Linde Interim Report.
January to September 2012.

9M

Leading.

THE LINDE GROUP

Linde financial highlights

in € million		January to September 2012	2011	Change
Share				
Closing price	€	134.00	100.75	33.0 %
Year high	€	136.15	125.80	8.2 %
Year low	€	114.20	97.59	17.0 %
Market capitalisation (at closing price on 30 September)		24,806	17,225	44.0 %
Adjusted earnings per share[1]	€	5.80	5.68	2.1 %
Earnings per share – undiluted	€	5.15	5.02	2.6 %
Number of shares outstanding (in 000s)		185,116	170,970	8.3 %
Revenue		11,063	10,209	8.4 %
Operating profit[2]		2,563	2,363	8.5 %
Operating margin		23.2 %	23.1 %	+10 bp[4]
EBIT before amortisation of fair value adjustments		1,648	1,580	4.3 %
Profit for the period		958	903	6.1 %
Number of employees[3]		61,981	50,417	22.9 %
Gases Division				
Revenue		9,153	8,270	10.7 %
Operating profit		2,484	2,254	10.2 %
Operating margin		27.1 %	27.3 %	–20 bp[4]
Engineering Division				
Revenue		1,740	1,776	–2.0 %
Operating profit		214	214	0.0 %
Operating margin		12.3 %	12.0 %	+30 bp[4]

[1] Adjusted for the effects of the BOC purchase price allocation.

[2] EBITDA including share of profit or loss from associates and joint ventures.

[3] At 30 September 2012/31 December 2011.

[4] Basis points.

Linde Interim Report. January to September 2012.

January to September 2012: Linde's business performance remains steady and its outlook is confirmed

- → Group revenue up 8.4 percent to EUR 11.063 bn
- → Group operating profit[1] increases by 8.5 percent to EUR 2.563 bn
- → Group operating margin rises slightly to 23.2 percent (2011: 23.1 percent)
- → Lincare transaction successfully concluded
- → Short-term outlook and medium-term outlook confirmed:
  - 2012: Increase in Group revenue and Group operating profit
  - 2013: Group operating profit of at least EUR 4 bn
  - 2015: ROCE[2] of at least 14 percent
- → Programme designed to achieve sustainable efficiency gains (HPO) to be extended:
  - 2013–2016: Implementation of additional reductions in gross costs totalling EUR 750 m to EUR 900 m

[1] Operating profit: EBITDA including share of profit or loss from associates and joint ventures.

[2] Return on capital employed based on the definition given on page 046 of the 2011 Financial Report.

Group Interim Management Report

General economic environment

As expected, growth in the global economy in the first nine months of 2012 was slower than in the first nine months of 2011. Economists are also not anticipating strong economic momentum in the remaining months of the current year. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU)[1] recently revised its estimates for the full year 2012 slightly down. The experts are now predicting an increase in global gross domestic product (GDP) of 2.3 percent, compared with their forecast at the end of the first half of 2012 of an increase of 2.4 percent. By way of comparison, global GDP grew 2.7 percent in 2011. EIU has now significantly reduced its 2012 forecast for global industrial production (IP) to 2.0 percent. At the end of the first half of 2012, the forecast for IP was 2.8 percent and in 2011 industrial production grew by 3.5 percent.

Major factors having a negative impact on economic trends include high levels of sovereign debt in major economies, significant currency fluctuations, high levels of unemployment in many industrialised countries and political unrest in parts of the Arab world. In the more mature economies, fiscal consolidation measures are having a dampening effect. The strength of the economy in the newly industrialised nations entails inflation risks and risks to stability. The international financial markets have also remained volatile.

Structural development potential in the emerging economies will remain the major driver of global economic growth for the foreseeable future. In the long term, most investment momentum is expected to come from global megatrends, energy, the environment and health.

Economists are continuing to forecast different rates of growth in 2012 in the various regions. EIU expects the fastest rates of growth to continue to be in the Asia/Pacific region, where GDP is forecast to rise by 5.7 percent (H1 report: 6.1 percent). China is once again expected to be out in front, with a predicted increase in GDP of 7.8 percent (H1 report: 8.2 percent). EIU continues to expect above-average growth in India too, although it has revised its forecast down significantly, from 7.0 percent in the H1 report to a figure of 5.8 percent now. For Australia, the economists are predicting an increase in economic output of 3.2 percent (H1 report: 3.0 percent).

Significantly weaker economic trends are forecast in the EMEA region (Europe, Middle East and Africa). Here, EIU is still expecting only a slight increase in GDP of 0.4 percent. The Institute confirms the forecast it made at the end of June for the eurozone and is continuing to predict a decline in economic output of 0.6 percent. The growth forecast for Germany also remains the same. The EIU is forecasting a rise in GDP here of 0.7 percent. In Eastern Europe, the experts are expecting a slight increase in GDP of 2.4 percent (H1 report: 2.2 percent), while the economy in the Middle East is forecast to grow by 4.7 percent (H1 report: 4.3 percent). Economists are also predicting relatively dynamic trends in Africa, with an increase in GDP of 4.3 percent (H1 report: 4.4 percent).

The growth forecast for the Americas region for 2012 remains virtually unchanged at 2.3 percent (H1 report: 2.4 percent). EIU predicts a 2.1 percent increase in GDP in the United States (H1 report: 2.2 percent), whereas it has revised down significantly its economic forecast for South America, from an increase in GDP of 3.7 percent (H1 report) to its current prediction of an increase of 2.7 percent.

Group

In the third quarter of 2012, steady business trends continued at the technology company The Linde Group. Group revenue and Group operating profit both increased again during the reporting period.

In the first nine months of the current financial year, Group revenue rose by 8.4 percent to EUR 11.063 bn, compared with EUR 10.209 bn for the first nine months of 2011. After adjusting for exchange rate effects, the increase in revenue was 3.8 percent. Linde concluded its acquisition of the US homecare company Lincare in August 2012 and that company made a contribution to revenue for the first time in the third quarter. Post-acquisition revenue generated by Lincare was EUR 231 m. With the acquisition of Lincare, Linde has taken the next major step in a promising sector. In view of demographic trends, the global megatrend health is a growth market in which Linde will now be able to participate to an even greater extent than before.

The Group's share of revenue from its interest in joint ventures (which is not disclosed in Group revenue) was EUR 392 m (2011: EUR 331 m).

In the first nine months of 2012, Linde continued with the rigorous implementation of its HPO (High Performance Organisation) programme, a holistic concept for sustainable process optimisation and productivity gains, increasing Group operating profit by 8.5 percent to EUR 2.563 bn (2011: EUR 2.363 bn). The Group was able to continue to reinforce its profitability at a high level and to increase the Group operating margin slightly to 23.2 percent (2011: 23.1 percent). Linde will continue to apply its efficiency improvement measures. By doing so, the Group will ensure that it is able to maintain high levels of profitability even in a challenging macroeconomic environment.

The net financial expense in the nine months ended 30 September 2012 was EUR 240 m (2011: EUR 215 m). One factor that needs to be taken into consideration when comparing the figures for the first nine months of 2012 with those of the prior-year period is one-off income of EUR 30 m recognised in the first quarter of 2011 arising from the repayment of a loan relating to the 2007 sale of BOC Edwards.

Profit before tax rose to EUR 1.227 bn, 3.6 percent above the figure achieved in the first nine months of 2011 of EUR 1.184 bn. Profit for the period increased by 6.1 percent to EUR 958 m (2011: EUR 903 m). The income tax expense fell from EUR 281 m in the first nine months of 2011 to EUR 269 m in the reporting period. Two one-off effects had an impact here. One was the release of tax provisions following the completion of a tax audit and the expiry of the statute of limitations. The other was an adjustment to the deferred tax liability as a result of the drop in the UK tax rate.

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 904 m (2011: EUR 856 m). Earnings per share rose as a result to EUR 5.15 (2011: EUR 5.02). When comparing with the figure for the prior-year period, it is important to consider the capital increase of around EUR 1.4 bn undertaken in July 2012 to refinance the Lincare acquisition. The number of Linde shares rose as a result of the capital increase.

On an adjusted basis, i.e. after adjusting for the effects of the purchase price allocation from the BOC acquisition, earnings per share stood at EUR 5.80 (2011: EUR 5.68).

Gases Division

Linde is one of the leading companies in the international gases industry and is extremely well-positioned, especially in the emerging economies. On the basis of its global footprint and well-balanced spread across different sectors, Linde is able to compensate better for faltering demand in some markets or the weakness of certain currencies than companies which do not have such a broad international base. Moreover, the continued implementation of the various initiatives designed to increase productivity and standardise processes in all regions of the world (HPO) contributes towards the long-term reinforcement of the high levels of profitability in the gases business. In addition, the acquisition of US homecare-provider Lincare during the reporting period has significantly strengthened the Group in the promising healthcare market. The Lincare business is included in the Americas reportable segment and the Healthcare product area.

Revenue in the Gases Division in the first nine months of 2012 grew 10.7 percent to EUR 9.153 bn, compared with a figure of EUR 8.270 bn for the prior-year period. When considering this increase, the acquisition of Lincare, a transaction completed in August 2012, should be taken into account. In the third quarter, Lincare contributed revenue of EUR 231 m to the total revenue of the Gases Division. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and Lincare's post-acquisition revenue, the increase in revenue was 3.3 percent. The Group's share of revenue from its interests in joint ventures (not included in the revenue of the Division) rose to EUR 384 m (2011: EUR 323 m).

Linde's Gases Division achieved a 10.2 percent increase in operating profit to EUR 2.484 bn (2011: EUR 2.254 bn). The operating margin was 27.1 percent, almost as high as the figure of 27.3 percent achieved in the prior-year period. The share of profit or loss from associates and joint ventures in the Gases Division disclosed in operating profit in the first nine months of 2012 was EUR 76 m (2011: EUR 58 m).

As in prior quarters, business trends in the individual segments in the Gases Division varied in each case, depending on prevailing economic conditions.

EMEA

In the EMEA reportable segment (Europe, Middle East, Africa), Linde achieved revenue growth of 5.0 percent in the first nine months of 2012 to EUR 4.472 bn (2011: EUR 4.258 bn). On a comparable basis, the growth in revenue was 3.6 percent. Operating profit increased by 4.1 percent to EUR 1.265 bn (2011: EUR 1.215 bn). This resulted in an operating margin of 28.3 percent (2011: 28.5 percent). The Continental Europe homecare operations acquired by Linde from Air Products at the end of April 2012 were one of the factors in the expansion of business in the EMEA region.

Business performance was adversely affected by unfavourable economic conditions in the eurozone. In Eastern Europe and the Middle East, on the other hand, Linde was able to benefit from a good economic environment. In the first quarter of 2012, the Group entered into a contract to supply on-site gases to Sadara Petrochemical Company (Sadara) in Jubail, Saudi Arabia. Linde will invest around USD 380 m to provide Sadara with long-term supplies of carbon monoxide (CO), hydrogen (H_2) and ammonia (NH_3) at one of the world's largest chemical complexes. Linde expects this major project to generate considerable momentum for the continuing expansion of its gases and engineering business in the Near and Middle East. Linde's Engineering Division will design, supply and deliver the new turnkey gases plants, which are expected to come on stream in 2015 (see also Engineering Division section).

In Germany, Linde had to recognise an impairment loss of EUR 17 m in the third quarter of 2012. The impairment loss, which related to production capacity for the solar industry, was required to be recognised because trends in the industry sector were weaker than had been expected. A planned stoppage for plant maintenance in southern Europe in the second quarter of 2012 also acted as a brake on revenue trends.

In June 2012, Linde, the German Ministry of Transport and other industrial partners issued a joint declaration of intent to expand the hydrogen filling station network in Germany. According to this declaration, there will be at least 50 public hydrogen filling stations in Germany by 2015. The German Ministry of Transport has used the Linde/Daimler initiative as an opportunity to widen participation in the establishment of a country-wide hydrogen infrastructure. Already pioneers in this field, Linde and Daimler agreed back in summer 2011 to build 20 hydrogen filling stations in Germany over the coming years.

In September 2012, Linde opened a new filling plant in Riga, Latvia, for industrial gases, medical gases and gases for the food industry. The plant is the most modern of its type in the Baltic region, highly automated and with particularly environmentally friendly processes. Investment in the plant was almost EUR 10 m. Linde will be able to use this plant to meet rising demand from customers in Latvia, Lithuania and Estonia.

Following the bringing on stream in the first half of 2011 of the first terminal for liquefied natural gas (LNG) in Sweden, Linde entered into a promising partnership in the LNG growth market in the third quarter of 2012. The Group announced that it will form a joint venture with Bomin, a subsidiary of Marquard & Bahls and one of the leading suppliers of shipping fuels, to create an LNG infrastructure for shipping in north-western Europe.

The joint venture, which will be based in Hamburg and in which each partner will have a 50 percent share, should commence operations at the end of 2012. The aim of the new joint venture is to establish a reliable LNG supply chain to provide a safe and environmentally friendly fuel to shipowners and ship operators. The new enterprise will build supply stations in a number of major ports in Emission Control Areas (ECAs) in north-western Europe. As ship emissions have to be lowered even further in ECAs from 1 January 2015, the shipping business will be required to make significant reductions in sulphur emissions. As an environmentally friendly fuel, LNG is suitable for this purpose.

Asia/Pacific

In the Asia/Pacific reportable segment, Linde achieved revenue growth of 14.4 percent in the first nine months of 2012 to EUR 2.611 bn (2011: EUR 2.283 bn). On a comparable basis, the increase in revenue was 4.5 percent. Growth in this segment in the nine months to 30 September 2012 was adversely affected by plant stoppages. In the third quarter, there was a slight weakening in demand in all product areas.

Operating profit was up 9.9 percent to EUR 697 m (2011: EUR 634 m). This resulted in an operating margin of 26.7 percent (2011: 27.8 percent). When comparing the operating margin for the first nine months of 2012 with that for the prior-year period, factors to be taken into account are the pass-through of increases in the price of natural gas and the up-front investment required to grow the business and employ new staff in the rapidly expanding Asian market, especially in China. The plant stoppages mentioned above also had an adverse impact on operating profit.

Within the Asia/Pacific segment, the fastest business expansion was once again in the Greater China region.

In the on-site business, the Group succeeded in winning major new contracts in the first nine months of 2012 which will further strengthen its business in the Asia/Pacific region.

Linde will, for example, build two large air separation units (ASUs) for Tata Steel Limited, one of the world's largest steel companies, at its site in the Kalinganagar industrial complex in Odisha, India. Around EUR 80 m will be invested in this project. The construction of the two plants is part of a long-term agreement for the on-site supply of gases by Linde to Tata Steel signed by both companies in June 2012. Once the plants have come on stream, which is expected to be in 2014, they will supply Tata's steelworks (currently under construction) with gaseous oxygen, nitrogen and argon, as well as producing liquefied gases for the regional market. Linde also intends to establish an extensive pipeline network in the Kalinganagar industrial complex, so that it can supply industrial gases to other steel-producers there in future. This investment will enable Linde to strengthen its position as a leading supplier of gases in the growth market of India.

In addition, Linde LienHwa (LLH) signed a major long-term supply agreement with Samsung Electronics in the second quarter of 2012. Linde's subsidiary will supply electronic gases for Samsung's newest TFT-LCD factory in the Suzhou Industrial Park in China. LLH will invest around EUR 50 m in the project, which involves the construction of a turnkey liquefied gas supply system for the TFT-LCD production. Linde LienHwa will also build a new nitrogen generator for Samsung, supplying nitrogen to the company via a pipeline. Electronic gases are an important element in the production of transistors, which are used to control the pixels on LCD screens. This project will strengthen Linde's position as a leading producer of gases for the TFT-LCD industry.

In August 2012, Linde won the contract for a major project in Vietnam. The Group will provide long-term supplies of industrial gases to the Vietnamese steel-producer POSCO SS-Vina (PSSV). To do so, it will build the largest air separation unit (ASU) in the country in the Phu My Industrial Park in Ba Ria, Vung Tau province. The proposed investment is around EUR 40 m. The new ASU will have a production capacity of 35,000 normal cubic metres of air gases per hour. When the plant comes on stream, which is expected to be in 2014, the ASU will supply PSSV's new steelworks in Phu My (currently under construction) with gaseous oxygen, nitrogen and argon. In addition, it will supply products for the regional market in southern Vietnam. With the largest single investment it has ever made in Vietnam, Linde will strengthen its position in this rapidly growing South-East Asian economy (see also Engineering Division section).

In August 2012, Linde also concluded a major long-term supply agreement with Evonik Methionine SEA Pte. Ltd. in Singapore. Linde will build an on-site plant on Jurong Island, supplying on-site customers with industrial gases. The integrated approach being adopted for the construction of the plant will make its operation particularly energy-efficient. The environmental impact will also be lessened by the further processing of waste products and the reduction in CO_2 emissions as a result.

Americas

In the Americas reportable segment, Linde achieved revenue growth of 20.9 percent in the nine months ended 30 September 2012 to EUR 2.150 bn (2011: EUR 1.778 bn). This dynamic growth was mainly due to the positive contribution made by the US homecare company Lincare. Linde completed its acquisition of this company in August 2012. Lincare operates solely in North America and contributed revenue of EUR 231 m in the third quarter of 2012 to the total revenue of the Americas reportable segment. On a comparable basis, Linde would have achieved a 2.4 percent increase in revenue in this segment.

Operating profit rose at a faster rate than revenue, by 28.9 percent to EUR 522 m (2011: EUR 405 m). At 24.3 percent, the operating margin significantly exceeded the figure for the prior-year period of 22.8 percent. The main reason for the increase was the Lincare acquisition. When comparing the operating margins, another factor is the pass-through of lower natural gas prices.

Business performance in North America was also boosted by the liquefied gases product area and the cylinder gas business where Linde is successful in the Canadian market.

In August 2012, Linde commenced the construction of a new air separation unit (ASU) in Lewisville, Arkansas, in the United States. The ASU, which is due to come on stream in the fourth quarter of 2013, will produce 350 tonnes of liquefied nitrogen and 115 tonnes of oxygen per day. This will enable Linde to meet the growing demand from customers in the US states of Arkansas, Louisiana and Texas.

As a result of relatively robust demand in the Healthcare, liquefied gases and cylinder gas product areas, Linde was able to achieve steady revenue growth in South America during the reporting period. Business performance slowed due to falling growth rates in Brazil and a stoppage at an on-site plant in Venezuela.

Product areas

Within the various product areas in the Gases Division, Linde achieved the highest rate of growth in its Healthcare business, in line with expectations. After adjusting for exchange rate effects, revenue here rose by 38.6 percent in the first nine months of 2012 to EUR 1.265 bn (2011: EUR 913 m). When comparing the figures with those for the prior-year period, the main point to note is the Group's acquisition of US homecare company Lincare, which was completed in August 2012. The newly-acquired business contributed EUR 231 m to the revenue of the Healthcare product area in the third quarter of 2012. Without this contribution, Linde would have achieved revenue growth in the Healthcare business of 13.3 percent.

In the cylinder gas product area, revenue rose on a comparable basis by 1.6 percent to EUR 3.190 bn (2011: EUR 3.140 bn). In the liquefied gases product area, revenue increased on a comparable basis in the nine months to 30 September 2012 by 2.6 percent to EUR 2.540 bn (2011: EUR 2.476 bn). In the on-site business (where Linde supplies gases on site to major customers), revenue rose on a comparable basis by 2.3 percent to EUR 2.158 bn (2011: EUR 2.109 bn). Plant stoppages acted as a brake on trends in this product area. It is also worth noting that most of the growth in the on-site product area was achieved through joint ventures and that the Group's share of revenue from these joint ventures is not disclosed in the revenue of the Gases Division.

Gases Division

in € million	January to September 2012 Revenue	Operating profit	Operating margin in percent	2011 Revenue	Operating profit	Operating margin in percent
EMEA	4,472	1,265	28.3	4,258	1,215	28.5
Asia/Pacific	2,611	697	26.7	2,283	634	27.8
Americas	2,150	522	24.3	1,778	405	22.8
Consolidation	–80	–	–	–49	–	–
Gases Division	**9,153**	**2,484**	**27.1**	**8,270**	**2,254**	**27.3**

Gases Division

in € million	3rd Quarter 2012 Revenue	Operating profit	Operating margin in percent	2011 Revenue	Operating profit	Operating margin in percent
EMEA	1,528	431	28.2	1,434	408	28.5
Asia/Pacific	937	244	26.0	810	228	28.1
Americas	889	210	23.6	605	135	22.3
Consolidation	–31	–	–	–15	–	–
Gases Division	**3,323**	**885**	**26.6**	**2,834**	**771**	**27.2**

Engineering Division

Linde continued to see relatively stable trends in the first nine months of 2012 in its international engineering project business. During that period, the Group's Engineering Division generated revenue of EUR 1.740 bn, almost as high as the figure achieved in the prior-year period of EUR 1.776 bn. At EUR 214 m, operating profit was the same in first nine months of 2012 as in the first nine months of 2011. The operating margin of 12.3 percent exceeded the high figure achieved in the prior-year period of 12.0 percent.

The trends for order intake were very positive. Order intake in the nine months to 30 September 2012 was EUR 2.095 bn, 25.0 percent above the figure for the prior-year period of EUR 1.676 bn. This dynamic performance was due in particular to the major contract in Saudi Arabia acquired by Linde's Engineering Division in the first quarter from the Group's Gases Division. The total investment in this project is USD 380 m. That part of the order which relates to Linde's Engineering Division is for the turnkey construction of a two-stream HyCo plant plus a single-stream ammonia plant with a large storage tank. The new plants will enable Linde to provide long-term supplies of carbon monoxide (CO), hydrogen (H_2) and ammonia (NH_3) to Sadara Petrochemical Company in Jubail at one of the world's largest chemical complexes (see also Gases Division section).

The Engineering Division has also been contracted by the Gases Division to build two large air separation plants in the Kalinganagar industrial complex in India. The construction of both plants forms part of a long-term on-site supply contract concluded by Linde with Tata Steel Limited in June 2012 (see also Gases Division section).

In Vietnam, Linde's Engineering Division is to build the largest air separation plant in the country in the Phu My Industrial Park in Ba Ria to provide long-term supplies of industrial gases to the Vietnamese steel-producer POSCO SS-Vina (PSSV). The new plant will also supply products for the regional market in southern Vietnam. This project, awarded in August 2012, was also commissioned by the Gases Division of The Linde Group. The amount of the investment is around EUR 40 m (see also Gases Division section).

These orders are further confirmation of Linde's integrated business model and examples of the way in which the Group's Engineering Division supports the targeted expansion of the on-site business in the Gases Division.

In the second quarter of 2012, the Engineering Division won a contract to build a new alpha-SABLIN® plant for the production of linear alpha olefins in Nizhnekamsk, Russia. The project was awarded by the Russian chemical company Nizhnekamskneftekhim (NKNH). Linde will be responsible for the engineering and supply of plant components for this project. The plant is expected to be completed by mid-2014. Linear alpha olefins are important feed materials in the production of plastics.

During the reporting period, Linde also won orders totalling around USD 600 m in the market for the efficient exploitation of shale gas reserves in North America, thereby continuing to improve its position in this promising business.

Order intake was characterised not only by these projects, but also, as in previous quarters, by a number of small and medium-sized new orders. Around half of incoming orders came from the Asia/Pacific region and the Middle East. Most of the other orders were from North America and Europe.

In the first nine months of 2012, almost 30 percent of new orders related to air separation plants. Around 24 percent of the order intake was generated in the natural gas plant product area. A further 21 percent related to hydrogen and synthesis gas plants, while the rest of the new orders were for olefin plants and other plants.

Given the positive trend in orders, the order backlog in the Engineering Division grew in the first nine months of 2012 to EUR 3.897 bn (31 December 2011: EUR 3.600 bn).

Engineering Division

	3rd Quarter		January to September	
in € million	2012	2011	2012	2011
Revenue	511	550	1,740	1,776
Order intake	663	527	2,095	1,676
Order backlog at 30.09./31.12.	–	–	3,897	3,600
Operating profit	63	73	214	214
Operating margin	12.3 %	13.3 %	12.3 %	12.0 %

Engineering Division – Order intake by region

	January to September			
in € million	2012	in percent	2011	in percent
Asia/Pacific	669	31.9	812	48.5
Europe	467	22.3	327	19.5
North America	532	25.4	303	18.1
Middle East	336	16.0	150	8.9
Africa	26	1.3	52	3.1
South America	65	3.1	32	1.9
Total	**2,095**	**100.0**	**1,676**	**100.0**

Engineering Division – Order intake by plant type

	January to September			
in € million	2012	in percent	2011	in percent
Air separation plants	618	29.5	491	29.3
Natural gas plants	511	24.4	391	23.3
Hydrogen and synthesis gas plants	434	20.7	388	23.2
Olefin plants	296	14.1	210	12.5
Other	236	11.3	196	11.7
Total	**2,095**	**100.0**	**1,676**	**100.0**

Engineering Division – Order intake by region

	3rd Quarter			
in € million	2012	in percent	2011	in percent
Asia/Pacific	261	39.3	215	40.8
Europe	131	19.8	131	24.9
North America	229	34.5	119	22.6
Middle East	21	3.2	50	9.5
Africa	16	2.4	5	0.9
South America	5	0.8	7	1.3
Total	**663**	**100.0**	**527**	**100.0**

Engineering Division – Order intake by plant type

	3rd Quarter			
in € million	2012	in percent	2011	in percent
Air separation plants	221	33.3	173	32.8
Natural gas plants	216	32.6	112	21.3
Hydrogen and synthesis gas plants	77	11.6	118	22.4
Olefin plants	44	6.6	50	9.5
Other	105	15.9	74	14.0
Total	**663**	**100.0**	**527**	**100.0**

Finance

Cash flow from operating activities for the nine months to 30 September 2012 was EUR 1.506 bn (2011: EUR 1.699 bn). When comparing this with the figure for the prior-year period, the main item to be considered is the cash inflow of EUR 59 m recognised in the first quarter of 2011 from the early repayment of the loan relating to the 2007 sale of BOC Edwards. A lower level of advance payments received from customers and higher income tax payments also had an adverse impact on cash flow from operating activities.

Cash flow from investing activities is net of payments during the reporting period for investments in tangible and intangible assets of EUR 1.157 bn, significantly exceeding the figure for the prior-year period of EUR 893 m. As a result of the acquisitions made by Linde during the reporting period, there was also a substantial increase in payments for investments in consolidated companies to EUR 2.982 bn (2011: EUR 24 m). This total includes the purchase of 83.9 percent of the shares in the US homecare company Lincare at a net purchase price (purchase price less liquid funds acquired) of EUR 2.299 bn and the net purchase price payment of EUR 616 m to Air Products for the acquisition of its Continental European homecare business. Payments for other acquisitions in the past nine months totalled EUR 67 m. In contrast, the cash inflow of EUR 853 m from the disposal of current financial assets had a positive impact on cash flow from investing activities. Most of this amount comprised proceeds on the disposal of current securities which were used to redeem part of the financial debt. In the nine months ended 30 September 2012, the net cash outflow from investing activities was EUR 3.196 bn (2011: net cash outflow of EUR 1.432 bn). Free cash flow before financing activities fell as a result from a net cash inflow in the nine months to 30 September 2011 of EUR 267 m to a net cash outflow of EUR 1.690 bn in the nine months to 30 September 2012.

Total assets increased significantly by 16.0 percent to EUR 33.486 bn at 30 September 2012, compared with the figure of EUR 28.915 bn at 31 December 2011. Non-current assets comprised a substantial proportion of total assets (EUR 27.236 bn at 30 September 2012 and EUR 23.071 bn at 31 December 2011). Within the figure for non-current assets, goodwill increased by EUR 2.874 bn to EUR 10.742 bn, mainly as a result of additions relating to acquisitions. The goodwill arising on the acquistion of the US homecare company Lincare was EUR 2.605 bn. The purchase of Air Products' Continental European homecare business resulted in an increase in goodwill of EUR 248 m. Tangible assets rose from EUR 9.030 bn to EUR 9.966 bn. Intangible assets also rose, from EUR 3.300 bn to EUR 3.704 bn. The main reason for the increases in both items was additions relating to acquisitions and investments. The figure for customer relationships and brand names, for example, rose by EUR 338 m as a result of acquisitions. Amortisation and depreciation had the opposite effect on the totals. Current assets increased by EUR 406 m, while trade receivables rose by EUR 646 m. Here too, additions relating to acquisitions should be taken into account. On the other hand, as might be expected, current securities fell by EUR 851 m to EUR 222 m.

Equity rose by EUR 1.175 bn from EUR 12.144 bn at 31 December 2011 to EUR 13.319 bn at 30 September 2012. The rise in equity was partly due to the capital increase of EUR 1.391 bn concluded in July 2012. Other contributory factors in the rise were the profit for the period of EUR 958 m and positive exchange rate effects. Items which had the opposite effect on equity were actuarial losses arising from the remeasurement of pension obligations of EUR 407 m and the Linde AG dividend payment of EUR 428 m. The equity figure was also reduced by EUR 514 m by the offsetting in revenue reserves of non-controlling interests, mainly relating to the Lincare acquisition. The equity ratio at 30 September 2012 was 39.8 percent, somewhat below the figure of 42.0 percent at 31 December 2011.

Net financial debt comprises gross financial debt less securities intended to be held long term, short-term securities and cash and cash equivalents. At 30 September 2012, it was EUR 8.483 bn, an increase of EUR 3.389 bn compared with the figure at 31 December 2011. Factors to be taken into consideration here, apart from payments for ongoing investments and dividend payments, are the purchase price payment to Air Products and the financing of the Lincare acquisition.

Gross financial debt increased by EUR 2.662 bn to EUR 10.430 bn when compared with the figure at 31 December 2011.

In May 2012, Linde Finance B.V. issued a new EUR 500 m bond under the EUR 10 bn Debt Issuance Programme. The seven-year bond has a fixed interest coupon of 1.75 percent and is guaranteed by Linde AG. To finance the Lincare acquisition, a syndicated loan of EUR 3.6 bn (USD 4.5 bn) was agreed, subsequently reduced to EUR 2.2 bn (USD 2.8 bn) as a result of the capital increase which followed immediately afterwards. In addition, to refinance the syndicated loan, Linde issued an eight-year EUR 1 bn bond in September 2012 with a coupon of 1.75 percent. Moreover, in September 2012 Linde placed a five-year NOK 2 bn bond at a coupon of 2.75 percent. This bond was converted on its issue date into USD debt and also used for the refinancing of the loan. At 30 September 2012, the acquisition loan had been reduced to EUR 941 m.

During the reporting period, a EUR 724 m bond which matured in April was also redeemed on schedule and a GBP 100 m bond was redeemed early on 2 October 2012 by exercising a call option and reclassified in current financial debt.

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) of 2.5 at 30 September 2012 was higher than the equivalent figure at 31 December 2011 of 1.6, as expected. It should be noted here that only Lincare's post-acquisition revenue is included in Group operating profit, whereas the financing is reflected in full in net financial debt. The Group's gearing (the ratio of net debt to equity) rose accordingly to 63.7 percent (31 December 2011: 41.9 percent).

The Linde Group is financed on a long-term basis, as can be seen from the maturity profile of the financial debt. Of the gross financial debt of EUR 10.430 bn (31 December 2011: EUR 7.768 bn), EUR 1.540 bn (31 December 2011: EUR 1.277 bn) is disclosed as current and EUR 8.890 bn (31 December 2011: EUR 6.491 bn) as non-current financial debt.

Gross financial debt repayable within one year is matched by short-term securities of EUR 222 m, cash and cash equivalents of EUR 1.125 bn and a EUR 2.5 bn syndicated credit facility available until 2015 which is not currently drawn down. At 30 September 2012, available liquidity was therefore EUR 2.307 bn. If the securities intended to be held long term of EUR 600 m are also taken into account, available liquidity was EUR 2.907 bn.

The international rating agencies Standard & Poor's (S & P) and Moody's confirmed their rating of the creditworthiness of The Linde Group in July 2012 by retaining their previous long-term ratings of A and A3 respectively. These ratings took the Lincare acquisition into account.

Employees

The number of employees in The Linde Group worldwide at 30 September 2012 was 61,981 (31 December 2011: 50,417). Of this number, 50,735 were employed in the Gases Division (31 December 2011: 39,031) and 6,522 in the Engineering Division (31 December 2011: 6,319). The significant increase in the number of employees in the Gases Division is mainly due to the acquisition completed in August 2012 of the US homecare company Lincare with around 11,000 employees. Around 850 employees also joined the Gases Division as a result of the acquisition of Air Products' Continental European homecare business. The majority of the 4,724 staff in the Other Activities segment are employed by Gist, Linde's logistics service provider.

Group – Employees by reportable segment

	30.09.2012	31.12.2011
Gases Division	50,735	39,031
EMEA	21,683	20,920
Asia/Pacific	11,057	10,868
Americas	17,995	7,243
Engineering Division	6,522	6,319
Other Activities	4,724	5,067
Group	**61,981**	**50,417**

Outlook

Group

Although leading economic research institutes have continued to predict growth in the global economy in the current year 2012, their forecasts have recently been revised down. The rates at which global gross domestic product (GDP) and worldwide industrial production (IP) will increase are expected not to be as high those seen in 2011. The economic experts are now forecasting growth rates in 2013 and 2014 which might be only slightly above those achieved in 2012. Uncertainty remains about future macroeconomic trends. The main factors which might impede robust global economic growth include high levels of sovereign debt, volatile exchange rates and continuing relatively high levels of unemployment in the US and in some European countries, as well as the uncertainty of the political situation in some countries in the Arab world.

Based on current economic predictions and prevailing exchange rates and given business trends in the nine months to 30 September 2012, Linde confirms its forecast for the current year. The Group continues to assume that it will be able to achieve a higher level of Group revenue and Group operating profit in the 2012 financial year than in 2011.

Against the background of the successful conclusion of its acquisition of US homecare company Lincare, Linde also confirms its medium-term targets. The Group expects to achieve Group operating profit of at least EUR 4 bn in the 2013 financial year. Linde wants to achieve a return on capital employed (ROCE[1]) of at least 14 percent in the 2015 financial year. The medium-term targets are also based on current economic predictions and prevailing exchange rates.

Linde anticipates that it will continue to benefit in the coming years from megatrends such as energy, the environment and health as well as from dynamic growth in the emerging economies.

The Group will also continue in future to improve its business processes and remains committed to the systematic implementation of its holistic concept for sustainable productivity gains (High Performance Organisation or HPO). As a result of applying the HPO programme, Linde is still expecting to achieve a reduction in gross costs in the four-year period from 2009 to 2012 of between EUR 650 m and EUR 800 m. The Group will continue to apply the measures it has designed to make constant improvements in efficiency once the end of 2012 has been reached and plans to achieve further reductions in gross costs of EUR 750 m to EUR 900 m in the years 2013 to 2016.

Outlook – Gases Division

Recent economic forecasts have continued to indicate that the global gases market will grow at a somewhat slower rate in 2012 than in 2011. Linde remains committed to its original target in the gases business of growing at a faster pace than the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline, which will make a substantial contribution to revenue and earnings trends in the coming years. The Group expects its liquefied gases and cylinder gas business to perform in line with macroeconomic trends. In the Healthcare product area, Linde is expecting to achieve significant increases in revenue and earnings as a result of the acquisitions it has concluded, especially Lincare.

Linde continues to expect that revenue generated by the Gases Division in the 2012 financial year will exceed revenue generated in 2011 and that operating profit will improve.

[1] Return on capital employed based on the definition given on page 046 of the 2011 Financial Report.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business during the rest of the financial year. At almost EUR 3.9 bn, the order backlog in Linde's Engineering Division at the end of September remains at a high level, creating a good basis for a solid business performance over the next two years. The Group continues to expect to achieve the same level of revenue in its plant construction business in the 2012 financial year as in 2011. Linde is still anticipating that it will achieve an operating margin in the current financial year of at least 10 percent.

Linde is well-positioned in the international market for olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants, and will derive lasting benefit in particular from investment in two structural growth areas: energy and the environment.

Risk report

Uncertainty about future global economic trends continues. In addition to the risk of a drop in revenue volumes if there is another economic slowdown, the Group is also exposed to the risk of the loss of new business and an increase in the risk of bad debts in its operating business due to the increase in the inability of our customers to make payments (counterparty risk). The high level of volatility in the financial markets continues to make it difficult to arrive at an accurate assessment of the future net assets, financial position and results of operations of The Linde Group.

The risk situation for Linde as described on pages 083 to 093 of the 2011 Financial Report has not changed significantly in the nine months to 30 September 2012. The total amount which relates to individual risks within the risk fields will not adversely affect the viability of The Linde Group as a going concern. If there is a change in external circumstances, risks which are currently unknown or deemed to be immaterial might have a negative impact on business operations.

Group statement of profit or loss

	3rd Quarter		January to September	
in € million	2012	2011	2012	2011
Revenue	3,889	3,435	11,063	10,209
Cost of sales	2,488	2,189	7,009	6,477
Gross profit	**1,401**	**1,246**	**4,054**	**3,732**
Marketing and selling expenses	607	495	1,678	1,506
Research and development costs	23	25	72	72
Administration expenses	339	283	980	864
Other operating income	68	45	182	185
Other operating expenses	31	28	107	130
Share of profit or loss from associates and joint ventures (at equity)	25	21	68	54
Financial income	95	75	254	267
Financial expenses	172	164	494	482
Profit before tax	**417**	**392**	**1,227**	**1,184**
Taxes on income	90	87	269	281
Profit for the period	**327**	**305**	**958**	**903**
attributable to Linde AG shareholders	313	290	904	856
attributable to non-controlling interests	14	15	54	47
Earnings per share in € – undiluted	1.70	1.70	5.15	5.02
Earnings per share in € – diluted	1.69	1.68	5.11	4.97

Group statement of comprehensive income

in € million	3rd Quarter 2012	3rd Quarter 2011	January to September 2012	January to September 2011
Profit for the period	327	305	958	903
Other comprehensive income (net of tax)	–326	–24	–275	–682
Unrealised gains/losses on available-for-sale financial assets	–	2	–4	2
Unrealised gains/losses on derivative financial instruments	85	–151	–38	36
Currency translation differences	–217	246	185	–526
Actuarial gains/losses on pension provisions	–194	–133	–445	–209
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	–	12	27	15
Total comprehensive income	1	281	683	221
attributable to Linde AG shareholders	3	264	636	211
attributable to non-controlling interests	–2	17	47	10

Group statement of financial position

in € million	30.09.2012	31.12.2011
Assets		
Goodwill	10,742	7,868
Other intangible assets	3,704	3,300
Tangible assets	9,966	9,030
Investments in associates and joint ventures (at equity)	823	754
Other financial assets	888	918
Receivables from finance leases	261	302
Other receivables and other assets	392	526
Income tax receivables	5	5
Deferred tax assets	455	368
Non-current assets	27,236	23,071
Inventories	1,205	1,036
Receivables from finance leases	48	50
Trade receivables	2,676	2,030
Other receivables and other assets	793	558
Income tax receivables	174	97
Securities	222	1,073
Cash and cash equivalents	1,125	1,000
Non-current assets classified as held for sale and disposal groups	7	–
Current assets	6,250	5,844
Total assets	**33,486**	**28,915**

Group statement of financial position

in € million	30.09.2012	31.12.2011
Equity and liabilities		
Capital subscribed	474	438
Capital reserve	6,684	5,264
Revenue reserves	5,307	5,752
Cumulative changes in equity not recognised through the statement of profit or loss	289	150
Total equity attributable to Linde AG shareholders	12,754	**11,604**
Non-controlling interests	565	540
Total equity	13,319	**12,144**
Provisions for pensions and similar obligations	1,279	938
Other non-current provisions	477	445
Deferred tax liabilities	2,136	2,012
Financial debt	8,890	6,491
Liabilities from finance leases	52	33
Trade payables	5	6
Other non-current liabilities	264	194
Liabilities from income taxes	79	96
Non-current liabilities	13,182	**10,215**
Other current provisions	1,498	1,455
Financial debt	1,540	1,277
Liabilities from finance leases	21	13
Trade payables	2,631	2,712
Other current liabilities	1,124	996
Liabilities from income taxes	171	103
Current liabilities	6,985	**6,556**
Total equity and liabilities	**33,486**	**28,915**

Group statement of cash flows

	January to September	
in € million	2012	2011
Profit before tax	1,227	1,184
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,096	964
Impairments on financial assets	–	2
Profit/loss on disposal of non-current assets	−13	−18
Net interest	265	215
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	13	18
Share of profit or loss from associates and joint ventures (at equity)	−68	−54
Distributions/dividends received from associates and joint ventures	25	31
Income taxes paid	−338	−267
Changes in assets and liabilities		
Change in inventories	−125	−161
Change in trade receivables	−198	−139
Change in provisions	−70	−204
Change in trade payables	−138	186
Change in other assets and liabilities	−170	−58
Cash flow from operating activities	1,506	1,699
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	−1,157	−893
Payments for investments in consolidated companies	−2,982	−24
Payments for investments in financial assets	−17	−31
Payments for investments in securities	−2	−600
Proceeds on disposal of securities	853	3
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	75	67
Proceeds on disposal of non-current assets held for sale and disposal groups	–	11
Proceeds on disposal of financial assets	34	35
Cash flow from investing activities	−3,196	−1,432

Group statement of cash flows

	January to September	
in € million	2012	2011
Dividend payments to Linde AG shareholders and non-controlling interests	–467	–403
Capital increase	1,391	–
Cash outflows for purchase of non-controlling interests	–503	–11
Proceeds from issue of employee shares	50	24
Interest received	151	145
Interest paid	–484	–427
Proceeds of loans and capital market debt	6,168	1,259
Cash outflows for the repayment of loans and capital market debt	–4,502	–807
Change in liabilities from finance leases	1	–4
Cash flow from financing activities	1,805	–224
Net cash inflow/outflow	115	43
Opening balance of cash and cash equivalents	1,000	1,159
Effects of currency translation	10	–39
Closing balance of cash and cash equivalents	1,125	1,163

Statement of changes in Group equity

			Revenue reserves	
in € million	Capital subscribed	Capital reserve	Actuarial gains/losses	Retained earnings
At 1 Jan. 2011	436	5,205	–200	5,308
Profit for the period	–	–	–	856
Other comprehensive income (net of tax)	–	–	–192	–
Total comprehensive income	–	–	–192	856
Dividend payments	–	–	–	–375
Changes as a result of share option scheme	2	37	–	–
Other changes	–	–	–	–4
At 30 September 2011	438	5,242	–392	5,785
At 31 Dec. 2011/1 Jan. 2012	438	5,264	–351	6,103
Profit for the period	–	–	–	904
Other comprehensive income (net of tax)	–	–	–407	–
Total comprehensive income	–	–	–407	904
Dividend payments	–	–	–	–428
Changes as a result of share option scheme	3	62	–	–
Capital increase	33	1,358	–	–
Addition of non-controlling interests	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–514
At 30 September 2012	474	6,684	–758	6,065

	Cumulative changes in equity not recognised through the statement of profit or loss					
	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total equity attributable to Linde AG shareholders	Non-controlling interests	Total equity
	121	–1	–21	10,848	514	11,362
	–	–	–	856	47	903
	–490	2	35	–645	–37	–682
	–490	2	35	211	10	221
	–	–	–	–375	–28	–403
	–	–	–	39	–	39
	–	–	–	–4	12	8
	–369	1	14	10,719	508	11,227
	275	4	–129	11,604	540	12,144
	–	–	–	904	54	958
	181	–4	–38	–268	–7	–275
	181	–4	–38	636	47	683
	–	–	–	–428	–39	–467
	–	–	–	65	–	65
	–	–	–	1,391	–	1,391
	–	–	–	–	9	9
	–	–	–	–514	8	–506
	456	–	–167	12,754	565	13,319

Segment information

in € million See Note [11]	Reportable segments Total Gases Division January to September 2012	 2011	 Engineering Division January to September 2012	 2011
Revenue from third parties	9,148	8,265	1,473	1,518
Revenue from other segments	5	5	267	258
Total revenue from the reportable segments	**9,153**	**8,270**	**1,740**	**1,776**
Operating profit	**2,484**	**2,254**	**214**	**214**
of which share of profit or loss from associates/joint ventures (at equity)	76	58	–	–
Amortisation of intangible assets and depreciation of tangible assets	1,059	922	27	28
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	164	165	6	6
of which impairments	21	21	–	–
EBIT (earnings before interest and tax)	**1,425**	**1,332**	**187**	**186**
Capital expenditure (excluding financial assets)	1,241	914	19	14

in € million See Note [11]	Reportable segments Gases Division EMEA January to September 2012	 2011
Revenue from third parties	4,459	4,251
Revenue from other segments	13	7
Total revenue from the reportable segments	**4,472**	**4,258**
Operating profit	**1,265**	**1,215**
of which share of profit or loss from associates/joint ventures (at equity)	20	4
Amortisation of intangible assets and depreciation of tangible assets	464	436
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	42	47
of which impairments	21	17
EBIT (earnings before interest and tax)	**801**	**779**
Capital expenditure (excluding financial assets)	491	409

	Reportable segments					
	Other Activities		Reconciliation		Total Group	
	January to September		January to September		January to September	
	2012	2011	2012	2011	2012	2011
	442	426	–	–	11,063	10,209
	–	–	−272	−263	–	–
	442	**426**	**−272**	**−263**	**11,063**	**10,209**
	43	**42**	**−178**	**−147**	**2,563**	**2,363**
	–	–	−8	−4	68	54
	10	14	–	–	1,096	964
	11	10	–	–	181	181
	–	–	–	–	21	21
	33	**28**	**−178**	**−147**	**1,467**	**1,399**
	14	13	7	−72	1,281	869

	Reportable segments					
	Gases Division					
	Asia/Pacific		Americas		Total Gases Division	
	January to September		January to September		January to September	
	2012	2011	2012	2011	2012	2011
	2,602	2,277	2,087	1,737	9,148	8,265
	9	6	63	41	5	5
	2,611	**2,283**	**2,150**	**1,778**	**9,153**	**8,270**
	697	**634**	**522**	**405**	**2,484**	**2,254**
	37	36	19	18	76	58
	337	288	258	198	1,059	922
	86	78	36	40	164	165
	–	–	–	4	21	21
	360	**346**	**264**	**207**	**1,425**	**1,332**
	511	365	239	140	1,241	914

Additional Comments

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the nine months ended 30 September 2012 have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

The reporting currency is the euro. All amounts are shown in millions of euro (EUR m), unless stated otherwise.

A review of the condensed Group interim financial statements has been performed by KPMG AG Wirtschaftsprüfungsgesellschaft.

The same accounting policies have been used in the condensed Group interim financial statements as those used to prepare the Group financial statements for the year ended 31 December 2011. IAS 34 *Interim Financial Reporting* has also been applied. Since 1 January 2012, the following standard has become effective:

→ Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

This standard does not have a material impact on the net assets, financial position and results of operations of The Linde Group.

The following new or revised standards and interpretations have been issued by the IASB and the IFRS Interpretations Committee. These have not been applied in the condensed Group interim financial statements for the nine months ended 30 September 2012, as they are either not yet mandatory or have not yet been adopted by the European Commission:

→ IFRS 9 *Financial Instruments*
→ IFRS 10 *Consolidated Financial Statements*
→ IFRS 11 *Joint Arrangements*
→ IFRS 12 *Disclosures of Interests in Other Entities*
→ IFRS 13 *Fair Value Measurement*
→ IAS 19 *Employee Benefits (revised 2011)*
→ IAS 28 *Investments in Associates and Joint Ventures*
→ Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
→ Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
→ Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*
→ Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*
→ Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance*
→ Improvements to IFRSs (2009–2011)

IFRS 9 is expected to become effective from the 2015 financial year onwards and may lead to changes in the classification and measurement of financial assets in the Group financial statements.

IFRS 10 and IFRS 11 are expected to become effective from the 2014 financial year and may lead to changes in the companies included in the consolidation and/or changes in the measurement of investments in the Group financial statements. IAS 19 is due to become effective from the 2013 financial year and may lead to a reduction in the interest income on plan assets recognised in the financial result.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

[2] Changes in Group structure

The condensed Group interim financial statements comprise Linde AG and all the companies over which Linde AG exercises direct or indirect control by virtue of its power to govern their financial and operating policies.

The companies included in the condensed Group interim financial statements of The Linde Group comprise the following:

Changes in Group structure

	As at 31.12.2011	Additions	Disposals	As at 30.09.2012
Consolidated subsidiaries	488	60	19	529
of which within Germany	22	1	1	22
of which outside Germany	466	59	18	507
Other investments	59	11	9	61
of which within Germany	2	–	–	2
of which outside Germany	57	11	9	59
Companies accounted for using the equity method	53	2	2	53
of which within Germany	–	–	–	–
of which outside Germany	53	2	2	53

The principal additions during the reporting period were US subsidiaries joining the Group as a result of the acquisition of Lincare and subsidiaries joining the Group as a result of the acquisition of Air Products' Continental European homecare business.

In addition, during the reporting period Linde increased its stake in its subsidiary Abelló Linde S.A., Barcelona, Spain, by 15 percent to 99.9 percent by acquiring shares from non-controlling shareholders. The purchase price for the shares acquired was EUR 29 m. The EUR 10 m difference between the share of net assets acquired from the non-controlling shareholders and the purchase price of the additional shares was offset in revenue reserves.

[3] Acquisitions

The following significant acquisitions took place during the reporting period:

Lincare Holdings Inc.

On 8 August 2012, The Linde Group acquired 83.9 percent of Lincare Holdings Inc., USA, under the terms of a tender offer. From that date, the date of acquisition, the business was fully consolidated in The Linde Group. The purchase price per share was USD 41.50. The price paid to acquire 83.9 percent of the shares was EUR 2.458 bn. The remaining shares were acquired in three further stages by 14 August 2012 and treated as a transaction with non-controlling shareholders. At the acquisition date, the share of the non-controlling shareholders in the net assets of the company restated at their fair value was a negative figure of EUR 28 m. The same purchase price of USD 41.50 per share was paid to acquire the shares from the non-controlling shareholders as for the other shares. The difference of EUR 503 m between the non-controlling interests restated at fair value and the purchase price was offset in revenue reserves. The total acquisition cost was settled in cash.

The business acquired generated revenue in 2011 of USD 1.847 bn with around 11,000 employees. The acquisition will enable The Linde Group to continue to expand its Healthcare product area and to increase its presence and market share in the strategically important North American market.

The fair values of the assets and liabilities acquired were as follows:

Impact on net assets of acquisition of Lincare

Opening balance at 8 August 2012	
in € million	Fair value
Non-current assets	909
Inventories	20
Other current assets	259
Cash and cash equivalents	159
Equity of Linde AG	–147
Non-controlling interests	–28
Liabilities	1,522

The goodwill of EUR 2.605 bn remaining after the purchase price allocation comprises global synergies with Linde's existing homecare business, going concern synergies arising from the business acquired and other benefits not recognised as specific intangible assets. Of the goodwill, EUR 368 m is tax-deductible.

The fair value of the receivables acquired is EUR 226 m. Most of these receivables are trade receivables. The gross value of the trade receivables is EUR 285 m. The difference between the gross value of the receivables and their fair value is the provision for bad debts. Given the proximity of the date of acquisition to the reporting date, the results of the purchase price allocation should be regarded as provisional.

Air Products' homecare business

On 30 April 2012, The Linde Group acquired the Continental European homecare business of the gases company Air Products. With effect from that date, the business was fully integrated into the Group financial statements of The Linde Group. The transaction comprised Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain. The operations in each country are conducted in separate companies and Linde has acquired all the shares in each company (100 percent of the shares with voting rights): Air Products Sud Europa S. L. (Spain), GASIN – Gases Industriais S. A. (Portugal), Air Products Healthcare France S. A. S. (France), Air Products Medical GmbH (Germany) and Air Products Healthcare Belgium S. P. R. L. (Belgium). The business which has been acquired generated revenue of EUR 210 m in 2011 with around 850 employees. The aim of the acquisition was to root Linde even more firmly in the Healthcare structural growth market.

After making certain adjustments relating to liquidity and debt, the purchase price was EUR 604 m, an amount which was settled in cash. Part of the purchase price will be refunded if certain parts of the business fail to perform over a period of two years from the acquisition date at the level assumed in the purchase negotiations (contingent consideration repayable). At the acquisition date, the contingent consideration repayable was recognised at a fair value of EUR 101 m and this amount was offset against the purchase price paid for the purpose of deriving the acquisition cost. In addition, Linde has current contingent obligations for purchase price payments with a fair value at the acquisition date of EUR 32 m, which have the effect of increasing the acquisition cost. The net contingent consideration repayable lies in a range between EUR 38 m and EUR 79 m. The total acquisition cost is therefore EUR 535 m. Regarding the contingent obligations for purchase price payments of EUR 32 m, some of the amount has been paid during the reporting period. The amount outstanding at 30 September 2012 was EUR 4 m.

The goodwill of EUR 248 m remaining after the purchase price allocation comprises mainly expected synergies with Linde's existing homecare business in Europe and going concern synergies arising from the business acquired. None of the goodwill is tax-deductible.

The fair values of the assets and liabilities acquired were as follows:

Impact on net assets of acquisition of homecare business from Air Products

Opening balance at 30 April 2012	
in € million	Fair value
Non-current assets	133
Inventories	9
Other current assets	201
Cash and cash equivalents	16
Equity of Linde AG	287
Non-controlling interests	–
Liabilities	72

Given the proximity of the date of acquisition to the reporting date, the results of the purchase price allocation should be regarded as provisional.

The fair value of the receivables acquired is EUR 185 m. All these receivables are trade receivables and most of them are due from public healthcare providers. The gross value of the debts is EUR 202 m. The difference between the gross value of the receivables and their fair value is the provision for bad debts. Of the amounts outstanding, EUR 150 m has been received since the acquisition date.

Asset deal with Hebei Puyang Iron & Steel Ltd. (decaptivation)

On 30 April 2012, The Linde Group assumed responsibility for supplying gases to the steel company Hebei Puyang Iron & Steel Co. Ltd., Wu'an, China (Puyang Steel) under the terms of a long-term gas supply agreement concluded with Puyang Steel which also includes the purchase of that company's existing air separation plants (decaptivation). On the basis of the business acquired, The Linde Group will build a further high-volume air separation plant to facilitate the expansion of capacity at Puyang Steel and to promote the development of its liquefied gases business in Hebei province.

The purchase price for the acquisition of the production business was EUR 60 m, of which EUR 37 m was paid in cash. The remainder of the purchase price is disclosed as a liability. Under the asset deal, only non-current assets were acquired, mainly air separation plants and customer relationships. No goodwill arose on this transaction. No receivables were acquired.

Purchase of the existing gas supply of Dahua Group in Dalian (decaptivation)

On 1 June 2012, The Linde Group assumed responsibility for the existing gas supply of the chemical company Dahua Group at its site on Songmu Island in Dalian in north-eastern China (decaptivation). To do so, Linde formed a production company together with the Dahua Group. Linde controls this company. The consideration of EUR 15 m for the purchase of the gas production was settled in the form of shares in the production company granted to Dahua and therefore had no cash impact on Linde. By building a new, more efficient air separation plant in this production company, Linde will secure future gas supplies for the Dahua Group. When Linde assumed responsibility for the existing gas production of the Dahua Group, it acquired only non-current assets (mainly air separation plants and customer relationships) and no goodwill arose on the transaction. No receivables were acquired. Given the proximity of the date of acquisition to the reporting date, the results of the purchase price allocation should be regarded as provisional.

Hefei

On 31 May 2012, The Linde Group acquired 99 percent of the shares in Hefei Ju Wan Industrial Gases Co. Ltd., China. In August, this company was fully consolidated in The Linde Group for the first time with effect from its date of acquisition. The purchase price was EUR 12.8 m, which was settled in cash. This acquisition will enable Linde to increase its presence in Hefei province significantly.

The goodwill of EUR 5.6 m remaining after the purchase price allocation comprises mainly going concern synergies arising from the business acquired and other benefits not recognised as specific intangible assets. None of the goodwill is tax-deductible.

The receivables acquired have a fair value of EUR 2.8 m. All the receivables are trade receivables. The fair value is virtually the same as the figure for gross receivables. Given the proximity of the date of acquisition to the reporting date, the results of the purchase price allocation should be regarded as provisional.

PSG Co. Ltd.

On 31 May 2012, The Linde Group acquired 51 percent of the shares in PSG Co. Ltd., South Korea. In August, this company was fully consolidated in The Linde Group for the first time with effect from its date of acquisition.

The purchase price for the shares was EUR 10.5 m, which was settled in cash. The non-controlling interests were recognised at the fair value of the net assets attributable to minority shareholders, which was EUR 10 m at the date of acquisition. The aim of the acquisition is to strengthen the Group's position in South Korea and to make The Linde Group one of the leading suppliers in South Korea. Given the proximity of the date of acquisition to the reporting date, the results of the purchase price allocation should be regarded as provisional.

Other acquisitions

In the third quarter of 2012, The Linde Group made further acquisitions to expand its industrial gases business and Healthcare business in the EMEA and Americas reportable segments. The total purchase price for these acquisitions was EUR 8.9 m, of which EUR 7.9 m was settled in cash. The total purchase price includes contingent purchase price adjustments of EUR 1.1 m. These amounts are payable within one year and are dependent on positive business performance in the business acquired.

Other acquisitions comprise solely non-current assets (customer relationships, cylinders, tanks and vehicles). Total goodwill arising on these acquisitions was EUR 2.1 m. No receivables were acquired.

Impact on net assets of acquisition of PSG and Hefei and of other acquisitions

Opening balance at date of first consolidation	Fair values		
in € million	PSG	Hefei	Other
Non-current assets	34	7	7
Inventories	4	1	–
Other current assets	15	5	–
Cash and cash equivalents	2	1	–
Equity of Linde AG	10	7	7
Non-controlling interests	10	–	–
Liabilities	35	7	–

The impact of the transactions on the results of operations of The Linde Group was as follows:

Impact of acquisitions on results of operations of The Linde Group

in € million	Revenue since acquisition date	Revenue from 1 January to 30 September 2012[1]
Lincare	231	1,158
Air Products' homecare business	86	160
Puyang	21	36
Dahua	8	16
PSG	21	46
Hefei	5	11
Other	1	6

[1] In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

Impact of acquisitions on results of operations of The Linde Group

in € million	Profit for the period since acquisition date	Profit for the period from 1 January to 30 September 2012[1]
Lincare	20	72
Air Products' homecare business	13	23
Puyang	3	5
Dahua	1	2
PSG	1	2
Hefei	–	1
Other	–	1

[1] In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

[4] Foreign currency translation

The financial statements of companies outside the European Monetary Union are translated in accordance with the functional currency concept. For all companies, items in the balance sheet are translated using the spot rate and items in the statement of profit or loss using the average rate. Since 1 January 2010, Venezuela has been classified as a hyperinflationary economy in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. As a result, the activities of The Linde Group in that country are no longer accounted for on a historic cost basis but after adjustment for the effects of inflation. The local inflation index INPC (Indice Nacional de Precios al Consumidor) is used for this purpose.

The principal exchange rates used are as follows:

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date		Average rate January to September	
		30.09.2012	31.12.2011	2012	2011
Argentina	ARS	6.06359	5.57540	5.71782	5.74979
Australia	AUD	1.23611	1.26830	1.23925	1.35336
Brazil	BRL	2.62398	2.41410	2.44618	2.29332
Canada	CAD	1.26546	1.32320	1.28753	1.37548
China	CNY	8.12826	8.15510	8.12695	9.14290
Czech Republic	CZK	25.06481	25.59900	25.13992	24.35016
Hungary	HUF	283.91959	315.54000	291.75112	271.13267
Malaysia	MYR	3.96182	4.10740	3.97543	4.25932
Norway	NOK	7.37816	7.74920	7.52303	7.80875
Poland	PLN	4.12404	4.46750	4.21221	4.01659
South Africa	ZAR	10.65917	10.48220	10.30555	9.80911
South Korea	KRW	1,437.17731	1,502.04000	1,461.56614	1,539.96260
Sweden	SEK	8.43848	8.91400	8.74037	9.01094
Switzerland	CHF	1.21039	1.21540	1.20472	1.23432
Turkey	TRY	2.31026	2.44240	2.31366	2.28922
UK	GBP	0.79545	0.83430	0.81407	0.87146
USA	USD	1.29260	1.29570	1.28414	1.40724

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

Included in non-current assets classified as held for sale and disposal groups are land and buildings in the EMEA operating segment. It is highly probable that these assets will be disposed of in their current condition in the course of the twelve months following their reclassification. No impairment losses were recognised on the reclassification of these assets as non-current assets held for sale.

[6] Equity

On 10 July 2012, Linde AG successfully concluded its capital increase with exclusion of the subscription rights of the shareholders by issuing 12,844,037 new bearer shares via an accelerated bookbuilding process. The placement price was EUR 109.00 per share. The share capital of the company increased as a result by EUR 32,880,734.72, from EUR 440,720,663.04 to EUR 473,601,397.76. The new shares will be entitled to the dividend for the full 2012 financial year. This capital measure generated proceeds of around EUR 1.4 bn.

[7] Pension obligations

The actuarial valuation of the pension obligations is based on the projected unit credit method set out in IAS 19 *Employee Benefits*. 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 provision is determined using actuarial reports. Actuarial gains and losses are recognised immediately in equity.

In the interim reports, a competent estimate of the pension obligation is made, based on trends in actuarial assumptions and taking into account any exceptional effects in the current quarter.

At 30 September 2012, there were changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets, which led to a decrease in equity of EUR 418 m (after deferred tax) when compared with the figure at 31 December 2011 (decrease in equity of EUR 73 m). The main reason for this was the decrease in interest rates.

[8] Net financial debt

	Current		Non-current		Total	
in € million	30.09.2012	31.12.2011	30.09.2012	31.12.2011	30.09.2012	31.12.2011
Financial debt	1,540	1,277	8,890	6,491	10,430	7,768
Less: Securities	222	1,073	600	601	822	1,674
Less: Cash and cash equivalents	1,125	1,000	–	–	1,125	1,000
Net financial debt	193	–796	8,290	5,890	8,483	5,094

In May 2012, Linde Finance B.V. issued a new EUR 500 m bond under the EUR 10 bn Debt Issuance Programme. The seven-year bond has a fixed-interest coupon of 1.75 percent and is guaranteed by Linde AG. The proceeds of the transaction are being used in the general financing of the business.

To finance the acquisition of the US homecare company Lincare, a syndicated credit facility of EUR 3.6 m (USD 4.5 bn) was underwritten, subsequently reduced to EUR 2.2 bn (USD 2.8 bn)as a result of the capital increase which was concluded immediately afterwards. The acquisition loan was further reduced during the reporting period due to the issue of an eight-year EUR 1 bn bond in September 2012 with an interest coupon of 1.75 percent. In addition, Linde placed a five-year NOK 2 bn bond in September 2012 with an interest coupon of 2.75 percent. On its issue date, this bond was converted into USD debt and also used to redeem the acquisition loan.

Moreover, a EUR 724 m bond which fell due in April was redeemed on schedule and a GBP 100 m bond was redeemed early on 2 October 2012 by exercising a call option and therefore reclassified in current financial debt.

Of the financial debt at 30 September 2012, EUR 3.409 bn is in a fair value hedging relationship (31 December 2011: EUR 2.943 bn). If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.430 bn (31 December 2011: EUR 7.768 bn) would have been EUR 190 m (31 December 2011: EUR 167 m) lower.

To minimise the liquidity risk, The Linde Group concludes Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. An amount of EUR 138 m (31 December 2011: EUR 95 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 30 m (31 December 2011: EUR 45 m) has been disclosed in cash equivalents.

[9] Financial income and expenses

The net financial expense increased by EUR 25 m, from EUR 215 m for the nine months ended 30 September 2011 to EUR 240 m for the nine months ended 30 September 2012. It should be noted here that in the first quarter of 2011 the net financial expense included one-off financial income of EUR 30 m arising from the repayment of a loan relating to the sale of BOC Edwards in 2007.

[10] Earnings per share

	January to September	
in € million	2012	2011
Profit for the period attributable to Linde AG shareholders	904	856
Shares in thousands		
Weighted average number of shares outstanding	175,418	170,530
Dilution as a result of share option scheme	1,424	1,663
Weighted average number of shares outstanding – diluted	176,842	172,193
Earnings per share in € – undiluted	**5.15**	**5.02**
Earnings per share in € – diluted	**5.11**	**4.97**

Included in the figure for diluted earnings per share is the issue of shares relating to employee share option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (fully diluted), on a weighted basis until the date they are exercised.

[11] Segment reporting

The same accounting policies apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2011. No changes were made to the segment structure during the reporting period.

To arrive at the figure for the Gases Division as a whole from the figures from the reportable segments within the Gases Division, consolidation adjustments of EUR 80 m (2011: EUR 49 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the reportable segments in the Gases Division.

The reconciliation of segment revenue to Group revenue and of the operating profit of the reportable segments to Group profit before tax is shown in the table below:

Reconciliations of segment revenue and of the segment result

	January to September	
in € million	2012	2011
Revenue		
Total revenue from the reportable segments	11,335	10,472
Consolidation	–272	–263
Group revenue	**11,063**	**10,209**
Operating profit		
Operating profit from the reportable segments	2,741	2,510
Operating profit from corporate activities	–149	–108
Amortisation and depreciation	1,096	964
of which fair value adjustments identified in the course of the BOC purchase price allocation	181	181
of which impairments	21	21
Financial income	254	267
Financial expenses	494	482
Consolidation	–29	–39
Profit before tax	**1,227**	**1,184**

[12] Share option scheme

It was resolved at the Annual General Meeting of Linde AG held on 4 May 2012 to introduce a performance share programme for management (Long Term Incentive Plan 2012), under which up to 4 million options can be issued over a total period of five years. For this purpose, the issued share capital can be increased by up to EUR 10,240,000 by the issue of up to 4,000,000 bearer shares with a par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital).

The aim of LTIP 2012 is to encourage continuing loyalty to The Linde Group of management personnel in Linde AG and its affiliated companies, both within Germany and outside Germany, by creating a variable remuneration component in the form of shares which will act as a long-term incentive and which entails an element of risk.

The options may be issued in annual tranches during the authorised period. Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56 per share. Linde AG may decide, at its own discretion, at any time until the beginning of the exercise period that the option entitlements of the option holders may be met by providing own shares or making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. Each individual tranche may be issued within a period of 16 weeks after the Annual General Meeting of Linde AG. The options may not be exercised until a qualifying period has expired. The qualifying period begins on the issue date which has been determined and ends on the fourth anniversary of the issue date. The option must be exercised during a period of twelve months from the end of the relevant qualifying period (the exercise period).

The entitlement to this variable remuneration is dependent on the achievement of ambitious targets. Within each individual tranche of options, equal weighting is given to the "earnings per share" performance target and the "relative total shareholder return" performance target. Within each of these performance targets, a minimum target must be reached if the options are to become exercisable, and there is also a stretch target. If the stretch target for one of the performance targets is reached, all the options relating to that performance target become exercisable.

Personal investment, matching shares

A pre-condition of participation in the LTIP 2012 for plan participants in Band 5 or above in Linde's internal management structure is compulsory personal investment in shares of the company at the beginning of the scheme. In the case of members of the Executive Board, the number of shares that each individual Board member must purchase is determined by the Supervisory Board. For other Linde executives in Band 5 or above, it is the Executive Board which determines the number of shares that must be purchased by each individual. For each share acquired by a scheme participant as a personal investment and held by the participant throughout the qualifying period for options, one matching share in Linde Aktiengesellschaft will be granted at the end of the qualifying period at no cost to the participant. Conditions which apply to the granting of matching shares include: a personal investment in Linde Aktiengesellschaft shares by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period and, except in the event of the termination of the service or employment contract of the scheme participant before the end of the qualifying period (special cases) when different rules shall apply, the existence of a service or employment contract with the scheme participant at the end of the qualifying period in relation to which no notice has been given. Plan participants in Band 4 of Linde's internal management structure may make a voluntary personal investment in Linde AG shares and will be granted matching shares accordingly, subject to the aforementioned conditions.

A detailed description of the share option schemes in operation in 2011 is given in Note 28 of the Notes to the Group financial statements on pages 170 to 175 of the 2011 Financial Report.

Share options outstanding at 30 September 2012 and 31 December 2011 are disclosed in the table below:

Options	30.09.2012	31.12.2011
Long Term Incentive Plan 2012	408,823	–
Long Term Incentive Plan 2007	875,362	1,568,770
Linde Management Incentive Programme 2002	157,007	756,535

The total number of options outstanding fell by 884,113 during the reporting period. 410,154 options were issued under the Long Term Incentive Plan 2012. In the nine months to 30 September 2012, 43,199 options expired and 1,251,068 options were exercised. Members of the Executive Board and Supervisory Board were granted 59,323 options and exercised 221,689 options.

[13] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings in the Notes to the Group financial statements for the year ended 31 December 2011. Goods and services provided by the Group to associates or joint ventures and provided by associates or joint ventures to the Group (related party transactions) were as follows:

	January to September	
	2012	2011
in € million	From associates or joint ventures	From associates or joint ventures
Revenue	106	108
Goods and services purchased	27	25

Receivables from and liabilities to associates or joint ventures arising from related party transactions were as follows:

	30.09.2012	31.12.2011
in € million	From/to associates or joint ventures	From/to associates or joint ventures
Receivables	237	265
Liabilities	40	24

Transactions with non-consolidated subsidiaries during the reporting period were immaterial.

Related parties include the members of the Executive Board and Supervisory Board. During the reporting period, Linde acquired a 100 percent interest in the family company of a member of the Supervisory Board at a purchase price of EUR 2.1 m. The transaction took place under the usual market conditions. Other than this, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisiory Board which do not fall within the scope of existing rules governing the employment, service or appointment of those individuals or of the contractual arrangements for their remuneration. Some members of Linde's Executive and Supervisory Boards hold similar positions in other companies. Linde has normal business relationships with virtually all these companies. The sale and purchase of goods and services to and from these companies take place under the usual market conditions.

[14] Contingent liabilities and other financial commitments

In the normal course of business, The Linde Group or any of its Group companies are involved in current or foreseeable legal or arbitration proceedings. During the reporting period, there have been no significant changes to the situation compared with the information provided on page 200 of the 2011 Financial Report.

There were other financial commitments arising from investments in tangible assets (commitments resulting from orders) at 30 September 2012 of EUR 274 m (31 December 2011: EUR 223 m)

[15] 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 in accordance with IFRS 3 on the acquisition of BOC and on acquisitions directly related to the BOC transaction.

Adjusted financial figures

	January to September					
	2012			2011		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Revenue	11,063	–	11,063	10,209	–	10,209
Cost of sales	−7,009	37	−6,972	−6,477	39	−6,438
Gross profit	4,054	37	4,091	3,732	39	3,771
Research and development costs, marketing, selling and administration expenses	−2,730	144	−2,586	−2,442	142	−2,300
Other operating income and expenses	75	–	75	55	–	55
Share of profit or loss from associates and joint ventures (at equity)	68	–	68	54	–	54
EBIT	1,467	181	1,648	1,399	181	1,580
Financial result	−240	–	−240	−215	–	−215
Taxes on income	−269	−68	−337	−281	−68	−349
Profit for the period	958	113	1,071	903	113	1,016
attributable to Linde AG shareholders	904	113	1,017	856	113	969
attributable to non-controlling interests	54	–	54	47	–	47
Earnings per share in € – undiluted	5.15	–	5.80	5.02	–	5.68
Earnings per share in € – diluted	5.11	–	5.75	4.97	–	5.63

[16] Discretionary decisions and estimates

The preparation of the interim report in accordance with IFRS requires discretionary decisions and estimates for some items which might have an effect on their recognition and measurement in the statement of financial position and statement of profit or loss. The actual amounts realised may differ from these estimates. Estimates are required in particular for:

- → the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories,
- → the recognition and measurement of pension obligations,
- → the recognition and measurement of other provisions,
- → the assessment of the stage of completion of long-term construction contracts,
- → the assessment of lease transactions,
- → the measurement of assets acquired and liabilities assumed in the course of business combinations.

Any change in the key factors which are applied in impairment reviews of goodwill, other intangible assets, tangible assets or inventories may possibly result in higher or lower impairment losses or no impairment losses at all being recognised.

The obligation arising from defined benefit commitments is determined on the basis of actuarial assumptions. Any change in the assumptions would have no effect on earnings, as actuarial gains and losses are recognised directly in equity.

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources to settle the obligation, and on past experience and circumstances known at the balance sheet date. The actual amount utilised may therefore differ from the figure set aside under other provisions.

The assessment of the stage of completion of long-term construction contracts is based on the percentage of completion method, subject to certain conditions being met. The stage of completion of the contract is determined on the basis of the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For major projects, the calculation and analysis of the stage of completion of the project take into account in particular contract costs incurred by subcontractors. External experts are sometimes used to assist with the calculation of these costs.

Discretionary decisions are required to be made, for example, in assessing whether all the substantial risks and rewards incidental to the ownership of an asset have in fact been transferred to the lessee. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. If the measurement was made on a different basis, this could lead to a different classification of the plants.

Business combinations require estimates to be made when determining fair values for assets, liabilities and contingent liabilities acquired, as well as for contingent components of the purchase price. The nature of the estimates depends on the measurement methods applied. When discounted cash flow methods are used, primarily to measure intangible assets (but which are also used to calculate contingent consideration), discretionary aspects include the length and breadth of the cash flow and the determination of an appropriate discount rate. If cost-based methods are used, the main discretionary element is the assessment of the comparability of the reference objects with the objects to be measured. When making discretionary decisions about purchase price allocations in the case of significant business combinations, Linde takes advice from experts in the field, who assist in arriving at the decisions and provide reports backing their opinions.

[17] Significant events after the balance sheet date

No significant events occurred for The Linde Group between the end of the reporting period on 30 September 2012 and the publication deadline for these condensed Group interim financial statements.

Munich, 26 October 2012

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Professor Dr Aldo Belloni
Member of the Executive Board
of Linde AG

Sanjiv Lamba
Member of the Executive Board
of Linde AG

Thomas Blades
Member of the Executive Board
of Linde AG

Review Report

To Linde AG, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde AG, Munich, for the period from 1 January to 30 September 2012 that are part of the quarterly financial report according to § 37x (3) German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's Executive Board. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer e. V. (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditors' report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 26 October 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer
(German Public Auditor)

Christoph B. Schenk
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

To the best of our knowledge and belief, and in accordance with the applicable accounting principles for interim reporting, the condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining part of the financial year.

Munich, 26 October 2012

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Chief Executive Officer
of Linde AG

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Member of the Executive Board
of Linde AG

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Member of the Executive Board
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This report is available in both German and English and can be downloaded from our website at www.linde.com.

Additional copies of the report and further information about Linde can be obtained from us free of charge.

Financial Calendar

Autumn Press Conference
29 October 2012
Carl von Linde Haus, Munich

Interim Report
January to September 2012
29 October 2012

Press Conference on Annual Results
7 March 2013
Carl von Linde Haus, Munich

Interim Report
January to March 2013
6 May 2013

Annual General Meeting 2013
29 May 2013, 10 a.m.
International Congress Centre Munich

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