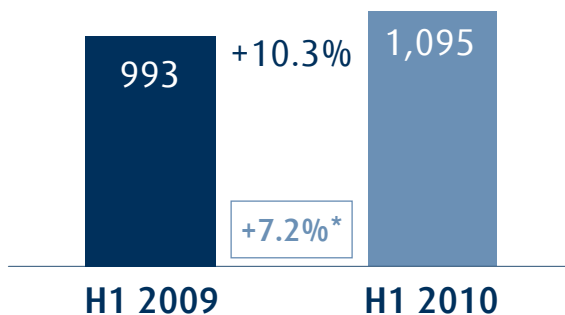
### Western Europe



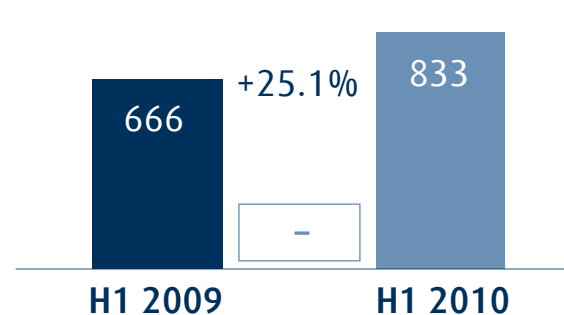
### Asia & Eastern Europe



### Americas



### South Pacific & Africa



- Volume recovery in our industrial end markets becoming more and more visible
- Strongest growth in Emerging Markets, double-digit comparable growth in Greater China and South- & East-Asia
- Improving momentum in Europe (West & East) and the US in Q2
- South Pacific and Africa continue to show major currency benefits

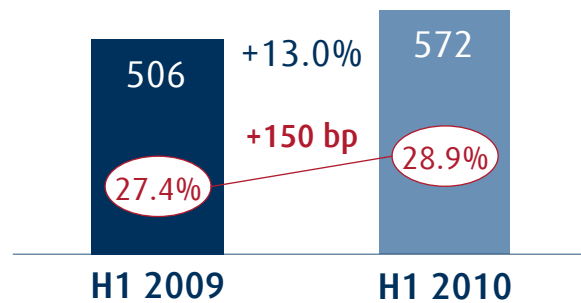
\*excluding currency, natural gas price and consolidation effect

# Gases Division, operating profit by operating segment

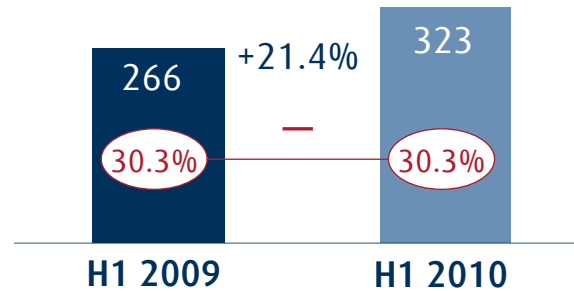
## HPO drives operating margin up to 27.1%

in € million

### Western Europe

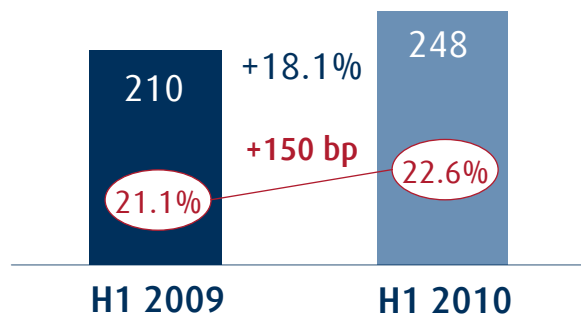


### Asia & Eastern Europe

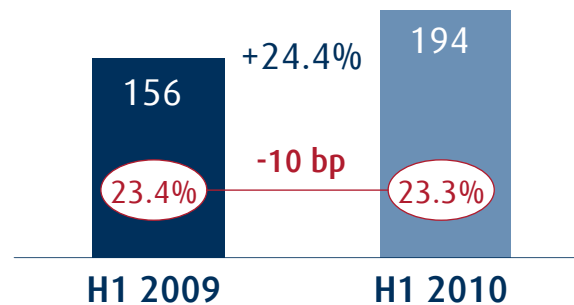


- YoY margin improvement in the Gases Division driven by strong margin increase in Western Europe and Americas
- Margin in the operating segment Asia & Eastern Europe impacted by higher natural gas prices

### Americas



### South Pacific & Africa

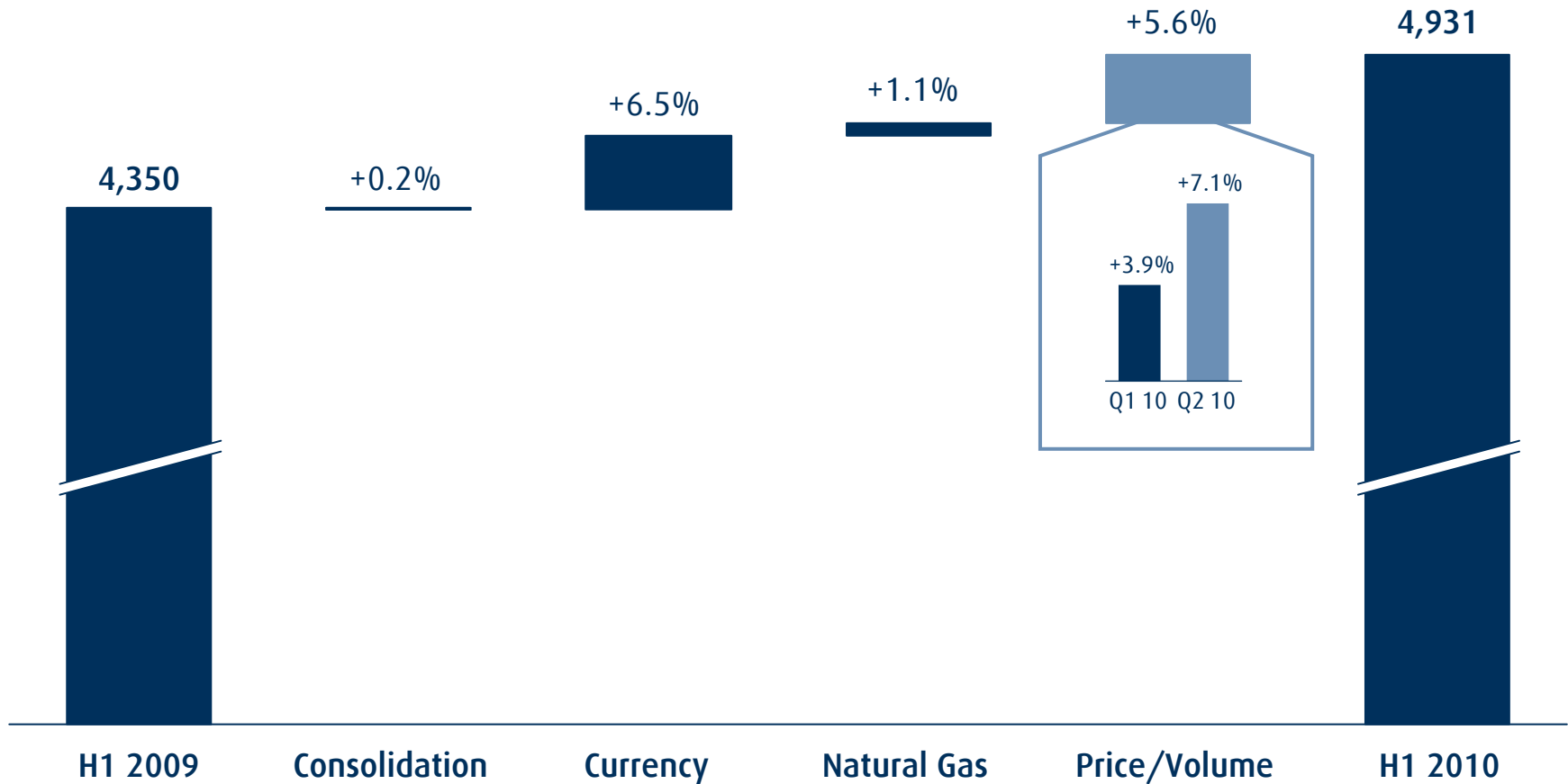




# Division Gases, sales bridge

Q2 sales increase of 7.1% on comparable basis

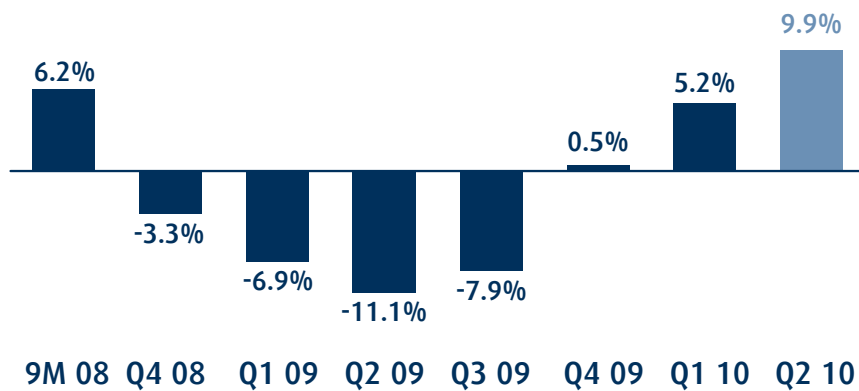
in € million



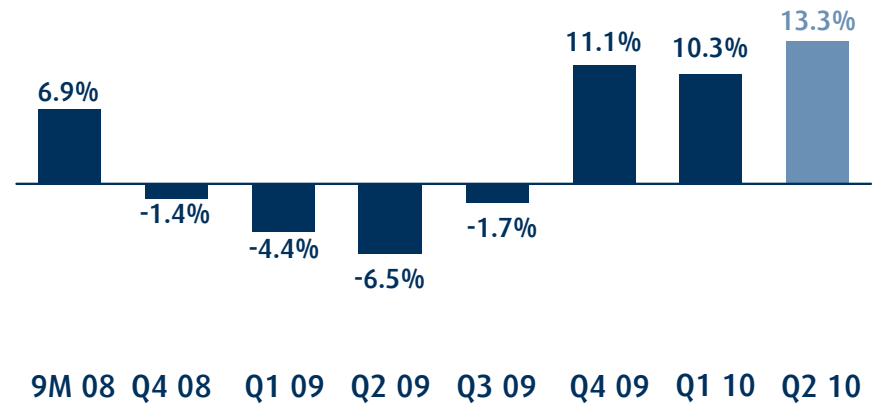
# Gases Division, product areas (comparable YoY growth)

## Cylinder business recovering further

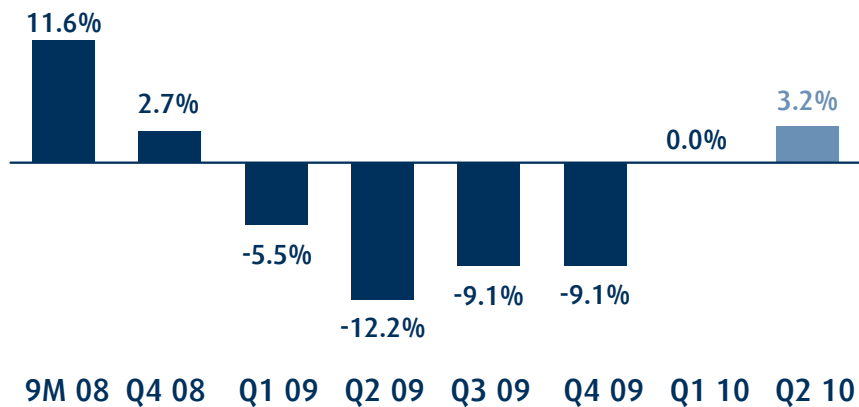
### Bulk



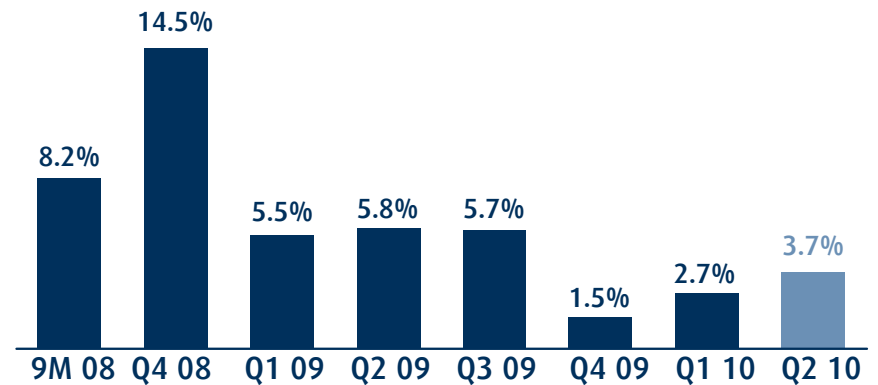
### Tonnage



### Cylinder



### Healthcare



# Engineering Division, key figures

## Underlying market environment keeps improving



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- Strong order intake of small- and mid-sized contracts across all product segments
- YoY comparison impacted by mega olefin project (Ruwais, Abu Dhabi) signed in Q2 09
- Order backlog up to €4.315 bn (year-end 2009: €4.215 bn)

in € million	H1 09	H1 10	Δ YoY
Order intake	1,299	962	-25.9%
Sales	1,113	1,095	-1.6%
Operating profit*	90	123	+36.7%
Margin	8.1%	11.2%	+310 bp

\*EBITDA before non-recurring items and incl. share of net income from associates and joint ventures

# Group, Cash Flow Statement

Operating Cash Flow up 7.3%, driven by 17.7% increase in Q2



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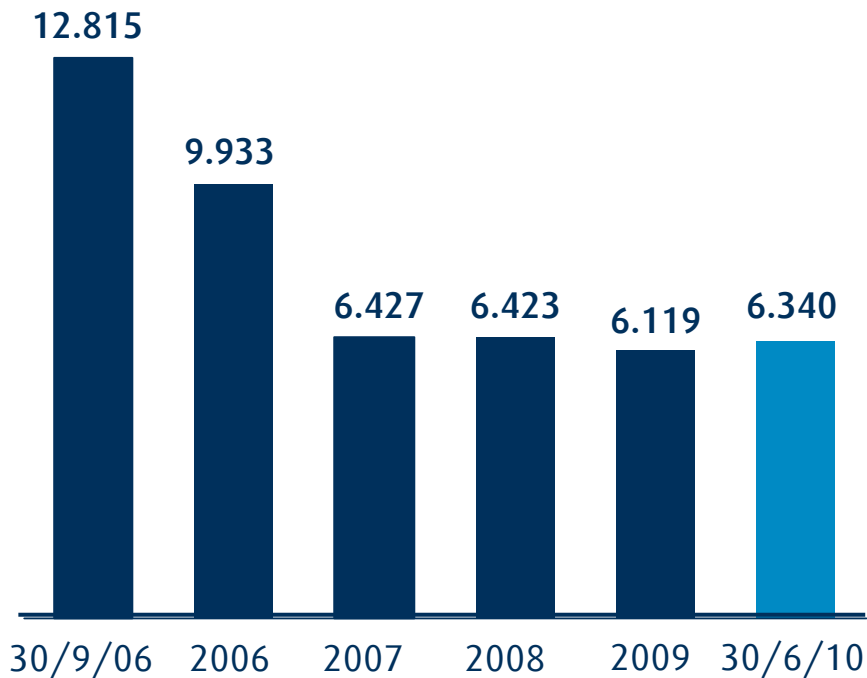
in € million	Q1 10	Q2 10	H1 10	H1 09
Operating profit	641	755	1,396	1,104
Change in Working Capital	-98	-3	-101	10
Other changes	-146	-247	-393	-273
<b>Operating Cash Flow</b>	<b>397</b>	<b>505</b>	<b>902</b>	<b>841</b>
Investments in tangibles/intangibles	-223	-280	-503	-543
Acquisitions/Financial investments	-6	-9	-15	-69
Other	38	44	82	76
<b>Investment Cash Flow</b>	<b>-191</b>	<b>-245</b>	<b>-436</b>	<b>-536</b>
<b>Free Cash Flow before Financing</b>	<b>206</b>	<b>260</b>	<b>466</b>	<b>305</b>
Interests and swaps	-22	-120	-142	-135
Dividends and other changes	-1	-303	-304	-322
<b>Net debt decrease (-) / increase (+)</b>	<b>-183</b>	<b>163</b>	<b>-20</b>	<b>152</b>

# Group, solid financial position

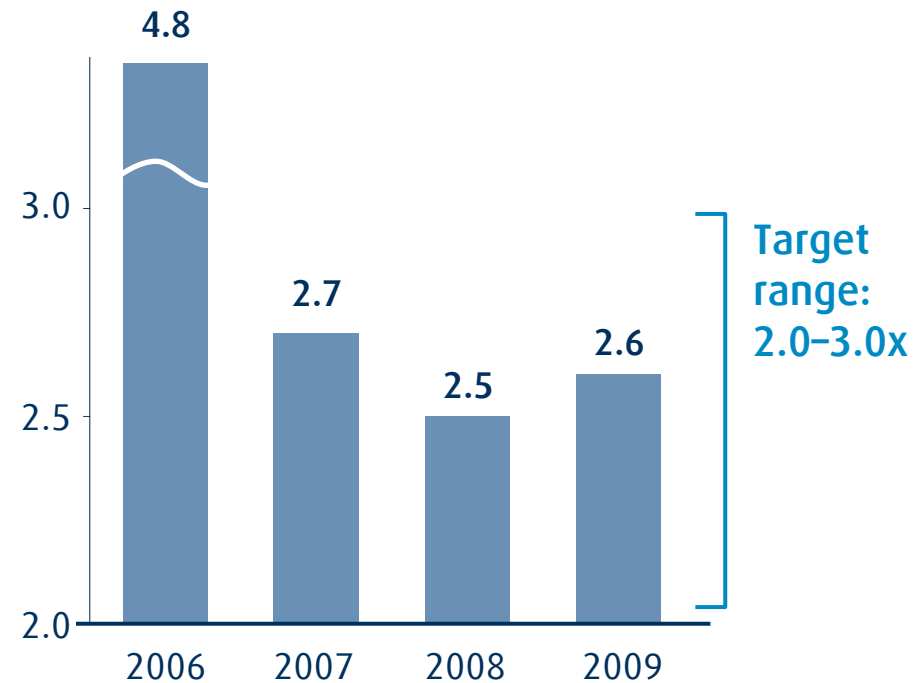
Successful deleveraging rewarded with rating upgrade

2009 Net debt/EBITDA ratio of 2.6x, well within our target range of 2-3x

Net debt in € bn



Net debt/EBITDA



Rating upgrade by S&P and Moody's towards A- and A3 respectively, both with stable outlook

# HPO (High Performance Organisation)

A holistic approach covering the full value chain in all regions

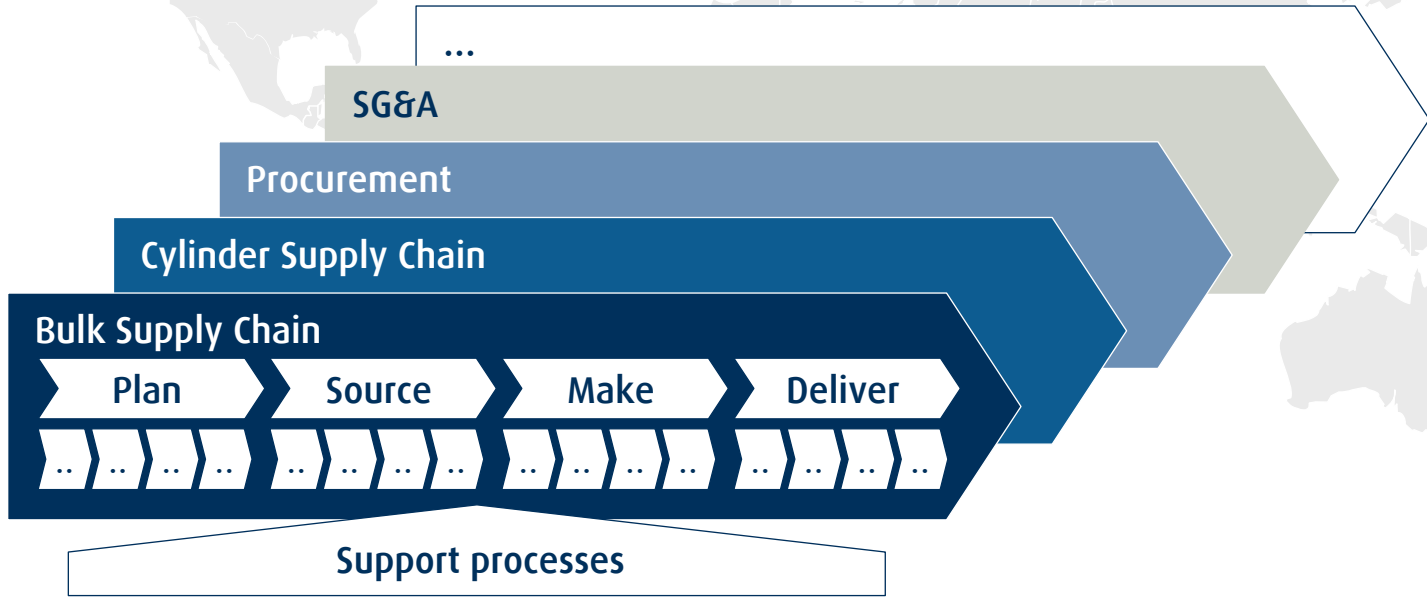
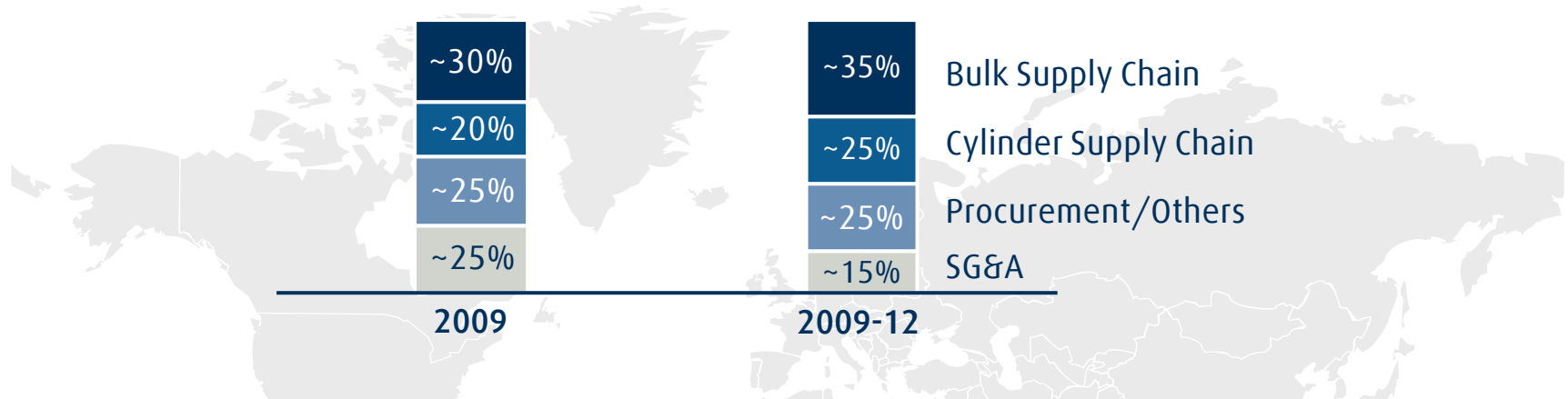


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Gross cost savings

>€300 m

€650-800 m



**Based on current consensus expectations for a moderate economic recovery**

**Group:** Growth in sales and over-proportionate operating profit increase vs 2009, operating profit above record year 2008

- Capital expenditure above 2009 level
  - Confirmation of HPO programme: €650-800 m of gross cost savings in 2009-2012
- 

**Gases:** Increase in sales and operating profit vs 2009, operating profit above record level of 2008

- Strong project pipeline in the tonnage product area
  - Volume improvement in the bulk & cylinder product areas
  - Ongoing structural growth in healthcare
- 

**Engineering:** Sales at least on 2009 level, operating margin to exceed 8% target margin in 2010

- Order backlog provides visibility for up to two years
- Further indications of improving investment climate for our key plant types

## Operational performance

- Growth accelerating over H1 2010
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- 2010 outlook

## Set-up for sustainable profitable growth

- Emerging market footprint
- Business synergies Gases and Engineering
- Energy and Environmental mega-trend
- Healthcare mega-trend

## Appendix



# Growth opportunities

## Product portfolio serving mega-trends

### Emerging Markets



### Energy/Environment



### Healthcare



Leveraging Gases & Engineering business synergies

# Mega-trend Emerging Markets

Lower gases consumption implies structural growth potential



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Source: Spiritus Consulting market data 2007/Ifo

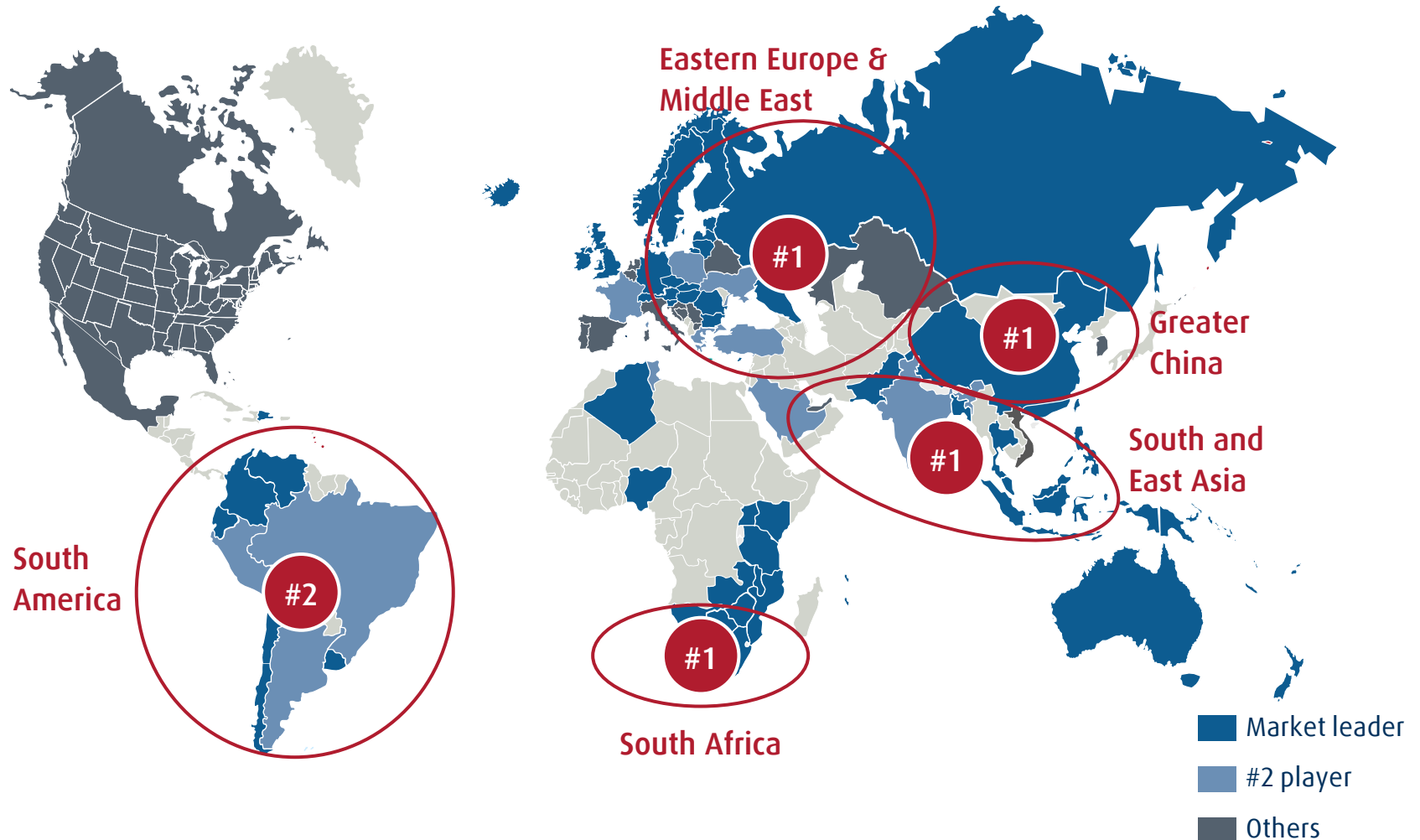
Emerging markets mega-trend driven by:

- Above-average GDP growth
- Increasing depth of gases applications
- Continuous trend towards outsourcing

# Mega-trend Emerging Markets

## Leading Gases set-up in local growth markets

Market leader in 4 out of 5 emerging market regions



# Mega-trend Emerging Markets

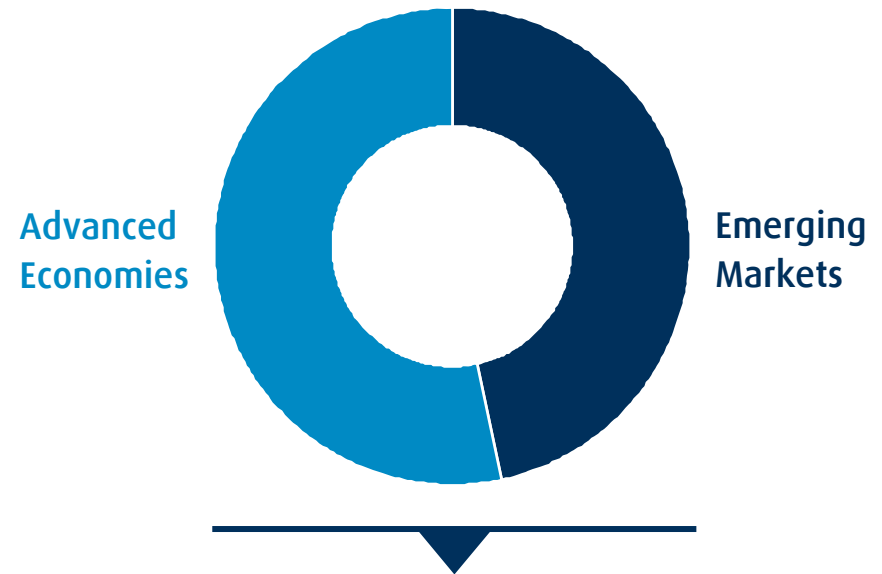
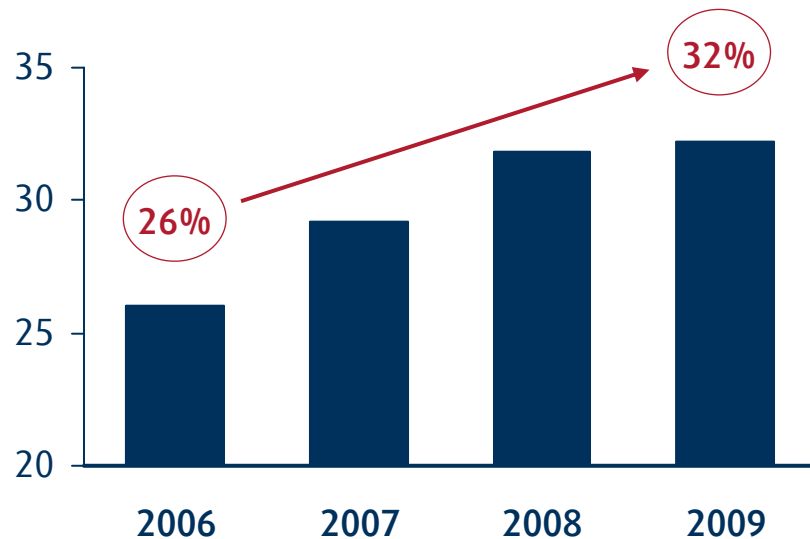
Growth trend leveraged by strong investment decisions



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Emerging market sales, excl. JVs (% of total Gases sales)

Gases Capex (2007-09): €3.5 bn



Strong emerging market exposure based on:

- Perfect fit between the historic strengths of BOC and Linde footprints
- Further leverage of these leading market positions through our capital allocation

Nearly half of Capex allocated to Emerging Markets already in 2007-09

# Gases Division, project pipeline

## Strong H1 2010, full pipeline of opportunities

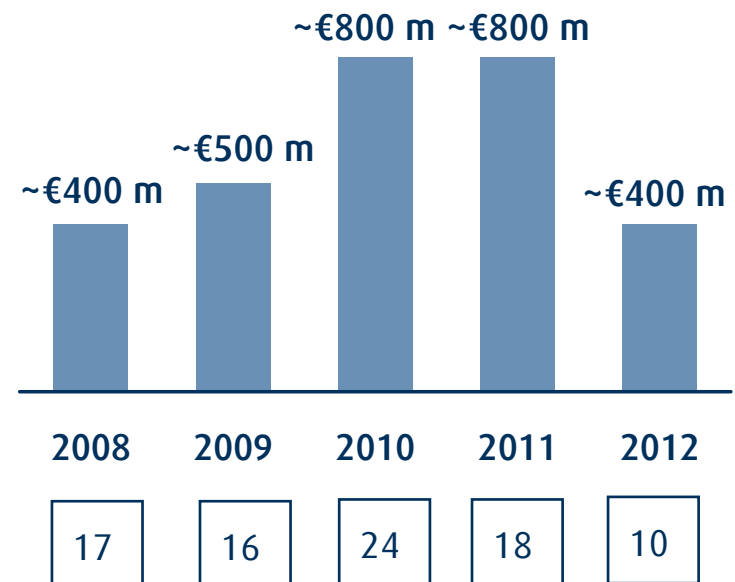
- €2.9 bn investments between 2008-2012 (thereof €0.5 bn in JVs @ share)
- 65% of project Capex allocated to emerging markets

Large projects for ~€450 m decided in H1 2010

Major contracts:

ArcelorMittal	Temirtau, Kazakhstan
Thyssen Krupp	Duisburg, Germany
TSMC	Tainan, Taiwan
Wacker	Nünchritz, Germany
Sinopec & Dynamics	Nanjing, China
BOE	Beijing, China
GCL	Xuzhou, China
Samsung	Giheung, South Korea

Project amount by on-stream date (incl. JVs)



(All projects > €10 m investment)

# Engineering Division

Global set-up with leading market position in all segments



## Air Separation Plants



Top1

## Hydrogen/ Synthesis Gas Plants



Top2

## Olefin Plants



Top2

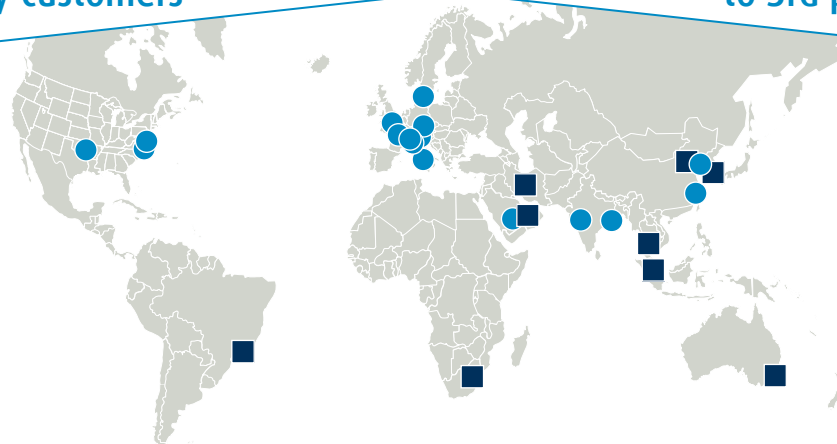
## Natural Gas Plants



Top3

Providing plants for the gases business  
and 3rd party customers

Providing chemistry and energy related solutions  
to 3rd party customers



- Engineering base
- Sales office

Supporting the energy/environmental mega-trend and leveraging customer relations for gas projects

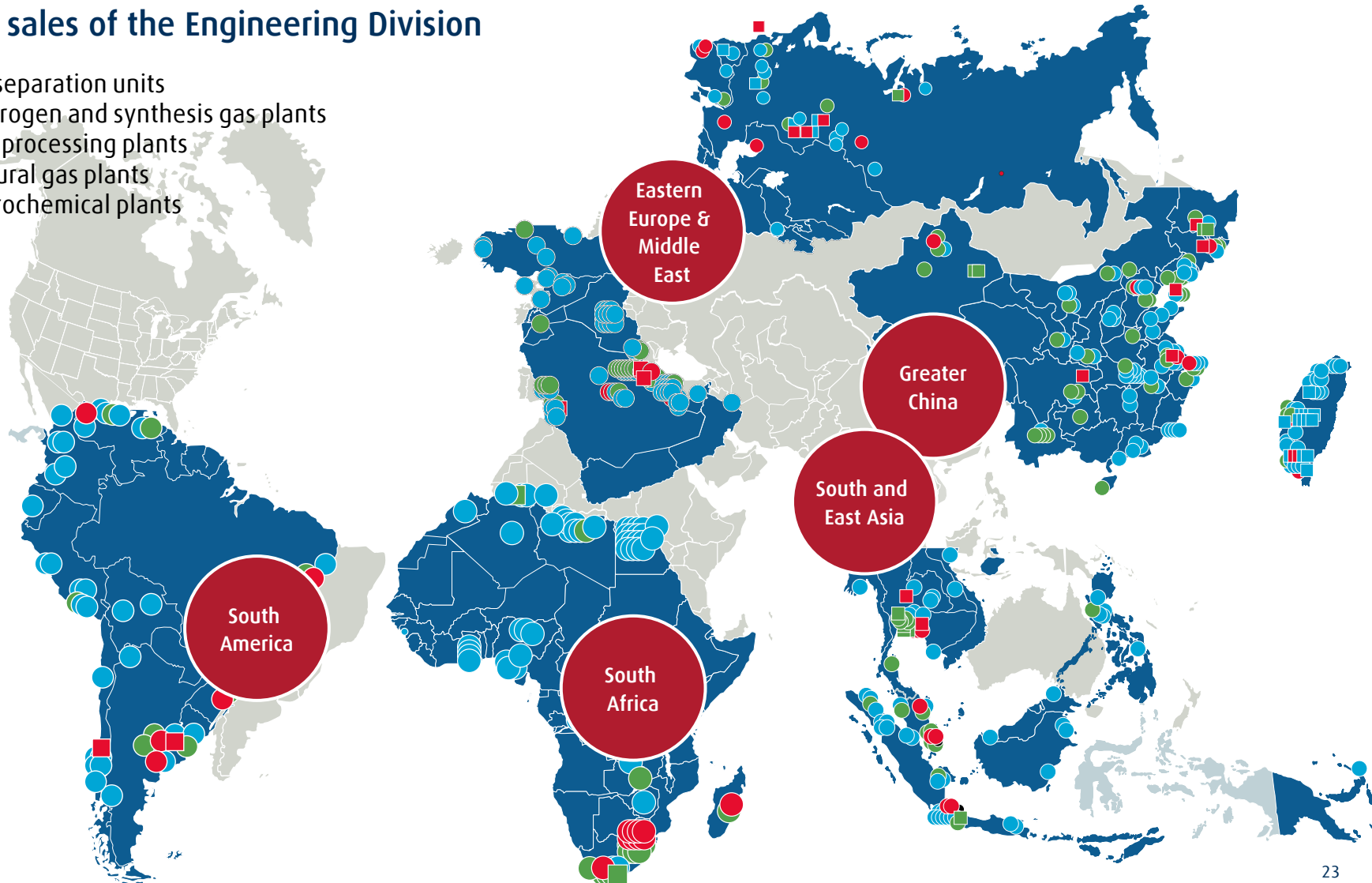


# Mega-trend Emerging Markets

## Strong customer relationships in Engineering

### Plant sales of the Engineering Division

- Air separation units
- Hydrogen and synthesis gas plants
- Gas processing plants
- Natural gas plants
- Petrochemical plants



# Mega-trend Energy/Environment

## Current and future growth markets for Gases & Engineering

### Better use of fossil resources: Existing growth markets

Liquefied Natural Gas (LNG)	Statoil plant, Hammerfest, Norway
Gas-To-Liquid (GTL)	Pearl GTL project, Qatar Shell GTL LTD
CO <sub>2</sub> scrubbing	RECTISOL® CO <sub>2</sub> wash, used a.o. at Hammerfest LNG plant
Clean Coal	ASUs and Rectisol for coal gasifications in China
Coal liquefaction	Tonnage contract with Bayer/SCCC <sup>1</sup> in China
Enhanced Oil& Gas Recovery	Pemex Cantarell project, Mexico Adnoc Joint Venture, Abu Dhabi
Refinery Hydrogen	Tonnage contracts with Shell, EMAP, Chevron, CITGO,...

### Renewable energy: Developing growth markets

Photo-voltaic	Signed Gases contracts for 6 GWp of nominal capacity
Bio to Liquids	Waste Management JV plant started up in 2009
Biomass-Conversion	Choren/Sun Fuel Pilot Project, Germany
Geothermal	Turbines for geothermal project in France
Automotive Hydrogen	H2 Mobility Initiative launched with key industrial partners

### Clean energy: Future growth markets

OxyFuel	Vattenfall Pilot Project, Schwarze Pumpe, Germany
Post-comb. CO <sub>2</sub> capture	RWE/BASF Pilot Project, Niederaussem, Germany
CO <sub>2</sub> handling	Recycling CO <sub>2</sub> (OCAP, Nld) CO <sub>2</sub> SINK, Ketzin, Germany Statoil LNG plant, Norway

### Higher efficiency in energy use: Sustained growth in traditional end markets

REBOX® oxy-fuel (steel), WASTOX® (aluminium), Oxygen burner (glass), Water Treatment, ...

<sup>1</sup> Shanghai Cooking & Chemical Corporation



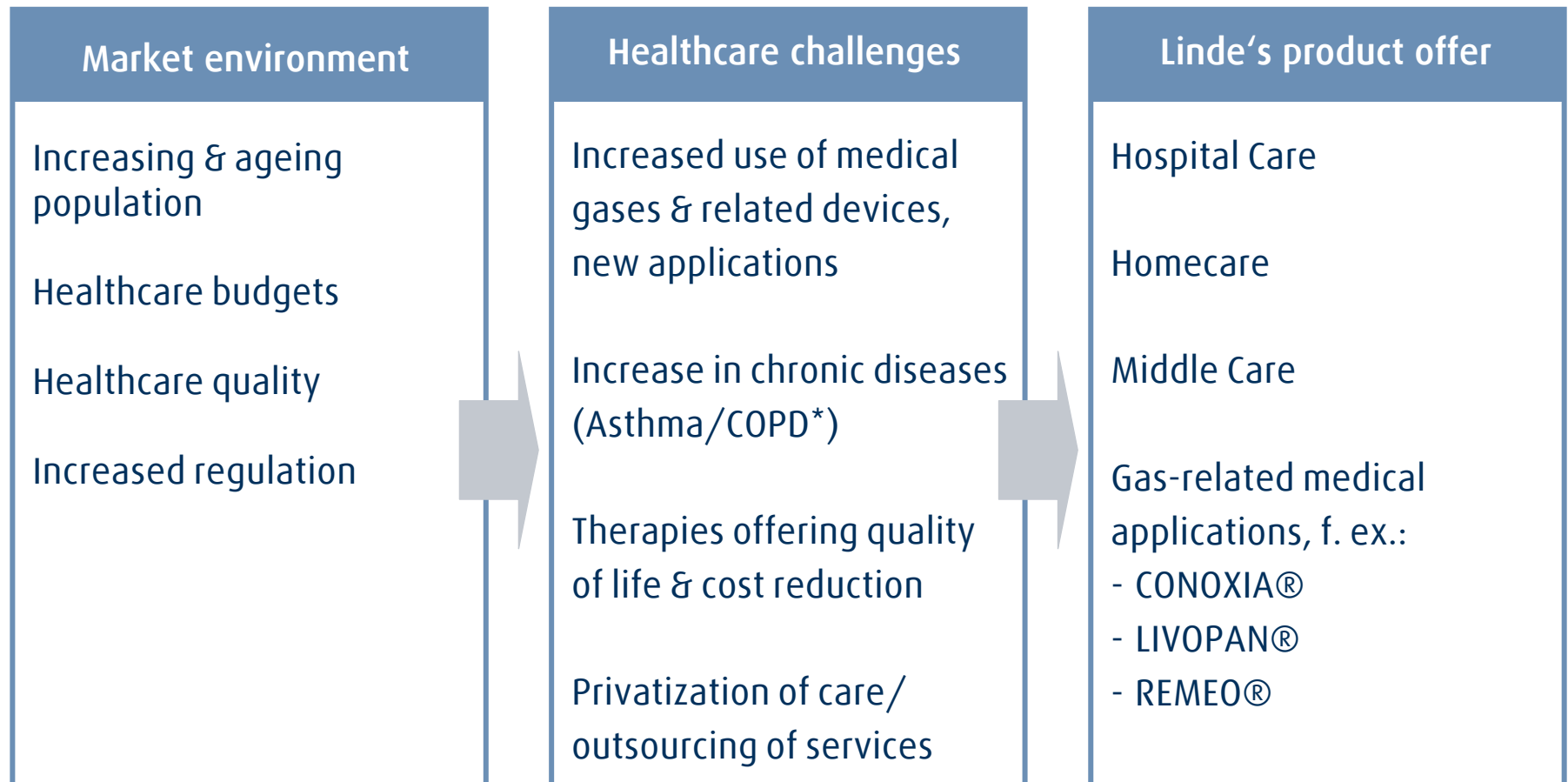
# Mega-trend Healthcare

Long-term potential for medical gases & related services



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## Global healthcare systems face interrelated & structural trends



\*Chronic Obstructive Pulmonary Disease

## **Recovery gaining strength over H1 2010**

Double-digit group sales increase in H1, comparable Gases growth accelerating to 7.1% in Q2  
26.4% growth in group operating profit in H1, driven by Gases recovery  
Strong margin improvement of 270 bp supported by HPO savings

## **Competitive set-up for sustainable profitable growth**

Strong market position in emerging markets  
Leveraging business synergies of Gases & Engineering  
Focus on mega-trends Energy/Environment and Healthcare  
Based on sustainable cash flow generation and solid long-term financing

## **Full commitment to HPO**

Performance culture more important than ever: continuous improvement  
Quickly adapted cost structure to market environment, durable productivity measures intensified  
Long-term commitment to profitable growth: manage cost and returns to be ready for growth

## Operational performance

- Growth accelerating over H1 2010
- HPO (High Performance Organisation)
- 2010 outlook

## Set-up for sustainable profitable growth

- Emerging market footprint
- Business synergies Gases and Engineering
- Energy and Environmental mega-trend
- Healthcare mega-trend

# Group Financial Highlights

H1 2010



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in € million	H1 09	H1 10	in %
Sales	5,476	6,104	+11.5
Operating profit	1,104	1,396	+26.4
Margin	20.2	22.9	+270 bp
EBIT before PPA depreciation	669	922	+37.8
PPA depreciation	146	125	-
EBIT	523	797	+52.4
Financial Result	-158	-151	-
Taxes	91	163	-
Net income	274	483	+76.3
Net income – Part of shareholders Linde AG	248	445	+79.4
EPS in €	1.47	2.63	+78.9
Adjusted EPS in €	2.06	3.15	+52.9

# Group Financial Highlights

## Q2 2010



in € million	Q2 09	Q2 10	in %
Sales	2,781	3,210	+15.4
Operating profit	566	755	+33.4
Margin	20.4	23.5	+310 bp
EBIT before PPA depreciation	346	512	+48.0
PPA depreciation	72	66	-
EBIT	274	446	+62.8
Financial Result	-79	-83	-
Taxes	49	93	-
Net income	146	270	+84.9
Net income – Part of shareholders Linde AG	133	247	+85.7
EPS in €	0.79	1.46	+84.8
Adjusted EPS in €	1.07	1.74	+62.6

# Gases Division, product areas

Various distribution mix served from one product source



- 15-year take-or-pay contracts (incl. base facility fees)
- Add. growth in JVs & Embedded Finance Lease projects

**Tonnage**  
Global #2

**Healthcare**  
Global #2



- Hospital care & Homecare
- Bulk & cylinder gases
- Structural growth



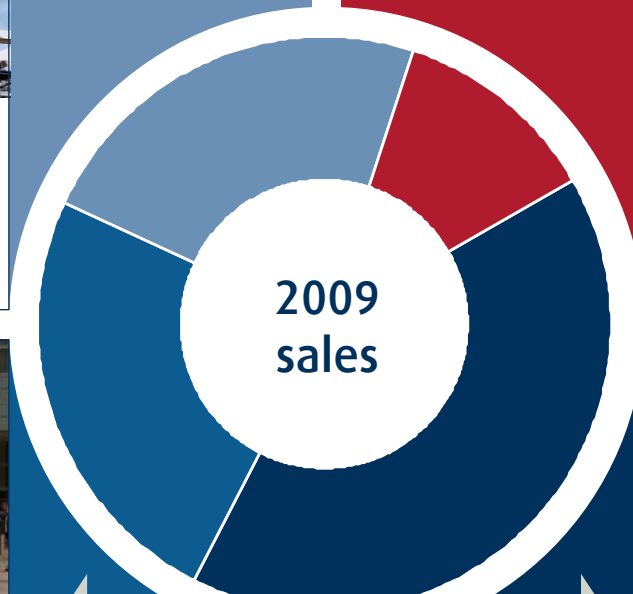
- Multi-year contracts
- Application-driven

**Bulk**  
Global #1

**Cylinder**  
Global #1



- High customer loyalty
- Includes specialty gases
- Cylinder rentals



> 70% of revenues from  
> 30% market share

# Gases Division, local business model

70% of revenues come from a leading market position

In bulk & cylinder: >70% of revenues from >30% market share positions

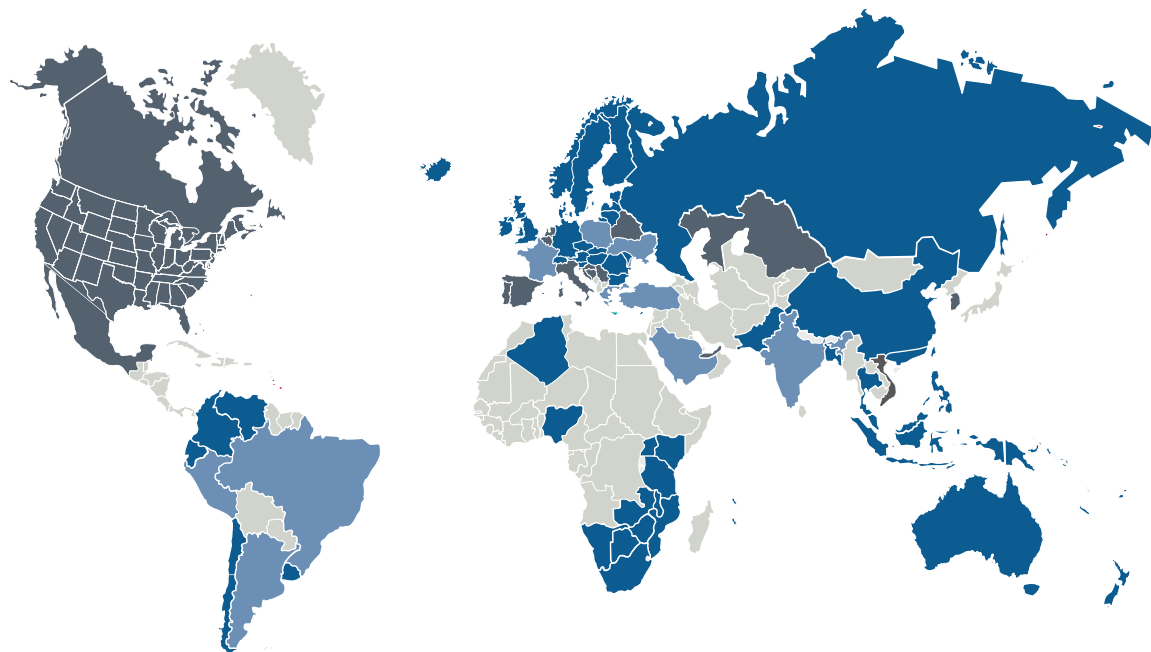
Sales split by market shares

Market leader in 46 of the 70 major countries,  
#2 Player in another 10

€8.9 bn\*



70%



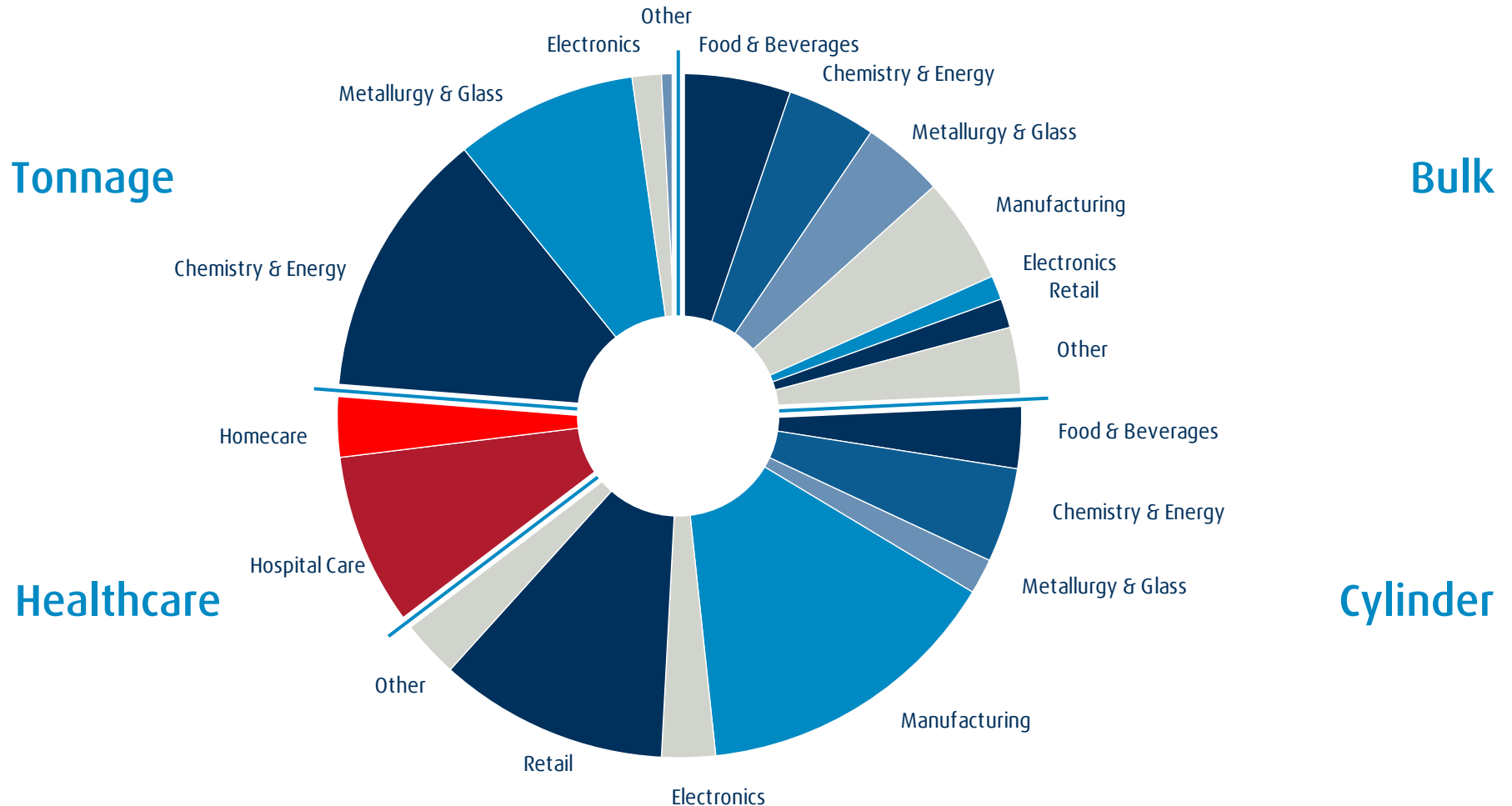
- Market Leader
- #2 Player
- Others

\*FY 2009

# Gases Division

Stability driven by a broad customer base

## 2009: Split of product areas by major end-customer groups





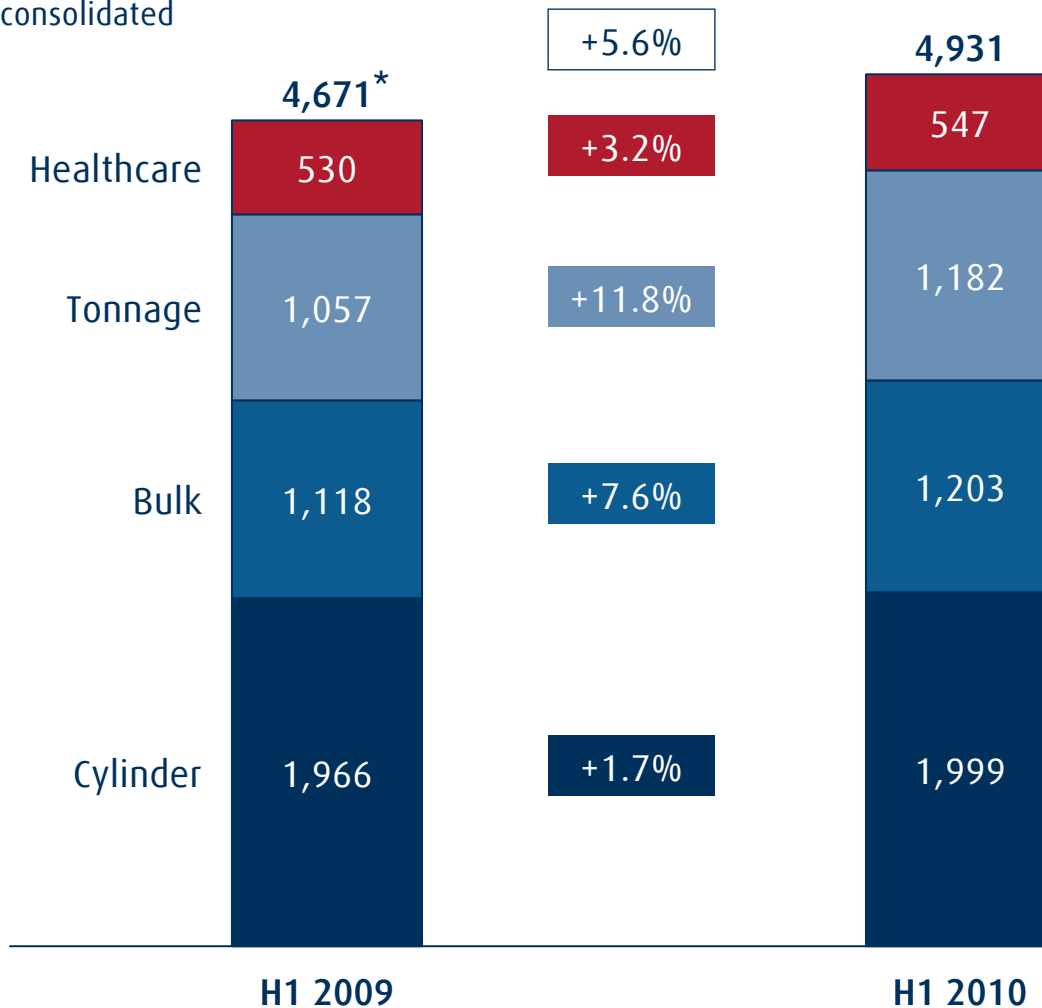
# Gases Division, sales by product areas

Business environment further improving in all product areas



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in € million,  
comparable\*, consolidated



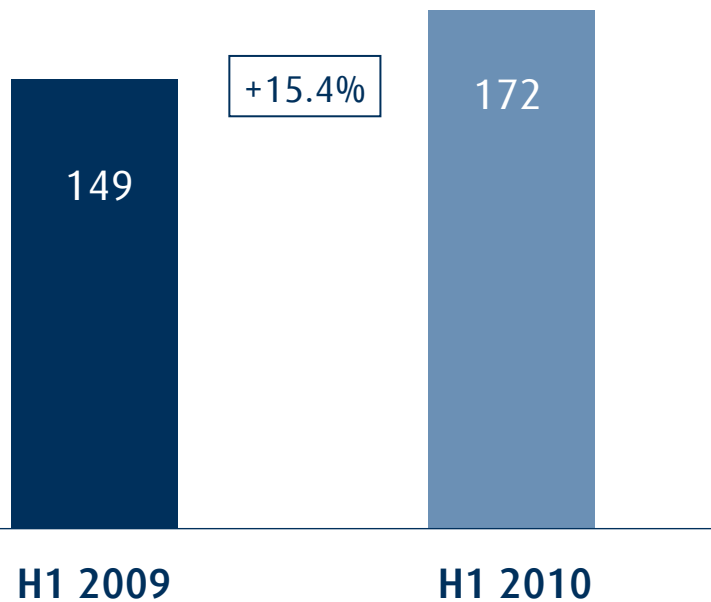
\*excluding currency, natural gas price and consolidation effect

# Gases Division, Joint Ventures

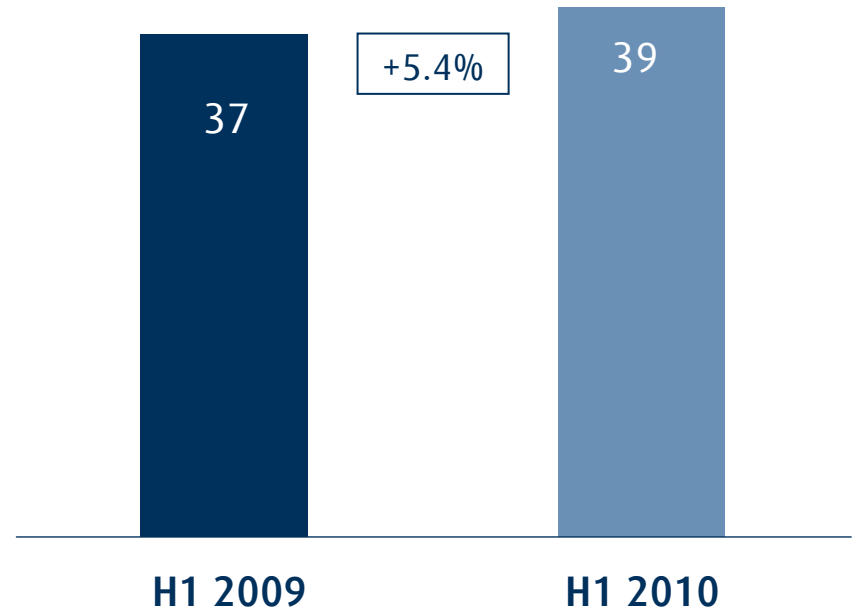
## Asian projects drive growth of our JV sales

in € million

### Proportionate Sales (not incl. in the Group top-line)



### Share of Net Income (contribution to operating profit)



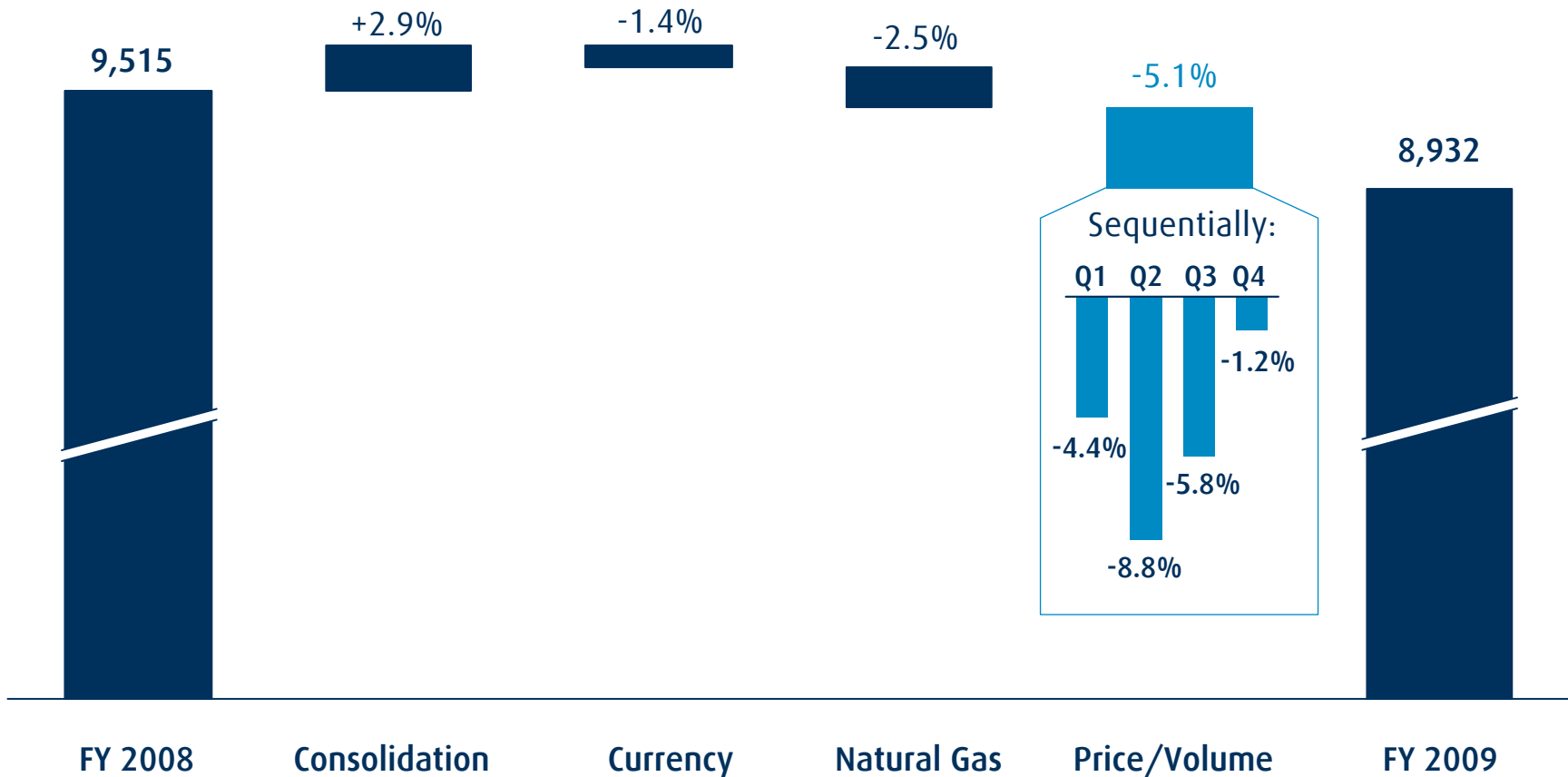
# Gases Division, 2009 sales bridge

Limited sales decline of 5.1% on comparable basis



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in € million



# Engineering Division, financial track record

## Leading market position in all segments

### Air Separation Plants



#### Top 1

- Products:
- Oxygen
  - Nitrogen
  - Rare gases

Main competitors:  
Air Liquide, Air Products, Praxair

### Hydrogen and Synthesis Gas Plants



#### Top 2

- Products:
- H<sub>2</sub>/CO/Syngas
  - Ammonia
  - Gas removal
  - Gas purification

Main competitors:  
Technip, Haldor Topsoe, Lurgi, Uhde

### Olefin Plants



#### Top 2

- Products:
- Ethylene
  - Propylene
  - Butadiene
  - Aromatics
  - Polymers

Main competitors:  
Technip, ABB Lummus, Stone & Webster, KBR, Toyo

### Natural Gas Plants



#### Top 3

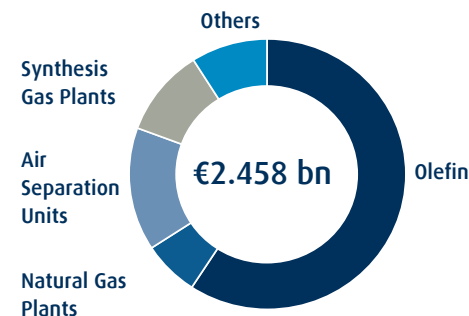
- Products:
- LNG
  - NGL
  - LPG
  - Helium

Main competitors:  
Chiyoda, Bechtel, JGC, KBR, Technip, Snam, Air Products

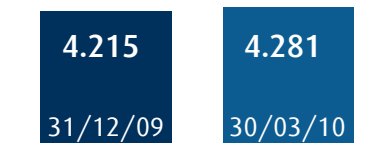
### Order intake, € bn



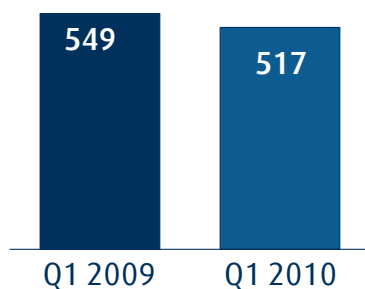
### 2009 order intake by segment



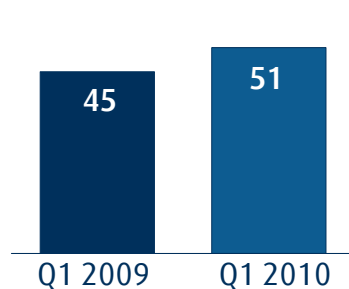
### Order backlog, € bn



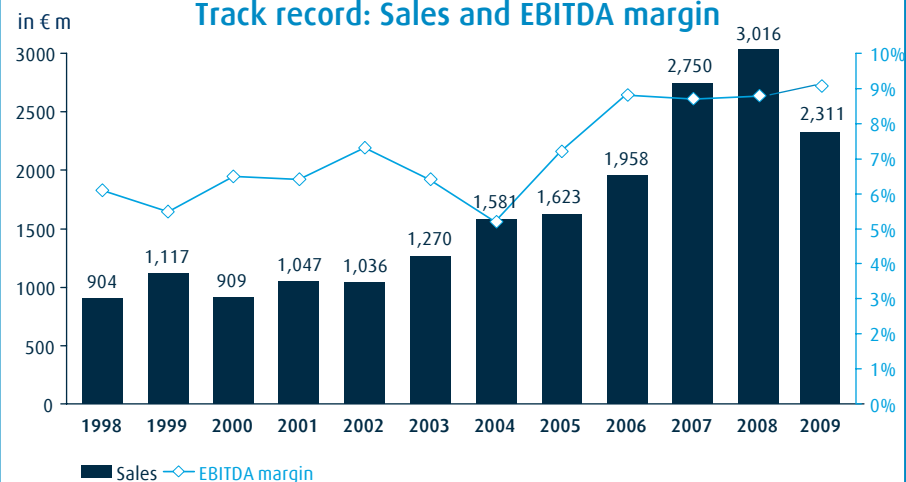
### Sales, € m



### Operating Profit, € m



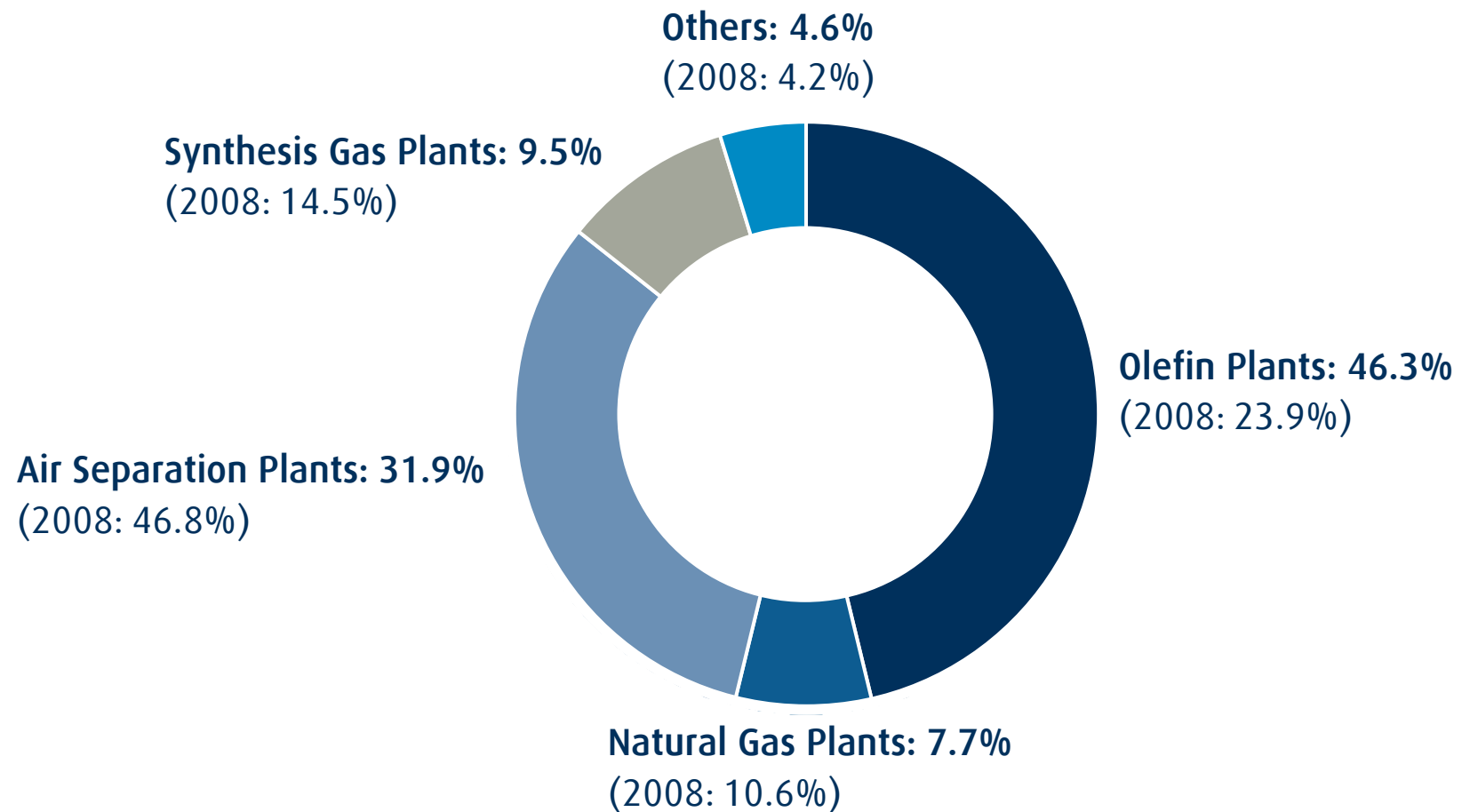
### Track record: Sales and EBITDA margin



# Engineering Division

## Order backlog diversified and of high quality

### Order backlog by plant type (31/12/2009)



### From 2009 Quick-start initiatives (Examples) ...

Additional plants rolled into existing Remote Operating Centres (ROCs)

Harmonisation and capability enhancements of existing logistic systems

Pilots to explore and validate best-practice optimisation levers for cylinder filling

Further roll-out of category management resulting in, e.g., increased sourcing from low-cost countries

Further automation and standardisation of management reporting

### ... to Leading processes by 2012 (Examples)

All plants controlled via Regional and Global ROCs using advanced control systems

One common platform for scheduling and routing in all geographies

Most filling plants employing best-practice processes, optimised plant layout, and uniform performance measurement and management

Harmonised processes, tools & standards across the Group to fully realise the benefits of Linde's buying power

Highly efficient transactional processes in Sales and Administration functions

### **Better leverage synergies between our Gases and Engineering Divisions**

- Higher standardisation of ASUs: focus on a limited number of plant types
- Lower lead times: reduced delivery times to less than 24 months
- Lower costs: cut of total installed costs by more than 20%
- Thus making offerings of the Gases Division more attractive to its customers

### **Support productivity gains by further process excellence in the organisation**

- Shared best practices in contract management
- Further improved pricing performance by leveraging best practices

### **Invest in our employees**

- People excellence: make every individual a High Performer in his activity field

# Group, FY 2009

## Cash flow statement

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008
Operating Profit	538	566	637	644	2,385	2,555
Change in Working Capital	-37	47	15	135	160	-197
Other changes	-89	-184	-69	-61	-97	-253
<b>Operating Cash flow</b>	<b>412</b>	<b>429</b>	<b>583</b>	<b>718</b>	<b>2,142</b>	<b>1,876</b>
Investments in tangibles / intangibles	-267	-276	-223	-338	-1,104	-1,404
Acquisitions / Financial investments	-60	-9	-12	-5	-86	-213
Other	45	31	56	68	200	345
<b>Investment Cash flow</b>	<b>-282</b>	<b>-254</b>	<b>-179</b>	<b>-275</b>	<b>-990</b>	<b>-1,272</b>
<b>Free Cashflow before financing</b>	<b>130</b>	<b>175</b>	<b>404</b>	<b>443</b>	<b>1,152</b>	<b>604</b>
Financing activities	-41	-416	-107	-66	-630	-712
<b>Net debt increase (+) / reduction (-)</b>	<b>-89</b>	<b>241</b>	<b>-297</b>	<b>-377</b>	<b>-522</b>	<b>108</b>



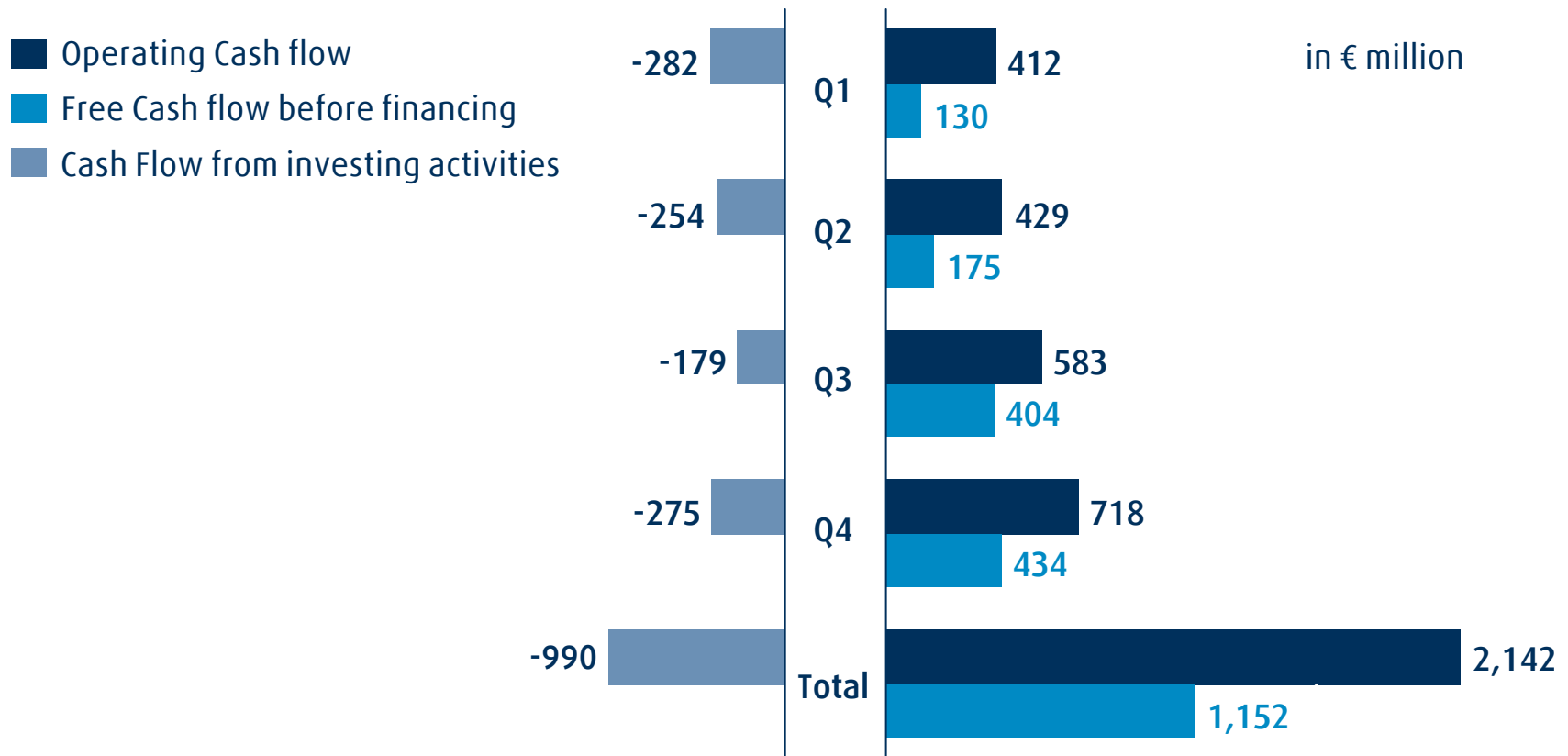
# Group, 2009 Cash Flow

## Strong free cash flow generation in the crisis



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Tight discretionary capex management leaves more than € 1 bn free cash flow before financing



# Group, 2009 Cash Flow

Balanced use between growth, deleveraging and dividends

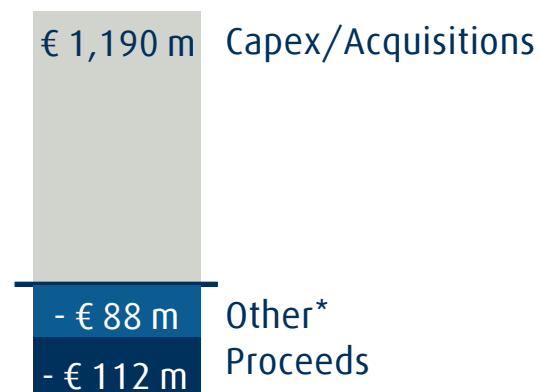
## Invest for sustainable profitable growth

- Strong capex discipline on Merchant investments
- Commitment to contracted tonnage projects
- Bolt-on acquisitions in attractive growth markets

Capex/Sales	Group	Gases
2008	11.6%	15.2%
2009	10.1%	11.5%

→ In line with our mid-term  
13% target ratio

## Investing Cash Flow: €990 m



## Balanced use of Free Cash Flow after Capex

- Maintained stable reflecting the resilient operating performance through the crisis
- Market environment allowed significantly lower interest costs on variable-rate debt
- Cash redemption not fully visible in the net debt development due to adverse currency effects

## Free Cash Flow before financing: €1,152 m

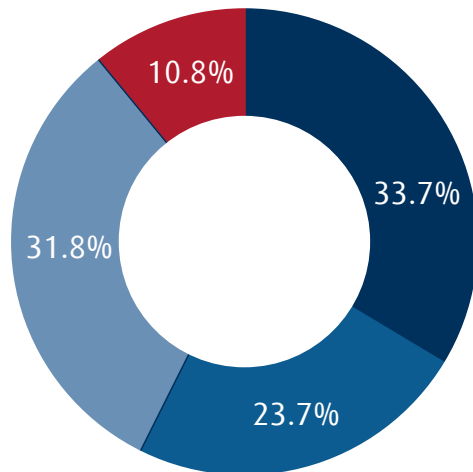


\* Includes payments for investments in current financial assets; and reconciliation of posted capex and the cash out for capex

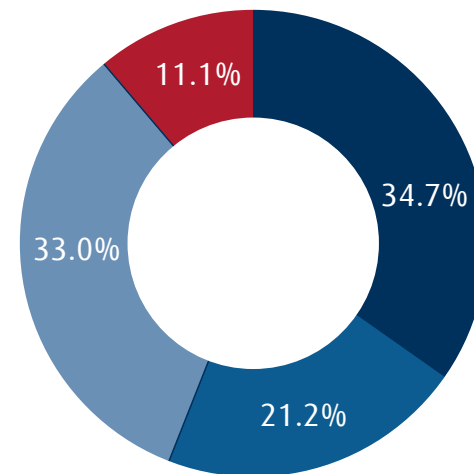
# Gases Division, 2009 Capex

Capex split by operating segments (excl. financial assets)

2009: €1.029 bn



2007-09: €3.542 bn



■ Western Europe ■ Americas ■ Asia & Eastern Europe ■ South Pacific & Africa

# Group, solid financial position

## Stable long-term financing

### Well-spread maturity profile

Regular issues have continuously lengthened our refinancing schedule

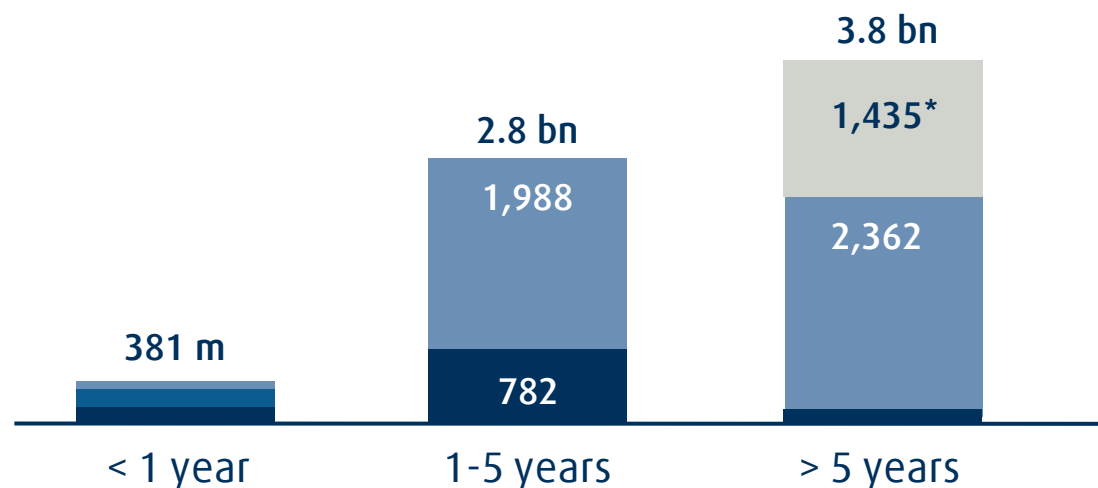
95% of total financial debt is due beyond 2010

55% of total financial debt has a longer maturity than 5 years

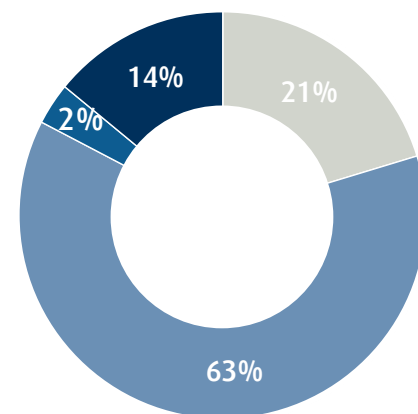
### Balanced mix of various financing instruments

Long-term capital market financing: bonds cover > 80% of financial debt

### Financial debt, by maturity (in € m, Σ bn), as of 31/12/09



### Financial debt, by instrument



- Senior Bonds
- Subordinated Bonds  
(\*callable in 2013/2016)
- Commercial Paper
- Bank Loans

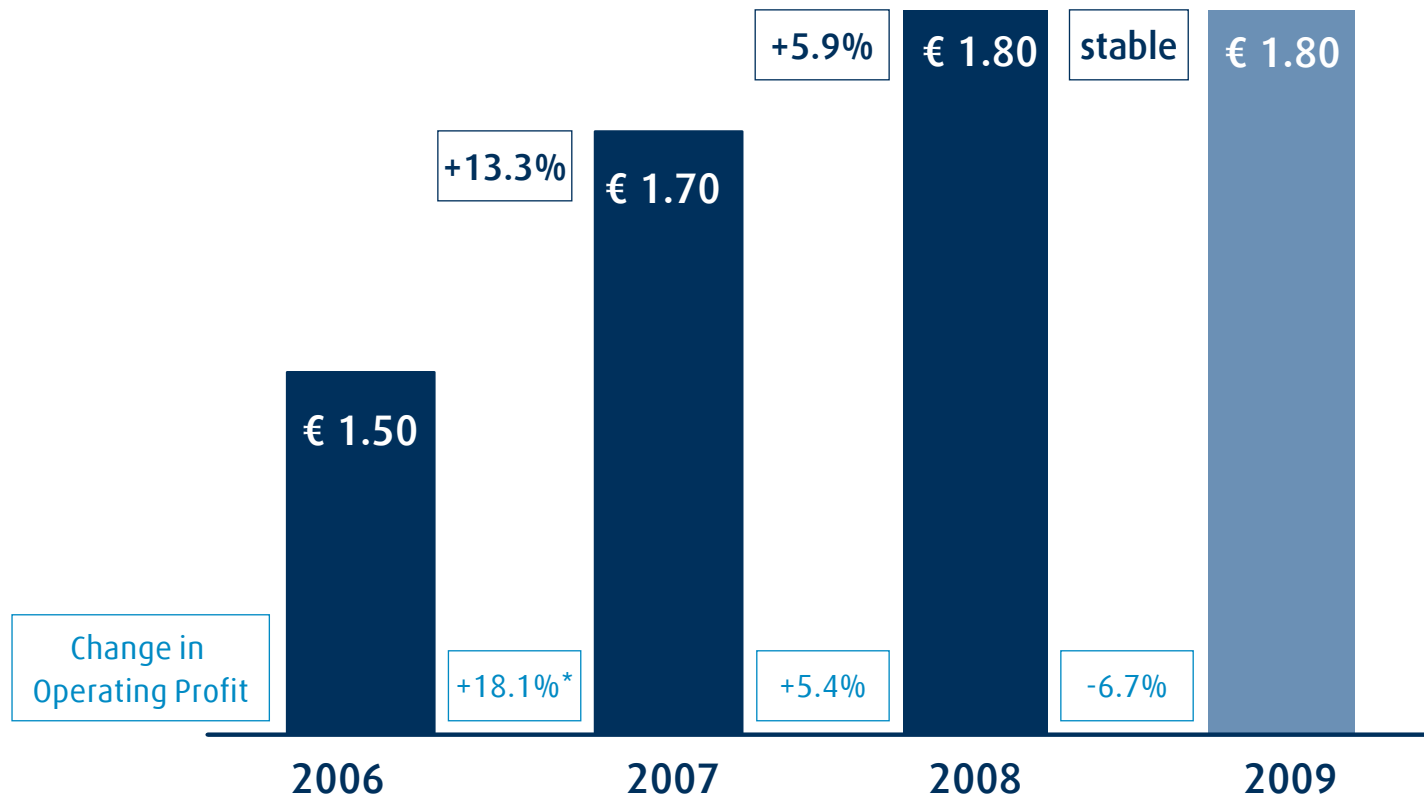
# Group, Dividends

Dividend unchanged of €1.80



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## Consistent dividend policy

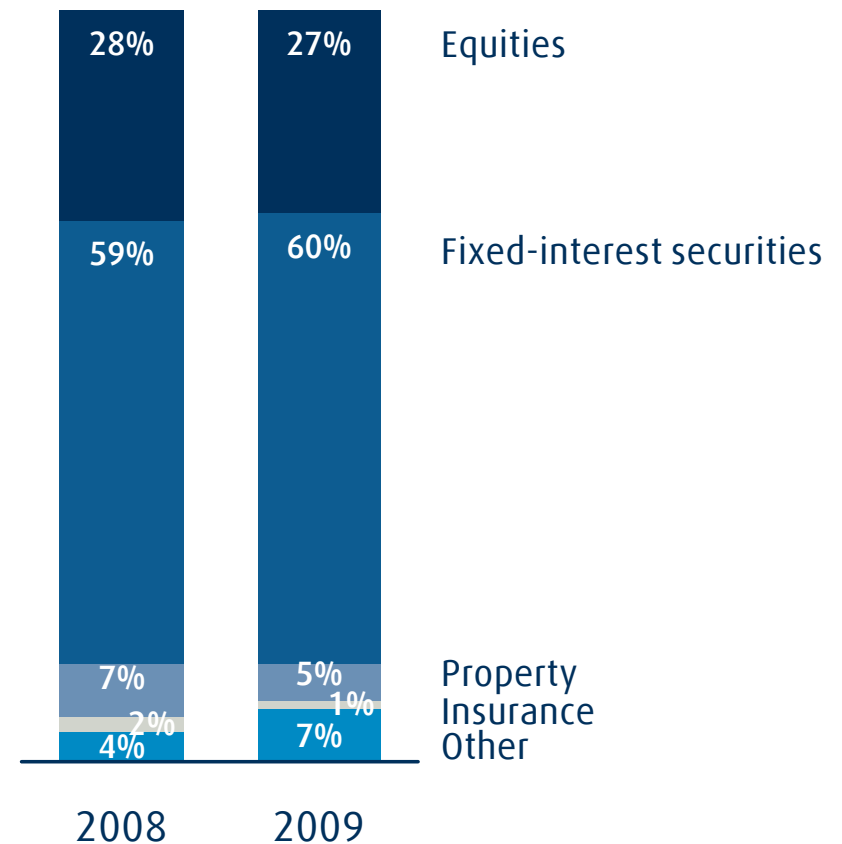


\* Comparable change: prior year figures including twelve months of BOC

### Net obligation

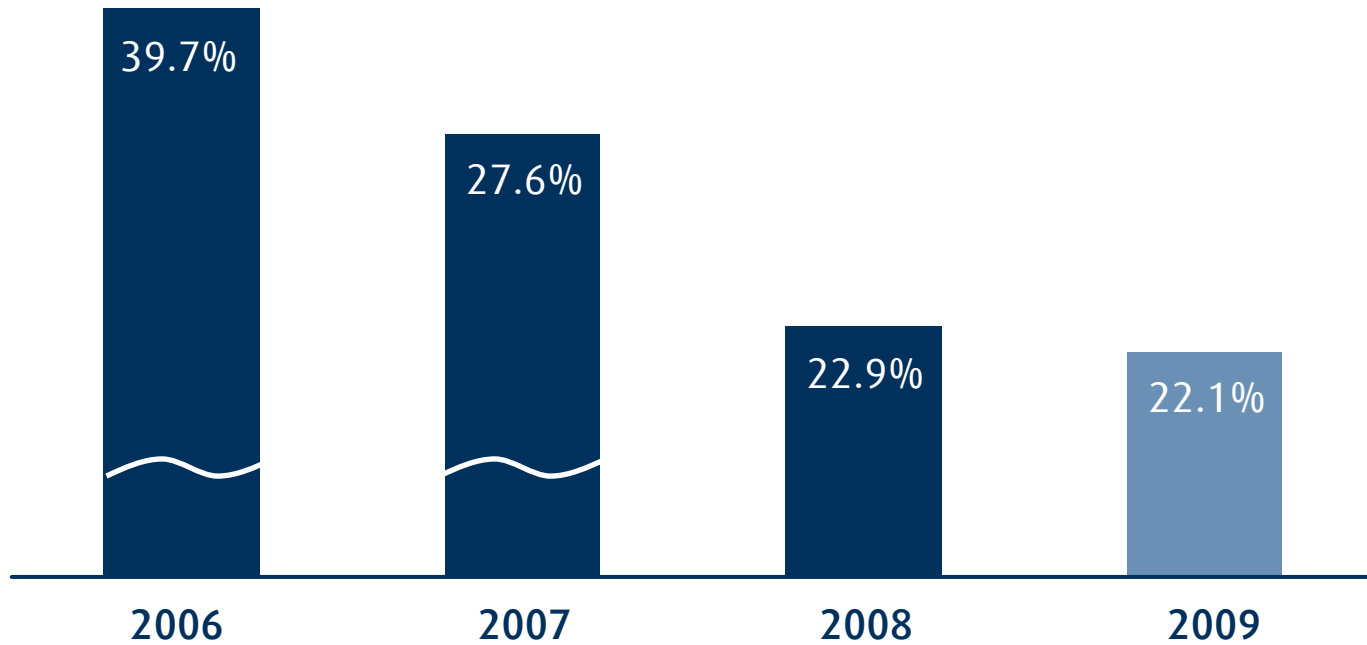
in € million	DBO	Plan asset	Net obligation
01.01.2009	4,097	3,453	644
Service costs	77		77
Net financing	238	195	43
Actuarial gains/losses	514	253	261
Contributions/payments	-227	-45	-182
FX	235	228	7
Other	-190	-188	-2
31.12.2009	4,744	3,896	848

### Pension plan assets portfolio structure



# Group, Tax

## Development of tax rate



Target range for 2010: 24-26%

# Group

## Reconciliation of Capital Employed



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in € million	31.12.2008	31.12.2009			
	Key Financial Figures	As reported	Non-GAAP adjustment	Key Financial Figures	Effects
<b>Equity incl. minority interest</b>	<b>7,116</b>	<b>9,187</b>	<b>-952</b>	<b>8,235</b>	PPA and disposal effects
Plus: net debt	6,423	6,119		6,119	
Plus: liabilities from financial services	34	28		28	
Less: receivables from financial services	746	645		645	
<b>Balance of financial debt</b>	<b>5,711</b>	<b>5,502</b>		<b>5,502</b>	
Net pension obligations	681	887		887	
<b>Capital employed</b>	<b>13,508</b>	<b>15,576</b>	<b>-952</b>	<b>14,624</b>	
<b>Average Capital employed</b>	<b>13,696</b>	<b>15,109</b>		<b>14,066</b>	
<b>Return on Capital Employed (ROCE)</b>	<b>12.4 %</b>	<b>7.7 %</b>		<b>10.4 %</b>	



# Group

## Reconciliation of EPS

in € million	31.12.2008	31.12.2009			
	Key Financial Figures	As reported	Non-GAAP adjustment	Key Financial Figures	Effects
<b>EBIT before special items</b>	<b>1,703</b>	<b>1,167</b>	<b>293</b>	<b>1,460</b>	PPA
Taxes on income	-342	-185	-112	-297	deferred taxes on PPA
<b>Earnings after taxes and minority interest</b>	<b>917</b>	<b>591</b>	<b>181</b>	<b>772</b>	
<b>EPS (in €)</b>	<b>5.46</b>	<b>3.51</b>		<b>4.58</b>	
Weighted average no. of shares (in million)	167,8	168,6		168,6	

# Group, Purchase Price Allocation

## Confirmation of expected Depreciation & Amortisation

### Development of depreciation and amortisation (in € million)

Impact in 2009: €293 million

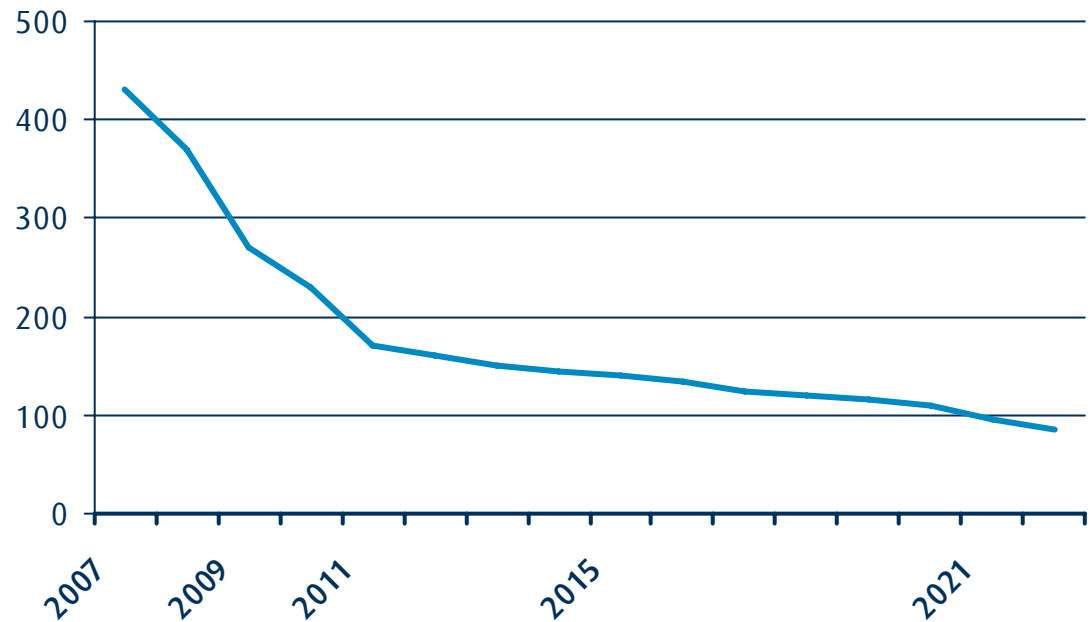
#### Expected range

2010	> 200 - 250
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2011	> 175 - 225
------	-------------

...

2022	< 100
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# Group, Mandatory adoption of IFRIC 4

## Expected impact on sales and EBITDA

The Linde Group shows a significant amount of plants as embedded finance leases due to the adoption of IFRIC 4

Sales and EBITDA from IFRIC 4 plants not recognized through reported sales and EBITDA in 2009: **€-120 million**

Receivables from Financial Services (= PV of minimum lease payments):

31/12/2009	<b>€645 million</b>
31/12/2008	€746 million

### Important considerations:

- EBITDA multiple comparison with peers needs to be adjusted for IFRIC 4
- Reported operating profit margin for Gases Division in 2009 is 100 bps lower due to EFL
- Reported tonnage sales do not include sales from plants treated under IFRIC4

Very minor impact on EPS,  
no impact on Free Cash Flow

in € million	Gross investment	PV of minimum lease payments
Due within 2010	112	75
Due within one to five years	395	279
Due in more than five years	346	291
<b>Total</b>	<b>853</b>	<b>645</b>

↑ Future reduction in Sales and EBITDA      ↑ Amortization of lease receivable

### Purchase Price Allocation (PPA)

Impact in H1 2010: €125 m (H1 2009: €146 m)

Expected impact FY 2010: €200-250 m

#### Background:

- The difference between the purchase cost of BOC and related acquisitions in Asia and their net asset value has been allocated to assets on the Linde balance sheet (for BOC, see Linde 2007 annual report, p. 99).
- The revaluation of these assets leads to additional depreciation and amortisation charges according to the useful life of the assets.
- Goodwill is not amortised but subject to a yearly impairment test.
- Depreciation & Amortisation from PPA is excluded from the calculation of Adjusted EPS.

### IFRIC 4: Embedded Finance Lease (EFL)

Impact\* in H1 2010 : €-58 m (H1 2009 : €-63 m)

Expected impact\* FY 2010: €-112 m \*(on Sales and EBITDA)

#### Background:

- Tonnage contracts dedicated to one single customer (> 95% of sales), who covers all major market risks, have to be treated under IFRS like an embedded finance lease.
- The related cash flow streams are therefore no more booked as sales and operating profit but recognised as amortisation of financial receivables in the balance sheet and financial income in the P&L.
- EBITDA multiple comparison with peers needs to be adjusted for IFRIC 4
- Very minor impact on EPS, no impact on Free Cash Flow

# Definition of financial key figures

<b>Operating Profit</b>	<b>Return</b>	EBITDA (incl. IFRIC 4 adjustment) excl. finance costs for pensions excl. non-recurring items incl. share of net income from associates and joint ventures
	<b>adjusted ROCE</b>	Operating profit - depreciation / amortisation excl. depreciation/amortization from purchase price allocation
	<b>Average Capital Employed</b>	equity (incl. minorities) + financial debt + liabilities from financial services + net pension obligations - cash and cash equivalents - receivables from financial services
<b>adjusted EPS</b>	<b>Return</b>	earnings after tax and minority interests + depreciation/amortization from purchase price allocation +/- non-recurring items
	<b>Shares</b>	average outstanding shares

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