THE LINDE GROUP

Press release

First six months of 2009: The Linde Group strengthens operating margin in difficult market environment

- Programme for sustainable improvements in productivity takes effect
- Operating margin increases to 20.2 percent despite restructuring costs
- Improved operating cash flow: 841 million euro (2008: 816 million euro)
- Group sales down 12.5 percent to 5.476 billion euro
- Group operating profit* down 12.2 percent to 1.104 billion euro (down 6.9 percent after adjusting for restructuring costs)
- Outlook for 2009: Further recovery in business trends expected compared with the first half of the year; however, 2008 record level no longer attainable

Munich, 3 August 2009 – The technology group The Linde Group has in the first six months of the 2009 financial year in an ongoing difficult market environment and despite volume reductions caused by global economic conditions stabilised its profitability. At Group level, the operating margin was 20.2 percent in the first six months of the year, compared with 20.1 percent in the comparable prior-year period. Adjusted for one-off restructuring costs of 67 million euro, the operating margin was 21.4 percent. "The measures we have taken to achieve sustainable improvements in productivity are having an effect," said Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG. "At the same time, in our gases business we are beginning to see occasional signs of a slight recovery in demand. However, future global economic developments are beset with uncertainty and the crisis is not yet over. Against this background, we will be unable to achieve in the 2009 financial year the same level of sales and earnings achieved in 2008, a record year. However, provided that the economic recovery stabilises, we expect a better business development in the second half year of 2009 than in the first six month."

In the course of the global economic crisis, Group sales fell by 12.5 percent in the first half of 2009 to 5.476 billion euro, compared with the record figure achieved in the first half of 2008 of 6.256 billion euro. Group operating profit* for the six months to 30 June 2009 was 1.104 billion euro, 12.2 percent below the prior year figure of 1.258 billion euro. Taking into account restructuring costs arising from the accelerated implementation of the High Performance Organisation (HPO) programme, the fall in

* Operating profit: EBITDA before non-recurring items, including share of net income from associates and joint ventures.

Group operating profit for Linde was only 6.9 percent. With HPO, the integrated programme for process optimisation and increased productivity, the Group is seeking to achieve cost savings of between 650 million euro and 800 million euro in the financial years from 2009 to 2012 and to continue to improve its competitiveness irrespective of the economic situation.

Earnings before taxes on income (EBT) were 365 million euro, a decline of 179 million euro (-32.9 percent) compared to the first half of 2008 (544 million euro). After deducting restructuring costs of 67 million euro and the gains on disposal of businesses of 59 million euro achieved in the first half of 2008 this decline was only 53 million euro (-10.9 percent).

Earnings after tax at 30 June 2009 were 274 million euro (2008: 402 million euro). After taking minority interests into account, earnings attributable to Linde AG shareholders were 248 million euro (2008: 375 million euro), giving earnings per share (EPS) of 1.47 euro (2008: 2.24 euro). Account should be taken here too, when comparing the figures for the first six months of 2009 and 2008, of the one-off restructuring costs charged in 2009 and the gains on the disposal of businesses recognised in 2008. On an adjusted basis, i.e. after adjusting for the effect of the purchase price allocation in the course of the BOC acquisition and the profits on disposal achieved in the prior year, earnings per share in the first half of 2009 stood at 2.06 euro (2008: 2.72 euro). The restructuring costs recognised in the first half of 2009 have not been adjusted for in this calculation. Cash flow from operating activities in the first six months of the year was 841 million euro, a figure which was higher than that for the first six months of 2008 of 816 million euro, despite the fall in earnings. This increase was mainly due to improvements in working capital management.

Gases Division

In the Gases Division, Linde was able to achieve slight increases in sales and earnings in the second quarter compared to the first quarter of 2009. However, if the figures for the first six months of 2009 are compared with those for the first six months of 2008, there was an overall decline. Sales in the Gases Division for the six months to 30 June 2009 were 4.350 billion euro, which was 7.6 percent lower than the figure for the comparable prior-year period of 4.709 billion euro, despite an increase of

1.7 percent over the first quarter of 2009. On a comparable basis, i.e. after adjusting for exchange rate effects and also taking into account changes in the price of natural gas and changes in Group structure, the fall in sales was 6.7 percent.

The operating profit of the Gases Division increased by over 8 percent in the second quarter compared to the first three months of the year. However, when the figures are compared for the first six months of 2009 and 2008, operating profit for 2009 at 1.138 billion euro was 4.7 percent below the prior-year figure of 1.194 billion euro. The Gases Division succeeded in limiting the reduction in earnings in a difficult market environment, improving its operating margin from 25.4 percent in 2008 to 26.2 percent in 2009.

The trends in the individual regions and product areas of the Gases Division were as follows:

In the Western Europe operating segment, business continued to be adversely affected by the substantial loss in value of the British pound, as in the first quarter. Against this background, sales in the first half of 2009 were 1.849 billion euro, 11.2 percent below the figure for the prior-year period of 2.083 billion euro. On a comparable basis, the decline in sales would have been a mere 6.0 percent. Operating profit was also adversely affected by exchange rate movements, falling 12.0 percent from 575 million euro in the first half of 2008 to 506 million euro in the first half of 2009. The operating margin in Western Europe remained high and virtually stable in the first six months of the year at 27.4 percent (2008: 27.6 percent). This relative stability was partly due to the positive impact of the cost optimisation measures under the HPO programme.

In Western Europe as a whole, there was no real market recovery in the second quarter. In most regions, including our three major sales markets, the UK, Germany and Scandinavia, volumes in the tonnage (on-site), liquefied gases and cylinder gas product areas declined significantly in comparison with the prior-year period.

In the Americas operating segment, we achieved sales in the first six months of 2009 of 993 million euro, 8.2 percent below the figure for the first six months of 2008 of 1.082 billion euro. On a comparable basis, the decline in sales was 8.4 percent. Linde was, however, able to achieve a slight increase in operating profit of 1.9 percent to 210 million euro, compared to the figure for the first half of 2008 of 206 million euro. The operating margin rose as a result from 19.0 percent to 21.1 percent. This increase was partly as a result of movements in natural gas prices, but was mainly due to the variety of measures we have taken to improve our efficiency.

In the Asia & Eastern Europe operating segment, sales in the first six months of 2009 were 877 million euro, 7.2 percent below the figure for the prior-year period of 945 million euro. On a comparable basis, the fall in sales was 7.4 percent. Operating profit of 266 million euro was almost as high as the figure for the first half of 2008 of 269 million euro. There was a significant increase in the operating margin as a result, from 28.5 percent to 30.3 percent. The accelerated implementation of our HPO programme again contributed to this positive trend. Additional contributions to earnings also arose from our joint venture activities in China. In comparison with the first quarter of 2009, we saw the clearest signs of an economic recovery in the Asia & Eastern Europe operating segment. This trend was demonstrated, for example, by higher capacity utilisation of our tonnage plants and by the awarding of new projects. We also continued to reinforce our leading market position in this region as a result of the start-up of new plants.

In the South Pacific & Africa operating segment, we were able to continue to increase sales in the first six months of the current year – by 5.4 percent to 666 million euro (2008: 632 million euro). We were able to more than offset adverse movements in the exchange rates of the Australian dollar and South African rand as a result of the consolidation for the first time of the Australian LPG business, Elgas. On a comparable basis, sales in the first half of 2009 fell by 4.6 percent. Operating profit rose by 8.3 percent to 156 million euro (2008: 144 million euro). This is equivalent to an improvement in the operating margin from 22.8 percent to 23.4 percent.

Business trends in the individual product areas of the Gases Division were affected by the continuing challenging global economic environment. On a comparable basis, sales in the first six months of the year in the bulk business fell by 9.1 percent to 1.074 billion euro (2008: 1.181 billion euro). Sales in the on-site (tonnage) business, where we supply industrial gases from plants situated on the user's site, sales in the first half of 2009 of 989 million euro were 5.4 percent below the figure for the prior-year period of 1.046 billion euro. In the cylinder gas business, sales fell by 9.0 percent to 1.779 billion (2008: 1.956 billion euro). The Healthcare product area once again proved immune to the economic crisis. Here sales rose 5.6 percent to 508 million euro (2008: 481 million euro).

Gases Division – Outlook

The continuing uncertainty in the market environment for the gases business has not caused us to change in any way our original target for the gases business. We want to grow at a more rapid pace than the market and to continue to increase our productivity. Given the current trends towards economic recovery, we are expecting a better business performance in the Gases Division in the second half of 2009 than in the first six months of the year. This positive development will, however, not be sufficient to ensure that sales and earnings for the full year 2009 will reach the levels achieved in 2008.

Engineering Division

In the Engineering business, which is characterised by major international projects, The Linde Group achieved sales of 1.113 billion euro in the first half of 2009, although it was unable to achieve the very high level of sales achieved in the first six months of 2008 of 1.411 billion euro. This decline is mainly due to the different project structure and physical completion compared to the previous year. Operating profit of 90 million euro was also below the figure for the first half of 2008 of 126 million euro. The operating margin was 8.1 percent. This means that we slightly exceeded our target margin of 8 percent, which is significantly higher than the industry average. Due to a marked reluctance by customers to award new projects, order intake in the first half of 2009 of 1.299 billion euro was, as expected, lower than the figure for the prior-year period of 1.557 billion euro. However, the major contract received at the end of June from Abu Dhabi for the construction of an olefin plant on the Ruwais site worth 1.075 billion US dollars demonstrates that we have a strong competitive position in the international engineering business.

This order also had a marked positive impact on our order backlog. Our order book at the end of June stood at 4.381 billion euro (31 December 2008: 4.436 billion euro). Most of the current order backlog relates to air separation plants (45 percent) and olefin plants (34 percent). The geographical focus remains the Middle East. Examples of major projects in this region are the new ethylene plant in Ruwais, the Enhanced Gas Recovery plant which we will operate jointly with our joint venture partner ADNOC and the Gas-to-Liquid (GTL) plant we are supplying for Shell in Qatar.

Engineering Division – Outlook

The continuing high level of our order backlog is a good basis for a relatively stable business performance in our Engineering Division in the coming 18 to 24 months. However, the effects of the economic crisis are being felt even in global large-scale plant construction. This may result, for example, in the award of new projects being postponed. We therefore assume that new orders in our Engineering Division will not be sufficient to achieve the same level of sales revenue in the 2009 financial year as in 2008. On the other hand, the target for our operating margin remains at 8 percent.

N.B.: To coincide with the publication of our quarterly report, a teleconference for analysts will take place today at 2pm (German time) in English with Georg Denoke, CFO of Linde AG. Journalists will have the opportunity to listen to the conference live by dialling +49.69.589.99-0509. Please tell the operator your name and the name of your company.

Following the teleconference, you will be able to hear a recording of the event by calling +49.30.726.167-224. Please give the following reference number: 841346.

The Linde Group is a world leading gases and engineering company with almost 50,000 employees working in around 100 countries worldwide. In the 2008 financial year it achieved sales of 12.7 billion euro. The strategy of The Linde Group is geared towards sustainable earnings-based growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. Linde is committed to technologies and products that unite the goals of customer value and sustainable development.

For more information, please see The Linde Group online at http://www.linde.com

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