Company no 01538873

Annual Report
Industrial Supplies & Services Limited

2011

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Industrial Supplies & Services Limited

Annual report for the year ended 31 December 2011

Directors' report for the year ended 31 December 2011

Principal activities

The principal activity of the company in the year under review was the management and administration of its subsidiary companies, whose principal activites are the sale and distribution of welding consumables, safety and related industrial products and equipment

Business review

The company's income is mainly derived from dividends, administration and management charges from its subsidiary undertakings Investment income rose during the year to £142,500 (2010 £140,671) following an increase in dividends received of £60,500, whilst income from group borrowings remained broadly stable Income from group borrowings of £57,210 was reclassified in the year under review to "Other interest receivable"

The company's operating loss for the year of £1,512,602 (2010 £266,650 profit) included a one off non-recurring charge, recognised in full, of £1,620,000 following a review of the company's investments in subsidiary undertakings

Overall, the directors are of the opinion that the company and its subsidiaries are responding well in the present trading environment and believe that the financial position of the company is sound The directors expect the company to return to profit during 2012

The company is focussed on improving its profit margins and refers to gross and net profits as key performance indicators

Dividends

No interim dividends have been paid during the year (2010 £nil) and the directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010 £nil)

Directors

The directors of the company during and after the period under review were

Mr P Chapman	resigned 07 December 2011
Mr M Dennis	resigned 01 April 2012
Mr R C Godley	resigned 30 September 2011
Mr S Hudson	appointed 02 December 2011
Mr N Palmer	appointed 02 April 2012
Mr R Walker	resigned 06 September 2012
Mrs S Williams	appointed 14 June 2011

The directors are not subject to retirement by rotation

Political and charitable contributions

The company has not made any political or charitable donations during the year

Disclosure of information to auditor

The directors holding office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Directors' report for the year ended 31 December 2011 (continued)

Auditor

Hobsons Chartered Accountants resigned as the company's auditor during the year, KPMG LLP were appointed to fill the vacancy arising Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the Board

S Kelly
Secretary

20 September 2012

Redfield Road, Lenton, Nottingham, Nottinghamshire, NG7 2UJ

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

The Companies Act 2006 (the "Act") requires the directors to prepare financial statements for each financial year and they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Pursuant to the Act, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgments and estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Act They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Industrial Supplies & Services Limited

We have audited the financial statements of Industrial Supplies & Services Limited for the year ended 31 December 2011 set out on pages 6 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,

have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditor's report to the members of Industrial Supplies & Services Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RI Moffatt

RI Moffatt
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
20 September 2012

Profit and loss account for the year ended 31 December 2011

	Note	2011	2010
In £			
Administrative expenses		(2,396,645)	(711,558)
Operating income		884,043	978,208
Operating (loss)/profit	[2]	(1,512,602)	266,650
Investment Income	[3]	142,500	140,671
Other interest receivable and similar income	[5]	62,548	57
Interest payable and similar charges	[5]	(109,827)	(124,442)
(Loss)/profit on ordinary activities before taxation		(1,417,381)	282,936
Taxation	[6]	6,160	(66,167)
(Loss)/profit for the financial year	[17]	(1,411,221)	216,769

All of the above relates to continuing operations

The company has no recognised gains and losses in the year other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been prepared

There is no material difference between the profit or loss on ordinary activities before taxation and the profit or loss for the financial year stated above and their historical cost equivalents

Balance sheet as at 31 December 2011

	Note	2011	2010
In £			
Fixed assets			
Tangible assets	[10]	447,636	461,794
Investments	[11]	1,046,957	872,575
		1,494,593	1,334,369
Current assets			
Stocks	[12]	9,286	8,122
Debtors	[13]	5,307,513	6,380,763
Cash at bank and in hand		575,598	782,150
		5,892,397	7,171,035
Creditors amounts falling due within one year	[14]	(909,601)	(497,643)
Net current assets		4,982,796	6,673,392
Total assets less current liabilities		6,477,389	8,007,761
Creditors amounts falling due after more than one year	[14]	(5,052,834)	(5,171,985)
Net assets		1,424,555	2,835,776
Capital and reserves			
Called up share capital	[16]	10,250	10,250
Share premium account		14,998	14,998
Profit and loss account		1,399,307	2,810,528
Shareholders' funds	[17]	1,424,555	2,835,776

The financial statements on pages 6 to 18 were approved by the board of directors on 20 September 2012 and were signed on its behalf by

Mrs S Williams
Director

Notes to the financial statements for the year ended 31 December 2011

[1] Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in the financial statements

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The use of going concern accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern

b) Cash flow statement

The company is a wholly owned subsidiary of Linde AG, and is included in the consolidated financial statements of Linde AG, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard Number 1 (revised 1996)

The principal accounting policies are set out below

c) Leases

Rentals payable under operating leases are charged agains income on a staight line basis over the lease term

d) Taxation

The charge for taxation is based on the result for the year Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on enacted or substantially enacted tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

e) Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year

f) Dividends

Final dividends proposed by the board of directors and unpaid at the year end are not recognised in the financial statements until they have been approved by a resolution of the company's members

g) Stock

Stock is valued at the lower of cost and net realisable value Cost comprises purchase price Net realisable value means estimated selling price less all further costs to be incurred in marketing, selling and distribution

h) Investments

Fixed assets investments are stated at cost less provision for permanent diminution in value

[1] Accounting policies (continued)

i) Investment income

Dividend income received from subsidiary undertakings is recognised when they have been approved by a resolution of that company's members

j) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date Transactions in foreign currencies are recorded at the date of the transactions All differences are taken to the Profit and Loss account

k) Group accounts

The company is exempt from the requirement to prepare consolidated financial statements because its results are included in the accounts of a larger group, details of which can be found in note [21]

[2] Operating (loss)/profit

[i] Operating (loss)/profit is stated after charging/(crediting) the following items

In £	2011	2010
Staff costs [note 9]	530,234	561,778
Operating lease charges		
Land and buildings	17,490	17,490
Motor vehicles	48,732	42,242
Depreciation and other amounts written off tangible fixed assets	32,023	20,641
Impairment of balances owed by group undertakings [note 4]	1,620,000	-
Profit on disposal of tangible fixed assets	-	(93)
Net foreign exchange gains	567	(51,714)
Audit of financial statements and other services [note 2 ii]	13,000	20,180

[ii] Audit of these financial statements and other services

In £	2011	2010
Audit of these financial statements	5,750	6,900
Taxation Services	-	3,280
Other Accountancy Services	7,250	10,000
	13,000	20,180

[3] Income from investments

In £	2011	2010
Dividends received	142,500	82,000
Loan interest received	-	58,671
	142,500	140,671

[4] Impairment of balances owed by group undertakings

During the year management conducted an impairment review of the investment in each subsidiary undertaking This impairment review included both the investment held by Industrial Supplies & Services Limited (ISS) and also the inter-company debtor balances owed by each individual subsidiary

The review indicated that for the following subsidiaries, the companies were unlikely to be able to repay its inter-company debt

Following the impairment review and subsequent provisions raised against the balances owed by the subsidiaries below, no adjustment to the carrying value of the investments is required

Subsidiary undertaking	Loan amounts owed to Industrial Supplies & Services Limited as at 31 Dec 2011 excluding Impairment	Impairment recognised during the year	Loan amounts owed to Industrial Supplies & Services Limited as at 31 Dec 2011
In £			
Industrial & Welding Supplies (North West) Limited	1,725,134	(1,300,000)	425,134
Allweld Industrial & Welding Supplies Limited	170,000	(170,000)	-
Wessex Industrial & Welding Supplies Limited	289,970	(150,000)	139,970
Total	2,185,104	(1,620,000)	565,104

The recoverable amount of each subsidiary is calculated using a discounted cash flow model The key assumptions are outlined below

The period over which management has projected cash-flows is 5 years

The growth rate used to extrapolate cash flows is specific to each subsidiary and is based on historic underlying growth

ISS is part of a global group The discount rate used is based on the group rate adjusted for appropriate local risk factors

Dormant and non-trading entities

The following dormant and non-trading subsidiary undertakings do not currently have sufficient resources to repay the debts owed to ISS

Industrial Supplies & Services (Cannock) Limited
Cotswold Industrial & Welding Supplies Limited
Seabrook Industrial & Welding Supplies Limited

Post year end ISS's indirect parent company, The BOC Group Limited, has indicated that it expects to inject sufficient resources into the subsidiaries above to enable them to pay their liabilities

Presentation

The impairment charge has been recognised in full during the current financial year within administration expenses, see note [2]

[5] Interest

Interest receivable and similar income		
In £	2011	2010
Bank interest	5,338	57
Loan interest received from subsidiary undertakings	57,210	-
	62,548	57

Interest payable and similar charges		
In £	2011	2010
On amounts payable to group companies	109,827	110,854
Bank interest	-	13,588
	109,827	124,442

[6] Tax on (loss)/profit on ordinary activities

In £	2011	2010
a) Analysis of charge in year		
Current tax		
Adjustment in respect of previous years	-	(207)
Group relief	-	66,374
	-	66,167
Deferred tax		
Origination and reversal of timing differences	(1,946)	-
Adjustment to tax charge in respect of previous year	(4,214)	-
Total deferred tax [note 15]	(6,160)	-
Tax (credit)/charge on loss on ordinary activities	(6,160)	66,167
b) factors affecting tax for the year		
The tax assessed for the year is different to the rate of corporation tax in the UK of 26 5% (2010 28%) The differences are explained below		
Loss/(profit) on ordinary activities before taxation	(1,417,381)	282,936
Loss/(profit) on ordinary activities multiplied by standard rate of corporation tax in the UK 26 5% (2010 28%)	(375,606)	79,222
Effects of		
Expenses not deductible for tax purposes	440,187	7,757
Capital allowances in excess of depreciation	2,063	2,355
Income not chargeable for tax purposes	(37,763)	(22,960)
Adjustment to tax charge in respect of previous year	-	(207)
Group relief for nil consideration	(28,881)	-
Current tax charge for the year (as above)	-	66,167

c) Factors that may affect future tax charges

On 23 March 2011, the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 26% with effect from 1 April 2011 and 25% from 1 April 2012 This tax change became substantively enacted on 5 July 2011 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2011 has been included in the figures above

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24 per cent with effect from 1 April 2012 This change became substantively enacted on 26 March 2012 and therefore the effect of the rate change would create a reduction in the deferred tax asset of £246 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

[7] Dividends

There were no interim dividends paid during the financial year (2010 £nil)

[8] Directors emoluments

Certain directors of the company are employed as managers or directors by Industrial Supplies & Services Limited and/or BOC Limited and are remunerated by the relevant company all, or in part, in respect of their services The amount disclosed in this note relates to directors directly employed by this company and amounts charged to this company in respect of directors services where they are not solely employed by this company

In £	2011	2010
Remuneration and other emoluments	274,755	180,836
Pension contributions	21,735	17,000
	296,490	197,836

[9] Employees

[a] Average number of employees

The average monthly number of persons (including executive directors) employed by the company during the year was

	2011	2010
Management and sales	14	14

[b] Employment costs

In £	2011	2010
Wages and salaries	438,815	465,606
Social security costs	59,557	62,533
Pension costs	31,862	33,639
	530,234	561,778

[10] Tangible assets

In £	Land and Buildings	Fixtures, fittings and equipment	Motor vehicles	Total
Cost				
At 1 January 2011	546,030	107,363	2,222	655,615
Additions	-	5,057	12,808	17,865
At 31 December 2011	546,030	112,420	15,030	673,480
Depreciation				
At 1 January 2011	115,562	77,154	1,105	193,821
Charge for the year	11,059	7,712	13,252	32,023
At 31 December 2011	126,621	84,866	14,357	225,844
Net book value				
At 31 December 2011	419,409	27,554	673	447,636
At 1 January 2011	430,468	30,209	1,117	461,794

[11] Investments

	Shares in group undertakings
Cost at 1 January 2011	In £
At beginning of year	872,575
Additions	174,382
Cost at 31 December 2011	1,046,957

The increase in investments of £175,382 from 2010 relates to the buy out of minority interests in 3 subsidiary companies, Leen Gate Industrial & Welding Supplies (Scotland) Limited (20%), Leengate Industrial & Welding Supplies Limited (10%) and Leengate Industrial & Welding Supplies (Lincoln) Limited (10%)

In £	Leen Gate Industrial & Welding Supplies (Scotland) Limited	Leengate Industrial & Welding Supplies Limited	Leengate Industrial & Welding Supplies (Lincoln) Limited
Cost at 1 January 2011	1	5,856	7,234
Addition	120,000	25,062	29,320
Cost at 31 December 2011	120,001	30,918	36,554

[11 1] Subsidiary Undertakings

Company and principal activity	Shares held class	Shares held No	% of shares held Class
Retail of welding equipment and materials			
Leengate Industrial & Welding Supplies (North East) Ltd	Ordinary £1	875	87 5
Industrial & Welding Management Ltd	Ordinary £1	1,000	100
Leengate Industrial & Welding Supplies (Lincoln) Ltd	Ordinary £1	10,000	100
Leengate Industrial & Welding Supplies Ltd	Ordinary £1	9,000	100
Rock Industrial & Welding Supplies Ltd	Ordinary £1	9,960	100
Pennine Industrial & Welding Supplies Ltd	Ordinary £1	10,000	100
Cotswold Industrial & Welding Supplies Ltd (non-trading)	Ordinary £1	1	100
Leengate Industrial & Welding Supplies (Cannock) Ltd	Ordinary £1	1,000	100
Leengate Industrial & Welding Supplies (Nottingham) Ltd	Ordinary £1	40,000	100
Future Industrial & Welding Supplies Ltd	Ordinary £1	200	100
Gas & Gear Ltd (dormant)	Ordinary £1	2	100
Leengate Industrial & Welding Supplies (Scotland) Ltd	Ordinary £1	1,000	100
Seabrook Industrial & Welding Supplies Ltd (non-trading)	Ordinary £1	1,000	100
W & G Supplies Ltd (non-trading)	Ordinary £1	100	100
Wessex Industrial & Welding Supplies Ltd	Ordinary £1	1	100
Industrial & Welding Supplies (North West) Ltd	Ordinary £1	2	100
Industrial & Welding Supplies Ltd (non-trading)	Ordinary £1	1,000	100
Gas Instruments Services Ltd (dormant)	Ordinary £1	1,000	100
Allweld Industrial & Welding Supplies Ltd	Ordinary £1	1	100
Gwynedd Industrial & Welding Supplies Ltd	Ordinary £1	1	100
Leengate Hire & Services Ltd (non-trading)	Ordinary £1	10,010	100
Subsidiary of Industrial & Welding Supplies Ltd			
Express Industrial & Welding Supplies Ltd	Ordinary £1	20,000	100
Service of welding equipment			
Welder Equipment Services Ltd	Ordinary £1	7,500	75
Gas and pipeline products			
Leengate Valves Ltd	Ordinary £1	9,425	94 25
Gaffney Industrial & Welding Supplies Ltd	Ordinary £1	80	80

All of the above companies are registered in England and Wales

[12] Stocks

In £	2011	2010
Finished goods and goods for resale	9,286	8,122

[13] Debtors

In £	2011	2010
Amounts owed by group undertakings	5,262,879	6,351,734
Other debtors	38,474	29,029
Deferred tax [note 16]	6,160	-
	5,307,513	6,380,763

In £	2011	2010
Amounts falling due after more than one year and included in debtors are		
Amounts owed by group undertakings	1,620,860	3,392,917

[14] Creditors

In £	2011	2010
Trade creditors	58,391	20,136
Amounts owed to group undertakings	755,531	406,800
Other taxes and social security costs	14,508	13,195
Other creditors	81,171	57,512
	909,601	497,643

In £	2011	2010
Amounts falling due after more than one year		
Amounts owed to group undertakings - see note [20]	5,052,834	5,171,985

[15] Deferred tax

In £	2011	2010
Arising from capital allowances in excess of depreciation	(6,160)	-
At 1 January	-	-
Deferred tax credit- see [note 6]	(6,160)	-
At 31 December - see [note 13]	(6,160)	-

[16] Share capital

In £	2011	2010
Authorised		
20,000 ordinary shares of £1 each	20,000	20,000
Allotted and fully paid		
10,250 Ordinary Shares of £1 each	10,250	10,250

[17] Reconciliation of movements in shareholders' funds

In £	2011	2010
(Loss)/profit for the financial year	(1,411,221)	216,769
Opening shareholders' funds	2,835,776	2,619,007
Closing shareholders' funds	1,424,555	2,835,776

[18] Financial Commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating lease commitments expiring as follows

In £	As at 31 December 2011 Land and Buildings	As at 31 December 2010 Land and Buildings	As at 31 December 2011 Other	As at 31 December 2010 Other
Within one year	-	-	16,892	3,386
Within two to five years	-	-	10,089	28,968
After five years	17,490	17,490	-	-
	17,490	17,490	26,981	32,354

[19] Contingent Liabilities

The company has given the bank guarantees to secure monies owed by subsidiary undertakings up to a maximum of £3,155,000 (2010, £3,155,000)

The company has a contingent liability in respect of agreements entered into by certain subsidiary undertakings with the minority shareholders of those undertakings, whereby upon death, retirement or termination of employment of those minority shareholders, the subsidiary or the company may purchase the ordinary shares at a price determined by the relevant agreement

[20] Related party disclosures

Management and administration charges of £836,068 (2010 - £903,080) have been charged to subsidiary undertakings

The company rents its freehold property to subsidiary undertakings Rent receiveable for the year amounted to £48,000 (2010 - £48,000)

The company was charged interest on group borrowings of £109,827 (2010 - £110,854)

The company received interest on group borrowings of £57,210 (2010 - £58,671)

The company received dividend income of £142,500 (2010 - £82,000)

[20] Related party disclosures (continued)

At 31 December 2011 the following balances with related parties were held,

In £	2011	2010
Amounts due from associated subsidiary undertakings within one year	3,569,392	2,940,549
Split by,		
Allweld Industrial & Welding Supplies Ltd	2,769	8,643
Express Industrial & Welding Supplies Ltd	14,678	11,488
Gaffney Industrial & Welding Supplies Ltd	75,214	29,189
Gwynedd Industrial & Welding Supplies Ltd	144,854	66,085
Industrial & Welding Management Ltd	448,188	205,109
Industrial & Welding Supplies (North West) Ltd	430,287	313,379
Leengate Industrial & Welding Supplies Ltd	32,975	35,952
Future Industrial & Welding Supplies Ltd	5,044	(4,197)
Leengate Industrial & Welding Supplies (Cannock) Ltd	820,965	790,896
Leengate Industrial & Welding Supplies (Lincoln) Ltd	15,247	30,345
Leengate Industrial & Welding Supplies (Scotland) Ltd	2,868	4,754
Leengate Industrial & Welding Supplies (North East) Ltd	97,033	84,465
Welder Equipment Services Ltd	8,746	23,340
Leengate Industrial & Welding Supplies (Nottingham) Ltd	373,275	336,893
Pennine Industrial & Welding Supplies Ltd	208,207	213,595
Rock Industrial & Welding Supplies Ltd	150,790	85,828
Leengate Valves Ltd	248,071	240,584
Wessex Industrial & Welding Supplies Ltd	2,910	4,567
Leengate Hire & Services Ltd	208,649	208,649
Industrial & Welding Supplies Ltd	136,538	108,900
Seabrook Industrial & Welding Supplies Ltd	142,084	142,085

In £	2011	2010
Amounts due from associated subsidiary undertakings more than one year	1,620,860	3,392,917
Split by,		
Allweld Industrial & Welding Supplies Ltd	-	165,000
Gwynedd Industrial & Welding Supplies Ltd	230,000	230,000
Industrial & Welding Supplies (North West) Ltd	-	1,398,735
Welder Equipment Services Ltd	133,800	227,472
Pennine Industrial & Welding Supplies Ltd	110,000	110,000
Wessex Industrial & Welding Supplies Ltd	137,060	251,710
Industrial & Welding Supplies Ltd	1,010,000	1,010,000

In £	2011	2010
Amounts due from indirect parent undertaking	72,627	18,268

[20] Related party disclosures (continued)

In £	2011	2010
Amounts due to associated subsidiary undertakings	166,889	129,390
Split by,		
Express Industrial & Welding Supplies Ltd	10,079	-
Industrial & Welding Management Ltd	14,475	11,794
Pennine Industrial & Welding Supplies Ltd	39,222	23,129
Cotswold Industrial & Welding Supplies Ltd	19,000	19,000
Leengate Industrial & Welding Supplies (Nottingham) Limited	13,761	13,893
Leengate Industrial & Welding Supplies (Cannock) Limited	33,261	33,261
Welder Equipment Services Limited	8,917	8,917
Other	28,174	19,396

In £	2011	2010
Amounts due to indirect parent undertaking	5,641,476	5,449,395

[21] Ultimate parent undertaking

Industrial Supplies & Services Limited is a wholly owned subsidiary of Welding Products Holdings Limited, a company registered in England & Wales

The ultimate parent company is Linde AG, Klosterhofstrasse 1, 80331 Munich, Germany

Linde AG is the smallest and largest group to consolidate these financial statements Copies of Linde AG's consolidated financial statements can be obtained from that company at Klosterhofstrasse 1, 80331 Munich, Germany

The Linde Financial Report 2011.

Profitable Growth.

Leading.

THE LINDE GROUP

Our company values

Passion to excel.

Innovating for customers.

Empowering people.

Thriving through diversity.

Our vision

We will be the leading global gases and engineering company, admired for our people, who provide innovative solutions that make a difference to the world.

Inside cover fold-out:
C3: Linde financial highlights, C4: Corporate profile

Linde financial highlights

in € million		January to December 2011	2010	Change
Share				
Closing price	€	114 95	113 55	1 2 %
Year high	€	125 80	115 30	9 1 %
Year low	€	96 16	76 70	25 4 %
Market capitalisation (at year end closing price)		19,663	19,337	1 7 %
Adjusted earnings per share[1]	€	7 71	6 89	11 9 %
Earnings per share – undiluted	€	6 88	5 94	15 8 %
Number of shares outstanding (in 000s)		171,061	170,297	0 4 %
Sales		13,787	12,868	7 1 %
Operating profit[2]		3,210	2,925	9 7 %
Operating margin		23 3 %	22 7 %	+60 bp[3]
EBIT before amortisation of fair value adjustments		2,152	1,933	11 3 %
Earnings after taxes on income		1,244	1,064	16 9 %
Number of employees		50,417	48,430	4 1 %
Gases Division				
Sales		11,061	10,228	8 1 %
Operating profit		3,041	2,766	9 9 %
Operating margin		27 5 %	27 0 %	+50 bp[3]
Engineering Division				
Sales		2,531	2,461	2 8 %
Operating profit		304	271	12 2 %
Operating margin		12 0 %	11 0 %	+100 bp[3]

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

[2] EBITDA including share of income from associates and joint ventures

[3] Basis points

Corporate profile

The Linde Group
The Linde Group is a world-leading gases and engineering company with around 50,500 employees in more than 100 countries worldwide. In the 2011 financial year, it achieved sales of EUR 13.787 bn. The strategy of The Linde Group is geared towards long-term profitable 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. The Group is committed to technologies and products that unite the goals of customer value and sustainable development.

Organisation
The Group comprises three divisions: Gases and Engineering (the two core divisions) and Other Activities (Gist, the logistics service provider). The largest division, Gases, has three reportable segments: EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas, which are subdivided into eight Regional Business Units (RBUs). The Gases Division also includes the two Global Business Units (GBUs) Healthcare (medical gases and related maintenance and advisory services) and Tonnage (on-site supply of gases to major customers), as well as the two Business Areas (BAs) Merchant & Packaged Gases (liquefied and cylinder gases) and Electronics (electronic gases).

Gases Division
The Linde Group is a world leader in the international gases market. The company offers a wide range of compressed and liquefied gases as well as chemicals and is the partner of choice across a huge variety of industries. Linde gases are used, for example, in the energy sector, steel production, chemical processing, environmental protection and welding, as well as in food processing, glass production and electronics. The Group is also investing in the expansion of its Healthcare business (medical gases) and is a leading global player in the development of environmentally friendly hydrogen technology.

Engineering Division
Linde Engineering is successful throughout the world, with its focus on promising market segments such as olefin plants, natural gas plants and air separation plants, as well as hydrogen and synthesis gas plants. In contrast to virtually all its competitors, the Group is able to rely on its own process engineering know-how in the planning, project development and construction of turnkey industrial plants. Linde plants are used in a wide variety of fields: in the petrochemical and chemical industries, in refineries and fertiliser plants, to recover air gases, to produce hydrogen and synthesis gases, to treat natural gas and in the pharmaceutical industry.

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Executive Board

Professor Dr Wolfgang Reitzle
Born 1949
Doctorate in Engineering (Dr.-Ing.),
Degree in Economics and Engineering (Dipl.-Wirtsch.-Ing.)
Chief Executive Officer
Responsible for the following global and central functions
Communications & Investor Relations, Corporate Strategy,
Group Human Resources, Group Legal, Group Organisation &
Information Services, Innovation Management,
Internal Audit, Performance Transformation,
SHEQ (Safety, Health, Environment, Quality) and Gist
Member of the Executive Board since 2002

Professor Dr Aldo Belloni
Born 1950
Doctorate in Chemical Engineering (Dr.-Ing.)
Responsible for the Engineering Division, the EMEA
(Europe, Middle East, Africa) segment and
the Global Business Unit Tonnage (on-site)
Member of the Executive Board since 2000

Georg Denoke
Born 1965
Degree in Information Science
Degree in Business Administration (BA)
Responsible for the following global and central functions
Capital Expenditure, Financial Control, Group Accounting &
Reporting, Group Treasury, Growth & Performance, Insurance,
Mergers & Acquisitions, Procurement, Risk Management, Tax
as well as for Finance/Controlling for the segments EMEA,
Americas, Asia/Pacific
Human Resources Director
Member of the Executive Board since 2006

Sanjiv Lamba
Born 1964
Chartered Accountant
Bachelor of Commerce
Responsible for the Asia/Pacific segment, the Asian joint
ventures and the Business Area Electronics (electronic gases)
Member of the Executive Board since 2011

Changes in the composition of the Executive Board

The Supervisory Board of Linde AG has appointed Thomas Blades as a member of the Executive Board. Blades succeeds J. Kent Masters, who stepped down from the Linde AG Executive Board on 30 September 2011. Blades is expected to assume his position on 8 March 2012. Like his predecessor, Mr Masters, Mr Blades will be the Executive Board member responsible for the Americas segment, the Global Business Unit Healthcare and the Business Area Merchant & Packaged Gases (liquefied and cylinder gases).

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From left to right: Thomas Blades, Sanjiv Lamba, Georg Denoke, Professor Dr Wolfgang Reitzle, Professor Dr Aldo Belloni.

Letter to the shareholders

Ladies and Gentlemen,

Despite the sovereign debt crisis and the crises in the eurozone and the financial markets, the global economy continued to grow during the 2011 financial year. However, the momentum of the economic recovery slowed somewhat in the course of the year. As in 2010, most of the impetus in the global economy came from the emerging nations of Asia, whereas growth in the more mature Western economies was relatively modest.

We performed well in this environment, achieving our targets in full. We succeeded in generating significant increases in Group sales and Group operating profit, setting new records for our Group. Group sales rose by 7.1 percent to EUR 13.787 bn (2010: EUR 12.868 bn), while Group operating profit grew at a faster rate than sales, by 9.7 percent to EUR 3.210 bn (2010: EUR 2.925 bn).

This successful performance is testament to our business model which is geared towards stability and sustainability as well as to the excellent position of our Group. Our gases and engineering businesses have a global presence across all industry sectors and are outstandingly well-placed in the growth markets. What is more, we have continued to improve the efficiency of the entire Group and have again increased our profitability.

Against this background, we will continue to base our dividend payments on earnings. At the Annual General Meeting on 4 May 2012, the Executive Board and the Supervisory Board will propose that you, our shareholders, be paid a dividend of EUR 2.50 per share. This is an increase of 13.6 percent compared with last year's dividend of EUR 2.20.

Recent economic forecasts suggest that macroeconomic growth in 2012 will be weaker than in 2011. The European sovereign debt crisis is seen as the main risk to the economy, a problem which will not be solved overnight. Instead, we all need to change our mindset and accept that for the time being we will need to live with modest economic growth and persistent volatility in the international capital markets.

We feel that we are really well-prepared for this challenging environment and we look to the future with an overall sense of confidence. In the 2012 financial year, we expect to continue to achieve growth in Group sales and an improvement in Group operating profit when compared with 2011. We also confirm our medium-term targets. In the 2014 financial year, we will be aiming to generate Group operating profit of at least EUR 4 bn. In that same year, return on capital employed, our core performance indicator, should reach at least 14 percent. In the 2011 financial year, we achieved a return on capital employed of 13.0 percent.

Over the next few years, we will also exploit the opportunities presented by long-term global megatrends: energy and the environment, health and healthcare, and dynamic trends in the emerging economies. We intend to strengthen our position in all these areas. One example of this is the acquisition by The Linde Group of Air Products' homecare business in Continental Europe, agreed at the beginning of 2012.

We will also go on doing everything we can to optimise our processes and to implement our holistic concept for ongoing efficiency and productivity gains This will provide us with a sound basis for achieving sustainable, profitable growth into the future

Professor Dr Wolfgang Reitzle
Chief Executive Officer of Linde AG

Supervisory Board

Members of the Supervisory Board

Dr Manfred Schneider
Chairman
Chairman of the Supervisory Board
of Bayer AG

Hans-Dieter Katte[1]
Deputy Chairman
Chairman of the Pullach
Works Council,
Engineering Division,
Linde AG

Michael Diekmann
Second Deputy Chairman
Chairman of the Board of Management
of Allianz SE

Professor Dr Ann-Kristin Achleitner
(appointed on 12 May 2011)
Professor at the
Technical University Munich (TUM)

Dr Clemens Borsig
Chairman of the Supervisory Board
of Deutsche Bank AG

Gernot Hahl[1]
Chairman of the Worms Works Council,
Gases Division, Linde AG

Thilo Kämmerer[1]
Trade Union Secretary of IG Metall

Matthew F C Miau
Chairman of MiTAC-SYNNEX-Group,
Taiwan

Klaus-Peter Muller
Chairman of the Supervisory Board
of Commerzbank AG

Jens Riedel[1]
Chairman of the Leuna Works Council,
Gases Division, Linde AG

Xaver Schmidt[1]
Secretary to the Executive Board
of IG Bergbau, Chemie, Energie Hanover

Josef Schregle[1]
Finance Director EMEA (Europe, Middle
East, Africa) and Project Control (FE),
Engineering Division, Linde AG

[1] Employee representative

Memberships of other German supervisory boards and comparable German and foreign boards are shown in Note [37] of the Notes to the Group financial statements

Supervisory Board committees

Mediation Committee in accordance with § 27 (3) of the German Codetermination Law (MitbestG)

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte[1]
Michael Diekmann
Gernot Hahl[1]

Standing Committee

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte[1]
Michael Diekmann
Gernot Hahl[1]
Klaus-Peter Muller

Audit Committee

Dr Clemens Borsig
(Chairman)

Professor Dr Ann-Kristin Achleitner
(appointed on 20 May 2011)
Gernot Hahl[1]
Hans-Dieter Katte[1]
Dr Manfred Schneider

Nomination Committee

Dr Manfred Schneider
(Chairman)

Michael Diekmann
Klaus-Peter Müller

The following member retired from the Supervisory Board in the 2011 financial year

Dr Gerhard Beiten
(retired on 12 May 2011)
Lawyer
Member of the Audit Committee
of the Linde AG Supervisory Board
(until 12 May 2011)

[1] Employee representative

Memberships of other German supervisory boards and comparable German and foreign boards are shown in Note [37] of the Notes to the Group financial statements

Report of the Supervisory Board

Dear shareholders,

During the 2011 financial year, the Supervisory Board conducted detailed reviews of the Group's situation, its prospects and its strategic development, as well as the future long-term positioning of The Linde Group and individual initiatives of key importance to the company. We monitored and advised the Executive Board in the running of its business operations in accordance with the duties assigned to us by law, the articles of association and the procedural rules of the Supervisory Board. Through verbal updates at our meetings and in the form of written reports, the Executive Board regularly provided us with timely and comprehensive updates on company performance, the economic situation, profitability and plans for the company and its subsidiaries. We assessed the plausibility of all documents presented to us and regularly consulted the Executive Board on significant issues. The Supervisory Board was involved in all major decisions made by the company including Executive Board transactions and measures requiring the approval of the Supervisory Board – in particular the annual capital expenditure programme, major acquisitions, divestments, and capital and financial measures. The Chairman of the Supervisory Board also ensured that he remained up to date on the current business situation, significant business transactions and decisions taken by the Executive Board through various channels including the minutes of Executive Board meetings. The Chairman maintained close contact with the Chief Executive Officer throughout the year, sharing information and ideas, and held regular consultations with him on the Group's strategy, risk situation and risk management. On the basis of the reports submitted by the Executive Board and the auditors' report, the Supervisory Board was able to satisfy itself as to the effectiveness of the risk monitoring system set up in accordance with Section 91 (2) of the German Stock Corporation Law (AktG). At no time during the year did the Supervisory Board raise any objections in relation to the sound, efficient management of the Group.

Meetings and resolutions of the Supervisory Board

Four regular Supervisory Board meetings were held in the 2011 financial year. Two members of the Supervisory Board were unable to attend the meeting on 1 December 2011 and sent their apologies. All the members of the Supervisory Board were present at the other meetings in 2011. One member, Mr Diekmann, did not take part in the discussions or voting procedures of the Standing Committee and the Supervisory Board regarding the appointment of Mr Thomas Blades to the Executive Board of Linde AG in September 2011. Mr Diekmann was a member of the Supervisory Board of Siemens AG, resulting in a potential conflict of interest, as Thomas Blades was an executive employee of Siemens AG at the time. Otherwise, there were no conflicts of interest involving Supervisory Board members during the year under review.

In 2011 the Supervisory Board's advisory and monitoring activities focused mainly on the growth prospects of the Group, its individual lines of business and its operating segments. In-depth discussions with the Executive Board examined in particular the Group's corporate and strategic goals, their feasibility, economic implications and anticipated impact on the Group's financial situation. The Executive Board provided us with extensive information on the competitive landscape. Based on verbal reports from the Executive Board, the Supervisory Board is satisfied that the Group's structure and processes are continually being assessed and streamlined in order to increase and consolidate long-term competitiveness across all lines of business.

In addition to reviewing current business developments, our meetings also addressed the Group's financial and risk situation, compliance with legal regulations and with internal guidelines, and key individual business transactions requiring Supervisory Board approval. After a thorough review of

the documents submitted and detailed discussions on the proposals by the Executive Board, the Supervisory Board granted all the necessary approvals Due to time pressure, four proposals that had already been discussed in part in a plenary meeting were approved outside Supervisory Board meetings in written form and on the basis of extensive documentation The proposals related to a Gases Division investment project requiring Supervisory Board approval which involved building an on-site plant as part of a long-term customer agreement, the requisite election of a new member of the Audit Committee following the resignation of a member of the Supervisory Board, an internal restructuring measure, and the granting of consent for the early retirement of Mr J Kent Masters from his position as a member of the Linde AG Executive Board, including the setting of the conditions for the termination of his employment contract

At the Supervisory Board meeting to approve the financial statements on 9 March 2011, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2010 and agreed the proposed appropriation of earnings We also, in the absence of the Executive Board, discussed and agreed on the targets reached in relation to the variable cash emoluments and total emoluments earned by the individual members of the Executive Board for 2010 and the targets to be achieved for the variable cash emoluments of the individual Executive Board members for 2011 In addition, we set targets in relation to the composition of the Supervisory Board, issued the declaration of compliance with the German Corporate Governance Code and approved the agenda for the Annual General Meeting, including the proposed resolutions In addition to its regular reports on business performance and the general position of The Linde Group, the Executive Board also presented us with an updated plan for the 2011 financial year and the updated mid-term business plan The Executive Board dealt in detail with selected key indicators and briefed us on their financial and operational impact on Linde Moreover, after detailed explanations from the Executive Board, we approved two transactions requiring Supervisory Board consent, namely a Gases Division investment project to build an on-site plant as part of a long-term customer agreement and the assumption of guarantees in conjunction with the restructuring of the UK pension plans We also appointed Sanjiv Lamba to the Executive Board and laid down the terms of his employment contract relating to his remuneration

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Immediately before the Annual General Meeting on 12 May 2011, the Executive Board presented the Group financial results and described the business performance of the Group for the quarter ended 31 March 2011 The Supervisory Board also agreed to extend the appointment of the Chief Executive Officer, Professor Dr Wolfgang Reitzle, whose mandate was due to expire on 9 May 2012 His term of office will now run until the end of the Annual General Meeting in 2014 This Supervisory Board meeting was also used to prepare for the subsequent Annual General Meeting

At our meeting on 27 September 2011, the Executive Board outlined in detail the economic situation facing The Linde Group and its divisions It also presented the outlook for 2011 as a whole Further focuses of the meeting were the progress made towards implementation of the strategy set in earlier years and the ongoing strategic development of the Group Key questions discussed included the strategic positioning and direction of Linde and its divisions, and projects considered or launched in this regard, as well as the impact of such projects on The Linde Group's financial position, net assets and results of operations Taking into account the current general economic climate, the Executive Board outlined opportunities and risks in an internationally competitive environment, as well as the significance of the process optimisation and efficiency gains programme and further measures to be taken in that direction The increase in The Linde Group's capital expenditure programme for 2011, a transaction requiring Supervisory Board approval, was also submitted to the Board and duly approved Furthermore, the Supervisory Board appointed Mr Thomas Blades to the Executive Board and agreed the terms of his employment with regard to his remuneration package

On 1 December 2011, the Executive Board presented us with a report on current business developments and the performance of the Group in comparison with its main competitors It also presented us with a preview of the 2011 financial statements, the budget for the 2012 financial year and the mid-term business plan, including financial, capital expenditure and human resources plans The Executive Board explained any variances between the plans and targets and the actual results We also dealt at length with a motion from the Executive Board regarding its proposed acquisition of the Continental European homecare business of the US gases company Air Products We carried out an extensive review of the assumptions made by the Executive Board, focusing on investment policy, investment planning and finance planning, liquidity, the level of Group borrowings and the strategic evolution of the healthcare business with corresponding objectives and measures After careful examination of the issues, we granted our approval We were also able to satisfy ourselves that the Executive Board was continuing its thorough review of the risks for the Group associated with the state of the economy as a whole and that it was drawing the necessary conclusions, and we approved The Linde Group's capital expenditure programme for 2012 Moreover, we approved a proposal submitted by the Executive Board with regard to some internal legal restructuring Additionally, in the absence of the Executive Board and following a recommendation from the Standing Committee, we adopted a new remuneration system for the Executive Board and set the remuneration for individual Executive Board members This new system takes account of the German Law on the Appropriateness of Executive Board Remuneration (VorstAG) and the German Corporate Governance Code It will be applied to all members of the Executive Board with effect from the 2012 financial year and is described in full in the remuneration report It will be submitted to the 2012 Annual General Meeting for approval The December meeting was followed by an information and discussion event devoted to new accounting and reporting rules

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and permanently verify that the provisions are being properly implemented Linde AG complies with all the recommendations of the German Corporate Governance Code as amended on 26 May 2010 In March 2012, the Executive Board and Supervisory Board issued an updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Law (AktG) and made it permanently available to shareholders on the company's website (www linde com) Further information on corporate governance at Linde can be found in the corporate governance report on pages 016 to 022

Committees and committee meetings

The Supervisory Board continues to have four committees the Mediation Committee, formed under Section 27 (3) of the German Codetermination Law (MitbestG), the Standing Committee, the Audit Committee and the Nomination Committee The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee The current members of each committee are listed on page 009 Information about the responsibilities of each committee is given in the corporate governance report on pages 016 to 022

The Standing Committee of the Supervisory Board held four meetings during the reporting year In addition, three resolutions were passed in writing The Standing Committee mainly dealt with matters relating to the Executive Board, particularly the preparation of decisions to be made by the full Supervisory Board on Executive Board remuneration and appointments to the Executive Board, as well as dealing with approval of the early retirement of one of the Executive Board members The Standing Committee carried out a thorough review of the design of the remuneration system for the Executive Board in terms of amount, structure and individual remuneration components It made changes to the existing system in cooperation with an independent external expert on executive pay Furthermore, the Standing Committee made the amendments to the articles of association required as a result of issuing shares to fulfil share options It stipulated the issue date for options under the Linde Performance Share Programme for the 2011 tranche and gave its consent to an Executive Board member who wished to take up a secondary occupation

The Audit Committee met on five occasions during the year under review In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the report on the audit focus and the presentation by the auditors of the main results of the audit The Audit Committee raised no objections on the basis of its reviews The auditors did not report any significant weaknesses in the internal control and management systems relating to the accounting process The Audit Committee also discussed the interim and half-year financial reports prior to their publication based on reports presented by the Executive Board and the auditors In addition, this committee prepared the proposal from the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the audit focus and agreed the audit fees Moreover, the Audit Committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit itself The Audit Committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provisions of services not related to the audit, and the auditors informed the committee at each of its meetings about the fees it had charged in relation to such services Furthermore, it remained up to date on evolutions in the risk management system and compliance structures, compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group The Audit Committee paid particular attention to the regular reports on the investigations being carried out by Munich public prosecutors on the grounds of suspected bribes in international transactions Following intensive internal and external consultation, the Audit Committee did not raise any objections to the settlement proposal put forward by the Executive Board under the terms of which Linde would waive any right to appeal against the decision of the Munich public prosecutors on the compensation due The Audit Committee also reviewed the evolution of internal control systems within the Group based on a presentation by the Executive Board It received a report on the structure of the internal audit department, its roles and responsibilities and audit work, and its 2011 audit plan The Audit Committee was briefed on the efficiency of the internal control system, risk management system and internal audit system,

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it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question The Executive Board also briefed the Audit Committee on a regular basis with regard to the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity Topics of discussion also included projects relevant to the accounting and reporting process For selected agenda items, department/unit heads and external advisors also attended meetings of the Audit Committee, submitting reports and answering questions In addition, the Chairman of the Audit Committee held talks on issues of significance between committee meetings, particularly with the Chief Executive Officer, Chief Financial Officer, the auditors and the Head of Group Legal The Audit Committee and, where necessary, the Supervisory Board were regularly appraised of the outcome of these discussions

During the 2011 financial year, the Nomination Committee held two teleconferences, preparing a nomination from the Supervisory Board for the additional election to be held at the 2011 Annual General Meeting following the retirement of a member of the Linde AG Supervisory Board The Nomination Committee based its recommendation on the requirements of corporate governance

The Mediation Committee had no cause to meet during the year

One member was absent from one of the meetings of the Standing Committee, but all committee members were otherwise present at all other committee meetings

The committee chairmen reported in detail about the work of their committees at the plenary Supervisory Board meeting following their own meetings

Annual financial statements and Group financial statements

KPMG AG Wirtschaftsprufungsgesellschaft, Berlin, (KPMG) audited the annual financial statements of Linde AG for the year ended 31 December 2011 prepared in accordance with the principles set out in the German Commercial Code (HGB) together with the management report, as well as the consolidated financial statements of The Linde Group for the year ended 31 December 2011 prepared in accordance with IFRS as adopted by the European Union including the management report in accordance with German generally accepted standards for the audit of financial statements and in supplementary compliance with International Standards on Auditing (ISA) The auditors have confirmed that the Group financial statements and the Group management report meet the requirements set out in Section 315a (1) of the German Commercial Code (HGB) and have issued unqualified opinions on both the Group financial statements and annual financial statements In accordance with the terms of its engagement, KPMG performed audit reviews of the interim and half-year financial reports in the 2011 financial year At no time did these reviews give rise to any objections KPMG also confirmed that the system for the early identification of risks complies with legal requirements No risks that might affect the viability of the company as a going concern were identified In the 2011 financial year, the audit focus was on the accounting-related internal control system within the central functions of Linde AG from a Group perspective No significant weaknesses in the internal control system were identified by the auditors in relation to the accounting process

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time They were then the subject of extensive deliberations at the Audit Committee meeting on 7 March 2012 and the meeting of the Supervisory Board to approve the financial statements on 8 March 2012 The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board The auditors presented the main results of their audit and were able to provide supplementary information and to answer questions The Audit Committee also presented the results of its review to the Supervisory Board We conducted our own examination of all the documents submitted and the audit reports and discussed them in detail After considering the results of the preliminary review by the Audit Committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit We hereby approve and adopt the financial statements of Linde AG and the Group financial statements for the year ended 31 December 2011 as drawn up by the Executive Board, the annual financial statements of Linde AG are hereby final We also approve the Executive Board's proposal for the appropriation of profits

Changes to the composition of the Supervisory Board and the Executive Board

There were several changes during the 2011 financial year to the composition of the Supervisory Board and Executive Board

Dr Gerhard Beiten retired from his position as a shareholder representative on the Supervisory Board of Linde AG with effect from the end of the Annual General Meeting on 12 May 2011 and ceased to sit on the Supervisory Board as of this date Proposed by the Supervisory Board, Professor Dr Ann-Kristin Achleitner was elected to replace him as of the close of the Annual General Meeting on 12 May 2011

We have thanked Dr Beiten, the longest-serving member of the Supervisory Board, for his valuable contribution to the Board over many years

At the Supervisory Board meeting in March 2011, it was decided to increase the size of the Executive Board in future from four to five members, and Mr Sanjiv Lamba, an Indian national and an experienced manager at Linde, was appointed as a member of the Executive Board with effect from 9 March 2011 Sanjiv Lamba is responsible for Linde's gases operations in the Asia/Pacific segment His responsibilities also include the Asian joint ventures and the electronic gases product area Meanwhile, at his own request, Mr J Kent Masters stood down from his position on the Executive Board as of 30 September 2011 The Supervisory Board appointed British national Thomas Blades as his successor on the Linde AG Executive Board Mr Blades, a manager with international experience, will take up his duties on 8 March 2012 He was latterly responsible for the Oil & Gas Division of the Energy Sector at Siemens AG The areas for which J Kent Masters was responsible until the end of September 2011, namely the gases business in the Americas segment, the liquefied gases and cylinder gas business and global healthcare operations, were handled in the meantime by the Chief Executive Officer, Professor Dr Wolfgang Reitzle Both new Executive Board members, Sanjiv Lamba and Thomas Blades, have been appointed for a period of three years

The Supervisory Board would like to thank the Executive Board and all Linde employees for their highly dedicated approach to their work and for their sense of responsibility and commitment over the course of the 2011 financial year

Munich, 8 March 2012

On behalf of the Supervisory Board

Dr Manfred Schneider
Chairman

Corporate Governance

Sound corporate governance is fundamental for sustainable corporate success. The Supervisory Board and Executive Board of Linde AG are committed to good corporate governance. Their actions are based on principles of responsible corporate management and supervision. Both Boards will continue to follow developments in this area closely and to adapt existing corporate governance structures where necessary or beneficial to the Group.

CORPORATE GOVERNANCE

Corporate governance declaration and corporate governance report

Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code presented by the Government Commission as amended from time to time The Executive Board and Supervisory Board of Linde AG issued a declaration of compliance with the recommendations of the German Corporate Governance Code in 2011 in accordance with § 161 of the German Stock Corporation Law (AktG) and made it permanently available to the public on the Linde website In March 2012, the Executive Board and Supervisory Board submitted the following declaration

"The Executive Board and Supervisory Board of Linde AG declare in accordance with § 161 of the German Stock Corporation Law

Linde AG has complied and will in future comply with all the recommendations of the Government Commission on the German Corporate Governance Code as amended on 26 May 2010

Since it made its last declaration of compliance in March 2011, Linde AG has complied with all the recommendations of the Code as amended on 26 May 2010"

The current declaration of compliance and all past declarations of compliance with the German Corporate Governance Code are available on the company's website at www linde com/declarationofcompliance

Linde AG also complies to the greatest possible extent with the suggestions made in the Code, with the following two exceptions

- → The Code suggests that the Annual General Meeting is transmitted on the Internet We transmit the opening remarks made by the Chairman of the Supervisory Board and the Chief Executive Officer's speech, but not the general discussion In principle, the articles of association permit the transmission of the Annual General Meeting in full via electronic media However, out of respect for shareholders' privacy, we do not transmit the contributions of individual speakers Nevertheless, we will continue to follow developments closely
- → In addition, there is a suggestion in the Code that variable emoluments payable to members of the Supervisory Board should also be linked to the long-term performance of the company When revised arrangements for Supervisory Board remuneration were approved at the Annual General Meeting in June 2007, it was decided not to introduce a long-term component

Corporate governance practices

Linde AG has traditionally attached great importance to sound, responsible management and supervision geared towards the creation of sustainable value added Our success has always been based on close and effective cooperation between the Executive and Supervisory Boards, consideration of shareholders' interests, an open style of corporate communication, proper accounting and audit procedures, and a responsible approach to risk and to legal rules and internal Group rules

Linde upholds high ethical standards In 2007, the Executive Board developed a corporate philosophy entitled Linde Spirit and devised a new code of conduct known as the Code of Ethics and launched both throughout the Group Linde Spirit describes the corporate culture which is manifested in the Linde vision and the values and principles that underpin day-to-day activities The Code of Ethics sets out the commitment made by all employees of The Linde Group to comply with legal regulations and to preserve and protect the ethical and moral values of the Group It is based on Linde's corporate culture and accords with its global values and fundamental principles The Integrity Line reporting system is an important element of the compliance framework at The Linde Group It enables both internal and external stakeholders to raise issues or report any suspicions they might have The Executive Board has also issued its own guidelines on competition law, antitrust law, the engagement of sales agents, occupational safety, environmental and health protection, quality and procurement Like the Code of Ethics, these guidelines apply to all employees in The Linde Group

To reinforce compliance with both legal regulations and voluntary principles, the Group has a global compliance organisation Linde's Group-wide compliance activities are focusing in particular on antitrust law, the fight against corruption, export control and data protection The compliance organisation is affiliated to Group Legal Compliance officers have been appointed in the divisions, business units and operating segments to support Group-wide observance of the compliance programme The global compliance officer coordinates and implements compliance measures The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current state of progress in the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating the rules as necessary Training is provided for Linde employees worldwide Classroom-based courses are supplemented by a Group-wide e-learning programme We thereby create a working environment where our employees know our rules and guidelines

Information on Linde's core values and compliance policy can be found on the website at www linde com/guidelinescorevalues and www linde com/corporategovernance

Executive Board and Supervisory Board procedures

Linde AG, which has its registered office in Munich, is governed by the provisions of the German Stock Corporation Law (AktG) and the German Codetermination Law (MitbestG), capital market regulations and the rules set out in its articles of association. The Executive Board and Supervisory Board are responsible for the management and supervision functions assigned to them. They cooperate closely in the interests of the Group to ensure the continuation of the Group as a going concern and to create sustainable value added. They must act in the interests of the shareholders and for the benefit of the Group.

Executive Board

The Executive Board of Linde AG is responsible for managing the company and conducting its business. Its actions and decisions are geared towards the best interests of the Group, taking into consideration the concerns of shareholders, employees, customers and other stakeholder groups. Its aim is to create sustainable value for stakeholders. The Executive Board establishes the strategic direction of the Group, agrees it with the Supervisory Board and ensures it is properly implemented. It is also responsible for Group financing, annual and multi-year business plans and the preparation of quarterly, half-yearly, annual and Group financial statements. In addition, the Executive Board ensures that appropriate risk management and risk control systems are in place and provides regular, timely and detailed reports to the Supervisory Board on all relevant Group issues including strategy, medium-term business plans, business trends, the risk situation, risk management and compliance with legal regulations and internal Group guidelines. The Executive Board takes the necessary measures to facilitate compliance in the Group companies. Given the Group's extensive reach across international markets and industry sectors, the Executive Board is responsible for ensuring that this diversity is reflected at management level. In particular, it is committed to ensuring that women are appropriately represented in management positions. The Group's HR strategy includes the definition, delivery and continuous evolution of Group-wide talent development programmes. The Group supports intercultural diversity by adopting an international human resources policy and making appointments across national borders. Key Executive Board activities and transactions require the approval of the Supervisory Board. This applies in particular to the annual capital expenditure programme, major acquisitions, divestments, and capital and financial measures. While in office, members of the Executive Board are bound by a detailed restraint clause. Any conflicts of interest must be disclosed immediately to the Supervisory Board, as well as to fellow Board members.

The procedural rules of the Executive Board govern the work it performs, the allocation of responsibilities to individual members, the issues which must be dealt with by the full Executive Board and the majority required for resolutions to be passed by the Executive Board. The Executive Board passes resolutions at meetings held on a regular basis. A simple majority of the votes cast is sufficient for a resolution to be passed, unless a greater majority is prescribed by law. If the vote is tied, the Chairman has the casting vote. Without prejudice to the collective responsibility of all members of the Executive Board, each member of the Executive Board has individual responsibility for the functions assigned to them when the decisions of the Executive Board are being made. It is incumbent upon the Chairman of the Executive Board to assume responsibility not only for the functions assigned to him, but also to coordinate all areas of responsibility entrusted to the Executive Board in a proper manner. He is the main point of contact between the Executive Board and the Supervisory Board and represents the company in public.

No conflicts of interest arose for any member of the Executive Board during the reporting period. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No member of the Executive Board is a member of more than three supervisory boards of listed companies outside The Linde Group or of comparable supervisory bodies of other business entities. Information about memberships held by members of the Executive Board on other German supervisory boards or comparable German and foreign boards of business entities is given in Note [37] of the Notes to the Group financial statements.

The Executive Board has no committees.

The international composition of the Executive Board reflects The Linde Group's global footprint and its intercultural diversity. Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on page 004 or on the Linde website. The CVs of Executive Board members are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the number of members specified as the minimum number in the relevant regulations. Currently, the minimum number of Supervisory Board members specified is twelve. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations. In accordance with the recommendations of the German Corporate Governance Code, the shareholder representatives were elected individually at the last election to the Supervisory Board at the Annual General Meeting on 3 June 2008. The current term of office of the members of the Supervisory Board ends with the completion of the Annual General Meeting in 2013. The composition of the Supervisory Board is balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All Supervisory Board members must ensure that they have sufficient time to perform those duties.

Supervisory Board members who also sit on the executive board of a listed company must not hold more than three supervisory board offices in listed companies or in comparable supervisory bodies of other business entities which do not belong to the same group as the company for which they perform their executive board duties. Linde AG undertakes to support Supervisory Board members as appropriate in the pursuit of any training or professional development necessary for the performance of their duties.

In March 2011, the Supervisory Board defined specific objectives for its future composition in accordance with Section 5.4.1 of the German Corporate Governance Code, as set out below. Taking into account the particular situation of the Group, these cover the Group's international reach, potential conflicts of interest, an age limit for Supervisory Board members and the need for diversity.

→ International expertise
With operations in more than 100 countries, The Linde Group has a global footprint. To reflect this, at least five of the Supervisory Board members should have extensive international expertise.
→ Potential conflicts of interest
At least 75 percent of the Supervisory Board members should have no business or personal ties with the company or its Executive Board which could constitute a conflict of interest. The mere existence of an employment relationship between employee representatives and the company or its affiliated companies does not preclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of the main competitors of The Linde Group. No more than two former Executive Board members may sit on the Supervisory Board.
→ Age limit for Supervisory Board members
Supervisory Board members should be no older than 72.
→ Diversity
The Supervisory Board is committed to diversity in its composition. In particular, it is committed to the fair representation of women. The next elections for both shareholder and employee representatives on the Supervisory Board will not take place until 2013. After these elections at the latest, the Supervisory Board should include at least two women.

These objectives were taken into consideration when the nomination was made to the Annual General Meeting on 12 May 2011 for the election of a new member to the Supervisory Board, an election which was required as a result of one Supervisory Board member retiring from office.

More than five members of the current Supervisory Board have acquired extensive international expertise as a result of their careers to date. One member of the Supervisory Board, Mr Diekmann, did not take part in the discussions and voting procedures of the Standing Committee and Supervisory Board on the appointment of Mr Thomas Blades to the Executive Board of Linde AG in September 2011. Mr Diekmann was a member of the Supervisory Board of Siemens AG, resulting in a potential conflict of interest, as Thomas Blades was an executive employee of Siemens AG at the time. Otherwise, there were no conflicts of interest involving Supervisory Board members in the 2011 financial year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No Supervisory Board members currently have management or advisory roles on the executive bodies of any of Linde's major competitors. Four Supervisory Board members are company employees. No other consultancy, service or work contracts have been concluded between Supervisory Board members and the company. No former members of the Executive Board of the company are currently members of the Supervisory Board. One Supervisory Board member reached the age limit in the 2010 financial year. At the Annual General Meeting in 2008, the member in question was elected for a term of five years. When proposing candidates for the 2008 elections, the Supervisory Board was aware of the age limit defined in the procedural rules. However, it had good reason for proposing candidates that would reach the age limit during their term of office. The appointments were approved at the Annual General Meeting. Since the election of Professor Dr Achleitner to the Supervisory Board at the Annual General Meeting held on 12 May 2011, the Supervisory Board again has a female member. Linde will seek to meet the objective it set itself in 2011 of the inclusion of two women on the Supervisory Board after the next scheduled elections to the Board. The Supervisory Board currently considers that two female Board members would be appropriate. This level of representation would be in line with the number of female executives with experience in the management of industrial companies, as well as with the proportion of women in the workforce of The Linde Group of around 20 percent and the proportion of women in senior management positions in the Group of around 11 percent.

The procedural rules of the Supervisory Board include rules regarding the independence of its members. In the past financial year, some members of the Supervisory Board have sat on the executive boards of companies with which Linde has business relationships and they continue to hold seats on those boards. Transactions with these companies took place under the same conditions as for non-related third parties. These transactions did not affect the independence of the Supervisory Board members concerned. All Supervisory Board members have a sufficient degree of independence.

Information about the members of the Supervisory Board and their memberships of other German supervisory boards and/or comparable German or foreign boards of business entities is given in Note [37] of the Notes to the Group financial statements. The CVs of Supervisory Board members are available on the Linde website.

The Supervisory Board appoints the Executive Board and monitors and advises the Executive Board in the running of its business operations Executive Board decisions which are of fundamental importance to the Group require the approval of the Supervisory Board In appointing the Executive Board, the Supervisory Board aims for diversity and, in particular, appropriate representation of women The appointment of Messrs Lamba and Blades also takes into consideration the international operations of The Linde Group Mr Lamba is an Indian national and Mr Blades a British national

The Chairman of the Supervisory Board coordinates the work of the plenary Supervisory Board and chairs the meetings He is responsible for ensuring that resolutions passed by the Supervisory Board and its committees are duly executed and he is authorised to issue the statements on behalf of the Supervisory Board required to implement the resolutions of the Supervisory Board and its committees The Chairman of the Supervisory Board maintains close contact with the Chairman of the Executive Board throughout the year, sharing information and ideas

Supervisory Board committees

The Supervisory Board has four committees The committees do the groundwork for the plenary Supervisory Board If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees The Chairman of the Supervisory Board is the Chairman of all the committees except the Audit Committee

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board, including the terms and conditions of employment contracts, pension contracts, any other contracts pertinent to the remuneration of Executive Board members, and the total remuneration of individual Executive Board members Moreover, the Standing Committee is responsible for approving transactions with Executive Board members and related parties, as well as for approving other activities of the Executive Board members, especially the holding of positions on supervisory boards and comparable boards of business entities that are not part of The Linde Group It also provides advice on long-term succession planning for the Executive Board and reviews the effectiveness of the work of the Supervisory Board on a regular basis

The Audit Committee similarly comprises three shareholder representatives and two employee representatives It does the groundwork for the decisions of the Supervisory Board regarding the adoption of the annual financial statements and the approval of the Group financial statements and makes arrangements with the auditors It supports the Supervisory Board in the execution of its supervisory duties and monitors, in particular, the accounting process and the effectiveness of the internal control system, risk management system and internal audit system, as well as the statutory audit It also deals with compliance issues Moreover, it discusses the interim and half-year financial reports with the Executive Board prior to publication The Audit Committee also makes a recommendation to the plenary Supervisory Board regarding the proposal for the election of the company's auditors The Chairman of the Audit Committee, Dr Clemens Borsig, is an independent financial expert with years of expertise in financial reporting and in internal control systems

The Nomination Committee comprises the Chairman of the Supervisory Board, the Second Deputy Chairman of the Supervisory Board and one other shareholder representative It makes recommendations to the Supervisory Board on proposed candidates for the election of shareholder representatives at the Annual General Meeting

The Mediation Committee, formed under the provisions of the German Codetermination Law (MitbestG), comprises the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, one shareholder representative and one employee representative It makes suggestions to the Supervisory Board regarding the appointment of Executive Board members, if the required majority of two-thirds of the votes cast by Supervisory Board members is not obtained in the first ballot

The Supervisory Board and its committees pass resolutions at meetings which are convened on a regular basis

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the financial statements were being prepared are given on page 008 and 009 of this Report or can be viewed at any time on the Linde website at www linde com/supervisoryboard Information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2011 financial year is given in the Report of the Supervisory Board on pages 010 to 015

Additional corporate governance information

Annual General Meeting

The shareholders assert the rights accorded to them by the articles of association either before or during the Annual General Meeting by exercising their right to vote Each share entitles the shareholder to one vote

The Annual General Meeting takes place within the first six months of each financial year Notice of the Annual General Meeting, together with the reports and documents required by law for the meeting, including the annual report, is published, along with the agenda for the meeting, the conditions governing participation, an overview of shareholder rights plus shareholder counter-motions and nominations, on the Linde website in both German and English Notice of the Annual General Meeting and the associated documents can be transmitted electronically to shareholders if they so wish

Shareholders who are unable to attend the Annual General Meeting or who leave the meeting before voting has commenced have the option of exercising their vote through a proxy of their choice or a proxy appointed by the company who then votes in accordance with their instructions Proxy forms may also be submitted in electronic form Moreover, shareholders have the option of casting their votes – without appointing a proxy – in writing or using electronic media (ballot by mail)

The Executive Board of Linde AG presents the annual financial statements and Group financial statements for approval at the Annual General Meeting The Annual General Meeting passes resolutions regarding the appropriation of profits, the ratification of the acts of the Executive Board and Supervisory Board, the appointment of the auditors and generally also the election of shareholder representatives Decisions are also made at the Annual General Meeting about changes to the articles of association, capital measures and the authorisation to repurchase shares The meeting has the opportunity to approve the remuneration system for Executive Board members Once the Annual General Meeting has closed, the results of the votes on each agenda item are published on the company's website without delay

Consequential loss and liability insurance

The company has taken out consequential loss and directors and officers liability insurance (D&O) for the members of the Executive Board and Supervisory Board For members of the Executive Board, the retention in accordance with legal rules is 10 percent of the claim, up to a figure of one and a half times the fixed annual emoluments of the Board member in question An appropriate retention has been agreed for members of the Supervisory Board in accordance with the recommendation set out in the German Corporate Governance Code

Directors' dealings

Linde AG publishes without delay as stipulated by law transactions subject to notification under § 15a of the German Securities Trading Law (WpHG) which have been executed by the persons named therein, in particular transactions carried out by members of the executive bodies of the company and related parties involving shares in the company or related financial instruments The transactions disclosed by Linde AG in the past financial year can be accessed in the annual document pursuant to § 10 of the German Securities Prospectus Law (WpPG) on the company's website

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company On 31 December 2011, Executive Board members held a total of 420,000 shares and share options in Linde AG (0 245 percent of shares issued), while Supervisory Board members held a total of 4,500 shares and share options in Linde AG (0 003 percent of shares issued)

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share-based emoluments, is on pages 023 to 035 of this financial report

Communications and stakeholder relations

Linde AG complies with the legal requirement to treat all its shareholders equally Transparency plays an important role and the company always aims to provide shareholders and the public with comprehensive, consistent and up-to-date information Linde makes extensive use of the Internet as a reporting tool

To keep shareholders and the general public informed about key dates and publications, the company publishes a financial calendar which appears in its annual report, in its interim and half-year financial reports and on the Linde website Linde AG publishes ad-hoc announcements, press releases and notifiable securities transactions (directors' dealings) in the media specified by the law and on its website The articles of association are also on the website Four times in the financial year, Linde reports to its shareholders on its business performance, the net assets, financial position and results of operations of the Group, and any related risks Linde provides information to the capital market and to the public every quarter through analysts' conferences and press conferences or in the form of teleconferences These coincide with the publication of quarterly, half-year and annual results Regular events where the CEO and CFO meet institutional investors and financial analysts also ensure a regular exchange of information with the financial markets The dates and locations of roadshows and investors' conferences are published on the Linde website The presentations given at these events are also available to view on the website, as well as video and audio recordings of major events

Linde considers not only the interests of its shareholders but also the concerns of its stakeholders, who are a key element in the Group's success As far as possible, all stakeholders are included in corporate communications Linde's stakeholders include all its employees, customers and suppliers, as well as trade associations and government bodies

Accounting, audit and risk management

Linde AG prepares its Group financial statements and the Group half-year financial report and interim financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of the statutory annual financial statements of Linde AG, on which the dividend payment is based, complies with German commercial law (HGB). The annual financial statements and the Group financial statements are prepared by the Executive Board, reviewed by the Supervisory Board and audited by the auditors. The audit procedures are in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (the Institute of Public Auditors in Germany) and, in the case of the Group financial statements, in supplementary compliance with International Standards on Auditing. The audit procedures include a review of the system for the early identification of risks. The Audit Committee meets the Executive Board to discuss the interim and half-year financial reports in detail prior to publication.

In May 2011, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the year ended 31 December 2011 and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2011 financial year. The auditors issued a detailed declaration confirming their independence to the Audit Committee of the Supervisory Board. There were no conflicts of interest. It was agreed with the auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events arising from the audit which have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the Code.

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The effectiveness of these systems is reviewed by the auditors both in Germany and abroad. The Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues. It receives regular reports from the Executive Board about risk management, the risk position, and the identification and monitoring of risks. In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the committee any significant weaknesses they might identify in the internal control and risk management systems relating to the accounting process. More details about risk management in The Linde Group are given in the Risk report on pages 083 to 093. This includes the report on the accounting-related internal control system and the risk management system.

Remuneration report

(Part of the Group management report)

The remuneration report sets out the structure, basic features and amount of the remuneration payable to members of the Executive Board and Supervisory Board It forms part of the Group management report and takes account of the recommendations of the German Corporate Governance Code The remuneration report also contains the information which is legally required under the provisions of the German Commercial Code (HGB) This information is therefore not repeated in the Notes to the Group financial statements

1 Remuneration of the Executive Board

The full Supervisory Board is responsible for determining the total emoluments of each individual member of the Executive Board In line with the procedural rules of the Supervisory Board, it is incumbent upon the Standing Committee to do the groundwork so that the Supervisory Board can pass resolutions relating to remuneration In 2011, the Supervisory Board, at the suggestion of the Standing Committee, conducted a fundamental review of the features of the remuneration system for the Executive Board, looking at the amount and structure of the remuneration as well as its constituent components As a result of this review, changes were made to the existing remuneration system, which is described below, with the help of an external independent expert on executive pay The new remuneration system, which will apply to all Executive Board members from the 2012 financial year, is described in Section 2 of this remuneration report

The amount and structure of the remuneration payable to the Executive Board are based not only on the size and international reach of the Group, its economic and financial situation, and its performance and prospects, but also on customary remuneration practice among peers and the remuneration structure which applies elsewhere in the company To gauge customary practice among peers, Linde compares its remuneration system with that of several other groups (DAX 30 companies, similar German and international companies) The emoluments also depend on the duties of each individual member of the Executive Board, and on his or her personal performance and the performance of the Executive Board as a whole The remuneration is calculated so that it is competitive at international level and gives Board members an incentive to create sustainable performance and growth in a dynamic environment

The remuneration system of the Executive Board consists of fixed components (which are not performance-related) and variable performance-related components Elements which are not performance-related are fixed cash emoluments, benefits in kind or fringe benefits and pension commitments The performance-related components are variable cash emoluments and share-based payments The variable cash emoluments are determined on the basis of a one-year period, while the share-based payments are calculated over periods of several years As a supplement to the remuneration components already mentioned, the employment contract of the Chief Executive Officer also provides for potential project-related bonuses which are determined on the basis of periods of several years Assuming all performance targets which apply to variable cash emoluments are achieved in full, the target remuneration in any given year, i e the total of fixed and variable cash emoluments and share-based payments, would roughly correspond to a 30/70 percent split between the fixed component (which is not performance-related) and the variable component (which is performance-related) Assuming all performance targets which apply to variable cash emoluments are achieved in full, the value of the variable emoluments of the Executive Board in any given year would roughly correspond on average to a 55/45 percent split between components determined on the basis of a single year and components determined on the basis of a period of several years

The cash emoluments are based on an annual target income, around 40 percent of which on average is paid to the Board member in fixed monthly amounts if all the performance objectives are met in full, while around 60 percent is variable The target income is reviewed at regular intervals, at least once every three years The last review was conducted on 1 January 2009 As a result of this review, the target income of all the members of the Executive Board was adjusted The members of the Executive Board receive no remuneration for any Group offices held

Fixed emoluments (excluding pension commitments)

Each member of the Executive Board receives fixed monthly cash emoluments, which consist of a pensionable component (fixed monthly emoluments) and a non-pensionable component (fixed dividend-related bonus)

Benefits in kind are also provided These are taxed on an individual basis in accordance with the fiscal regulations applicable in each case They comprise mainly insurance benefits at normal market rates and company cars and, in one case, the provision of security arrangements

Variable emoluments

Variable emoluments comprise share-based and performance-based elements of remuneration related to the Group The Supervisory Board has agreed potential limits which would apply in exceptional circumstances The level of variable emoluments is linked to the achievement of certain financial and strategic targets, movements in the share price and qualitative success factors The main performance indicators used in the calculation of variable emoluments are return on capital employed (ROCE), operating profit (EBIT), the company's dividend, adjusted earnings per share and movements in the share price The targets set for the variable emoluments are in line with the key performance indicators (KPIs, see glossary) applied throughout the Group and with the interests of shareholders and other stakeholders

Variable cash emoluments

Variable cash emoluments comprise a dividend-related bonus and performance-related bonuses. These payments may be waived in full if performance targets are not achieved.

The dividend-related bonus is calculated for each member of the Executive Board on the basis of an individually agreed amount in euro for each EUR 0.01 of the dividend declared per share at the Annual General Meeting which is due to be paid to shareholders for the relevant financial year. The euro amount is determined in advance for a period of three financial years at a time. Of the resulting bonus entitlement, around 70 percent is currently variable, taking into account the monthly instalments paid in advance. If the unappropriated profit is based on retained earnings brought forward or releases from provisions, this is not included in the calculation of the dividend-related bonus.

The amount of the performance-related bonus is dependent on the achievement of certain objectives specified at the beginning of the financial year by the Supervisory Board for that financial year. The objectives are generally based on multi-year business plans. The success criteria for this bonus are return on capital employed (ROCE) and operating profit (EBIT), which together generally account for 70 percent of the bonus, and individual targets which account for 30 percent. In the case of the Chief Financial Officer, the indicator-based targets and personal targets are weighted 50/50. For the Chief Executive Officer and the Chief Financial Officer, financial targets are determined on the basis of Group indicators. For those members of the Executive Board responsible for operations, the targets are determined on the basis of comparable figures from the divisions and regions for which they are responsible. The performance-related bonus has an upper limit. The portion based on indicators will not exceed 200 percent of the bonus amount agreed, and the portion based on individual targets will not exceed 100 percent of this amount. The Chief Executive Officer has entitlements to bonus payments guaranteed by contract if he achieves certain demanding acquisition, divestment and integration targets. The amount of these bonuses is determined in each individual case. These bonuses also have an upper limit.

The variable emoluments are payable on the day after the Annual General Meeting at which the appropriation of profits is decided.

Share-based emoluments

Linde Management Incentive Programme 2002

Until the 2006 financial year, members of the Executive Board received a variable component with a long-term incentive in the form of options granted every year, based on the share option scheme approved at the Annual General Meeting in May 2002. This scheme (Linde Management Incentive Programme 2002) applied to members of the Executive Board, members of the management boards of affiliated companies and selected executives. In 2006, the last options were issued under this scheme. In total, 1.2 million subscription rights were granted to members of the Executive Board. Each option confers the right to subscribe to one share in Linde AG at the exercise price. The exercise price for acquiring one new share is 120 percent of the base price. The base price is the average closing price of Linde shares in Xetra trading on the Frankfurt stock exchange over the last five trading days before the issue date of the options. The options were issued in five annual tranches from 2002, each with a term of seven years. There was a two-year qualifying period commencing on the issue date. During the remaining five-year term, the options can/could be exercised at any time, except during blocked periods. The seven-year term of the options in the 2004 tranche ended in May 2011. Options in this tranche which had not been exercised by that time duly expired. At the balance sheet date, options in the 2005 and 2006 tranches issued to participants could still be exercised provided the qualifying requirements are met.

In the 2011 financial year, three tranches in the scheme were valuable and exercisable. The exercise prices of the three tranches varied between EUR 47.91 and EUR 81.76. The Supervisory Board determined the options to be allocated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board can decide to restrict the exercise of options issued to members of the Executive Board if there are exceptional unforeseen movements in the Linde share price.

Movements in the options issued to the current members of the Executive Board under the Linde Management Incentive Programme 2002 were as follows:

Options – Linde Management Incentive Programme 2002

		At 1 January		Exercised in the financial year			At 31 December			
			Weighted average exercise price		Weighted average exercise price	Weighted average share price at exercise date		Range of exercise prices	Weighted average exercise price	Weighted average remaining life
		in units	in €	in units	in €	in €	in units	in €	in €	in years
Professor Dr Wolfgang Reitzle (Chairman)	2011	130,000	81 76	65,000	81 76	125 93	65,000	81 76	81 76	1 3
	2010	390,000	64 85	260,000	56 40	96 37	130,000	81 76	81 76	2 3
Professor Dr Aldo Belloni	2011	40,000	81 76	-	-	-	40,000	81 76	81 76	1 3
	2010	120,000	64 85	80,000	56 40	99 69	40,000	81 76	81 76	2 3
Georg Denoke	2011	25,000	75 01	10,000	64 88	110 41	15,000	81 76	81 76	1 3
	2010	25,000	75 01	-	-	-	25,000	64 88-81 76	75 01	2 0
Total	2011	195,000		75,000			120,000			
	2010	535,000		340,000			195,000			

During the 2010 and 2011 financial years, none of the options held by the Executive Board under the Linde Management Incentive Programme 2002 expired or were forfeited Sanjiv Lamba (a member of the Executive Board from 9 March 2011) and J Kent Masters (a member of the Executive Board until 30 September 2011) are not participants in this scheme as they joined The Linde Group after the last tranche had been issued

Further information about the Linde Management Incentive Programme 2002 is given in Note [28] of the Notes to the Group financial statements

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting on 5 June 2007 to introduce a new long-term incentive scheme (Linde Performance Share Programme 2007) which would cover a five-year period Participants in the scheme were to include not only members of the Executive Board, but also selected executives (members of the management boards of Linde AG group companies, as well as selected executives of Linde AG and its group companies) The options may be issued in five annual tranches, in each case within a period of twelve weeks following the company's Annual General Meeting The Supervisory Board determines the allocation of options to members of the Executive Board, while the Executive Board determines the allocation for lower tiers of management Options are granted to members of the Executive Board for a particular value The number of options to be issued to a member of the Executive Board is determined on the basis of the fair value per option according to an actuarial report at the grant date The term of the options is calculated as three years, two months and two weeks from the issue date The options in a tranche are exercisable once a vesting period of three years from the date of issue has expired, over a period of four weeks, if and to the extent that certain performance targets are met 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

The performance targets for each individual tranche are based on conditions laid down at the Annual General Meeting and on movements in earnings per share, absolute total shareholder return and relative total shareholder return

Within each of these performance targets, there is a minimum target, which must be reached if options are to be exercisable, and a stretch target If the stretch target is reached, all the options become exercisable based on the weighting attached to that particular performance target If there are exceptional unforeseen movements in the Linde share price, the Supervisory Board can restrict in whole or in part the volume or extent of options granted to members of the Executive Board At the Annual General Meeting, it was resolved that members of the Executive Board would be subject to a two-year holding period for 25 percent of the shares issued

In the 2011 financial year, the final tranche of options under the Linde Performance Share Programme 2007 was allocated

At the beginning of June 2011, the vesting period for the second tranche of this programme ended In total, 88 percent of the options in this second tranche were exercisable as all three performance targets were reached, while the remainder were forfeited

Movements in the options issued to members of the Executive Board under the Linde Performance Share Programme 2007 were as follows

Options – Linde Performance Share Programme 2007

		At 1 January	Granted in the financial year	Exercised in the financial year		Forfeited in the financial year	At 31 December	
					Weighted average share price at exercise date			Weighted average remaining life
		in units	in units	in units	in €	in units	in units	in years
Professor Dr Wolfgang Reitzle (Chairman)	2011	134,732	29,389	32,512	115 85	4,434	127,175	1 2
	2010	137,564	39,032	12,559	93 67	29,305	134,732	1 5
Professor Dr Aldo Belloni	2011	44,911	9,796	10,837	115 85	1,478	42,392	1 2
	2010	45,854	13,011	4,186	93 67	9,768	44,911	1 5
Georg Denoke	2011	44,911	9,796	10,837	115 85	1,478	42,392	1 2
	2010	45,854	13,011	4,186	89 07	9,768	44,911	1 5
Sanjiv Lamba (from 09 03 2011)	2011	-	9,796	1,942[1]	115 03	265[1]	14,685[2]	1 9
	2010	-	-	-	-	-	-	-
J Kent Masters (until 30 09 2011)	2011	44,911	9,796	10,837	114 90	43,870	-	-
	2010	45,854	13,011	4,186	93 67	9,768	44,911	1 5
Total	2011	269,465	68,573	66,965		51,525	226,644[2]	
	2010	275,126	78,065	25,117		58,609	269,465	

[1] Options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group

[2] Including options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group

During the 2010 and 2011 financial years, none of the options held by the Executive Board under the Linde Performance Share Programme 2007 expired

All the options held at 31 December 2011 were not yet exercisable The exercise price of all the options is currently EUR 2 56 each

Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme is given in Note [28] of the Notes to the Group financial statements Information about the rules which apply in the event of a change of control is given on pages 094 to 096 in the Group management report (Disclosures in accordance with § 315 (4) of the German Commercial Code)

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Total cost of share-based emoluments
The total cost of share-based emoluments in 2011 was EUR 30 m (2010 EUR 25 m) During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board

Cost of share-based payments

in €	2011	2010
Professor Dr Wolfgang Reitzle (Chairman)	2,627,017	2,086,583
Professor Dr Aldo Belloni	875,680	695,520
Georg Denoke	875,680	695,520
Sanjiv Lamba (from 09 03 2011)	216,949[1]	-
J Kent Masters (until 30 09 2011)	102,953[2]	695,520
Total	4,698,279	4,173,143

[1] Including the cost of share based payments granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group

[2] On the retirement of J Kent Masters from the Executive Board as at 30 September 2011, options not yet exercised were forfeited

Pension commitments
Pension commitments for members of the Executive Board are set out in individual contracts The pension is based on a particular percentage of the most recently paid fixed monthly emoluments The percentage rate on entry is 20 percent This percentage increases by 2 percent for every year of service completed by the member of the Executive Board The maximum percentage that can be achieved is 50 percent of the last fixed monthly emoluments paid For pension commitments agreed before 1 July 2002, the percentage rate on entry was 40 percent and the maximum percentage that could be achieved was 60 percent Payments are made on a monthly basis once the member has retired from the Group and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work and surviving dependants' pension in the event of death) Widowed spouses receive 60 percent of the pension of the deceased member of the Executive Board The commitments also include benefits for any orphans or children who have lost one parent Each child entitled to maintenance receives 10 percent (in the case of children who have lost one parent) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until his or her 18th year, although maintenance may continue to be paid until he or she reaches the age of 27 If the deceased has left several children, the amounts are reduced proportionately and limited in total to half of the pension to which the contracting party was entitled The total maintenance payments to surviving dependants must not exceed the full amount of the pension of the contracting party Current pensions are adjusted annually to take account of the change in the consumer price index for private households based on information provided by the German Statistical Office If a member of the Executive Board has reached the age of 55 and completed ten years of service on the Executive Board, and his or her employment contract is terminated early by the Supervisory Board or his or her term of office is not extended for reasons beyond the control of the member of the Executive Board, he or she would immediately receive the pension earned, taking into account other income If, however, an Executive Board member has not completed ten years of service on the Board of the employment contract is terminated before he or she reaches the age of 55, he or she acquires entitlement by law to a pension as a supplement to the occupational pension in the amount specified by law, provided the Executive Board member was employed by the company for a minimum period of three consecutive years

Emoluments of the Executive Board for 2011
The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in 2011 was EUR 11,785,161 (2010 EUR 11,901,132) The total remuneration was EUR 14,785,140 (2010 EUR 14,901,171), which includes options granted to members of the Executive Board under the Linde Performance Share Programme 2007 at their value on allocation In the 2011 financial year, a total of 68,573 options (2010 78,065 options) were granted to members of the Executive Board The value on allocation of these options was EUR 51 04 (2010 EUR 38 43) per option No expense was incurred by the company or the Group in respect of options granted during the 2011 financial year to J Kent Masters, a member of the Executive Board until 30 September 2011 All the options which had been granted to him but had not yet been exercised were forfeited when he retired from the Board on 30 September 2011

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2011, the emoluments for the individual members of the Executive Board for 2011 are as follows

in €		Cash emoluments				Share options		Pensions	
		Fixed emoluments	Benefits in kind/Other benefits	Variable emoluments	Total cash emoluments	Value on the grant date	Total emoluments	Annual amount if pension were paid on balance sheet date	Allocated to pension provision in financial year
Professor Dr Wolfgang Reitzle (Chairman)	2011	1,960,000	111,191	3,281,250	5,352,441	1,500,015	6,852,456	556,800	1,150,524
	2010	1,960,000	58,933	3,435,000	5,453,933	1,500,000	6,953,933	537,600	1,178,074
Professor Dr Aldo Belloni	2011	720,000	41,630	1,656,050	2,417,680	499,988	2,917,668	288,000	250,911
	2010	720,000	40,339	1,782,080	2,542,419	500,013	3,042,432	288,000	286,775
Georg Denoke	2011	564,000	22,503	1,226,500	1,813,003	499,988	2,312,991	138,720	165,920
	2010	564,000	19,828	1,174,000	1,757,828	500,013	2,257,841	130,560	169,169
Sanjiv Lamba (from 09 03 2011)	2011	321,391	452	456,154	777,997	499,988	1,277,984	55,200	61,770
	2010	-	-	-	-	-	-	-	-
J Kent Masters (until 30 09 2011)	2011	504,000	21,478	898,562	1,424,040	–[1]	1,424,040	66,600[2]	–159,492[2]
	2010	672,000	44,977	1,429,975	2,146,952	500,013	2,646,965	195,360	247,367
Total 2011		4,069,391	197,254	7,518,516	11,785,161	2,999,979	14,785,140		1,469,633
(%)		28	1	51	80	20	100		
Total 2010		3,916,000	164,077	7,821,055	11,901,132	3,000,039	14,901,171		1,881,385
(%)		26	1	53	80	20	100		

[1] Options granted in 2011 forfeited on the retirement from the Executive Board of J Kent Masters as at 30 September 2011

[2] Retirement from the Executive Board as at 30 September 2011 with a vested pension entitlement

At 31 December 2011, pension provisions relating to active members of the Executive Board were EUR 12,944,178 (2010 EUR 12,141,148) in The Linde Group and EUR 12,005,218 (2010 EUR 11,500,738) in the annual financial statements of Linde AG The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures in the Group financial statements and the annual financial statements At the balance sheet date, the present value for accounting purposes of pension commitments accruing to the individual Executive Board members was as follows Professor Dr Wolfgang Reitzle EUR 10,052,467 (2010 EUR 9,585,450) (Group), EUR 9,374,072 (2010 EUR 9,106,245) (Linde AG), Professor Dr Aldo Belloni EUR 3,803,260 (2010 EUR 3,638,055) (Group), EUR 3,573,757 (2010 EUR 3,475,927) (Linde AG), Georg Denoke EUR 2,525,115 (2010 EUR 2,347,283) (Group), EUR 2,209,171 (2010 EUR 2,126,397) (Linde AG), Sanjiv Lamba EUR 1,600,072 (Group), EUR 1,398,169 (Linde AG) J Kent Masters retired from the Executive Board on 30 September 2011 with a vested pension entitlement from Linde (2010 present value in Group of EUR 3,184,662 and present value in Linde AG of EUR 2,929,762)

During the financial year, the Supervisory Board appointed Mr Thomas Blades as a new member of the Executive Board and paid him compensation of EUR 1 6 m for the detriment he suffered as a result of the lapse of share options and pension commitments from his previous employer due to his move to Linde AG Thomas Blades will assume his post in March 2012

Benefits in the event of termination of a contract

Members of the Executive Board who are not reappointed between the ages of 55 and 63 for reasons beyond their control receive a lump sum severance payment equivalent to 50 percent of their annual cash remuneration (fixed monthly emoluments, dividend-related bonus and performance-related bonus) for the last full financial year before the termination of their employment In the contract concluded with Chief Executive Officer Professor Dr Wolfgang Reitzle prior to 2009 which remains valid in the 2011 financial year (pre-existing contract), it is stipulated that the severance payment in the event of non-renewal after the age of 55 will be based on performance and that the performance-related bonus will be calculated on the basis of the average of the performance-related bonuses paid in the previous three years

In 2009, when the Supervisory Board reappointed Professor Dr Aldo Belloni, Georg Denoke and J Kent Masters to the Executive Board, it incorporated the recommendations set out in Section 4 2 3 of the German Corporate Governance Code relating to severance pay caps into their new employment contracts In compliance with the Code, all contracts with members of the Executive

Board concluded or renewed as of 2009 and new contracts which are concluded or renewed in the future (new contracts) will include the following provision In the event of the early termination of the employment contract of a member of the Executive Board without due cause for that termination, his or her severance pay will be capped at twice the annual cash emoluments (fixed monthly emoluments, dividend-related bonus and performance-related bonus) The calculation is based on the annual cash emoluments for the last full financial year prior to the removal of the member from the Executive Board If the annual cash emoluments of the member of the Executive Board for the financial year in which his or her employment is terminated are likely to be significantly higher or lower than the annual cash emoluments for the last full financial year, the Supervisory Board may at its discretion decide to make an adjustment to the calculation of the annual cash emoluments If the original remaining term of the employment contract was less than two years, the severance pay would be calculated pro rata For the period on the basis of which the severance pay is determined, the members of the Executive Board receive no pension payments Prior to 2009, contracts of employment did not include a clause to this effect Under these contracts, early termination of an Executive Board position does not affect the remuneration entitlement of that Board member for the remaining term of the contract

If Linde AG is acquired by another company and there is a change of control, and an employment contract is terminated within nine months of that date by mutual consent or as a result of a failure to renew the contract at the appropriate time or as a result of the resignation of the Executive Board member due to his or her position on the Board being unduly compromised by the takeover, members of the Executive Board have an entitlement to benefits based on their contractual cash emoluments but limited in extent However, the burden of proof is on the member of the Executive Board to demonstrate the actual circumstances as a result of which his or her position has been unduly compromised

For the pre-existing contract, the following compensation and severance pay rules apply in the event of a change of control In addition to compensation, comprising the cash emoluments he or she will be forfeiting for the remaining term of his or her contract (the total of the annual fixed emoluments, the dividend-related bonus based on the figure for the previous financial year and the performance-related bonus based on the average of the past three financial years, less an overall reduction of 25 percent), the member of the Executive Board has, in each individual case, an entitlement to receive severance pay equal to the full amount of the annual cash remuneration If the member of the Executive Board has reached the age of 55 when the employment contract ends and has been on the Board for at least five years, the severance pay increases to three times the full amount of the annual cash remuneration There is no right to severance pay if the member of the Executive Board has served on the Board for less than three years, or if he or she has not yet reached the age of 52 or has already reached the age of 63 when the employment contract ends The total compensation comprising the cash remuneration plus the severance pay must not exceed an amount equivalent to five times the full amount of the annual cash remuneration

When the contracts of Executive Board members Professor Dr Aldo Belloni, Georg Denoke and J Kent Masters were renewed in the 2009 financial year, the recommendation set out in Section 4 2 3 of the German Corporate Governance Code relating to severance caps in the event of a change of control was adopted In accordance with the Code, all Executive Board contracts which have been concluded or renewed as of 2009 and contracts concluded or renewed in future provide for severance pay in the event of a member retiring early from the Board due to a change of control equivalent to the amount payable in the event of early retirement from the Board without cause under any other circumstances Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual cash emoluments (fixed monthly emoluments, dividend-related bonus and performance-related bonus) The additional compensation would not be payable if the member of the Executive Board had served on the Board for less than three years or if he or she had not yet reached the age of 52 or had already reached the age of 63 when the employment contract ended

For both forms of contract (pre-existing contracts and new contracts), the same rule applies If the member of the Executive Board receives benefits on the occasion of or in connection with the acquisition by a majority shareholder, a controlling company or another legal entity, these are taken into account when the compensation and severance pay benefits are calculated The pension commitment is determined in accordance with the rules for the early termination of an employment contract without cause

Executive Board members are generally bound by a restraint clause for a period of two years following the termination of their contracts By way of compensation, the company undertakes to pay former Board members an amount equivalent to 50 percent of their fixed monthly emoluments during the period of restraint In the case of the pre-existing contract, the compensation is determined by statutory guidelines These stipulate that the compensation will be equivalent to 50 percent of the total remuneration paid to the Board member as averaged over the three years prior to termination The compensation qualifies in full for pension benefits

If the member of the Executive Board leaves the company's service as a result of death or disability, he or she or his or her heirs are entitled to the fixed monthly emoluments for the month in which the employment contract ended, and for the six following months Moreover, he or she or his or her heirs are entitled to that proportion of the dividend-related bonus and the performance-related bonus in respect of that part of the year in which the member of the Executive Board was active

Loans and advances
During the financial year, no loans or advances were made to members of the Executive Board

Total emoluments of former members of the Executive Board
Former members of the Executive Board and their surviving dependants received total emoluments of EUR 2,841,716 in the 2011 financial year (2010 EUR 2,579,839)

A provision of EUR 36,903,317 (2010 EUR 36,147,574) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants In the annual financial statements of Linde AG, a provision of EUR 35,003,558 (2010 EUR 34,899,136) was made The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures in the Group financial statements and the annual financial statements

2 Further development of the system of remuneration for members of the Executive Board

In the 2011 financial year, the Supervisory Board decided, based on a recommendation from the Standing Committee, to modify significant elements of the Executive Board remuneration system and structure The revised remuneration system for members of the Executive Board, which is described in detail below, complies with the provisions of the German Stock Corporation Law (AktG) and the recommendations set out in the German Corporate Governance Code The changes will apply equally to all members of the Executive Board from 1 January 2012 The revised remuneration system will be presented for approval at the 2012 Annual General Meeting of Linde Aktiengesellschaft

The amount and structure of the remuneration payable will continue to be based on the size and international reach of the Group, its economic and financial situation, and its performance and prospects, as well as on customary remuneration practice among peers and the remuneration structure which applies elsewhere in the company To gauge customary practice among peers, Linde compares its remuneration system with that of several other groups (DAX 30 companies, similar German and international companies) The emoluments also depend on the duties of each individual member of the Executive Board, and on his or her personal performance and the performance of the Executive Board as a whole The remuneration is calculated so that it is competitive at international level and gives Board members an incentive to create sustainable performance and growth in a dynamic environment In its evaluation and weighting of various criteria, the Supervisory Board was advised by an independent external expert on executive pay In connection with the introduction of the new remuneration system, the amounts of the fixed cash emoluments and of the variable remuneration components were reviewed in turn and in some cases revised Even after the adjustments and changes made to the remuneration structure under the new system, the total amount of remuneration, comprising fixed and variable cash and share-based elements, has remained at a very similar level to that under the old system

The changes to the remuneration system are intended to place emphasis on sustainable business development There will be greater focus on multi-year remuneration components, whereby payment of part of the variable cash remuneration will be deferred Moreover, the remuneration of Executive Board members will be linked to the price of Linde shares, as a result of the conversion of the deferred portion of the remuneration into virtual shares and the granting of a Long Term Incentive Plan in the form of options to purchase Linde shares (performance shares) and bonus shares (matching shares) after compulsory personal investment by the Executive Board member This will create a long-term incentive to achieve a positive Group performance

Total emoluments

The modified remuneration system comprises the following components

- → fixed monthly cash emoluments,
- → benefits in kind/other benefits,
- → variable cash emoluments, of which 60 percent shall be paid immediately in cash in the following year and 40 percent shall be converted into virtual shares with dividend entitlement and shall not be paid for at least another three years,
- → a Long Term Incentive Plan, which provides for multi-year share-based remuneration in the form of options to purchase shares (performance shares) and bonus shares linked to personal investment by the Executive Board member (matching shares) and
- → pension commitments

Of these components, the fixed cash emoluments, the benefits in kind/other benefits and the pension commitment are not performance-related, while the variable cash remuneration and the Long Term Incentive Plan are performance-related

The regular target remuneration for a year, i e the total of fixed cash emoluments, variable cash emoluments and entitlements under the Long Term Incentive Plan, comprises the following targets for the performance-related entitlements

- → 25 percent fixed cash emoluments
- → 30 percent one-year variable cash emoluments
- → 45 percent multi-year variable emoluments, of which
  - → around 50 percent virtual shares required to be held for several years after the conversion of portions of the variable cash emoluments

→ around 50 percent share-based remuneration components from the Long Term Incentive Plan, of which
  - 80 percent performance shares
  - 20 percent matching shares

The relative weighting of fixed and variable remuneration components is therefore around 25 percent (fixed cash emoluments) to around 75 percent (variable cash emoluments, performance shares and matching shares), while within the variable remuneration components around 40 percent will be determined solely on a one-year basis and around 60 percent on a multi-year basis. As a result, the remuneration system becomes highly performance-related and determined principally on a multi-year basis.

Fixed cash emoluments
Each member of the Executive Board receives fixed monthly cash emoluments. Under the new remuneration system, there is no fixed dividend-related bonus.

Benefits in kind / Other benefits
The provision of benefits in kind and other benefits is not affected by the changes in the remuneration system.

Variable cash emoluments
Variable cash emoluments are based on two equally-weighted key ratios, return on capital employed (ROCE) and the operating margin, based on the customary definitions employed by the Group (see pages 046 and 047). The dividend, which also formed part of the previous system of remuneration, is no longer used in the new system. For each of the two measurement factors, a minimum target is defined in the form of an ambitious long-term performance hurdle. If this hurdle is not reached in respect of one of the measurement factors, the variable cash emoluments linked to this factor are not paid. If neither minimum target is reached, there is no entitlement at all to variable cash emoluments. The amount of variable cash emoluments based on reaching the ROCE and operating margin targets may be modified by an individual performance component.

If the entitlement to variable cash remuneration is met, as a result of one or both targets being reached, 60 percent of the variable cash remuneration calculated on this basis is paid in cash in the month in which the Annual General Meeting at which the appropriation of profits is decided takes place. 40 percent of the variable cash remuneration is converted at this stage into virtual shares and not paid for at least a further three years.

Measurement factors for variable cash emoluments
Group ROCE
The variable cash remuneration for all the members of the Executive Board is based on the Group ROCE achieved in the financial year, to the extent that each member receives a fixed euro amount for each 0.1 percent of Group ROCE achieved. The variable cash remuneration is only paid if Group ROCE exceeds or equals an ambitious minimum return on capital which has been defined (performance hurdle).

Operating margin
The remuneration is based on the operating margin achieved in the area for which the Executive Board member is responsible. The operating margin is calculated as the ratio of operating profit (EBITDA, see glossary) to sales. A fixed euro amount is paid to each Board member for each 0.1 percent of operating margin achieved. For the Chief Executive Officer and the Chief Financial Officer, this is based on the operating margin of the Group, although payment is only made if an ambitious minimum margin derived from specific market conditions (performance hurdle) is met. For those members of the Executive Board responsible for operations, the margin in the gases segments or Engineering Division for which he or she is responsible is relevant. Payment is made here too only if ambitious minimum margins derived from specific market conditions are met. In addition, the Supervisory Board may also attach additional conditions to the establishment and the amount of the remuneration entitlement linked to the operating margin. These conditions should be set in the light of the prevailing market situation.

Individual performance component
To reflect the personal performance of Executive Board members, the amounts calculated on the basis of the two measurement factors (Group ROCE and operating margin) are multiplied using a performance multiplier. The Supervisory Board may exercise its discretion to reduce or increase the amounts calculated as a result of the achievement of one or both targets by up to 20 percent, to take account of the individual performance of the Executive Board member.

Deferral
40 percent of the variable cash remuneration is deferred. This portion of the remuneration is converted into virtual shares for a period of at least three years. The virtual dividend entitlements arising from the virtual shares during the qualifying period are included in the conversion into cash once the qualifying period has elapsed. Once the three-year qualifying period has expired, the virtual shares may be converted into a cash amount at any time during the following two years, with the exception of certain blocked periods. The conversion into virtual shares of the amount to be deferred and the conversion from virtual shares into the amount to be paid are based on the average closing price of Linde

shares on the last 60 stock exchange trading days before the relevant conversion date If there are exceptional circumstances, the Supervisory Board may limit wholly or in part the actual payment at a later date of the deferred amount

Cap

For the 60 percent of variable cash emoluments based on the achievement of one or both targets which is payable in cash, there is a cap of 250 percent of fixed cash emoluments For the remaining 40 percent of the variable cash emoluments, an appropriate limit is set at the time of the conversion of this amount into virtual shares

Regular reviews

The Supervisory Board conducts regular reviews of the targets set and of the calibration of the variable remuneration, including the performance hurdles, in order to prevent potential distortions It may also take into account the specific impact on both measurement factors (Group ROCE and operating margin) of any investment or acquisition projects

Linde Long Term Incentive Plan 2012

It is proposed to replace the Linde Performance Share Programme 2007 for members of the Executive Board and other executives with the new Linde Long Term Incentive Plan 2012 (LTIP 2012) The introduction of LTIP 2012 is subject to approval at the Annual General Meeting of the company, and a resolution will be submitted for approval at the 2012 Annual General Meeting As with the Linde Performance Share Programme 2007, the new plan provides for the granting of options to acquire performance shares A new element in the scheme is compulsory personal investment by members of the Executive Board and by selected executives in shares of the company at the beginning of the scheme, which is a pre-condition of participation in the scheme This is intended to align the interests of the Executive Board and executive management even more closely with the interests of the shareholders It is proposed that, for those shares acquired by the Executive Board and executives as their personal investment, matching shares be granted under certain conditions at the end of the qualifying period The remuneration which may be earned for participation in the LTIP 2012 if the target is reached is divided into 80 percent performance shares and 20 percent matching shares The company has the option of paying compensation in cash to the scheme participants instead of issuing performance shares and/or matching shares It is proposed to issue the first tranche of LTIP 2012 options after the 2012 Annual General Meeting If there are exceptional circumstances, the Supervisory Board may limit wholly or in part the number of options granted to members of the management board

Options for performance shares

Each participant in the plan will be allocated a certain number of options in each annual tranche The Supervisory Board determines the allocation of options to members of the Executive Board Each option confers the right to subscribe to one share in Linde AG (performance shares) if certain targets are met, at the lowest issue price in each case, currently EUR 2 56 The options in a tranche have a five-year term If the exercise conditions are met, the options may first be exercised on completion of a qualifying period of four years from the issue date (the performance period) A requirement for the exercise of the options is the achievement of certain performance targets, which are linked to movements in earnings per share and in relative total shareholder return A 50 percent weighting is attached to each of the performance targets in relation to the total number of options allocated Within these two performance targets, there is a minimum target, which must be reached if options in the relevant tranche are to be exercisable, and a stretch target If the stretch target is reached, all the options in the relevant tranche become exercisable, based on the weighting of the relevant performance target If the minimum target within a performance target is reached, 12 5 percent of the total options granted in the relevant tranche become exercisable and the scheme participant receives a corresponding number of performance shares on payment of the lowest issue price If the relevant stretch target is reached, 50 percent of the total options to performance shares granted in the relevant tranche become exercisable If the minimum target is exceeded, but the stretch target is not reached, a percentage of options corresponding to the extent the minimum target is exceeded becomes exercisable

The minimum target for the "earnings per share" performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items disclosed in the annual financial statements for the financial year ending before the expiry of the qualifying period achieves an average annual effective growth rate of 6 percent, when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options The stretch target for the earnings per share performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the expiry of the qualifying period achieves an average annual effective growth rate of at least 11 percent when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options

The minimum target for the "relative total shareholder return" performance target is reached if the total shareholder return (see glossary) per Linde share in the period between the issue date and the beginning of the exercise period exceeds the median (observed value, see glossary) of the total shareholder return for the control group The control group comprises the companies in the DAX 30 index excluding Linde The stretch target for the "relative total shareholder return" performance target is reached if the total shareholder return per Linde share in the period between the issue date and the beginning of the exercise period is in at least the upper (third) quartile (see glossary) of the control group for total shareholder return

Personal investment and matching shares
The number of Linde shares to be acquired as a personal investment by the members of the Executive Board is determined by the Supervisory Board for each member of the Executive Board and corresponds to 20 percent of the target remuneration which can be achieved through participation in the LTIP 2012 For every Linde share acquired by the scheme participant in the form of a personal investment and held throughout the term of the options, one Linde share is granted as a matching share without requiring any payment The following conditions must be fulfilled in order for matching shares to be granted The scheme participant must make a personal investment in Linde shares at the appropriate time, must continue to hold those shares during the qualifying period and must still be employed under a service agreement at the end of the qualifying period and not be under notice

Pension commitments
For future members of the Executive Board of the company, a defined contribution pension scheme will be introduced from the 2012 financial year in the form of a direct commitment, which will provide benefits in the form of old age pensions, disability pensions and surviving dependants' pensions For members of the Executive Board as at 1 January 2012, the old rules on pensions conceptually will continue to apply For new members, the annual contributions made by the company during the period of employment will be 45 percent of the fixed cash emoluments (and therefore around 11 percent of the target emoluments) After 15 years of contributions, a target pension level of around 50 percent of the final fixed cash emoluments would be achieved as an old age pension The capital is invested with an external provider The pension commitment is designed to be similar to the Linde Pension Plan ("Linde Vorsorgeplan") for employees Insolvency insurance is provided as a result of the integration of the pension commitments into the existing Contractual Trust Arrangement (CTA) The contributions participate in the performance of the CTA and also participate without restriction in CTA surpluses The model provides for guaranteed minimum interest of 3 percent plus any overperformance The regular old age pension is payable from the age of 65, and in the case of early retirement from the age of 62 The employers' contributions are legally non-forfeitable in accordance with the German Company Pension Law (BetrAVG) When the benefits fall due, the Executive Board member is entitled to the account balance inclusive of guaranteed interest In the case of death or disability, a minimum benefit is payable for a period of service on the Board of less than ten years In this case, the amount payable is topped up by the missing contributions to the amount that would have been payable if the Executive Board member had served on the Board for ten years (up to a maximum age of 65) Those entitled to the full pension account are, firstly, the widow, widower or civil partner of the Executive Board member and, secondly, orphans of the Executive Board member in the event that no widow, widower or civil partner survives the deceased

The pension payable is calculated on the basis of the mortality tables and interest rates which are valid when the pension is drawn In all cases, the Executive Board member may choose to have his or her pension paid in one of three ways

→ as a lump sum,
→ in five to ten annual instalments with the payment of interest (depending on the term) until the payments are due, or
→ pension payments for life including an annual increase of 1 percent per annum

On request and with the Group's agreement, the Executive Board member may opt for other payment variants

Other remuneration-related arrangements
The Supervisory Board may, at its discretion, award a special payment to an Executive Board member for exceptional performance

The existing rules on severance caps in the case of early termination of the activities of members of the Executive Board without due cause for the termination of employment and the existing rules on entitlement to compensation and severance pay in the event of a change of control remain unchanged under the new remuneration system Linde complies with the provisions of the German Corporate Governance Code

The new remuneration system no longer provides for a lump-sum severance payment if Executive Board members are not reappointed between the ages of 55 and 63 for reasons beyond their control The rules set out in pre-existing contracts which do provide for such a payment, however, continue to apply

3 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was determined at the Annual General Meeting based on a proposal from the Executive Board and Supervisory Board and is governed by Article 11 of the articles of association

The emoluments comprise two components, a fixed component and a variable one which is dependent on the Group's performance Part of the variable component depends on the dividend Another part is linked to the return on capital employed (ROCE) for The Linde Group in the relevant financial year

Fixed emoluments

Each member of the Supervisory Board receives annual fixed emoluments of EUR 50,000, which are paid at the end of the financial year

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0 01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0 50 per share with full dividend entitlement distributed to the shareholders The second part of the variable remuneration is EUR 450 for each 0 1 percent by which the return on capital employed (ROCE) of The Linde Group exceeds the rate of 7 percent in the relevant financial year ROCE is determined on the basis of information in the relevant audited Group financial statements in accordance with IFRS and the articles of association In 2011, ROCE calculated in this way was 13 0 percent (2010 12 5 percent)

The variable remuneration is paid on the day after the Annual General Meeting which determines the appropriation of profits

Emoluments of the Chairmen, Deputy Chairmen and committee members

The Chairman of the Supervisory Board receives three times the fixed and variable emoluments, while each Deputy Chairman and each member of the Standing Committee receives one and a half times the amount The Chairman of the Audit Committee receives an additional EUR 40,000 and every other member of the Audit Committee receives EUR 20,000 However, if a member of the Supervisory Board holds several offices at the same time which pay a higher level of remuneration, he or she only receives the remuneration for the office which is the most highly paid

Attendance fees

The company pays members of the Supervisory Board an attendance fee of EUR 500 every time they attend a Supervisory Board meeting or committee meeting This amount remains unchanged if several meetings take place on the same day

VAT and reimbursement of expenses

Linde AG reimburses members of the Supervisory Board for any necessary expenses incurred and for VAT on their emoluments

Emoluments of the Supervisory Board for 2011

Based on a dividend of EUR 2 50 (2010 EUR 2 20) per share entitled to dividend and ROCE for The Linde Group of 13 0 percent (2010 12 5 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,294,493 (2010 EUR 2,105,000) plus VAT of EUR 435,954 (2010 EUR 399,950) Of the total emoluments, EUR 859,754 (2010 EUR 860,000) related to fixed emoluments and EUR 1,392,239 (2010 EUR 1,212,000) to variable emoluments The total expenditure on attendance fees was EUR 42,500 (2010 EUR 33,000)

The individual members of the Supervisory Board received the amounts listed in the following table

in €		Fixed emoluments	Variable emoluments	Emoluments for sitting on Audit Committee	Attendance fees	Total emoluments[1]
Dr Manfred Schneider (Chairman)	2011	150,000	261,000	–	6,000	417,000
	2010	150,000	227,250	–	4,000	381,250
Hans-Dieter Katte[3] (Deputy Chairman)	2011	75,000	130,500	–	6,000	211,500
	2010	75,000	113,625	–	4,000	192,625
Michael Diekmann (Second Deputy Chairman)	2011	75,000	130,500	–	3,000	208,500
	2010	75,000	113,625	–	2,000	190,625
Professor Dr Ann-Kristin Achleitner (from 12 05 2011)	2011	32,055	55,776	12,384[2]	2,500	102,715
	2010	–	–	–	–	–
Dr Gerhard Beiten (until 12 05 2011)	2011	18,082	31,463	7,233	2,000	58,778
	2010	50,000	75,750	20,000	4,000	149,750
Dr Clemens Börsig	2011	50,000	87,000	40,000	4,500	181,500
	2010	50,000	75,750	40,000	4,000	169,750
Gernot Hahl[3]	2011	75,000	130,500	–	6,000	211,500
	2010	75,000	113,625	–	3,000	191,625
Thilo Kämmerer[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Matthew F C Miau	2011	50,000	87,000	–	1,500	138,500
	2010	50,000	75,750	–	2,000	127,750
Klaus-Peter Müller	2011	75,000	130,500	–	3,000	208,500
	2010	75,000	113,625	–	2,000	190,625
Jens Riedel[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Xaver Schmidt[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Josef Schregle	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Total 2011		800,137	1,392,239	59,617	42,500	2,294,493
(%)		34	61	3	2	100
Total 2010		800,000	1,212,000	60,000	33,000	2,105,000
(%)		38	57	3	2	100

[1] Amounts excluding VAT

[2] Member of the Audit Committee from 20 May 2011

[3] The employee representatives have decided to forward their remuneration to the Hans Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions

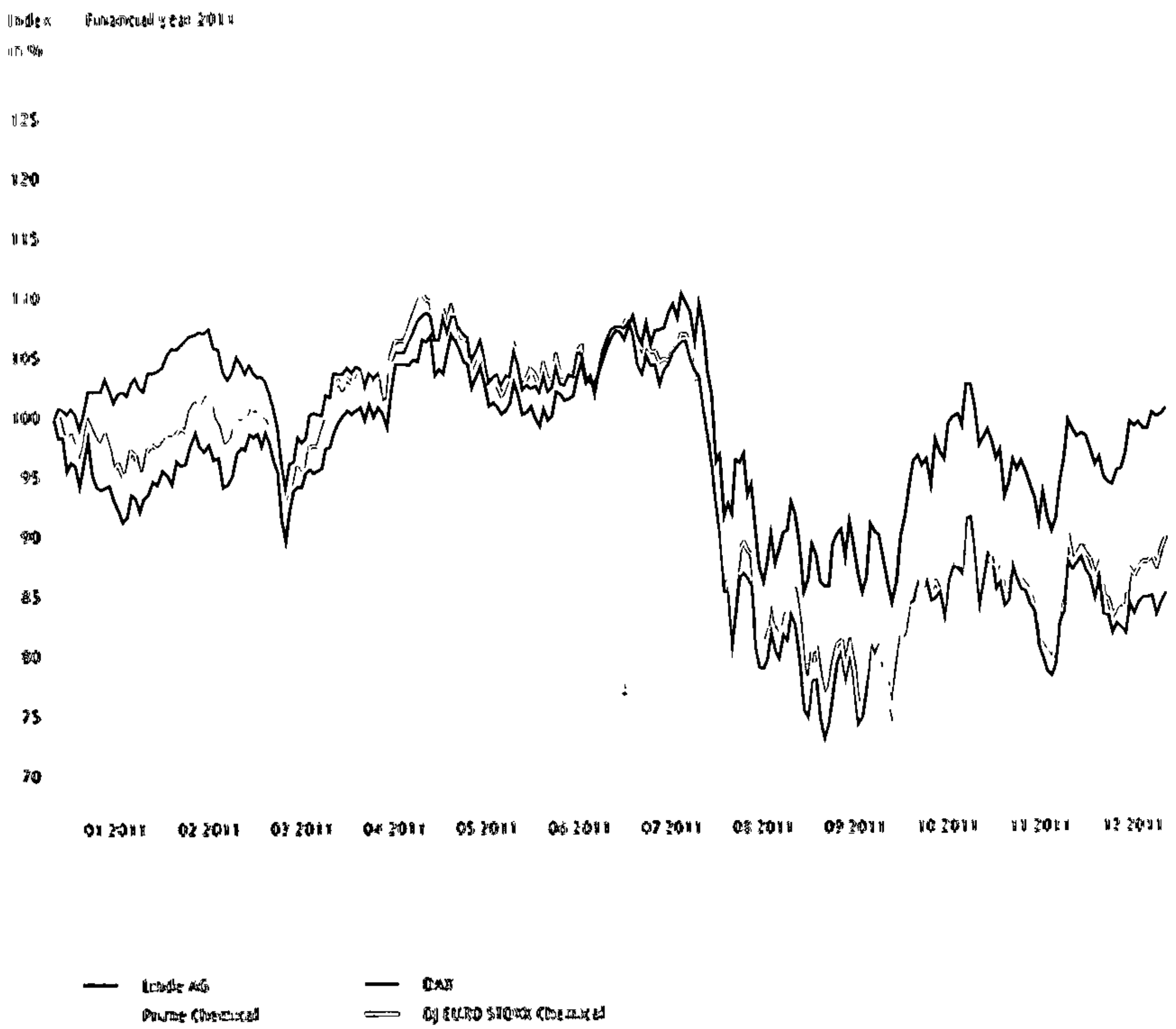
Loans and advances

At 31 December 2011, there were no loans or advances to members of the Supervisory Board

Linde Shares

High levels of public debt worldwide have put most international stock markets under pressure. Linde shares saw relatively steady trends in this unfavourable and very volatile climate. The Linde share price rose slightly over the year, again significantly outperforming DAX, the German share index

Linde share performance in 2011 compared with indices



World sovereign debt crisis puts stock markets under pressure

Initially in the 2011 financial year, positive trends in the German share index (DAX) continued from the prior year, and on 2 May 2011 it reached its highest point for the year (7,528 points) However, against a background of ongoing discussions about the US debt ceiling and the sovereign debt crisis in Europe, the DAX dropped sharply from the beginning of August On 12 September 2011, the index fell to its lowest point for the year of 5,072 points Following a turbulent month or two with highly volatile share prices, the DAX ended 2011 at 5,898 points, 14 7 percent below the closing position at 31 December 2010 of 6,914 points

In comparison, the MSCI Euro Index fell by 12 2 percent in 2011, while the European stock market barometer DJ EURO STOXX was 17 7 percent below its 2010 level at 31 December 2011 The major national indices in Europe also suffered significant losses The CAC 40 index in Paris was down 19 0 percent and the FTSE 300 index in London fell by 13 2 percent

The US stock markets were, however, considerably more robust The S&P 500 index dropped only 1 1 percent, while the index for the NASDAQ technology stock exchange, the NASDAQ 100, even rose by 1 0 percent

The highest share price rises were once again to be seen in the emerging economies as a result of dynamic economic trends in those countries The MSCI Emerging Markets Chemicals Index, for example, climbed 17 3 percent in 2011

Linde shares continue to outperform DAX

In a difficult stock market environment, Linde shares saw relatively steady trends in the 2011 financial year, even finishing the year with a slight rise in share price of 1 2 percent to EUR 114 95 Once again they significantly outperformed DAX For the fourth year in succession, Linde shares were one of the top ten performers in Germany's leading share index during the corrective phase in 2008 and the stock market recovery in 2009, as well as in the more favourable macroeconomic climate of 2010 and the highly volatile year 2011

At the beginning of the year, the price of Linde shares was adversely affected by profit taking and sector shifting The shares also suffered as a result of the general slump in share prices on the international stock exchanges which succeeded the earthquake disaster in Japan On 16 March 2011, the Linde share price fell to EUR 102 65, its lowest level during the first six months of the reporting period

As the year progressed, the indices recovered, boosted in particular by the positive macroeconomic climate in the growth regions, but also by robust economic trends in Germany On the basis of good quarterly figures, the Linde share price continued to rise On 30 June 2011, it exceeded the EUR 120 threshold for the first time in the company's history On 25 July 2011, the Linde share price reached its year high and all-time high of EUR 125 80

Sparked off by the debate on raising the US debt ceiling, stock markets fell again sharply from August Linde shares were unable to escape the trend initially, falling to their year low of EUR 96 16 on 4 October 2011 However, in subsequent months, the shares were able to disengage to a large extent from the unfavourable stock market climate and by 31 December 2011 the Linde share price had risen to EUR 114 95

This upward trend is evidence that the capital market recognises the stability of Linde's business model and Linde's very good position in the emerging economies as well as the attractive growth opportunities in the international gases and engineering business The continuous improvement in the profitability of the Group is also increasingly being rewarded Moreover, confirmation of Linde's ambitious medium-term targets created confidence among the market players

The Linde Group has also continued to meet with a very positive response in the credit market The leading international rating agencies Standard & Poor s and Moody s confirmed Linde's credit ratings and its stable outlook in August 2011 and October 2011 respectively By doing so, the agencies have not only recognised that the Group has been proactive in continuing to optimise its maturity profile, but have also appreciated its secure liquidity reserve

During the financial year, Linde has been able to take advantage of its repute and the positive good conditions at times for corporate bonds in the international capital markets, despite high levels of volatility, to make further improvements to its maturity profile In June 2011, it therefore successfully issued a EUR 600 m ten-year bond and at the same time repurchased bonds worth around EUR 360 m due in 2012 and 2013 In December 2011, to bolster liquidity and increase the future flexibility of the Group, Linde also placed a EUR 750 m seven-year bond which met with very high demand In addition, Linde has a solid general liquidity reserve with banks, given its existing EUR 2 5 bn credit facility which is unused at 31 December 2011

Capital market-based figures

		2011	2010
Number of shares with dividend entitlement for the financial year	No	171,061,401	170,296,941[2]
Year-end closing price	€	114 95	113 55
Year high	€	125 80	115 30
Year low	€	96 16	76 70
Total dividend Linde AG	€ million	428	375
Market capitalisation[1]	€ million	19,663	19,337
Average weekly volume	No	3,069,109	2,991,460
Volatility[1] (200 days)	in %	17 9	20 7
Information per share			
Cash dividend	€	2 50	2 20
Dividend yield	in %	2 2	1 9
Operating cash flow	€	14 18	14 22
Earnings[3]	€	7 71	6 89

[1] As at 31 December 2011

[2] Change due to the exercise of purchase options under the share option scheme

[3] Adjusted for the effects of the purchase price allocation

Linde performance in comparison with the most important indices[1]

	2011 in percent	Weighting Linde shares in percent
Linde (including dividend)	3 1	-
Linde (excluding dividend)	1 2	-
DAX	-14 7	3 66
Prime Chemical	-8 9	15 08
DJ EURO STOXX	-17 7	0 90
DJ EURO STOXX Chemical	-10 1	10 58
FTSE Eurofirst 300	-13 2	0 42
FTSE E300 Chemical	-9 8	9 92
MSCI Euro	-12 2	0 41

[1] As at 31 December 2011

Shareholder structure

According to the annual shareholder identification survey, the proportion of Linde shares held by institutional investors at 31 December 2011 remained stable at around 80 percent (2010 80 percent) The proportion of Linde shares held by private investors at the year-end was therefore around 20 percent

The largest proportion of institutional investors (43 percent) continues to come from North America (2010 41 percent)

The proportion of European investors fell slightly to 52 percent (2010 55 percent) By the end of the 2011 financial year, German institutional investors had reduced their holdings to just 17 percent of Linde shares (2010 21 percent) The proportion of British institutional investors increased slightly from 15 percent at the end of 2010 to 16 percent at 31 December 2011 The French market also increased its holdings again, to 8 percent of Linde shares (2010 7 percent) France is therefore the third largest European group of institutional investors in Linde

The proportion of Linde shares held by institutional investors in Asia rose slightly to 5 percent, compared with 4 percent at the end of 2010

In the past financial year, Linde has again succeeded in broadening its investor base to include a number of investors who take a long-term view The Group's business model is geared towards sustainable, profitable growth Linde also benefits from a stable financing structure and offers investors an attractive investment which can boast long-term wealth creation

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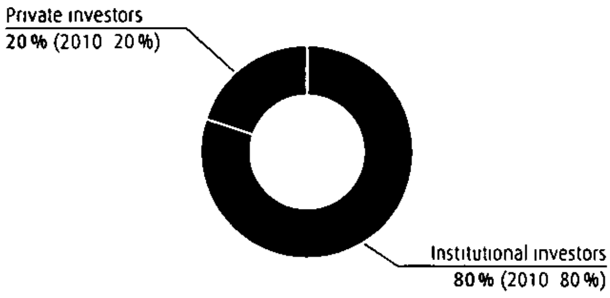
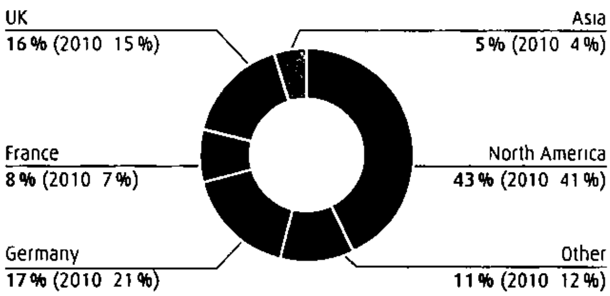
Shareholder structure



Institutional investors – Holdings by region



Dividend payment

Linde has adopted an earnings-based dividend policy geared towards continuity The Executive Board and Supervisory Board will recommend the payment of a dividend of EUR 2 50 per share at the Annual General Meeting on 4 May 2012 This is an increase of 13 6 percent over the prior-year dividend of EUR 2 20 This gives a dividend payout ratio of 36 5 percent, based on net income for the year The dividend yield was 2 2 percent, based on the year-end close

Resolutions passed at the Annual General Meeting on 12 May 2011

No resolutions were passed at the Annual General Meeting on 12 May 2011 to create or increase conditionally authorised or authorised capital, or to authorise the purchase of own shares

Investor relations activities

In the 2011 financial year, Linde continued to intensify its efforts to communicate with participants in the capital markets, conducting more than 550 individual conversations with financial analysts and investors At 34 conferences and roadshows on three continents, Linde has offered its shareholders and potential investors the opportunity to speak with representatives of the Group, including members of the Executive Board The management team not only elucidated the Group's stable business model but also, increasingly, expounded future growth opportunities for the Group Linde has been able to convince German and international investors of the potential offered by its products, technologies and services in the promising fields of health, energy and the environment The Group also highlighted its business performance and good position in the emerging economies, especially in Asia, and explained the increasing synergies between its gases and engineering businesses

Transparency, continuity and reliability will continue to be the guiding principles for the Group's investor relations work in the current year 2012 Linde will put forward the arguments which continue to make an investment in the Group an attractive proposition a robust, forward-looking business model, financing geared towards the long term and an excellent position in the fast-growing economies

All current information about Linde shares can be found on the Group's website at www linde com in the Investor Relations section Information and answers to any questions you may have can be obtained by calling the Investor Relations team on +49 89 35757-1321 You are also welcome to send us your questions online at investorrelations@linde com

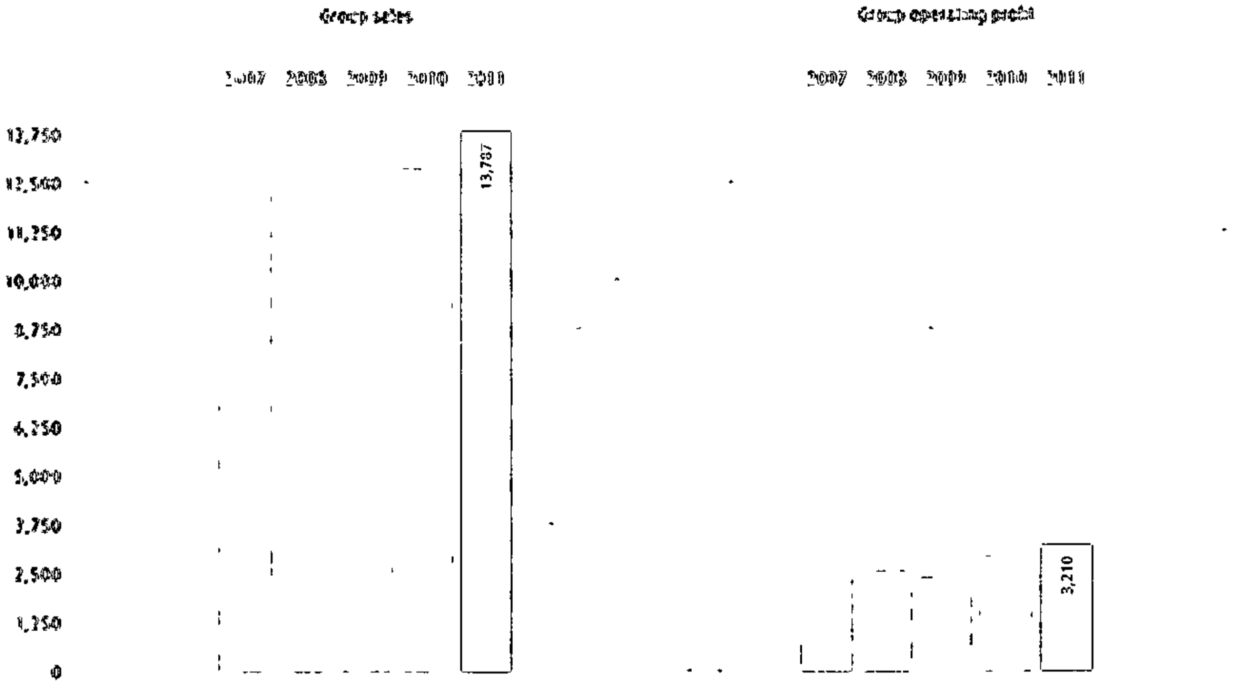
Linde share information

Type of share	Bearer shares
Stock exchanges	All German stock exchanges
Security reference numbers	ISIN DE0006483001
	CUSIP 648300
Reuters (Xetra)	LING DE
Bloomberg	LIN GR

Group management report

Based upon its stable business model, Linde continued to generate profitable growth, with Group sales and Group operating profit reaching new record levels in the 2011 financial year. Group sales rose to EUR 13.787 bn, up 7.1 percent from EUR 12.868 bn in 2010. Group operating profit increased at a faster rate than sales, by 9.7 percent to EUR 3.210 bn (2010: EUR 2.925 bn). The Group operating margin rose to 23.3 percent in the year under review, up 60 basis points on the prior-year figure of 22.7 percent.

Group sales and Group operating profit (in € million)



GROUP MANAGEMENT REPORT

Macroeconomic environment

Gross Domestic Product (GDP) in real terms[1]

		% Growth				
	% Weighting	2007	2008	2009	2010	2011
EMEA	34 0	3 5	0 8	-4 1	2 3	2 1
Eurozone	20 0	2 9	0 3	-4 2	1 8	1 6
Germany	5 8	3 4	0 8	-5 1	3 6	3 0
Asia/Pacific	18 4	9 3	5 6	5 2	8 3	6 5
China	8 0	14 2	9 6	9 2	10 4	9 2
Americas	33 5	2 5	0 4	-3 2	3 6	2 2
USA	25 3	1 9	-0 3	-3 5	3 0	1 7
World	100 0	4 0	1 4	-2 2	4 1	2 7[2]

[1] Source IHS Global Insight, in respect of countries in which Linde operates The prior-year figures were adjusted on the basis of the latest available data
[2] In respect of 204 countries

Industrial Production (IP)[1]

	% Growth				
	2007	2008	2009	2010	2011
EMEA	3 3	-1 3	-12 3	6 1	3 1
Eurozone	3 3	-1 8	-14 4	6 7	3 0
Germany	5 8	0 6	-16 4	11 2	7 8
Asia/Pacific	10 7	6 6	4 0	13 5	7 9
China	18 5	12 9	11 0	15 7	13 4
Americas	2 8	-2 7	-10 2	5 6	4 0
USA	2 7	-3 7	-11 2	5 3	3 9
World	4 3	-0 4	-9 3	8 1	3 8[2]

[1] Source IHS Global Insight, in respect of countries in which Linde operates The prior-year figures were adjusted on the basis of the latest available data
[2] In respect of 204 countries

Overview of global economic trends

The economic recovery continued in the course of 2011, albeit at a slower rate than in 2010 Based on data from the international forecasting institute IHS Global Insight, global gross domestic product (GDP) increased by 2 7 percent in 2011, compared with growth of 4 1 percent in 2010 Global industrial production (IP) rose by 3 8 percent in 2011, whereas in 2010 it grew by 8 1 percent

The slowdown in the recovery is mainly attributable to the sovereign debt crisis in Europe and in the United States In some regions, events such as the tsunami disaster in Japan had an adverse impact on economic development

EMEA (Europe, Middle East and Africa)

The economy in the EMEA region as a whole grew by 2 1 percent in the 2011 financial year (2010 2 3 percent) However, there were substantial variations in economic trends in the different sub-regions In the eurozone, the debt crisis meant that there was only a modest increase in GDP of 1 6 percent (2010 1 8 percent), while the German economy saw robust growth of 3 0 percent (2010 3 6 percent) In Eastern Europe and the countries of the Middle East taken together, GDP rose by 3 9 percent in 2011 (2010 3 6 percent) Relatively dynamic economic trends were also to be seen in Africa, with a 4 7 percent rise in GDP (2010 4 3 percent) In all the sub-regions of the EMEA area, industrial production fell in comparison with the figures achieved in 2010 The rise in IP in the eurozone was only 3 0 percent (2010 6 7 percent), in Germany 7 8 percent (2010 11 2 percent), in Eastern Europe and the Middle East taken together 6 1 percent (2010 7 5 percent), and in Africa 2 7 percent (2010 4 8 percent)

Asia/Pacific

Once again in 2011, the Asia/Pacific region saw the highest level of growth, with a rise in GDP of 6 5 percent (2010 8 3 percent) Even industrial production continued to increase significantly IP in this region rose by 7 9 percent (2010 13 5 percent) Although it was not possible to achieve the very high growth rates seen in 2010, due in particular to the fall in external demand, the dynamic upward trend is clear to see, especially in Asia Domestic demand remains particularly stable

China was again the major driver of economic growth in Asia in 2011 GDP growth here was 9 2 percent, almost as strong as in 2010 (10 4 percent) Industrial production in China continued at a high level, rising by 13 4 percent (2010 15 7 percent)

During the reporting period, Australia suffered a number of natural disasters which had an impact on its economic development Its GDP rose by only 2 0 percent (2010 2 6 percent), while industrial production shrank by 0 6 percent, compared with an increase in IP in 2010 of 4 6 percent

Americas

Economic growth in the United States slowed down in the 2011 financial year when compared with 2010 GDP here rose by only 1 7 percent (2010 3 0 percent) The main factors contributing to this trend, apart from the level of national debt, were continuing high levels of unemployment, the difficult financial situation in which private households found themselves and much lower levels of consumption as a result Against this background, the industrial production growth rate of 3 9 percent was also lower than the figure for 2010 of 5 3 percent

After very robust economic trends in the first half of 2011, economic growth in South America slowed somewhat in the second half of the year One of the contributory factors here was restrictive monetary policy The region saw growth in 2011 of 4 2 percent (2010 6 4 percent) Industrial production rose by 3 4 percent, compared with an increase of 8 0 percent in 2010

Sector-specific background

Gases industry

Significant growth was to be seen in the international gases market in 2011, given overall positive macroeconomic trends. The extent to which demand increased, however, varied greatly by region and by industry sector. North America and Europe continue to be the largest sales markets, followed by Asia. In Asia, the rate of growth was significantly higher.

The steel industry, a major customer segment in the gases sector, saw a recovery during the year. Nonetheless, uncertainty in the macroeconomic environment and surplus capacity in Europe led to the closure or shutdown of some plants. Moreover, inventory holdings were reduced in the expectation that steel prices would fall. Even in China, the increase in steel production slowed somewhat in the course of the year. Here, the government acted cautiously to curb the accelerating economy.

The economic recovery in the chemical sector continued in 2011, although at a slower pace than in the previous year. Growth was significantly weaker, especially in the developed world. In the emerging economies of China, India and Brazil, on the other hand, investment activity continued to rise. In China, a trend towards higher-value chemical products began to emerge.

Regional differences were also to be seen in the refinery business. Whereas there continued to be a high level of investment in new projects in countries with faster rates of growth, the volume in Europe and North America remained relatively low. Against a background of rising demand for clean fuels, the hydrogen market continued to grow in the 2011 financial year.

In manufacturing, major sectors such as the automobile industry and engineering performed much better than expected. Extensive economic programmes facilitated investment in regional projects, which also benefited the construction trade or the transport infrastructure. In shipbuilding, a shrinking market in the mature economies, Asia continued to see growth.

After a strong recovery in 2010, the semiconductor industry reverted to more modest growth in the 2011 financial year. Trends in this sector are closely tied to global economic conditions.

In the worldwide LED market (see glossary), there was a clear distinction during the year between different product areas. On the one hand, TFT-LCD displays (see glossary) reached saturation point and the price of packaged LEDs (see glossary) fell as volume growth slowed. On the other hand, fresh impetus revitalised the general lighting market: for example, in Japan, sales of LED light bulbs exceeded sales of traditional light bulbs for the first time.

Following dynamic growth in 2010, the development of the international solar cell industry was affected in 2011 by changes in the regulatory framework. Nevertheless, global output increased significantly from around 17 gigawatts to over 25 gigawatts.

Against a background of sustained population growth, robust trends were also to be seen in 2011 in the food and beverage industry, a major consumer of gases. In particular, processed food is gaining in importance.

Another stable growth segment as a result of demographic trends is the market for medical gases (healthcare). This sector is also benefiting from improved opportunities for access to the healthcare market in regions with fast growth rates. Of these markets, Brazil, Russia, India and China are by far the largest and most important.

In more mature healthcare markets, it is clear that for some time there has been a move away from long-term care in hospitals (hospital care) towards treatment in settings other than hospitals (homecare). This trend has become increasingly evident in Europe in particular. With this form of medical care, patients are able to receive effective treatment without having to leave their usual surroundings.

Engineering business

The international large-scale engineering business has recovered from the 2009 economic downturn caused by the economic and financial crisis. In the first half of 2011 in particular, the improvement in the economic climate resulted in an increase in project activity, especially in refineries and petrochemicals. Nevertheless, as expected, investment was unable to match the high level achieved in 2008.

Air separation plants

In comparison with other industry sectors, the market for air separation plants remained stable in 2011. A large proportion of business in this area related to investment by gases companies in new on-site projects. As in 2010, the greatest growth in the air separation plant product segment was to be seen in China. Tendering activity for standard plants remained high worldwide across all customer segments.

Olefin plants

The petrochemical industry has overcome the effects of the economic and financial crisis and benefited in the 2011 financial year from high demand for new capacity: for example, in the Chinese and Indian automobile industries. The sector is currently embarking on a process of change, due to the exploitation of new sources of raw materials. One of the most promising areas here is the recovery of shale gas, especially in North America. As a result of this development, the demand for new crackers (see glossary) also rose, while at the same time existing plants need to expand. The fastest-growing regions in the petrochemical industry continue to include not only Russia and the Middle East, but also Asia, Western Europe and the US.

Natural gas plants

The increase in the price of crude oil to figures in excess of USD 100 a barrel resulted in a slight revival during the reporting period in the market for natural gas processing plants and natural gas liquefaction plants However, trends varied significantly in different regions In the US, the exploitation of shale gas reserves generated substantial momentum In China, the market for small and mid-scale LNG plants (see glossary) saw above-average growth, especially in those regions which do not have a sufficiently developed pipeline network Here, in addition to conventional natural gas, synthetic natural gas derived from coal is increasingly being used as an input material

Hydrogen and synthesis gas plants

The global market for hydrogen and synthesis gas plants has continued to recover in the course of 2011 Demand for plants of all sizes has increased significantly Most projects were awarded in emerging economies such as China and the Middle East

Value-based and operational management

Linde pursues a corporate strategy of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value To measure the medium-term and long-term financial success of this value-based management strategy, the Group uses return on capital employed (ROCE) as its core performance indicator

The definition of ROCE takes account of the effects of the acquisition of BOC in the 2006 financial year On the one hand, capital invested increased significantly due to the acquisition On the other hand, earnings were adversely affected by the amortisation of fair value adjustments identified in the course of the purchase price allocation This reduced the return on capital, although Linde's operating performance has not been changed as a result of the identification of fair value adjustments and their amortisation To ensure that the operating performance of the Group is transparent and disclosed in a way which is comparable to the disclosure of its major competitors, Linde has eliminated the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation from its ROCE calculation

To achieve sustainable and successful growth, Linde works together with various customers on the basis of joint venture business models So that the current joint ventures, which form a major operational component of the Gases Division, are included in the management ratios and performance indicators, Linde's share of the income from associates and joint ventures, based on their respective earnings after taxes on income, has been added to the figure for EBIT in the ROCE calculation

The calculation of ROCE, the core performance indicator for The Linde Group, can be summarised as follows

Definition ROCE

Return

EBIT
(including income from associates and joint ventures, excluding interest cost for pension obligations)

+

Amortisation of fair value adjustments identified in the course of the purchase price allocation

+/–

Non-recurring items

–

Capital employed[1]

Equity

+

Financial debt

+

Liabilities from finance leases

+

Net pension obligations

–

Cash, cash equivalents and securities

–

Receivables from finance leases

[1] Each calculated on the basis of the average of the figures at the balance sheet date for the current year and prior year

Based on this definition, Linde achieved ROCE at Group level in the 2011 financial year of 13 0 percent (2010 12 5 percent)

To manage its operating business and measure its performance, Linde not only uses ROCE as a management tool, but also other key performance indicators, such as free cash flow before financing activities (operating free cash flow), earnings before interest, tax, depreciation and amortisation (EBITDA adjusted for the effect of non-recurring items), earnings before interest and tax (EBIT) and earnings per share (EPS) Both EBIT and EPS are adjusted for the amortisation of the fair value adjustments identified in the course of the purchase price allocation A reconciliation between the reported figures for EBIT and EPS and the adjusted figures is included in Note [40] of the Notes to the Group financial statements The calculation of management's variable remuneration is also based on these figures

In the 2012 financial year, it is Linde's intention to use the key performance indicators described above (ROCE, EBIT and EPS) without eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation as an additional core performance indicator, thereby taking account of the fact that the amortisation effect is reducing as the years go by

In the 2008 financial year, Linde began implementing its HPO (High Performance Organisation) efficiency programme The Group continued with the rigorous application of this programme in the 2011 financial year HPO is a holistic concept for process optimisation and productivity gains which should result in total gross savings in the financial years from 2009 to 2012 of between EUR 650 m and EUR 800 m It should also continue to reinforce the Group's competitiveness irrespective of the economic climate In this context, additional key performance indicators were introduced to measure the productivity of all operating units and were incorporated into Linde's value-based management system All the individual measures designed to increase efficiency are centrally monitored and reviewed to ensure that they achieve lasting success

Operational management
The Group comprises three divisions

→ Gases Division,
→ Engineering Division
→ Other Activities

The Gases Division consists of three reportable segments EMEA, Asia/Pacific and the Americas In 2011, in order to meet future operational challenges, the Executive Board of The Linde Group reallocated responsibilities by establishing a specific regional responsibility on the Executive Board for the Asia/Pacific reportable segment so as to capitalise on the huge potential offered by growth markets in Asia Until the end of the 2010 financial year, the Group's reporting structure in the Gases Division was based on four reportable segments Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa

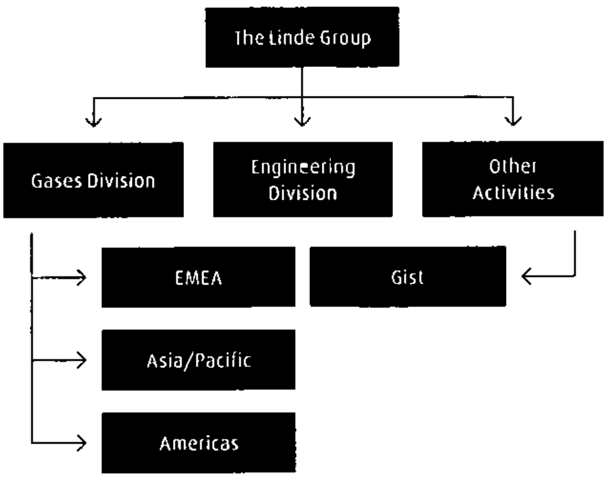
Responsibilities are allocated on the basis of a regional structure The managers within these three reportable segments are responsible for the operating business in eight (formerly nine) Regional Business Units (RBUs) This structure allows the Group to take account of the real importance of local and regional market conditions in the gases business In the course of forming the EMEA reportable segment, Linde combined the existing Regional Business Units (RBUs) Africa and UK & Ireland to create RBU Africa & UK in order to take better advantage of the synergies between the two RBUs

Within the Gases Division, the organisational structure also comprises the two Global Business Units, Healthcare (medical gases and related maintenance and advisory services) and Tonnage (on-site), and the two Business Areas, Merchant & Packaged Gases (liquefied and cylinder gases) and Electronics (electronic gases), which are managed centrally In the on-site business, this enables Linde to meet the international requirements of its major customers In the Healthcare business, this centralisation allows the Group to respond more precisely and systematically to the specific requirements of this increasingly regulated sector The capital expenditure process within the Gases Division is managed centrally

The principal component of the Other Activities segment is the logistics service provider Gist

This operating model is reflected in the allocation of responsibilities to members of the Group's Executive Board, ensuring the most efficient use of individual strengths and skills at both regional and product levels

Organisational structure



Organisational structure of The Linde Group The Group consists of the Gases Division, the Engineering Division and Other Activities Within the Gases Division, there are three reportable segments EMEA, Asia/Pacific and the Americas The Other Activities segment comprises the Group's logistics services operations (Gist)

Business review of The Linde Group

Despite the sovereign debt crisis and the crises in the eurozone and the financial markets, growth was again achieved in the global economy as a whole This trend was underpinned principally by the emerging economies of Asia

Against this background, Linde was able to continue to generate profitable growth based on its stable business model and to achieve significant increases in Group sales and Group operating profit The Group has used its global presence to its advantage, benefiting in particular from its very good position in the growth markets Linde is also continuing to make progress with the implementation of HPO, its holistic programme for sustainable process optimisation and productivity gains

Sales and operating profit

In the 2011 financial year, Group sales rose by 7 1 percent to EUR 13 787bn (2010 EUR 12 868bn) After adjusting for exchange rate effects, the increase was 7 6 percent The share of sales in joint ventures (not included in Group sales in accordance with the accounting rules) was EUR 464m in 2011 (2010 EUR 409m)

Linde continued to strengthen its earnings power, achieving a 9 7 percent increase in Group operating profit (EBITDA) to EUR 3 210bn (2010 EUR 2 925bn) Profit again grew at a faster rate than sales The Group operating margin in the 2011 financial year was 23 3 percent, 60 basis points above the prior-year figure of 22 7 percent

Results of operations

The statement of profit or loss prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 5 021bn in the 2011 financial year (2010 EUR 4 521bn) after deducting cost of sales The gross margin rose to 36 4 percent during the year under review (2010 35 1 percent) This increase was mainly attributable to an improvement in the gross margin in the Engineering Division when compared with 2010 The systematic implementation of the Group-wide programme designed to achieve sustainable efficiency gains also had a positive impact Other functional costs (marketing, selling and administration expenses, research and development costs) rose in line with the increased level of business activity EBIT improved at a faster rate than sales, by 13 8 percent, from EUR 1 679bn to EUR 1 910bn The EBIT margin improved accordingly, from 13 0 percent to 13 9 percent

The net financial result (financial income less financial expenses) in 2011 was a net loss of EUR 291m (2010 net loss of EUR 280m)

Linde was able to achieve a 15 7 percent increase in earnings before tax (EBT) to EUR 1 619bn (2010 1 399bn)

Due to the significant improvement in earnings, the tax expense rose to EUR 375m (2010 EUR 335m) This corresponds to an income tax rate of 23 2 percent (2010 23 9 percent)

Earnings after tax increased by 16 9 percent to EUR 1 244bn (2010 EUR 1 064bn) The amount attributable to Linde AG shareholders was EUR 1 174bn (2010 EUR 1 005bn) This corresponds to earnings per share of EUR 6 88 (2010 EUR 5 94) Adjusted to discount the effects of the purchase price allocation on the acquisition of BOC, earnings per share stood at EUR 7 71 (2010 EUR 6 89)

Sales and operating profit by division

in € million	2011 Sales	2011 Operating profit	2010 Sales	2010 Operating profit
Gases Division	11,061	3,041	10,228	2,766
Engineering Division	2,531	304	2,461	271
Other Activities (including consolidation)	195	–135	179	–112
Group	**13,787**	**3,210**	**12,868**	**2,925**

Results of operations

	2011 in € million	2011 in percent	2010 in € million	2010 in percent
Sales	13,787	100.0	12,868	100.0
Cost of sales	8,766	63.6	8,347	64.9
Gross profit on sales	5,021	36.4	4,521	35.1
Marketing and selling expenses	2,031	14.7	1,859	14.4
Research and development costs	98	0.7	94	0.7
Administration expenses	1,163	8.4	1,074	8.3
Other operating income	285	2.1	286	2.2
Other operating expenses	180	1.3	169	1.3
Income from associates and joint ventures (at equity)	76	0.6	68	0.5
EBIT	1,910	13.9	1,679	13.0
Financial result	–291		–280	
Earnings before taxes on income (EBT)	1,619	100.0	1,399	100.0
Taxes on income	375	23.2	335	23.9
Earnings after taxes on income	1,244		1,064	
attributable to non-controlling interests	70		59	
attributable to Linde AG shareholders	1,174		1,005	

Gases Division

In 2011, the improvement in general economic conditions led to a rise in demand in the global gases business

Against this background, Linde achieved an increase in sales in the Gases Division of 8 1 percent to EUR 11 061 bn (2010 EUR 10 228 bn) After adjusting for exchange rate effects and changes in the price of natural gas, sales growth was 7 7 percent On a comparable basis – i e also adjusting for changes to Group structure – sales growth was 7 4 percent The share of sales from joint ventures in the gases business, which is not included in the sales of the division, rose by EUR 55 m to EUR 453 m (2010 EUR 398 m) The growth in sales was mainly due to on-site plants operated by joint ventures coming on stream

Linde significantly improved the profitability of the Gases Division in 2011, increasing operating profit by 9 9 percent to EUR 3 041 bn (2010 EUR 2 766 bn) Thus operating profit grew at a faster rate than sales The operating margin rose by 50 basis points to 27 5 percent (2010 27 0 percent) This increase in earnings power is also due to the positive impact of HPO measures designed to improve efficiency and optimise processes

Business trends in the individual reportable segments in the Gases Division highlight the considerable regional variations in the pace of economic recovery The greatest momentum was to be seen in the emerging economies of Asia, especially in China and India, and in South America However, in the more mature economies, such as the United States and Western Europe, economic output grew at a comparatively modest rate

Gases Division

in € million	2011	2010
Sales	11,061	10,228
Operating profit	3,041	2,766
Capital expenditure (excluding financial assets)	1,439	1,326
Number of employees (at the balance sheet date)	39,031	37,603
Sales from joint ventures	453	398[1]

[1] Adjusted

EMEA (Europe, Middle East, Africa)

In the EMEA reportable segment, the Group's largest sales market, Linde achieved sales growth of 6 4 percent in the 2011 financial year to EUR 5 672 bn (2010 EUR 5 330 bn) On a comparable basis, the growth in sales was 5 7 percent

Operating profit increased at a faster rate than sales, by 8 0 percent to EUR 1 634 bn (2010 EUR 1 513 bn) The operating margin was 28 8 percent, 40 basis points above the prior-year figure of 28 4 percent This positive trend was also the result of the rigorous implementation of various HPO initiatives to increase productivity and standardise processes

In the Regional Business Unit Continental & Northern Europe, sales rose by 7 2 percent to EUR 3 325 bn (2010 EUR 3 103 bn) This region therefore continued to account for the largest share of business within the EMEA reportable segment The RBU Africa & UK achieved sales in 2011 of EUR 1 519 bn This was an increase of 5 0 percent compared with the prior-year figure of EUR 1 447 bn The RBU Eastern Europe & Middle East achieved a 6 7 percent increase in sales to EUR 857 m (2010 EUR 803 m)

Overall, there was growth in the economy in the EMEA region during the reporting period, although in the second half of 2011 the recovery slowed slightly Linde was able to achieve growth in all submarkets of the reportable segment and increased volumes in all product areas In the on-site business, the Group also benefited from the production start-ups of new plants supplying the steel industry Examples of these are air separation plants in Bremen in Germany and Scunthorpe in the UK, which will supply industrial gases to Linde's major customers ArcelorMittal and Tata Steel

In Sweden, the country's first terminal for liquefied natural gas (LNG) started production at the end of 2010 and became fully operational in the first quarter of 2011 Linde is the owner and operator of the terminal and sells the LNG to customers in industry, transport and shipping With this new terminal, Linde has gained entry into a promising growth market

Linde has built a new air separation plant on the Muttenz site near Basle in Switzerland, investing a total of CHF 68 m This plant, which was officially opened in May 2011, will reinforce Linde's market position in the region of Europe comprising Switzerland, France and Germany

During the reporting period, Linde was able virtually to complete what is now its eleventh air separation plant for its customer ThyssenKrupp Stahl Europa in Duisburg in Germany As a result, Linde has also strengthened its position in the liquefied gases sector in the Rhine/Ruhr region The amount invested was around EUR 75 m

In addition, in the past financial year, Linde opened its new cylinder filling centre in Hamburg The state-of-the-art facility is Linde's most important logistics hub in Northern Germany and can fill 500,000 cylinders per annum with industrial gases and food-grade gases The cylinder-filling systems offer supreme flexibility, making it possible to adapt quickly to specific customer requirements

Gases Division Sales and operating profit by reportable segment

in € million	2011 Sales	2011 Operating profit	2011 Margin in percent	2010 Sales	2010 Operating profit	2010 Margin in percent
EMEA	5,672	1,634	28.8	5,330	1,513	28.4
Asia/Pacific	3,076	872	28.3	2,692	754	28.0
Americas	2,384	535	22.4	2,279	499	21.9
Consolidation	–71	–	–	–73	–	–
Group	**11,061**	**3,041**	**27.5**	**10,228**	**2,766**	**27.0**

At the Nunchritz site in Germany, Linde commenced production in a new hydrogen plant to supply Wacker Chemie and strengthen the hydrogen network in central Germany. Like all other major production plants in Europe, this plant is remotely controlled and operated out of Linde's European Remote Operating Centre (ROC) in Leuna, Germany.

Linde is also involved in the major pipeline project, Nord Stream, which has assured the supply of natural gas from Russia to 26 million European households since the end of 2011. For a whole week, without interruption, Linde supplied 14,000 normal cubic metres of nitrogen an hour, injecting it into the pipeline. This was for inertisation of the pipeline, i.e. rinsing the pipes with nitrogen to remove reactive gases.

Moreover, Linde announced in 2011 that it would be working together with automobile manufacturer Daimler to make further progress on establishing an infrastructure for fuel cell vehicles. The two companies will build 20 more hydrogen filling stations in Germany over the next three years, thereby ensuring a supply of hydrogen exclusively from renewable sources for the ever-increasing number of fuel-cell vehicles. As a result of this joint initiative by Linde and Daimler, which involves investment in the double-digit millions, the number of public hydrogen filling stations in Germany will more than triple.

Linde, working with a number of partners, launched the first public hydrogen filling station in the UK in 2011. Both 350 bar and 700 bar technology can be used at the filling station which is situated in Swindon on the M4 motorway between London and Swansea.

Business in the 17 countries in sub-Saharan Africa in which Linde operates improved overall in the 2011 financial year. The Group reinforced its position as the leading supplier of gases in those countries.

In the second quarter of 2011, Linde recognised an impairment loss of EUR 15 m in its South African subsidiary African Oxygen Limited (Afrox). The impairment loss, which related to a plant, had to be recognised when an on-site contract which was due to expire in the future could not be renewed.

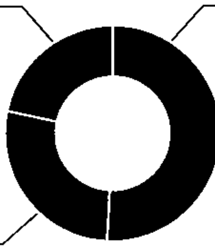
In the RBU Eastern Europe & Middle East, the start of production at several air separation plants and hydrogen plants had a positive impact on business performance. By way of example, during the reporting period Linde brought on stream the two large air separation plants in the coastal town of Mirfa in Abu Dhabi, United Arab Emirates, through Elixier, its joint venture with ADNOC. The new plants recover 670,000 normal cubic metres of nitrogen per hour from the air in the atmosphere. The gas is transported inland to Habshan via a 50-kilometre pipeline, where it is injected into the gas field. This major project involved total investment of around USD 800 m.

On the Kazincbarcika site in Hungary, production of hydrogen and carbon monoxide started at what is now Linde's third HyCO plant (see glossary). The industrial gases produced there are used to supply the chemical company BorsodChem. The strategic cooperation between Linde and BorsodChem has been in place for more than ten years. Linde delivered the first two HyCO plants for BorsodChem in 2001 and 2006. The investment in the new plant was around EUR 100 m.

In Romania, Linde brought a new air separation plant on stream at the Galati site of its customer ArcelorMittal Galati. The plant, which involved investment of EUR 100 m, has a production capacity of around 2,100 tonnes of industrial gases per day and will extend the liquefied gases network in Romania.

In Vorsino in Russia, Linde entered into a long-term agreement to supply industrial gases to the steel company KNPEMZ. Linde is currently building an air separation plant with a production capacity of 9,000 normal cubic metres per hour of liquefied oxygen which will supply KNPEMZ and will have additional capacity for the production of liquefied gases for the open market, especially in central Russia.

Analysis of sales by reportable segment



Asia/Pacific

Linde achieved significant growth in sales and operating profit in the Asia/Pacific reportable segment, against a background of dynamic economic trends in Asia, especially in China. The Group also benefited from its leading positions in these markets.

In the 2011 financial year, sales rose 14.3 percent to EUR 3.076 bn (2010: EUR 2.692 bn). On a comparable basis, the increase in sales was 9.2 percent. Strict implementation of Linde's HPO programme pushed operating profit up 15.6 percent to EUR 872 m (2010: EUR 754 m). This produced an operating margin of 28.3 percent (2010: 28.0 percent). When comparing the figures with those of the prior year, two factors should be taken into consideration. These are the pass-through of increases in the price of natural gas and the preliminary investment required to establish infrastructure and employ new staff in the rapidly expanding Chinese market.

In the RBU Greater China, Linde achieved the fastest rate of business expansion within the Asia/Pacific reportable segment, an increase in sales of 21.7 percent to EUR 701 m (2010: EUR 576 m). Positive business trends were also to be seen in the joint venture activities in the RBU Greater China. Linde's share of sales from its interests in joint ventures, which is not included in Group sales, rose 21.8 percent in 2011 to EUR 240 m (2010: EUR 197 m).

A positive performance was also achieved by the RBU South & East Asia. Here, sales rose 13.2 percent to EUR 975 m (2010: EUR 861 m).

In the RBU South Pacific, Linde achieved sales of EUR 1.402 bn, up 11.6 percent on the prior-year figure of EUR 1.256 bn.

In the Greater China region, Linde benefited from the very good economic situation, achieving double-digit growth in all product areas. In the on-site segment, the start-up of several new plants accelerated the development of the business. By way of example, two air separation plants came on stream in Eastern China. In the Ningbo/Daxie industrial cluster, Linde is supplying oxygen to steelworks operated by Ningbo Steel and oxygen and nitrogen to the chemical company Wanhua.

During the reporting period, Linde began supplying industrial gases to Sinopec Sichuan Vinylon Works (SVW) in Chongqing, and since 2010 it has been supplying high-purity liquefied gases to BOE Display Technology in Beijing for use in the manufacture of thin-layer transistors.

Linde was awarded a contract by Samsung Electronics to build an on-site plant in Suzhou in Eastern China. It is expected that, by the end of 2012, the new plant will be supplying Samsung with high-purity specialty gases for the production of TFT-LCD thin-layer transistors via a pipeline. The total investment amounts to more than EUR 50 m, expanding the capacity of the Linde LienHwa joint venture in Suzhou Industrial Park. This long-term cooperation strengthens Linde's leading position as a supplier of gases to the electronics industry.

In July 2011, Linde also successfully completed the construction of the last two out of a total of four steam reformers (see glossary) used to supply GCL-Poly Energy Holdings in Xuzhou in the Jiangsu province of China. GCL-Poly Energy is China's largest producer and one of the world's leading manufacturers of polysilicon. Linde is currently operating at full capacity, supplying the customer with 12,000 normal cubic metres of hydrogen per hour.

Linde also succeeded during the reporting period in reinforcing its leading market position in the Greater China region as a result of a number of new orders and targeted investments. In the province of Shandong in eastern China, the Group is to build and operate two large air separation plants for the polyurethane producer Yantai Wanhua. In future, the new on-site plants will supply oxygen and nitrogen to the production plants situated there. In addition, Linde will produce liquefied products for the open market in the Shandong region. The project includes the construction of a 20-kilometre pipeline in the Yantai Technology Park. The investment in the project will be around EUR 130 m. The new plants, which are being supplied by Linde's Engineering Division, are expected to come on stream at the end of 2013 or beginning of 2014. Yantai Wanhua is the only Chinese company which has the technical know-how to produce MDI. MDI is an intermediate product in the manufacture of polyurethane, which is used in large quantities, for example, in the construction and automotive industries. China is in the process of becoming one of the major markets for MDI.

In the Chongqing Chemical Park in western China, Linde is to build and operate a large hydrogen and synthesis gas plant in a joint enterprise with Chongqing Chemical & Pharmaceutical Holding Company (CCPHC).

The new on-site plant will in future supply carbon monoxide, hydrogen and synthesis gas to the BASF and CCPHC production plants situated there The amount of money being invested in the project is around EUR 200 m The new plant, which will be supplied by Linde's Engineering Division, is expected to come on stream in the third quarter of 2014 This project strengthens Linde's position in western China and reinforces its position as the leading gases and engineering company in China

In the Jilin Chemical Park in north-east China, Linde is to build and operate a new hydrogen plant This will involve an initial investment of around EUR 42 m The new plant is expected to come on stream at the end of 2013 and will supply high-purity hydrogen to several companies at this integrated chemical complex Production plants situated here include those of Evonik Industries and Jishen, a joint venture between PetroChina Jilin Beifang Chemical Group and Jilin Shenhua Group

During the reporting period, Linde has also built up its business relationships with the Chinese steel industry By way of example, Linde has committed to providing all the gas supplies for Hebei Puyang Iron and Steel in Wu'an in northern China, an investment of around EUR 120 m Under this on-site agreement, Linde will acquire and operate the seven existing air separation plants and an existing pipeline network and equip these with the latest technology At the same time, Linde's Engineering Division will build a new air separation plant on the site, which will have a production capacity of 30,000 normal cubic metres of oxygen per hour

In addition, Linde signed a long-term on-site contract with Fujian Fuxin Special Steel during the 2011 financial year Under this agreement, Linde's Engineering Division will build a state-of-the-art air separation plant on the Zhangzhou site in Fujian province Around EUR 25 m is to be invested in the new plant, which will produce 10,000 normal cubic metres of oxygen per hour The plant is expected to come on stream in the second half of 2012

In the RBU South & East Asia, Linde was also able to bring several air separation plants on stream in 2011 as expected The Group also continued to improve its competitive position in the region with strategic investments

In South Korea, there was a successful start to production at the new air separation plant on the Giheung site The plant produces 3,000 tonnes of nitrogen per day for customers in the electronics and semiconductor industries With investment in the project of EUR 130 m, this air separation plant is Linde's biggest investment to date in South Korea

In Indonesia, Linde entered into a long-term on-site agreement in 2011 with the steel company PT Krakatau POSCO (PTKP) Under this agreement, Linde will build Indonesia's biggest air separation plant on the Cilegon site, around 100 kilometres west of Jakarta, investing a total of around EUR 88 m This strengthens Linde's position in one of the fastest-growing economies in south-east Asia

Linde will also be building Thailand's biggest air separation plant, due for completion in September 2013 The new plant is being constructed right next to the existing plant in Map Ta Phut The amount being invested is around EUR 78 m Once it has been completed, the air separation plant will produce 800 tonnes of gases per day

In Singapore, Linde pressed ahead with the centralised control and operation of plants in the South & East Asia region out of the Remote Operating Centre (ROC) Operations on 16 sites in seven countries are now controlled from the centre

In the South Pacific region, Linde officially inaugurated Australia's first micro-LNG plant in 2011 The project, which is associated with a long-term supply contract for LNG Refuellers Pty Ltd, includes the supply of six filling stations for the transport company in the Tasmanian region

In the past financial year, Linde continued to make progress on the expansion and modernisation of its production capacity for liquefied natural gas (LNG) on the Dandenong site in Australia The work will probably be completed in mid-2012 The LNG produced by this plant is intended to supply a network of filling stations being developed on the eastern coast of Australia

Work on the air separation plant currently being built by Linde in Karratha, Australia, is also proceeding on schedule The Group expects to bring the plant on stream in June 2012 and to produce industrial and medical gases for the regional market The construction of the new air separation plant involved investment of EUR 15 m

Americas

In the Americas reportable segment, sales in the 2011 financial year rose 4 6 percent to EUR 2 384 bn (2010 EUR 2 279 bn) On a comparable basis, sales were up 9 1 percent In this region as well, operating profit increased at a faster rate than sales, by 7 2 percent to EUR 535 m (2010 EUR 499 m) As a result, the operating margin was 22 4 percent (2010 21 9 percent) This improvement in the margin is a consequence of positive earnings trends in North America Here too is evidence of the successful implementation of the programme designed to optimise costs and improve efficiency

Within the Americas reportable segment, the RBU South America performed better than the RBU North America in terms of sales, as expected In South America, Linde achieved an increase in sales of 11 6 percent to EUR 722 m (2010 EUR 647 m), while sales in North America rose 1 8 percent to EUR 1 665 bn (2010 EUR 1 635 bn), dampened by the impact of unfavourable exchange rates

In North America, the improvement in the general economic situation also resulted in higher demand for industrial gases Linde was able to achieve growth in all product areas In the on-site business, average utilisation of existing production capacity was higher than in 2010 Linde also benefited here from the start-up of new plants for example, bringing on stream during the reporting period an on-site plant for the steel company AK Steel in Butler, Pennsylvania

At the Hillsboro site in Oregon, the Group brought a new plant on stream for the production of high-purity nitrogen and oxygen This will enable Linde to meet the rising demand from its customers in the electronics industry in the north-western United States

During the reporting period, Linde decided to make further investments in the southern US In the second quarter of 2012, Linde will start to build a new air separation plant there The new plant in Lewisville, Arkansas, can produce 470 tonnes of liquefied nitrogen and oxygen per day and should therefore meet the fast-growing demand for industrial gases in Arkansas, Louisiana and Texas The plant is scheduled to start production in the fourth quarter of 2013

In 2011, Linde successfully extended its hydrogen fuelling technologies business in the North American market and thus further advanced the use of hydrogen as an environmentally sound fuel At Coca-Cola's production site at Coca-Cola Bottling Co Consolidated in Charlotte, North Carolina, for example, Linde set up a zero-emissions hydrogen fuelling system to supply 40 forklift trucks

In the South America region, the economy has continued to grow Linde achieved double-digit growth rates during the 2011 financial year All the product areas saw positive business trends, with the best performance coming from the on-site and healthcare segments

In Brazil, Linde concluded a long-term agreement in 2011 with Lwart Lubrificantes for the supply of hydrogen Lwart Lubrificantes collects and recycles used motor oil and lubricants Linde is investing EUR 11 m in the new on-site plant, which is expected to produce 3,000 normal cubic metres of hydrogen per hour from the second quarter of 2012 In addition, Linde will sell a significant proportion of the hydrogen produced on the open market, reinforcing its leading position in Brazil in this field

Linde has developed a cryogenic freezing process for Habib's, one of the largest fast food chains in Brazil The new CRYOLINE® tunnel freezer ensures that Habib's will be able to supply all its branches with frozen products from a central point

Product areas

The performance of the individual product areas reflects the overall positive trend in the gases business in the 2011 financial year Strong growth was again achieved in the on-site business On a comparable basis, i e after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure, sales in this product area rose 8 5 percent to EUR 2 695 bn (2010 EUR 2 484 bn) This increase was mainly due to the start-up of new plants Moreover, Linde was able to win a number of new on-site contracts during the reporting period, primarily in the emerging economies of Asia and especially in China This success confirms the outstanding position of the Group in this region as well as its competitive strength

General economic growth also enabled Linde to achieve significant increases in its liquefied gases and cylinder gas business In the cylinder gas business, sales rose to EUR 4 494 bn On a comparable basis, this was an 6 8 percent increase in this product area over the prior-year figure of EUR 4 208 bn In the liquefied gases business, Linde achieved an increase in sales on a comparable basis of 8 5 percent to EUR 2 683 bn (2010 EUR 2 472 bn) In its liquefied gases and cylinder gas business, the Group benefited principally from rising customer demand in the manufacturing sector e g from the automobile industry and in mechanical engineering In addition, public investment in infrastructure projects had a positive impact on business Demand for specialty gases also continued to rise in the course of 2011 In this product area, Linde focused in particular on the food industry and the environmental sector Steady trends were to be seen in both these customer segments

In the healthcare product area, the medical gases and medical device business, related maintenance and advisory services as well as medical/clinical service provision, the Group continued to see steady growth, achieving an increase in sales on a comparable basis of 5 0 percent to EUR 1 189 bn (2010 EUR 1 132 bn) Health, the global megatrend, remains intact This promising market is boosted by demographic trends and ever better diagnostic and therapy options, especially in the case of chronic respiratory diseases Moreover, patients' improved access to these forms of treatment has a positive impact on the healthcare business

Linde's healthcare activities cover Hospital Care and Homecare The Hospital business is concerned with offering hospitals and healthcare institutions a complete medical gas solution – covering the full range of medical gases, medical gas related services, installations, devices and equipment Homecare focuses on the provision of medical gases and related medical services to patients with chronic respiratory diseases in settings other than hospitals

Hospital Care sales rose by 4 7 percent to EUR 889 m (2010 EUR 849 m), reinforcing Linde's position in major markets such as Asia and South America In the 2011 financial year, the Group also scored a major success The European Medicines Agency

(EMA) and the European Commission granted Linde a new indication for its INO®max therapy for use during cardiac surgery, as a treatment for pre- and post-operative pulmonary hypertension (see glossary) in adults and children of all ages.

Homecare sales increased by 6.0 percent in the 2011 financial year to EUR 300 m (2010: EUR 283 m). A growing proportion of sales relates to the product REMEO®, a care concept for patients requiring ventilation for long periods. In the past year, Linde has continued to expand this range, especially in the homecare markets of Europe and the Americas.

During the reporting period, the Group also expanded its network of treatment centres for patients with sleep apnoea. Linde opened its third Australian care centre in Kent Town, Adelaide, following the establishment of similar centres in 2010 in Sydney and Melbourne. Furthermore, Linde began welcoming patients to centres in Portugal, Spain and Greece.

Gases Division: Sales by product area

in € million	2011	2010[1]	Change in percent
Liquefied gases	2,683	2,472	8.5
Cylinder gases	4,494	4,208	6.8
On-site	2,695	2,484	8.5
Healthcare	1,189	1,132	5.0
Total	**11,061**	**10,296**	**7.4**

[1] Adjusted for exchange rate effects, changes in Group structure and changes in the price of natural gas.

Engineering Division

The market environment in the international large-scale engineering business, a late-cycle sector, continued to improve in the course of 2011 There was a revival in investment activity in the four main lines of business (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants), especially for small and medium-sized projects

The Engineering Division achieved sales of EUR 2 531 bn in the 2011 financial year, an increase of 2 8 percent compared with the prior-year figure of EUR 2 461 bn

The successful execution of a number of individual projects meant that operating profit grew at a faster rate than sales, by 12 2 percent to EUR 304 m (2010 EUR 271 m) The operating margin rose to 12 0 percent (2010 11 0 percent), again significantly exceeding the target figure of 8 percent One of the factors affecting the earnings trend was an amount of EUR 35 m paid by Linde during the reporting period by order of the Munich public prosecutor in compensation for the economic advantage which, according to the Munich public prosecutor's findings, had arisen for the Engineering Division of the Group as a result of possible legal breaches committed by external business partners

Order intake for 2011 was EUR 2 235 bn, 3 5 percent higher than the figure for 2010 of EUR 2 159 bn Contributing to this positive trend was the higher number of orders from the Group's Gases Division, a fact which confirms Linde's integrated business model During the reporting period, order intake was characterised by quite a number of small and medium-sized new orders

Almost half of new orders came from the Asia/Pacific region Around 20 percent of new orders came from Europe and 20 percent from North America In North America, Linde also succeeded in positioning itself favourably in the promising market for the efficient exploitation of shale gas reserves

Almost 50 percent of the new business in the division in 2011 related to air separation plants and natural gas plants, with the rest evenly spread across the other plant types

The Group's order backlog remains high At 31 December 2011, it was EUR 3 600 bn (2010 EUR 3 965 bn)

Engineering Division

in € million	2011	2010
Sales	2,531	2,461
Order intake	2,235	2,159
Order backlog	3,600	3,965
Operating profit	304	271
Capital expenditure (excluding financial assets)	26	23
Number of employees (at the balance sheet date)	6,319	5,811

By region

	Sales		Order intake	
in € million	2011	2010	2011	2010
Europe	601	678	438	589
North America	314	166	467	286
South America	37	77	59	50
Asia/Pacific	633	562	985	587
Middle East	773	891	192	446
Africa	173	87	94	201
Total	**2,531**	**2,461**	**2,235**	**2,159**

By plant type

in € million	Sales 2011	Sales 2010	Order intake 2011	Order intake 2010
Olefin plants	986	783	354	616
Natural gas plants	328	172	524	360
Hydrogen and synthesis gas plants	350	284	480	350
Air separation plants	644	999	574	611
Other	223	223	303	222
Total	**2,531**	**2,461**	**2,235**	**2,159**

Olefin plants
In the petrochemical industry, demand for new capacity rose again in the 2011 financial year Linde is globally well-positioned in this market and has all the skills required at its disposal

During the reporting period, the Group entered into a technology partnership with Bechtel Corporation The two companies will work together to build new ethylene crackers in North America and to expand existing plants Within the partnership, Linde will deliver the plant technology, while Bechtel will be responsible for the engineering, procurement and construction This strategic alliance is a continuation of the successful cooperation of the two companies in 2002, when they supplied a large petrochemical plant to Borouge in Abu Dhabi in the United Arab Emirates

Linde made progress in the course of the year on the large polypropylene plant in western Siberia, work on which commenced in 2010 The procurement of equipment and materials is virtually complete, as is the fabrication work The steel construction is well-advanced, and the assembly of equipment and instruments, pipelines and electricals is currently being carried out Linde is building the plant for plastics manufacturer Tobolsk-Polymer Worth around EUR 450 m, this project is currently one of the key investments in Russia's petrochemical industry

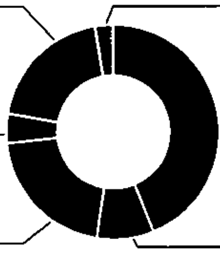
Since 2010, Linde has been working together with Samsung Engineering Co , South Korea, on the design, procurement and construction of an acrylic acid plant The project contractors are Tasnee Sahara Olefins Co (TSOC) and Dow Chemical, and the project is being carried out in Al Jubail, Saudi Arabia During the reporting year, the project partners have made significant progress Linde was able to benefit here in particular from good cooperation between its newly-established global procurement and construction departments

During the 2011 financial year, Linde was awarded several contracts worth a total of EUR 20 m by the Refineria del Pacifico (RDP) in Ecuador For the RDP projects, Linde will assume responsibility for the process design package (PDP, see glossary) and front-end engineering design (FEED, see glossary) The project scope includes a polypropylene plant, a desulphurisation plant and a hydrogen plant

In the market for polyolefin plants, Linde won several FEED and basic engineering contracts This puts the Group in a favourable starting position when contracts are awarded in the subsequent EPC (engineering, procurement and construction) phase One example here is a polyethylene plant which is to be supplied to Egyptian Ethylene & Derivatives Co in Alexandria, Egypt

Linde was awarded the contract for the conversion and extension of a turnkey butadiene plant in Wesseling in Germany by LyondellBasell in the US The order, which is worth EUR 33 m, is expected to be completed by mid-2013

Order intake by region



Natural gas plants
There was a slight revival in 2011 in the market for natural gas processing plants and natural gas liquefaction plants in the wake of rising crude oil prices – to more than USD 100 a barrel Linde was able to benefit from this trend and win orders across the world

Linde was awarded a contract in South America for the front-end engineering design (FEED) of a two-train plant complex for the production of a total of 2 5 million tonnes of LNG per annum The plant will be equipped with Linde's patented natural gas liquefaction technology and a mixed refrigerant cycle, the LIMUM® process, and will use a Linde coil-wound heat exchanger The LIMUM® process has already been employed successfully in small plants in China and in Norway With this South American contract, Linde is taking another major step forward in the global market for large LNG plants

In the United States, Linde is currently executing five natural gas processing projects as a result of the exploitation of shale gas reserves The contractors here are major natural gas producers and distributors For these plants, Linde is supplying not only complete engineering services, but also process modules from its own workshops These orders, worth a total of USD 580m, have allowed Linde to move into a favourable position in a promising market

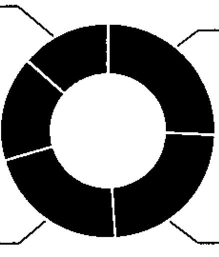
In Nynashamn in Sweden, around 60 kilometres from Stockholm, Linde's Engineering Division has built the first terminal for liquefied natural gas in the Baltic area For this, it has supplied all the components along the LNG value chain from the liquefaction plants via the tanks on the transport ships to the terminal itself The terminal is operated by Linde's gases company AGA After commencing production at the end of 2010, the plant became fully operational in the first quarter of 2011 (see Gases Division, page 050)

The liquefied natural gas is transported by ship to the terminal from the LNG plant in Stavanger, Norway, which Linde built for the company Skangass AS and successfully brought on stream at the end of 2010 There, part of the LNG is injected using Linde regasification plants into the natural gas network of a neighbouring refinery Most of the gas is then distributed in refrigeration trucks Transporting the gas in liquefied form is the most cost-effective method in many market situations and this form of distribution is gaining in importance because it is not dependent on pipelines

The Linde subsidiary Cryostar won orders in 2011 from Korean and Chinese shipyards to supply equipment and plants for LNG tankers The orders were worth a total of around EUR 130m The components will be delivered during the period from 2012 to 2014

In the past financial year, Linde also paved the way for entry into a market segment offering great potential, floating LNG plants Together with its project partner SBM Offshore, Netherlands, the Group entered into a cooperation agreement with the Thai oil group PTT (Petroleum Authority of Thailand) to develop a floating natural gas liquefaction plant in the Timor Sea off the northern coast of Australia The project will involve the conversion of natural gas from three gas fields into LNG If the gas reserves meet expectations, the project will move into the front-end engineering and design phases The final investment decision should be made at the end of 2012 Commercial production would be expected to commence at the end of 2016

Order intake by plant type



Air separation plants

Business in the air separation plant sector continued to pick up in the 2011 financial year Against this background, Linde was able to conclude major projects and win new tenders

Production started at the largest air separation plant complex, Pearl GTL, in Qatar in the Persian Gulf The contract, which was awarded to Linde in summer 2006, involved the supply of eight identical large plants

In Abu Dhabi, United Arab Emirates, two air separation plants built by Linde for the Abu Dhabi National Oil Company (ADNOC) had successful start-ups The plants produce large quantities of nitrogen, a gas which is used for the efficient recovery of natural gas (Enhanced Gas Recovery)

Despite the political tension in Egypt, Linde was able to complete the construction of the Helwan air separation plant for the Egyptian Iron & Steel Company (EISCO) on schedule by the end of June 2011

The air separation plant in Vorsino in Russia, which Linde started to build in 2010, is currently in progress From this new plant, Linde will supply industrial gases to the steel producer KNPEMZ Linde has also advanced on schedule during the reporting year with the construction of the large plant for ArcelorMittal at its Temirtau site in Kazakhstan This plant is expected to come on stream in mid-2012 Both on-site projects were commissioned by Linde's Gases Division

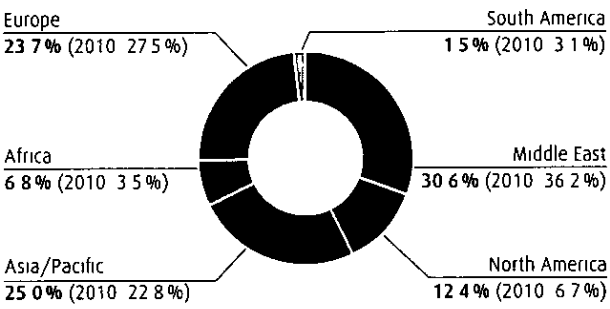
In the 2011 financial year, Linde was able to win major new projects, especially in Asia The Group is to supply two air separation plants with a total capacity of 110,000 normal cubic metres of oxygen and nitrogen per hour to the Chinese Yantai Wanhua Group Once the plants come on stream, which is expected to be at the beginning of 2014, they will also supply third-party customers

Linde was awarded a contract by Shanxi Baosteel Gases Co Ltd , also in China, to build an air separation plant on the Baoji site, and Linde will construct a plant in Golmud, China, for Qinghai Salt Lake Group

On the Cilegon site, around 100 kilometres west of Jakarta, Linde is to build Indonesia's biggest air separation plant to supply oxygen to the steel company PT Krakatau POSCO (PTKP), a joint venture between the South Korean steel company POSCO and Krakatau Steel The air separation plant is due to come on stream in October 2013

In Map Ta Phut, Thailand, Linde is currently supplying industrial gases to several customers To expand and secure a reliable supply of gaseous oxygen and nitrogen, Linde will build another air separation plant here The new plant will also manufacture liquefied products for the local market (see Gases Division, page 053)

Sales by region



Hydrogen and synthesis gas plants

There were positive trends in the market for hydrogen and synthesis gas plants in the 2011 financial year Investors proved comparatively active, especially with regard to larger projects Demand for small hydrogen plants with a production capacity of around 300 normal cubic metres per hour was also up During the reporting year, Linde successfully launched a new model range in this growing market segment under the brand name HYDROPRIME® With this product, Linde is expanding its portfolio to include a standardised range of small plants, so that it can offer the market the whole spectrum of sizes for hydrogen and synthesis gas plants In the past financial year, the Group sold the first HYDROPRIME® hydrogen plant to its Romanian gases company and a further four plants of this type to its Korean gases company

Linde also won a major contract in the market for large hydrogen plants in 2011 In a joint enterprise with Chongqing Chemical & Pharmaceutical Holding Company (CCPHC), Linde is to build and operate a large hydrogen and synthesis gas plant in Chongqing Chemical Park in western China The investment in the project is around EUR 200m A company in the Gases Division holds 60 percent of the shares in the joint enterprise with CCPHC The new on-site plant will in future supply carbon monoxide, hydrogen and synthesis gas to the BASF and CCPHC production plants based in Chongqing The new plant is expected to come on stream in the third quarter of 2014 (see Gases Division, page 053)

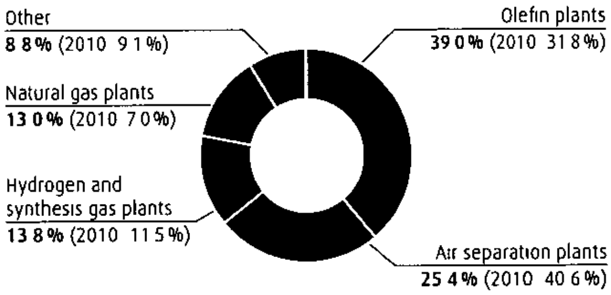
Linde was able to continue strengthen its market position in China for Rectisol® plants and sell several technology packages The Rectisol® process is used to remove CO_2 and sulphur components from synthesis gas in coal gasification plants

The licence and basic engineering for the Rectisol® wash in the world's biggest methanol plant, being built by Sinopec in Erdos, Inner Mongolia, China, are also being supplied by Linde, together with hardware components

The South African company Sasol Technology (Pty) Ltd has selected Linde as its preferred engineering partner for a major portion of its coal gasification technology for an initial term of ten years The mandate covers downstream aspects such as raw gas cooling, by-product processing and overall integration of the gas island

During the reporting period, Linde also brought on stream its third hydrogen and carbon monoxide plant to date for Borsod-Chem on the Kazincbarcika site in Hungary (see Gases Division, page 051)

Sales by plant type



Other types of plant

In the 2011 financial year, Linde continued to focus on developing promising technologies in the field of renewable raw materials and entered new markets

Rapid progress was made on setting up Fraunhofer-Gesellschaft's Chemical Biotechnological Process (CBP) Centre at the Leuna chemical site in Saxony-Anhalt, Germany The plant will transfer new industrial biotechnology processes from the research phase to the pilot phase The pilot phase will then form the basis for upscaling the processes for commercial application Together with the Fraunhofer-Gesellschaft and various industry partners, Linde is actively involved in the development of processes for the exploitation of renewable raw materials as part of its CBP activities

In addition, Linde also pressed ahead at the Leuna site with the process designed to produce hydrogen from liquid biogenic raw materials such as glycerol (see The Linde Annual, page 56)

Linde is also working together with an industrial partner on other technologies to produce biogenic hydrogen This cooperation has developed a plant concept based on the gasification of solid biogenic raw materials The concept is flexible and can be geared towards either the production of gases such as hydrogen or the production of energy, as required

In the field of pharmaceutical biotechnology, Linde was able to win several new engineering contracts in 2011, relating to both the production of active pharmaceutical ingredients and the manufacture of ready-to-use pharmaceutical products These include in particular projects to design pharmaceutical factories in Russia and in the CIS countries (see glossary), as well as in Ukraine

With the support of the US Department of Energy (DoE), Linde is continuing to develop carbon capture and storage (CCS, see glossary) technology in coal-fired power stations in the United States During the reporting period, the DoE decided to provide USD 15 m of funding to build a pilot plant of this type in Wilsonville, Alabama Innovative CO_2 scrubbing processes will be tested at this plant as of 2014 These processes aim to separate the CO_2 produced in the most energy-efficient and cost-effective way In the plant, Linde will seek to remove at least 90 percent of the carbon dioxide from the power station flue gases Energy costs will rise by only 30 percent as a result (see The Linde Annual, page 41)

In the past financial year, Linde also scored a success in the market for innovative plants for the production of clean energy The Group is to assume responsibility for the engineering, procurement, construction and assembly of a geothermal plant on behalf of its customer Geoenergie Bayern at its Kirchweidach site in Germany It is also proposed that Linde will operate and maintain the plant This project opens up a new and promising line of business for Linde The market for geothermal plants in Germany alone is estimated to be worth several hundred million euro

Due to the increased use of renewable sources of energy, demand for thermal energy storage systems is growing Molten salts are used here During the day, they are heated to temperatures up to 565°C by solar radiation and, at night, they release the stored energy like a battery, so that electricity can be produced Based on this principle, Linde is in the process of developing and supplying the storage system for a solar thermal test plant in Portugal The plant will be realised by Siemens and other project partners as a result of a development programme supported by the German Environment Ministry and is due to come on stream in mid-2012

Other Activities

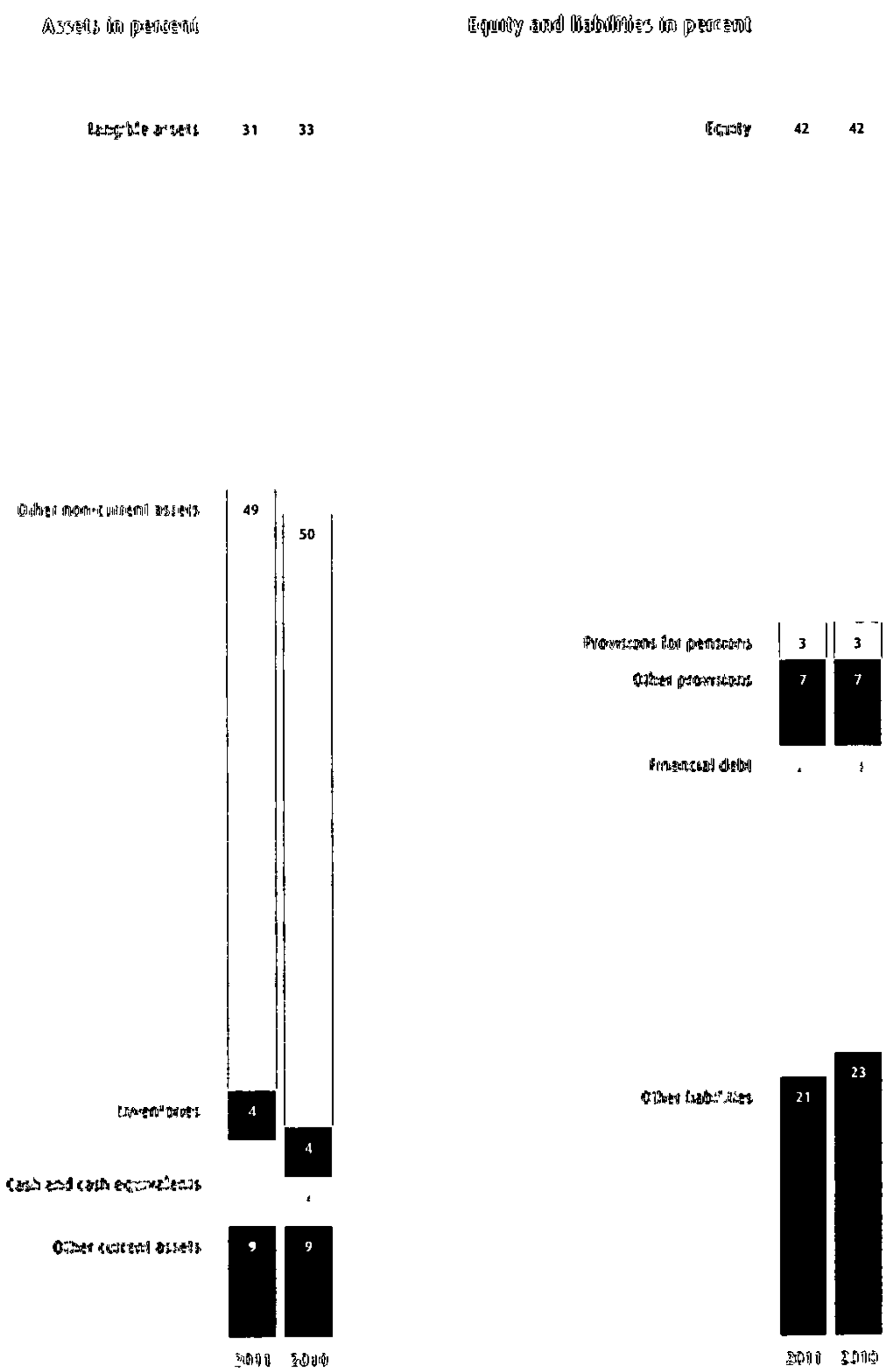
In the 2011 financial year, the Other Activities segment principally comprised Linde's logistics services company, Gist, as well as the business of the subsidiary Cleaning Enterprises (environmentally friendly dry cleaning under the brand name Fred Butler®).

Gist specialises in the distribution of chilled and frozen food and beverages and operates in a stable market. In the 2011 financial year, Gist achieved sales of EUR 582 m, up 6.4 percent on the prior-year figure of EUR 547 m. The company's partnership with retail chain Marks & Spencer (M & S) contributed towards this growth. Under this agreement, Gist manages the food supply chain of M & S in the UK and the Republic of Ireland, which includes the delivery of frozen goods and bread products to Marks & Spencer stores. Gist also benefited from the acquisition of storage specialists G & S International, which was completed in the 2010 financial year. The additional capacity has enabled Gist to continue to expand its logistics infrastructure during the past year.

In addition, in 2011 Gist set up a long-term partnership with coffee company Starbucks UK & Ireland to consolidate the various supply chains of the company. Coordinating the supply to branches of frozen products, milk products and other goods cuts the number of deliveries and reduces traffic volumes as a result. This leads to improvements in the customer's environmental performance and cost structure.

The operations of the subsidiary Cleaning Enterprises were closed down by Linde in autumn 2011. Cleaning Enterprises achieved sales in the 2011 financial year prior to its closure of EUR 2 m (2010: EUR 2 m).

Balance sheet items as a percentage of total assets of EUR 28.915 bn (2010: EUR 26.888 bn)



Net assets and financial position

Net assets

Again in the 2011 financial year, Linde boosted the continuing expansion of its business through targeted capital expenditure At the same time, safeguarding the liquidity of the Group and consistent repayment of financial debt remained high priorities

Total assets rose in 2011 by EUR 2 027bn to EUR 28 915bn This was mainly due to the increase in the liquidity reserve of EUR 1 657bn, which was invested in short-term and long-term securities Investment activity in the Gases Division also contributed to the rise in total assets

Goodwill rose slightly in comparison with the prior year, by EUR 69m to EUR 7 868bn Exchange rate effects of EUR 43m had the greatest impact here Acquisitions, especially that of the majority interest in the joint venture Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia, gave rise to an increase in goodwill of EUR 26m Other intangible assets, which include in particular customer relationships arising from the BOC acquisition in 2006, fell by EUR 206m to EUR 3 300bn mainly as a result of scheduled amortisation The corporate brands acquired in the course of the BOC acquisition and other acquisitions of EUR 325m (2010 EUR 374m) have been accounted for to date as intangible assets with indefinite useful lives and have therefore not been amortised During the reporting period, Linde decided to harmonise the brand identity of the whole Group in the medium term and therefore these brand names, which are included in intangible assets, were redefined as intangible assets with finite useful lives

Tangible assets rose from EUR 8 723bn to EUR 9 030bn This increase was mainly due to additions as a result of capital expenditure in the Gases Division of EUR 1 439bn (2010 EUR 1 326bn) The capital expenditure related principally to on-site projects Depreciation had the opposite effect, reducing the tangible assets figure

Investments in associates and joint ventures increased in the reporting period by EUR 76m, mainly due to positive earnings trends in the associates and joint ventures

Other financial assets rose by EUR 580m to EUR 918m in the course of 2011 This increase was due primarily to investment in securities which are intended to be held long term This part of the liquidity reserve stood at EUR 601m at 31 December 2011

Receivables from finance leases, which almost exclusively relate to long-term gas supply contracts classified as leases in accordance with IFRIC 4, fell by EUR 42m to EUR 302m The decrease was due to the amortisation of these lease receivables

Current assets rose by EUR 1 216bn from EUR 4 628bn to EUR 5 844bn Here, the increase in trade receivables of EUR 175m to EUR 2 030bn should be taken into consideration This was due not only to exchange rate effects, but also to higher business volumes Short-term securities also rose as a result of the investment of non-restricted funds by EUR 1 056bn to EUR 1 073bn (2010 EUR 17m)

Equity rose from EUR 11 362bn to EUR 12 144bn Factors which had a positive impact on equity were earnings after tax, which improved significantly from EUR 1 064bn in 2010 to EUR 1 244bn in 2011, and exchange rate movements The dividend payment of EUR 419m (2010 EUR 349m) and actuarial losses on the remeasurement of pension provisions of EUR 151m had a negative impact on equity In 2010, there were actuarial gains of EUR 157m

The net pension obligation increased in 2011 from EUR 552m to EUR 611m This was the result of two opposing effects On the one hand, the change in actuarial assumptions relating to the measurement of pension provisions had the effect of increasing the provision On the other hand, an increase in the fair value of plan assets and contributions to plan assets of EUR 143m (2010 EUR 152m) had the effect of reducing the net pension obligation

Financial position

Financial management at Linde comprises capital structure management, cash and liquidity management and the management of market price risks (e g currencies, interest) and of counterparty risk and country risk Group Treasury (see glossary) controls centrally the global financial management of all the Group companies Further information about this can be found on pages 068 and 069

The capital structure of the Group is determined in such a way as to optimise cost and risk At 31 December 2011, the ratio of equity to total capital was 42 0 percent (31 December 2010 42 3 percent) The ratio of financial debt to total capital rose accordingly to 58 0 percent from 57 7 percent at 31 December 2010

Net financial debt comprises gross financial debt less securities intended to be held long term, short-term securities, and cash and cash equivalents Gross financial debt rose in 2011 by EUR 1 095bn from EUR 6 673bn to EUR 7 768bn The main reason for this was the issue of capital market bonds Securities intended to be held long term, which are used as a liquidity reserve, increased in 2011 by EUR 601m Short-term securities rose during the reporting period by EUR 1 056bn to EUR 1 073bn as a result of the short-term investment of non-restricted funds as part of the Group's cash management Cash and cash equivalents decreased as a result by EUR 159m to EUR 1 000bn Linde was therefore able to reduce its net financial debt in the 2011 financial year by EUR 403m to EUR 5 094bn (2010 EUR 5 497bn) The dynamic indebtedness factor (net financial debt to operating profit) fell to 1 6 (2010 1 9) The Group's gearing (the ratio of net debt to equity) fell from 48 4 percent at 31 December 2010 to 41 9 percent at 31 December 2011

Linde's maturity profile is geared for the long term Of the gross financial debt of EUR 7 768bn (2010 EUR 6 673bn), EUR 1 277bn (2010 EUR 459m) is disclosed as current and

EUR 6 491 bn (2010 EUR 6 214 bn) as non-current financial debt Over 80 percent of the financial debt has a due date later than 2012

Available liquidity comprises current securities of EUR 1 073 bn (2010 EUR 17 m), cash and cash equivalents of EUR 1 000 bn (2010 EUR 1 159 bn) plus the EUR 2 5 bn syndicated credit facility maturing in 2015, less current gross financial debt of EUR 1 277 bn At 31 December 2011, available liquidity was EUR 3 296 bn (2010 EUR 3 217 bn) If the securities intended to be held long term of EUR 601 m are also taken into account, available liquidity was EUR 3 897 bn

Cash flow statement

Cash flow from operating activities in the 2011 financial year of EUR 2 426 bn was at a similar level to the prior-year figure of EUR 2 422 bn The improvement in Group operating profit from EUR 2 925 bn to EUR 3 210 bn was virtually offset by the change in working capital The increase in trade receivables of EUR 179 m and the increase in inventories of EUR 79 m had a negative impact on working capital, while at the same time trade payables rose by only EUR 183 m (2010 EUR 236 m) This was due not only to higher business volumes, but also to lower advance payments received from customers In addition, income taxes paid increased by EUR 56 m to EUR 361 m compared with the 2010 figure of EUR 305 m, also mainly due to the positive earnings trend

Operating free cash flow fell to EUR 1 172 bn (2010 EUR 1 357 bn) The principal reason for this was payments for tangible and intangible assets of EUR 1 345 bn, a higher figure than that in 2010 of EUR 1 192 bn

Payments for investments in financial assets and consolidated companies of EUR 78 m were higher than the figure for 2010 of EUR 68 m The major transaction here was the acquisition of the majority of shares in the joint venture Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia

The net figure for payments for investments in securities less proceeds on disposal of securities was EUR 1 652 bn, primarily a reflection of the investment of non-restricted funds in current and non-current securities These funds are derived principally from cash inflows from operating activities and from the amount by which the proceeds of loans and capital market liabilities exceeded redemptions (EUR 1 079 bn), whereas in 2010 redemptions exceeded the proceeds of loans by EUR 500 m

After deducting dividend payments of EUR 419 m (2010 EUR 349 m) and net interest payments of EUR 338 m as well as other changes such as exchange rate effects, the change in cash and cash equivalents was a decrease of EUR 144 m in 2011 (2010 increase of EUR 279 m)

Cash flow statement (summary)

in € million	2011	2010
Cash flow from operating activities	2,426	2,422
Cash outflows for investments (excluding securities)	-1,423	-1,284
Cash inflows from the disposal of assets	169	219
Operating free cash flow	1,172	1,357
Payments for/proceeds from investments in securities	-1,652	-
Net cash inflows/outflows from the proceeds/repayment of loans and capital market debt	1,079	-500
Dividend payments to Linde AG shareholders and non controlling interests	-419	-349
Net interest payments	-338	-298
Other changes	14	69
Change in cash and cash equivalents	-144	279

Summary of the 2011 financial year

The global economy continued to grow in the 2011 financial year However, in the wake of the sovereign debt crisis and the crises in the eurozone and in the financial markets, the momentum of the economic recovery slowed somewhat in the course of the year As in 2010, most of the impetus in the global economy came from the emerging nations of Asia, whereas growth in the more mature economies was at best modest

Linde performed well in this environment, achieving its targets in full The Group achieved significant increases in Group sales and Group operating profit and exceeded the record figures it achieved in the 2010 financial year Group sales rose 7 1 percent to EUR 13 787 bn (2010 EUR 12 868 bn), while Group operating profit grew at a faster rate than sales, by 9 7 percent to EUR 3 210 bn (2010 EUR 2 925 bn) The Group operating margin increased by 60 basis points in the 2011 financial year to 23 3 percent (2010 22 7 percent)

Linde has also seen an improvement in other key performance indicators in 2011 compared with 2010 Return on capital employed (ROCE) was 13 0 percent (2010 12 5 percent), while adjusted earnings per share increased by 11 9 percent to EUR 7 71 (2010 EUR 6 89) Linde was also able to continue to reduce its net financial debt, by EUR 403 m to EUR 5 094 bn (2010 EUR 5 497 bn)

This overall positive performance is confirmation of the Group's business model, which is geared towards sustainability, and the excellent positioning of the Group Linde is a global player and extremely well-placed, especially in the emerging economies i e in those markets in which the greatest economic growth was once again to be seen in 2011 Moreover, the fact that earnings are growing at a faster rate than sales is evidence that the Group made good progress during the financial year with its continuing efforts to improve efficiency and productivity

Financing and measures to safeguard liquidity

Financing principles and objectives

The aim of external financing and measures to safeguard liquidity is to ensure that the Group has adequate liquidity at all times. The crisis in the international financial markets has made it clear how important it is for companies to procure sufficient liquidity.

External financial headroom is maintained primarily by the capital markets and a major international banking group. Within the Group, the principle of internal financing applies, i.e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans. In accordance with this guiding principle, the subsidiaries were again financed in 2011 mainly by our Dutch finance company, Linde Finance B.V., and Linde AG. Centralised financing makes it possible for Group companies to act as a single customer on the capital markets. This strengthens the Group's negotiating position with banks and other market participants and ensures that the subsidiaries are financed in a cost-efficient manner.

Group companies are financed either by the cash surpluses of other business units in cash pools (Germany, the UK, Scandinavia and the Baltic states, the US, the Benelux countries, China and other Asian countries), or by Group loans from Linde Finance B.V. and Linde AG respectively, taking into account any risks specific to that particular country. Occasionally, Group Treasury also negotiates credit facilities with local banks, to take account of particular legal, fiscal or other circumstances. Local financing occurs mainly for small amounts or specific projects.

Moreover, in 2011 Linde significantly increased its liquidity position in reaction to the international financial crisis. In addition to cash and cash equivalents of EUR 1.000bn, Linde also holds securities totalling EUR 1.674bn. These securities are mainly German government bonds with maturities of up to two years.

Syndicated credit facility

To ensure flexible financing, Linde has a EUR 2.5bn revolving credit line at its disposal (revolver, see glossary) which runs until May 2015. 25 major German and international banks used by Linde are involved in the syndicated facility. With this credit line, the Group has ensured that it has a solid general liquidity reserve with the banks. The facility is unutilised at the end of the 2011 financial year and also serves as back-up for Linde's EUR 2bn Commercial Paper Programme (see glossary). At 31 December 2011, there were commercial papers of EUR 60m outstanding under this programme.

Capital market activities

In 2011, Linde also made successful use of the capital markets to improve the maturity profile of its financial debt, thereby ensuring the long-term financing of the Group.

In June 2011, Linde Finance B.V. issued a new EUR 600m bond under the EUR 10bn Debt Issuance Programme (see glossary). The ten-year bond has a fixed-interest coupon of 3.875 percent and is guaranteed by Linde AG. The proceeds of the transaction were primarily used to finance the tender offer published in May 2011 for the EUR 1bn bond with a 4.375 percent coupon due in 2012 and the EUR 300m bond with a 5.375 percent coupon due in 2013. The remaining funds are being used for general corporate purposes. Under the terms of the redemption, Linde Finance B.V. repurchased EUR 276m of the nominal volume of the EUR 1bn bond due in 2012 at a price of 102.444 and EUR 84m of the nominal volume of the EUR 300m bond due in 2013 at a price of 107.013.

In December 2011, Linde Finance B.V. issued a EUR 750m bond. This seven-year bond has a 3.125 percent coupon.

These two transactions have enabled Linde to secure long-term funds at attractive interest rates and to extend the maturity profile of its financial debt. In addition, five-year bonds totalling USD 120m have been placed through Linde Finance B.V.

Under the EUR 10bn Debt Issuance Programme, issues totalling EUR 5.2bn in various currencies were outstanding at 31 December 2011 (31 December 2010: EUR 4.1bn).

Selection of outstanding public bonds issued by Linde Finance B V

Issuer	Rating	Nominal amount	Coupon rate in percent	Maturity date	ISIN
Linde Finance B V	A3/A-	€ 724 m	4 375	24 04 2012	XS0297698853
Linde Finance B V	A3/A-	€ 216 m	5 375	12 09 2013	XS0387377756
Linde Finance B V	A3/A-	$ 400 m	3 625	13 11 2014	XS0465484938
Linde Finance B V	A3/A-	€ 600 m	6 750	08 12 2015	XS0403540189
Linde Finance B V[1]	A3/A-	£ 200 m	6 500	29 01 2016	XS0123544529
Linde Finance B V	A3/A-	€ 1,000 m	4 750	24 04 2017	XS0297699588
Linde Finance B V[1]	A3/A-	£ 100 m	12 250	02 10 2017 Call right from 2012	GB0001082386
Linde Finance B V	A3/A-	£ 300 m	5 875	24 04 2023	XS0297700006
Linde Finance B V	A3/A-	A$ 150 m	3-M BBSW[2] + 0 850	19 08 2015	XS0531121290
Linde Finance B V	A3/A-	€ 750 m	3 125	12 12 2018	XS0718526790
Linde Finance B V	A3/A-	€ 600 m	3 875	01 06 2021	XS0632659933
Subordinated bonds[1]					
Linde Finance B V	Baa2/BBB	€ 400 m	6 000	Undated Call right from 2013	XS0171231060
Linde Finance B V	Baa2/BBB	€ 700 m	7 375	14 07 2066 Call right from 2016	XS0259604329
Linde Finance B V	Baa2/BBB	£ 250 m	8 125	14 07 2066 Call right from 2016	XS0259607777

[1] These bonds were not issued under the Debt Issuance Programme

[2] 3-month BBSW (Australian Bank Bill Swap Reference Rate)

Rating

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies Moody's and Standard & Poor's (S & P) The rating is an essential requirement for a successful and sustainable presence in the capital market The Group's stated objective remains a stable "investment grade" rating Only six months after the BOC acquisition, in spring 2007, the rating agencies both increased Linde's rating by one notch, to BBB and Baa1 respectively Since then, the ratings have continued to improve The most recent change was made in spring 2010, when both rating agencies increased Linde's rating by one notch, S & P from BBB+ to A- and Moody s from Baa1 to A3 This change was confirmed by both rating agencies in the 2011 financial year The subordinated bonds are currently rated at BBB by S & P and Baa2 by Moody's

Rating 2011

Rating agencies	Long-term rating	Outlook	Short-term rating
Moody's	A3	Stable	P-2
Standard & Poor's	A-	Stable	A-2

Capital expenditure

In the 2011 financial year, Linde again focused its capital expenditure strategy on continuity The capital expenditure decision and allocation process is centralised in The Linde Group Every major item of capital expenditure requires the approval of a central investment committee or of the Linde AG Executive Board The Group has invested specifically in those areas where opportunities exist for above-average growth and where it can increase its earnings power and enhance its competitiveness An example of this is the EUR 235 m investment made by the Group in the growth region of Greater China (2010 EUR 169 m)

Capital expenditure comprises additions to both tangible assets and intangible assets

Capital expenditure in the 2011 financial year, excluding financial assets, totalled EUR 1 367 bn (2010 EUR 1 302 bn) The investment ratio was 9 9 percent of Group sales (2010 10 1 percent) Not all capital expenditure was recognised in the financial years in the statement of cash flows as items affecting the movement of funds

In addition, Linde continued to strengthen its good competitive position in the international market in 2011 by spending EUR 78 m on acquisitions and investments in financial assets (2010 EUR 68 m) Investments in consolidated companies during the reporting period totalled EUR 28 m (2010 EUR 37 m) Of the EUR 28 m, EUR 23 m related to the acquisition of the majority interest in the joint venture Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia The investment in other financial assets of EUR 50 m (2010 EUR 31 m) related mainly to the setting up of new joint ventures, especially in the Greater China region and to capital increases in associates and joint ventures

If these investments are included, total capital expenditure in the 2011 financial year rose to EUR 1 445 bn (2010 EUR 1 370 bn)

Most of the Group's capital expenditure (2011 EUR 1 439 bn, 2010 EUR 1 326 bn) was once again incurred for the global expansion of its gases business As in prior years, the Group's focus was on developing its fast-growing on-site business The investment ratio in the Gases Division in 2011 was 13 0 percent of sales (2010 13 0 percent)

Capital expenditure by division

in € million	2011	2010
Gases Division	1,439	1,326
Engineering Division	26	23
Other Activities[1]	-98	-47
Group (excluding financial assets)	1,367	1,302
Financial assets	78	68
Group	1,445	1,370

[1] Including consolidations

Capital expenditure of the Gases Division by reportable segment (excluding financial assets)

	2011		2010	
	in € million	in percent	in € million	in percent
EMEA	627	43 6	616	46 5
Asia/Pacific	587	40 8	492	37 1
Americas	225	15 6	218	16 4
Total Gases Division	**1,439**	**100 0**	**1,326**	**100 0**

Purchasing

The Linde Group

Linde has a Group-wide procurement strategy. In the 2011 financial year, the Group spent around EUR 10.7 bn (2010: around EUR 9.7 bn) on purchasing in various markets worldwide. Around EUR 9.2 bn of this amount related to the Gases Division and around EUR 1.5 bn to the Engineering Division.

Gases Division

In the Gases Division, purchasing covers a wide range of goods and services, including energy, gases, gas cylinders and valves, tanks and tank equipment, vehicles, healthcare equipment, components for large-scale plants and complete small plants, IT hardware and software, plus a great variety of services.

In 2011, Linde was able to meet its ambitious procurement targets despite a difficult market environment. As a result of the continued rigorous implementation of HPO (High Performance Organisation), its holistic concept designed to achieve sustainable increases in efficiency, the Group was able to stabilise and improve its purchasing performance. The improvements made related principally to the organisational structure of the Group and to the optimisation of purchasing processes and related systems and tools. Linde's systematic approach to identifying potential for improvement involves conducting regular quality audits of the purchasing departments in companies within the Group. The aim of these audits is to continue to improve purchasing efficiency. To achieve this, initiatives which are specific to each country are developed and implemented. In many of its Group companies in different countries, Linde has identified potential for improvement, particularly in the management of "A" category suppliers and the use of available systems functionalities, and has introduced measures to ensure the improvements are made. The outcome of these measures is disclosed with transparency in the global purchasing scorecard.

In the course of the economic recovery, which resulted in higher levels of demand, purchasing departments in 2011 faced rises in asking prices. However, as a result of using its global purchasing network, Linde was able in many cases to secure supplies on terms in line with the market.

By continuing to develop its organisation, Linde is aiming to achieve cost and cash flow improvements in the area of purchasing which are sustainable in the future and which relate to both expenditure and processes. The Group will not only make structural changes, but also continue to work on optimising its supplier and product portfolio in order to minimise costs and avoid risks.

Engineering Division

The market environment for international plant construction continued to improve in the course of 2011. In particular, there was a revival in investment activity for small and medium-sized projects. Linde was able at all times to secure supplies of goods for its Engineering Division.

In 2011, the Group continued with the successful implementation and expansion of its Global Procurement Initiative, launched in 2009. Procurement centres in Europe, India, China, Korea, Abu Dhabi and the US were strengthened further through targeted measures which significantly improved access to the markets. This scheme enabled Linde to increase purchasing volumes in best cost countries (see glossary) by almost 80 percent, further improving its competitiveness. After intensive market research, the Group placed more orders in the best cost countries, especially for high-volume product lines. In addition, suppliers of machinery, for example, were requested to outsource significant portions of their purchasing to these markets.

Purchasing in Linde's Engineering Division has been further strengthened by cooperation with other departments to achieve synergies and develop even closer business relationships with suppliers. One example of this is the Value Engineering Programme (see glossary), which has achieved additional cost savings, with improved standards for high-cost products.

The regional focus of purchasing in the 2011 financial year was on India and China. Here, Linde has been able to improve the performance of suppliers who deliver to the European economic area and to other global project locations by applying targeted strategies for development. To minimise risk, suppliers were analysed in detail and determined on the basis of a rigorous selection process.

In 2011, the price corridor of nickel, a raw material which is an important component of many pieces of equipment, was around USD 19,000 per tonne. In the current year 2012, this price should come under pressure, as a nickel surplus is expected according to the latest report by the International Nickel Study Group (INSG).

Following the significant increase in chromium prices in 2010, the price indicator for this raw material has remained at a slightly volatile but more or less constant level since the beginning of 2011.

Scrap metal prices have been fluctuating at a high level since the start of 2011, almost reaching the all-time high recorded in 2008.

The price of plain (non-alloy) carbon steel fell significantly in 2011. This trend was primarily due to the inventory policies of the market and of end consumers, who have increasingly been meeting their current requirements out of their own stockholdings.

The market for aluminium is a promising growth business with innovative industries which should also benefit from the energy turnaround. It is therefore expected that aluminium prices will remain at a high level.

Research and development

The Linde Group

Ongoing, focused research and development activities play a defining role in the sustainable success of a global technology player such as Linde

During the last financial year, Linde spent a total of EUR 98m on research and development (2010 EUR 94m) As at 31 December 2011, there were 342 Linde employees working in this field (2010 324), 220 in the Gases Division and 122 in the Engineering Division During the period under review, no significant R&D knowledge was purchased from third parties To protect its innovations from the competition, Linde filed 235 new patents across the Group over the course of the past financial year As at 31 December 2011, Linde technologies were protected by a total of 2,635 patents

On the basis of knowledge acquired from pure research, Linde is always developing new areas of application for its gases and is constantly striving to make further improvements in its processes and plant technologies Linde invariably conducts its development of applications within the context of customer commissions and therefore works very closely with its customers to meet their individual requirements The Linde Group pays particular attention to the environmental compatibility of its production processes Key priorities include making technological processes and plants more energy-efficient and reducing emissions from manufacturing processes, both in relation to Linde's own operations and to those of its customers

As a technology leader in this area, Linde has worked even harder on pooling the skills of its engineers and set up the Clean Energy Group during the period under review The aim of this group, which operates across the different business areas, is to develop innovative products and processes that help to make renewable energies economically viable, reduce consumption of natural resources and cut harmful emissions To achieve this, Linde combines the skills in its Gases Division with those in its Engineering Division The Group is focusing its activities on the following areas which hold promise for the future carbon capture & storage and carbon capture & usage (CCS/CCU, see glossary), enhanced oil and gas recovery (EOR/EGR, see glossary), the production, storage, distribution and filling of merchant liquefied natural gas, and the conversion of biomass fuels into basic materials for use in the chemical industry

One initiative designed to promote the creativity and inventiveness of the Group's engineers and technicians, the Linde Innovators Club, has now become quite an institution In 2011, Linde presented The Linde Group Patent & Innovation Award for the sixth time for the best innovations The Linde Innovators Club now has around 130 members

Gases Division

In its Gases Division, Linde invested EUR 72m in 2011 in research and development (2010 EUR 68m), focusing its activities on six areas of particular strategic importance environmentally sound practices, efficient industrial processes, clean energy, healthy eating and convenience food, geographic and demographic shifts, and high-performance materials The project portfolio encompassed four R&D areas chemicals & energy, metal & glass, food and drink, and manufacturing

During the reporting year, Linde again expanded its modular CRYOLINE® range of products for its customers in the food industry This range includes products that can be used for the cryogenic shock-freezing of food with nitrogen or carbon dioxide New developments include the CRYOLINE® PE 800 pellet freezing system used to freeze pellets of sauce and the expansion of the CRYOLINE® XF cryogenic spiral freezer product line to include the large-capacity XF-1000 model

Linde's application engineers have developed SOLVOX® OxyStream, a particularly energy-efficient oxygenation system for fish farming This system has already been installed in more than 30 land-based aquacultures Its compact design and effective mixing of gas and water mean that the new process can operate at lower pressures than conventional systems Consequently, the amount of energy required to run the pumps is reduced by more than 50 percent This enables customers to cut costs and lower emissions

In the high-performance materials field, Linde is currently working on the development of intelligent glass substrates (IGS) for use in buildings and façade design, as well as in photovoltaic and solar heating modules Thermochemical processes are used to create specific surface properties, which must also comply with the minimum product life of 25 years demanded by the industry IGS can be used to produce glass surfaces rich in silicon dioxide with outstanding anti-reflective properties which meet all the requirements for use in the solar industry As well as offering a high level of light permeability, these glass substrates also protect against the physical impact of hailstones or snow cover

Using this new process, Linde can tap potential in the growing market for renewable energy The concept's technical feasibility has already been proven and suitable project partners in industry and research have been selected Linde expects to be able to install the first commercial IGS system (first generation) in a solar glass production line in 2012

During the reporting period, Linde also developed a process that enables it to produce aluminium foils without the use of kerosene This innovative solution for cold rolling of aluminium enables customers to improve the surface quality of the aluminium they produce, whilst at the same time improving plant safety, as eliminating kerosene reduces the risk of a plant fire. Additionally, the new process conserves resources and is thus more environmentally sound. Linde is already working with a partner to push forward with the commercialisation of this new technology. The plan is to install a pilot plant in 2012.

Also during the past financial year, Linde launched a new R&D programme aimed at responding to the ongoing increase in demand from the metal industry for a reduction in CO_2 consumption.

The Linde Group has also stepped up its development of products and applications designed to help increase productivity in manufacturing industries and to increase the environmental compatibility of production processes. For example, Linde has launched its new liquid pump N supply system for moulding processes in the plastics industry. The system involves compressing nitrogen at a very high pressure (of up to 350 bar). Compared with other gas compressors, this cuts energy consumption by close to 90 percent.

Working in close cooperation with research partners, Linde has been able to develop a specialist method for inerting the injection moulds and improving the cooling of the moulded parts. In this way, customers can reduce downtime and the duration of cleaning runs, thereby raising productivity.

Linde has developed a new generation of acetylene burner heads for its successful LINDOFLAMM® burner technology, used primarily in the preheating of steel for the production of wind turbines or finned tubes for fossil fuel power stations. The new burner technology increases safety and efficiency during the production process.

Once again during the year under review, Linde confirmed its role as a trailblazer in the further refinement of environmentally sound hydrogen technology. In a bid to ensure this forward-looking technology can make a real breakthrough, Linde is involved in a number of initiatives across the world. Germany occupies a leading position in this field. Linde is, for example, a founding member of the Clean Energy Partnership (CEP) and of H_2 Mobility. Both of these industrial partnerships, which are supported by the National Innovation Programme for Hydrogen and Fuel Cell Technology (NIP), are working towards the commercialisation of hydrogen as a fuel and the creation of Germany's first country-wide hydrogen transport infrastructure. The common goal of the companies from the energy, transport and automotive sectors involved in the scheme is to support the series production of hydrogen fuel cell cars, which car makers have announced will commence in 2014. As part of the CEP activities, three new H_2 filling stations using Linde technology were opened in Berlin, Hamburg and Karlsruhe during the year under review. Meanwhile, Linde played a key role in the opening of the UK's first hydrogen filling station open to the public. At the Coca-Cola Bottling Co. Consolidated production site in Charlotte, North Carolina, US, Linde installed an emission-free hydrogen fuelling system to supply 40 forklift trucks.

As a fuel, hydrogen also has the potential to store wind-generated energy. Against this background, the "performing energy – Bündnis für Windwasserstoff" initiative (wind hydrogen alliance) has been formed in Germany, bringing together renowned representatives from industry, science and organisations supporting the environment and promoting technology. The aim of this initiative is to organise the first trials and create the conditions under which hydrogen storage systems may be integrated into the energy system in future in a cost-effective way. Linde is also a founding member of this group and one of the key players driving this initiative.

The promotion of research and development is also a high priority in the healthcare business (medical gases and gas-based treatments). Ongoing improvements to tried-and-tested products, coupled with new products and services, enable Linde to tap into new markets all the time in this promising sector. In particular, Linde backs research work that focuses on the medical application of gases and on the development of medical equipment for intensive treatment of respiratory diseases.

To build on these activities, Linde set up a new research fund for innovations in healthcare, the Linde Healthcare REALfund (REAL = Research, Evolve, Advance, Lead), during the 2010 financial year. The fund is aimed at doctors, patients' organisations, inventors and scientists. It will support innovative projects that investigate new applications for gases, devices for the safe and effective delivery of gases, equipment to monitor the impact and success of gas-enabled therapies, and complementary products and services provided on site. The amount of funding available depends on the complexity of each project. Core areas include gas therapies and respiratory medicine. During 2011, funding was provided for the first time for projects showing particular promise (see the Corporate responsibility section, page 080).

Engineering Division

During the reporting period, the Engineering Division spent a total of EUR 26 m on research and development activities (2010: EUR 26 m). As in previous years, this money was allocated to the development of existing and new technologies in the division's four product lines: natural gas plants, air separation plants, olefin plants, and hydrogen and synthesis gas plants.

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Linde is always looking for ways in which to make further improvements in the energy efficiency and environmental credentials of its installations The central research and development department helps the units responsible for individual plant lines to make continuous improvements in their processes and to develop innovative technologies to tap into new lines of business

Linde uses key performance indicators (KPIs) to measure its performance on a regular basis These KPIs cover such criteria as competitiveness, use of resources, cooperation skills, external and internal contacts and capacity for innovation, as well as quality, safety and environmental protection

All the companies in the Engineering Division have their own suggestion schemes, which award prizes for outstanding ideas submitted by members of staff The Linde Group's central patent department works closely with the Engineering Division to ensure that Linde's rights to innovative technical solutions are protected at an early stage

EU directives on the reduction of CO_2 emissions have opened up a promising new line of business for Linde, technologies designed to separate and either store or use CO_2 from flue gases emitted by power plants (carbon capture & storage and carbon capture & usage, or CCS/CCU) Linde began developing this technology three years ago now Its activities continued to be effective in 2011, as demonstrated by the smooth running of a pilot plant in Niederaussem, Germany Against this background, the US Department of Energy (DoE) decided during the reporting period to grant Linde funding of USD 15 m for the further development of this technology (post-combustion capture technology, see glossary) With the DoE's support, Linde is constructing a pilot plant in Wilsonville, Alabama, to test innovative CO_2 scrubbing processes and demonstrate the marketability of the technology as of 2014 Additionally, Linde was commissioned by the market leader in the field to carry out a study into how CO_2 separation processes can be used in gas power plants

As wind and solar energy account for a growing proportion of the electricity mix, the need for energy storage is increasing In order to meet this need in the long term, alternatives to pumped-storage power plants, which can only be expanded to a limited extent, are being investigated and evaluated from both a technological and an economic perspective Together with partner companies, Linde is analysing how hydrogen can be produced using water electrolysis in combination with various different electricity procurement scenarios Potential areas of application for hydrogen being considered by Linde for inclusion in its R & D projects include the following reconversion to electricity, use as fuel for emission-free mobility, conversion to hydrocarbons together with CO_2 to create a CO_2 sink (see glossary), conventional applications in the chemical industry and as a direct feed into the natural gas network

Linde is also continuing to develop molten salt storage facilities for solar thermal and conventional thermal power stations Its activities in this field are aimed at improving the tank designs so that they are also suitable for the next generation of high-temperature molten salts

Linde is also researching processes that produce hydrogen from biogenic raw materials in order to provide energy which is sustainable and climate-friendly A pilot installation for the production of hydrogen from glycerol has been set up for this purpose in Leuna in the German state of Saxony-Anhalt The process is based on technology developed by Linde During the reporting period, Linde's trials at this pilot installation in Leuna were able to prove the technical viability of the process on a larger scale The installation is currently being refitted for its commercial integration into the existing conventional hydrogen production plant The hydrogen which Linde produces in this way has been certified as a green and sustainable product by TUV Sud, a German technical testing and inspection organisation

Another possible route for the production of green hydrogen is the thermo-chemical conversion of solid biomass and biogenic raw materials Linde is working with a partner in this area to erect and operate a pilot plant A broad spectrum of biogenic materials has now been successfully converted into synthesis gas, which can be used both as feedstock and in energy production

Building on Carbo-V® technology, Linde is also researching processes which will transform synthesis gas into biofuels such as biodiesel Suitable input materials here are wood and wood biomass, which even today can be created in a way which conserves resources

In addition, Linde is working intensively in various different fields to improve and expand the product range for plants dedicated to the production of hydrogen and synthesis gas These include the development of a small reformer (HYDROPRIME®) for decentralised production of hydrogen which is being tailored to the needs of the Group's Gases Division This compact plant was successfully tested in early 2011 Since then, the first products have made their way into commercial use As part of this project, Linde has developed a series of innovative hydrogen PSA processes for the throughput of small quantities of hydrogen (not exceeding 3,000 normal cubic metres per hour) These processes offer a low investment cost combined with a high level of performance

As global demand for clean water rises, efficient water management coupled with conservation of resources will only grow in importance Linde is also developing new concepts in the area of environmental technology for water purification and recirculation

As part of its initiative to tap into and exploit small offshore deposits of natural gas, Linde is continuing to work on the development of top-side facilities for floating natural gas liquefaction plants (LNG floating production storage and offloading units or FLNG). The focus here is on such products as spiral heat exchangers and aluminium plate exchangers.

In the area of petrochemical plants, Linde concentrated during the reporting period on increasing the flexibility of raw materials for olefin production plants and on product optimisation. The Linde Group pursued new concepts based on alternative input materials such as methane. Examples from commercial use include the incorporation of refinery gas flows after precleaning, such as FCC off-gases in olefin plants. Highly innovative cleaning systems are required to make these processes cost-effective and safe.

In close cooperation with Saudi Basic Industries Corporation (SABIC) and the Leibniz Institute for Catalysis (LIKAT) at Rostock University, Linde's Engineering Division is developing a process for the selective production of 1-hexene.

In addition to developments based around product lines, the Engineering Division also provides the Gases Division with direct support in implementing new concepts, such as in healthcare. The prototypes (EXCIDIO™) described in the 2010 Financial Report designed to reduce air contamination levels in hospital operating theatres were successfully tested in continuous service during the 2011 reporting year and are now being prepared for their commercial launch.

Research and development

	Expenditure (in € million)					Number of employees				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Gases Division	72	68	66	73	68	220	199	206	267	238
Engineering Division	26	26	23	31	29	122	125	140	117[1]	109[1]
Group	98	94	89	104	97	342	324	346	384	347

[1] Adjusted

Corporate responsibility

Corporate responsibility (CR) is the means by which Linde contributes to sustainable development Under the terms of its corporate responsibility policy, the Group is committed to behaving responsibly towards people and the environment, to conserving natural resources and to developing sustainable technologies Linde's approach to CR management ensures that this commitment is transformed into everyday business life The Group analyses risks and opportunities from a sustainability perspective on an ongoing basis, developing strategic measures that will further improve CR management It also sets itself global targets in the various CR action areas

Linde publishes information on its CR priority areas and challenges, as well as on relevant non-financial indicators, in its annual CR Report During the year under review, the Global Reporting Initiative (GRI) confirmed that the Group's Corporate Responsibility Report 2010/2011 qualifies for the highest application level (A+) defined under the GRI standards Selected key performance indicators in this Report were independently reviewed and subsequently assured by KPMG Sustainability The current version of the CR Report is available online at www linde com/cr-report

Strategy and management

The Linde Group's sustainability strategy is managed at the highest level by the Corporate Responsibility Council This comprises Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG, and Professor Dr Aldo Belloni, member of the Executive Board, together with the heads of the Group-wide corporate functions Corporate Communications & Investor Relations, HR, Legal, Internal Audit and SHEQ (see glossary) The Council meets annually and sets out the cornerstones of the Group's CR strategy It is briefed on the progress made in achieving the previous year's goals and decides on new measures to be introduced During the reporting year, the CR Council advised on such issues as responsibility in the supply chain, human rights and the expansion of CR reporting The corporate responsibility department coordinates the implementation of the sustainability strategy, liaising with the departments and regions concerned It is also the point of contact for both internal and external stakeholders

Linde's global CR policy defines the sustainability principles to be applied across the Group worldwide Supplementary guidelines and standards have also been developed in some areas These flesh out the details of how our voluntary commitments are to be implemented in everyday business operations They include the SHEQ policy for safety, health, environment and quality, and the Group's ethical procurement guidelines for global purchasing The Code of Ethics, which is binding on all Linde operations across the world, contains guidelines developed in accordance with statutory regulations and in-house rules

Opportunities and risks

As part of its CR management, Linde reviews opportunities and risks in the area of sustainability, whilst also considering the requirements of its stakeholders, with whom there are many different forms of contact These include, for example, personal discussions with investors, customers, journalists and non-governmental organisations, and the Group's involvement in networks such as the United Nations Global Compact The Group considers its shareholders, employees, business partners and the public at large to be its most important stakeholders

Linde is continuously assessing the significance of issues that arise in the corporate responsibility areas of action A regular materiality analysis is carried out in which the relevance of these issues to the Group's stakeholders is compared against their impact on Linde operations This helps the Group to set priority areas for CR management and CR reporting Key priorities in 2011 were greenhouse gas emission balance sheets, the sustainable use of water, and a review of social standards

Risks that are relevant to corporate responsibility, such as environmental or safety risks, are considered as part of the standardised approach adopted within the Group's risk management policy This is supplemented by activities carried out at departmental level, with managers evaluating and monitoring the risks specific to their area of responsibility The departments concerned include, for example, the Department for Safety, Health, Environment and Quality (SHEQ)

Linde provides its employees with training in occupational and product safety, environmental protection and compliance on a systematic basis Using a range of different tools and measures, the Group checks whether its self-imposed commitments in areas such as environmental protection, safety, working conditions and compliance are being upheld Internal audits and audits conducted by third parties are just some of the methods used Linde also has its compliance with standards certified by external parties in accordance with internationally recognised norms (e g ISO 9001 and ISO 14001)

Information on any potential breaches of statutory regulations or of the Group's voluntary commitments, either within the Group itself or on the part of suppliers, are tackled using a reporting system, the Linde Integrity Line

Linde takes advantage of business opportunities by providing solutions that combine customer benefit with a contribution to sustainable development The Group has identified three strategic priorities on which it plans to focus its operations more strongly (energy and the environment, health and healthcare and dynamic trends in the emerging economies) Linde uses its products and technologies to make a contribution to sustainability in each of these areas The focus lies on energy and environmental technologies in particular, as well as on the provision of high-quality medical care

Sustainability indicators

Linde uses global indicators to track its ecological, economic and social performance, and to measure progress and identify potential improvements. As part of its CR management, Linde is continuously examining ways in which non-financial indicators can be incorporated into external reporting. In its 2010/2011 Corporate Responsibility Report, the Group published figures for the first time on its worldwide compliance training and use of the Integrity Line. Linde is currently developing global performance indicators for its social commitment.

Environmental protection and safety

The Linde Group is committed to high safety standards and environmental protection. One of its key economic and ecological principles is resource conservation. In its production processes, the Group focuses on the efficient use of resources, materials and energy and on the reduction of emissions and waste. Through its SHEQ management system, Linde knows and understands the environmental impact and safety risks associated with its processes. This knowledge underpins the plans devised by the Group to manage safety risks or reduce emissions.

In the area of environmental protection, Linde concentrated during the financial year on continuing to develop the Group's environmental targets and on climate protection measures. Another major topic was the sustainable use of water. In 2011, Linde conducted investigations of sites to identify any potential risks which might arise from water shortages.

Linde paid particular attention during the year to safety issues, including transport incidents and uniform standards of plant safety.

Climate protection

Once again during the year under review, Linde's climate protection activities continued to focus on resource-efficient processes and climate-friendly solutions: from research and development, via production, storage and the transport of goods, to customer applications.

Energy efficiency is an important competitive factor for Linde. One of the Group's main challenges is to reduce its energy consumption and thereby its greenhouse gas emissions. This is being achieved by conducting a systematic analysis of the energy efficiency and climate relevance of processes using the SHEQ management system. Linde assesses greenhouse gas emissions along the product value chain. The Group complies with the provisions of the Greenhouse Gas Protocol (see glossary). In 2011, Linde consumed 20.3 terawatt hours of electricity (2010: 19.0 TWh) and emitted a total of 15.9 million tonnes of direct and indirect CO_2 (2010: 14.9 million tonnes). The increase is due to a rise in production in 2011.

During the past financial year, Linde focused on its activities to achieve its global energy efficiency and climate protection targets. In terms of plant design, Linde has set itself the goal of achieving a 3 percent improvement in energy intensity by 2013 for each air gas produced, using 2008 as the basis year for comparison purposes. Linde provides information on an annual basis on the measures it has taken and the progress it has made in this regard in its Corporate Responsibility Report.

Another key area on which Linde has focused in 2011 is the development of a uniform Group-wide method of calculating the CO_2 balance sheet for Linde products. In all the Group's regions, key employees have received training on this topic, so that they can act as a central point of contact for customers and for their colleagues.

Linde has brought together its skills in the area of climate protection from across the Group, to make the best possible use of opportunities for environmentally friendly products and services. So, for example, the interdisciplinary, interdivisional Round Table on Carbon Applications (see glossary) continued to pursue opportunities relating to CO_2 applications and to evaluate market prospects for climate protection solutions.

In 2011, TUV Sud, a German technical testing and inspection organisation, presented Linde with its Green Fleet Award for the second time, in recognition of the Group's sustainable company car policy. Linde has defined fixed rules on the CO_2 emissions of its vehicle fleet, comprising some 1,000 company cars. More than one third of the fleet has already been replaced with vehicles which comply with the new limits. The Group has also introduced an arrangement under which fuel-efficient driving is recognised.

Safety measures

Linde has set itself the goal of achieving further reductions in the number and frequency of transport-related accidents. In 2011, the Group continued the introduction of a new global package of transport safety measures. This includes systematic reviews in the form of audits to ensure compliance with minimum standards and a new training scheme for drivers. During the reporting period, Linde also pushed ahead with the Group-wide Major Hazards Review Programme (MHRP, see glossary). The Group uses this programme to measure risks on a uniform basis for all locations and to establish control mechanisms to minimise these risks as much as possible. Linde's work in the field of safety focused once again in 2011 on MHRP audits of locations where hazardous materials are stored or used.

At the beginning of 2011, Linde completed its report on the classification and labelling of its substances in compliance with the EU Regulation on the classification, labelling and packaging of substances and mixtures (CLP). Linde is also working together with the European Industrial Gases Association (EIGA) and other trade associations to implement the EU Regulation governing chemicals known as REACH (see glossary) in accordance with the rules and bring it to a successful conclusion in cooperation with customers and suppliers

In the field of waste management, in 2011 Linde adopted a global standard for the handling of asbestos and introduced training material which covers all safety aspects of handling asbestos as well as the disposal of asbestos materials

Employees

The total number of employees in The Linde Group at 31 December 2011 was 50,417 (31 December 2010 48,430) The Group's personnel expenses during the year under review totalled EUR 2 653 bn (2010 EUR 2 527 bn)

The aim of the HR strategy is to attract, develop and promote the best employees, building up long-term loyalty to the Group, a key prerequisite for Linde's long-term success Linde's HR work during 2011 was dominated by an expansion of its People Excellence activities Other key focuses during the reporting year included the further development of the global management system for HR data, which helps to ensure that the major personnel processes are harmonised at a global level

People Excellence

A key component of Linde's HPO efficiency improvement programme, People Excellence, is aimed at three main areas developing talent, corporate culture and performance Linde has incorporated the findings of a global employee survey conducted in 2010 into the development of its People Excellence initiatives Following the evaluation of the survey results, team meetings were held in all areas of the Group over the course of the reporting period The aim of these was to assess the current situation, agree on mandatory improvement measures and review the positive development of the corporate culture By the end of 2011, more than 70 percent of the teams across the world had already implemented the measures agreed during their meetings Looking to 2012, Linde is planning a follow-up survey in order to assess how successful these measures have been and to chart employee satisfaction levels

In 2011, the Group also continued to expand its Group-wide performance management system which is designed to measure and evaluate performance The current system was reviewed The results of this review will form the basis of a new standardised Group-wide performance management module, which will be introduced in 2012

An attractive employer

Linde is committed to offering its employees working conditions that will motivate them and that are fair This also involves recognising outstanding performance and helping employees to reconcile their personal and professional goals

Employees' remuneration packages include various elements designed to help them focus on the Group's long-term and strategic aims, such as the elements of managerial staff pay based on the achievement of targets and performance levels, and the global performance management system On top of the salary, Linde also offers various additional benefits, the terms of which are determined locally Examples include the occupational pension scheme and contributions towards childcare

By providing its staff with flexible working options and by offering childcare support and support for family members who require special care, Linde helps its employees to achieve a better work/life balance During the period under review, for example, the Group increased the number of daycare places made available to employees in and around Munich from 20 to 37 to take account of the rise in demand for childcare In addition to flexitime and teleworking, the Group also offers its staff part-time working options In 2011, the proportion of part-time employees working at Linde was 2 0 percent

Occupational safety and health protection

Through its targeted occupational safety and health protection measures, Linde helps its employees stay healthy and protects them from risks that might arise from the work they perform for the Group The Linde Group uses the SHEQ management system to identify sources of workplace risk worldwide and to introduce measures to monitor such risks Linde measures and reviews its performance in the area of occupational safety and health protection against fixed performance indicators These include statistics relating to workplace accidents and to safety training The results of the audits help Linde to make continual improvements in its performance in the area of safety and health protection In 2011, audits of this type were conducted by Linde or by third parties at over 54 5 percent of its operating sites (2010 53 2 percent) Linde also involves contractors in the application of its occupational safety and health protection measures

The number of workplace accidents per million hours worked (known as the Lost Time Injury Rate or LTI rate) fell again in 2011 to 1 4 (2010 1 9) Linde has set itself a target of keeping the LTI rate as low as possible To meet this target, the Group constantly reviews its safety management procedures

SHEQ management activities during the reporting period focused on measures designed to strengthen the Group's safety culture

Over the next few years, Linde intends to expand its occupational health management programme still further and will move towards global harmonisation The Group will pay particular attention here to the proper handling of chemicals and to noise pollution, as well as to health risks that might arise from manual and monotonous work

Winning and promoting talent

One of the key pillars of Linde's HR management lies in the recruitment and training of well-qualified young people, as well as in the needs-driven professional development of existing employees As part of this process, Linde is also responding to the challenges posed by demographic change and the Group's growth in emerging markets Above all, the hiring of highly skilled engineers is crucial to the long-term success of a technically oriented company such as Linde This is why the Group is an active partner in higher education and research across the world, aiming to encourage students to join The Linde Group upon completion of their studies The Group also offers various regional programmes for talented graduates In 2012, for example, Linde will launch a new graduate trainee programme in China

Through a range of programmes, Linde seeks to ensure that its employees are engaging in continuing professional development, encouraging them to embrace learning and change Linde also provides international training and development in the fields of personnel management and business management under the auspices of Linde University The university has recently been extended, with the addition of Campus Asia, which provides various professional development opportunities for all employees in this growth region The reporting year also saw Linde expand its line manager development programmes for senior and middle management The focus here is on the core skills needed to manage employees effectively and to motivate them By the end of 2011, all the managers in the target group had completed this training In mid-2011, the second phase of the programme was launched, which builds on the outcome of the first phase New topics which had emerged, for example, from the results of the global employee survey were also addressed The aim is to ensure consistent delivery of the training content Overall, 64 4 percent of employees participated in continuing professional development programmes during 2011 (2010 59 1 percent)

Diversity

Diverse and international teams have long been valued at Linde and form an integral component of the Group's corporate culture Diversity is crucial to the Group's success At 31 December 2011, Linde's worldwide workforce comprised people from around 90 different countries More than 60 nationalities are represented in Linde's German companies alone The proportion of senior managers from countries other than Germany in The Linde Group exceeded 70 percent during the year under review, with more than 40 countries represented at this level By means of diversity management, Linde develops new opportunities from the diverse makeup of its workforce The targeted promotion of female executives is one of the priorities identified by the Group for 2011 and 2012 in this area During the reporting year, there was an increase in the proportion of women represented in the major Linde development programmes With regard to the Global Leadership Development Circle, the proportion of female employees rose from 6 5 percent in 2010 to 15 2 percent in 2011, with an increase to 26 8 percent in the case of the Global Talent Circle (2010 16 9 percent)

Employee representation

Linde works with employee representatives and trade unions on the basis of partnership In 2011, 53 5 percent of Linde personnel were employed on the basis of collective wage agreements (2010 54 9 percent)

In Germany, the Works Constitution Act (BetrVG) regulates cooperation between company management and employee representatives The system of employee representation at The Linde Group is two-tiered, consisting of works councils in the decentralised units and a central works council for the Group as a whole One of the main outcomes of dialogue between the employee representatives and the Group in Germany in 2011 was a works agreement on variable remuneration

For some years now, Linde has also had a European Works Council (EWC), which currently has 28 members The EWC promotes the exchange of information between employee representatives across national borders In 2011, Linde launched a project to intensify cooperation between various national locations, management and the European Works Council This project is being supported by the European Union, with completion scheduled for summer 2012

Pensions

In many countries, Linde has set up occupational pension schemes for its workforce The Group currently offers defined benefit plans in 30 countries and defined contribution plans in 31 countries (see glossary) Sustainability is a key aspect of these long-term pension commitments Pension schemes must be attractive yet fair for every generation They also need to conform to the social standards applicable in each country To ensure that this is the case, Linde has established mandatory rules worldwide for pension governance (see glossary) which cover changes in pension plans, new plans and plan closures Interventions in the local pension structure require the prior agreement of the Global Pension Committee The committee comprises the Chief Executive Officer and Chief Financial Officer plus experts from Group Accounting & Reporting, Group Treasury and Group Human Resources

In 2011, the UK pension plans were reorganised The aim is to ensure the future viability of the existing defined benefit plans as well as of the defined contribution plan open to new entrants

The Group's largest pension plans, which account for around 92 percent of Linde's global pension obligations, are in the UK, Germany, the US, Australia, the Netherlands, South Africa and Switzerland The pension obligation for these countries (or defined benefit obligation under IFRS) was EUR 4 945 bn, with total plan assets of EUR 4 597 bn

In 2011, Linde spent a total of EUR 190 m (2010 EUR 178 m) on pensions Linde provided occupational pensions for 28,903 current employees who are active members of schemes, 19,725 former employees have acquired a non-forfeitable entitlement to a company pension (deferred pensions) and 31,112 pensioners drew a Group occupational pension

Thank you to employees

The Executive Board of Linde AG would like to thank all employees for their outstanding dedication and hard work during the past financial year Their commitment and effort have contributed greatly to the very good performance of the Group

Social commitment

Linde is involved in a variety of projects and initiatives at the Group's locations around the world, providing assistance locally in the form of donations, sponsorship, foundations and volunteering on the part of Linde employees The Group has defined its strategic priorities in this regard In the first instance, Linde supports initiatives in the fields of education, science and research, as well as other projects where Linde can meet its responsibility as a good neighbour and input its specialist knowledge in its capacity as a technology group and gases expert Linde's cross-regional involvement in these projects is coordinated by the Group headquarters in Munich, whilst decisions on involvement at local level are made regionally

During the reporting period, the focus lay on the development of reporting and measuring tools for social commitment The aim is to use indicators to document more clearly the Group's donations and sponsorship activities, and their value to society Social commitment indicators are planned for inclusion in CR reporting with effect from 2012

Main focuses

In the field of education, science and research, Linde supports institutions of higher education through various initiatives designed to provide training in engineering and the natural sciences One such example is the Carl von Linde Academy at the Technical University of Munich, funded by Linde This Academy gives young up-and-coming engineers, computer scientists and natural scientists the chance to acquire a grounding in the humanities and cultural and social studies, extending their learning beyond the purely technical aspects of their qualification

Education also plays an important role in relation to regional projects The South African Linde subsidiary, Afrox, supports education and science programmes, for example, as well as providing grants at a local level In 2011, Afrox supported around 70 projects through its Community Involvement Programme, providing assistance to more than 3,100 children as a result

The area of health is another key focus of Linde's science and research work With its Healthcare REALfund, Linde is involved in the development of new ideas and projects for the use of medical gases and medical devices, with targeted support for new areas of application Selected from more than 30 applicants, four recipients were awarded funding totalling EUR 300,000 in 2011

Linde is also involved in the area of health at regional level In Australia, for example, Linde cooperates with Redkite, a charitable organisation providing practical and financial assistance to children suffering from cancer and their families In Germany, Linde supports AtemWeg, a foundation which investigates the causes of chronic lung diseases and conducts research into suitable treatment methods

Commitment by employees

Many Linde employees volunteer in their local communities, helping out with projects aimed at children and young people, in the area of environmental protection or even in the wake of natural disasters At many of its locations, the Group supports employees' voluntary efforts by enabling them to take time off work, by providing them with financial support or by matching employees' donations to good causes

In emergency situations, Linde provides financial aid, donations of equipment and supplies, and assistance on the ground In 2011, for example, Linde lent support in the wake of the flooding in Queensland, Australia, and following the earthquake in the city of Christchurch in New Zealand Linde companies, the Group headquarters and employees in the region affected donated a total amount in excess of EUR 430,000

Employees

	2011	2010
Employees by reportable segment (at the balance sheet date)		
Gases Division	39,031	37,603
EMEA	20,920	20,575
Asia/Pacific	10,868	10,051
Americas	7,243	6,977
Engineering Division	6,319	5,811
Other Activities	5,067	5,016
Group	50,417	48,430
Structure of the workforce		
Proportion of part time employees (in %)	2 0	1 9
Proportion of fixed term employees (in %)	6 4	4 3
Proportion of staff covered by collective wage agreements (in %)	53 5	54 9
Proportion of apprentices and trainees in total workforce (in %)	1 3	1 3
Proportion of apprentices and trainees in Germany (in %)	3 6	3 5
Employee retention		
Staff turnover rate[1] (in %)	6 3	5 7
Average length of service (in years)	9 8	9 7
Diversity		
Proportion of women (in %)	19 5	19 3
Proportion of women in senior management positions (in %)	11 0	10 3
Age structure of the staff (in %)		
Staff under 30 years old	16 0	16 4
Staff between 31 and 50 years old	59 0	59 6
Staff over 50 years old	25 0	24 0
Employee training		
Employees who have taken up training opportunities (in %)	64 4	59 1
Average number of training days per employee	2,3	2,0
Average expenditure on training programmes per employee (in €)	268	241

[1] The staff turnover rate relates to employees who have left the Group voluntarily during the financial year

Key performance indicators Audit & Training

	2011	2010
Proportion of sites in which occupational health and safety audits have been conducted (in %)[1]	54.5	53.2
Proportion of sites in which environmental protection audits have been conducted (in %)[1]	49.1	47.8
Gases Division employees who have undergone HSE training (in %)	50.3	47.2

[1] The figures disclosed relate to internal and external audits conducted at production sites worldwide.

Key performance indicators Health & Safety

	2011	2010
Number of workplace accidents per million hours worked (Lost Time Injury Rate, LTIR)	1.4	1.9
Number of workplace accidents with at least one day of absence	144	198
Number of working days lost due to industrial accidents	2,721	3,813
Number of working days lost per million hours worked	26.1	36.9
Average number of days sick leave per employee	5.0	5.3
Number of fatal industrial accidents involving Linde employees	5	2

Key performance indicators Environment

	2011	2010
Use of resources		
Consumption of electricity in TWh	20.3	19.0
Consumption of natural gas in TWh	25.4	25.2
Water consumption[2] in million cubic metres	42.6	43.0
Emissions into the air		
Direct CO_2 emissions in million tonnes	5.7	5.4
Indirect CO_2 emissions in million tonnes	10.2	9.5
Environmental data for specific types of plant		
Water consumption[2] by air separation plants in million cubic metres	26.5	27.5
Electricity consumption by air separation plants in TWh	17.9	16.8
Indirect CO_2 emissions from air separation plants in million tonnes	8.9	8.3
Natural gas consumption by HyCo plants[3] in TWh	21.7	21.2
Direct CO_2 emissions from HyCo plants in million tonnes	4.3	4.3

[2] The water consumption relates to drinking water and industrial water used and does not include once-through water for cooling systems. Once through water is drawn from a natural or other source, solely thermally polluted and ultimately piped back to the stretch of water.

[3] The HyCo plants include steam reformers, partial oxidation plants (POX) and methanol crackers.

Risk report

Risk management

The Linde Group, a technology company with global operations, is exposed to a great variety of risks in the course of its international business. A willingness to take entrepreneurial risks enables the Group to exploit opportunities as they arise. Therefore, Linde intentionally takes risks, as long as they are reasonable and can be managed and controlled, and bears such risks if they are expected to create a sustainable increase in shareholder value.

For Linde, risk management is a systematic approach which involves identifying and evaluating risks, then managing the response to any risks detected. Linde therefore sees risk management as an ongoing Group-wide task which is an integral part of all decisions and business processes across the Group. Risk management aims to make it more certain that growth and earnings targets and strategic objectives are met.

The Linde AG Executive Board has established a comprehensive, systematic and efficient risk management system (Enterprise Risk Management or ERM), the basic principles of which are laid down in Group guidelines. The ERM system has been tailored to suit Linde's corporate structure and is a vital component of the Group's management process.

The key elements of the Enterprise Risk Management system are the risk management system and the internal control system, which are interrelated.

The risk management system focuses on the identification and handling of risks. It has always sought to address not only those risks that might affect the viability of the Group as a going concern, as required by the German Law on Control and Transparency in Business (KonTraG, see glossary), but also all material risks for the Group.

The aim of the internal control system is to prevent risks arising in the course of operations by adopting appropriate controls and processes, especially with regard to conformity with the law, compliance with strategy, the quality of accounting and reporting, the quality of processes and the protection of assets. Linde does not limit itself to risks that might have a direct impact on the net assets, financial position or results of operations of the Group, but also examines risks which might have only an indirect impact on key financial figures, such as risks to the Group's reputation. The internal control system comprises all the controls and processes which are embedded in the Group's business operations.

Organisation, responsibilities and risk management tools

Linde distinguishes between risks which relate to the entire Group (Group risks) and risks arising from the activities of the operating business units (business risks). Group risks are identified by members of the Executive Board and heads of the Global Support Functions, and managed by the personnel to whom the responsibility for those risks has been allocated. Business risks are managed by those responsible for the operating segments in the divisions.

Those with responsibility for the risks in the operating segments of the divisions are tasked with the systematic handling of business risks. They identify, analyse, manage and monitor the risks in their respective areas on a continual basis, while the next tier of management is responsible for controlling those risks.

To ensure that standard procedures are applied to the identification and evaluation of business risks in the operating segments, the central risk management department provides those responsible with the risk management tools and methods they require. It also coordinates the Group-wide recording of all significant risks for the Group and continues to develop the tools and methods required to identify and evaluate risks.

The heads of the Global Support Functions are responsible for establishing processes and control systems in their own areas to ensure compliance with legal requirements and internal guidelines. The latter in particular are regularly reviewed for best practice both within and outside the Group. The Global Support Functions regularly conduct risk reviews to harmonise their risk management activities, adapting them to any changes in the risk situation. In this context, the principal internal controls (key controls) are recorded and documented centrally.

Guidelines issued centrally are an essential component of these key controls. Examples of these guidelines are:

- → Capital expenditure guideline: The decision and allocation process for capital expenditure in The Linde Group is centralised. Each major item of capital expenditure is approved by a central investment committee and/or by the Executive Board of Linde AG.
- → Treasury guideline: The Treasury guideline, which applies worldwide, essentially addresses the financial risks which may be encountered by a group with global operations, such as counterparty risk, liquidity risk and risks arising from changes in interest rates and exchange rates. Clear guidelines are set for the subsidiaries, to minimise these risks and actively to manage them. A monthly report on these risks is produced by the Treasury committee, which is chaired by the Chief Financial Officer of Linde AG.
- → Purchasing guideline: Global purchasing activities present The Linde Group with a complex set of requirements in terms of its business conduct. Linde adheres to the principles of free and fair competition. The Group therefore rejects any illegal business practices when purchasing goods and services. Linde has supplemented its employee code of conduct with a purchasing guideline which applies equally to all Group personnel. In these rules, Linde sets out principles relating to business conduct and the avoidance of conflicts of interest.

In addition to implementing the central standards referred to above, each local unit is responsible for adapting the internal control system to local needs, especially in addressing business risks, and for the functionality of the system. A review of the internal control system is performed at regular intervals by local units and by the Global Support Functions, based on self-assessment. The self-assessment involves companies and the Global Support Functions documenting, for example, whether the processes in the individual functional areas comply with the rules and with security requirements, and whether key controls implemented have been effective. Internal Audit is responsible for the coordination and evaluation of this process.

Accounting-related internal control system

The preparation of the Group financial statements is centrally defined, monitored and implemented.

Accounting and reporting guidelines which apply across the Group define the minimum requirements for the local units and ensure compliance with legal regulations and the provisions of the articles of association.

Accounting transactions are recorded by the local subsidiaries of The Linde Group. In the 2010 financial year, Linde started to concentrate some bookkeeping functions, in Europe for example, in shared service centres in order to centralise and standardise its processes. The existing controls were transferred at the same time as the functions, while additional controls to ensure proper accounting were also implemented.

This information, recorded either locally or at the shared service centre, is combined with supplementary information into a Group reporting package and submitted by the local units using a standardised Group-wide reporting system.

The reporting and consolidation system is a fully integrated system which not only collects data for the preparation of the quarterly financial statements and Group financial statements on a systematic basis, but also provides data for the management accounts, budget data and data which is relevant to Financial Control and other central departments. All the consolidation procedures are carried out centrally. In particular cases, such as the measurement of pension obligations, external experts are used.

The internal control system procedures, which are geared towards the proper preparation and reliability of the Group accounting records, ensure that business transactions are recorded on a timely basis in accordance with legal regulations and the provisions of the articles of association and that the records of these transactions are complete. They also ensure that inventories are properly drawn up, and that assets and liabilities are appropriately recognised, measured and disclosed. The separation of administration, implementation, execution and authorisation functions reduces the chance of fraud.

The key controls used to ensure the proper preparation and reliability of the accounting records are:

→ automated controls, such as plausibility checks of the figures and systems access controls based on the authorisation concept,
→ manual controls, such as variance and trend analyses based on defined key figures and comparisons with budget figures. The reliability of the accounting procedures is also underpinned by monthly discussions about the principal key figures with the operating units.

The accounting-related internal control system ensures that the Group accounting and reporting process complies with International Financial Reporting Standards (IFRS) as adopted in the European Union, the German Commercial Code (HGB) and other relevant regulations and laws.

Risk recognition, evaluation and management

At the very heart of all risk management is a systematic, cyclical risk management process, involving a series of steps from the identification of a risk, to the analysis, evaluation and management of the risk, and finally to the monitoring of the measures taken in reaction to the risk. Those with local responsibility for risk in the operating units ensure that, among other things, the global implementation of the risk management process takes place.

The management team of each unit within the Group analyses the main risks affecting their unit. Then the executives in the various units categorise each risk they have identified and evaluate it in terms of its loss potential and the expected probability of its occurrence. All the units in the Group use the same assessment criteria issued by the central risk management department. When evaluating the loss potential, Linde considers not only the impact on earnings, but also the impact on non-monetary aspects such as safety, service, reputation and strategy. For each risk, the units plan the next set of measures that can be taken to manage the risk, so that the risk may be reduced to an acceptable level. The management of the risk comprises a selection or combination of measures to avoid risk, transfer risk, reduce risk and control risk. For each risk, responsibility for the risk is assumed by an individual appointed by the management of the unit. This person then monitors the risk and manages the handling of the risk.

Risk workshops involving the management teams of the operating units are Linde's key tool when identifying and evaluating risks and determining the measures to be taken to reduce those risks. The units within the Group record all the risks identified in risk registers which are updated on a quarterly basis. Documented in the risk registers, for each risk, are the measures taken to reduce the risk and an assessment of the probability of occurrence of the risk and its loss potential in a clear, summarised form, so that the decision-makers have an overview of the risk position in their unit.

Risk reporting

Risk reporting is conducted by the central risk management department Uniform standards apply throughout the Group to the reporting of the status of any significant risks and any changes in those risks Local units make their risk reports using Group-wide web-based reporting tools In addition, any risks which arise unexpectedly or which have repercussions for the whole Group are communicated directly to the appropriate Group personnel, irrespective of the normal reporting channels

Every quarter, the Executive Board is presented with status reports from the central risk management department, which are then discussed at Executive Board meetings Moreover, the operational members of the Executive Board themselves report every six months at these meetings on the risk situation within their spheres of responsibility The status reports include not only a presentation of the main risk positions in the various divisions and regions, but also qualitative and quantitative assessments of the probability of occurrence and loss potential of any risks identified which might pose a threat to the Group companies and to the Group as a whole The Executive Board presents a report on the risk situation in the Group at the quarterly meetings of the Audit Committee

Audit

The internal audit department performs reviews at regular intervals of the efficiency and effectiveness of the risk management system and the internal control system The external auditors also assess the effectiveness of the early recognition system for risks and submit regular reports at a global level about the outcome of their reviews to the Group Executive Board and Supervisory Board

The Group financial statements are audited by independent external auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) and the interim and half-year financial reports are all subject to a review by the same firm Local units are also subject to a review or audited by companies in the KPMG AG Wirtschaftsprufungsgesellschaft network In addition to conducting audits and reviews, the auditors also report on any matters arising from the audit such as key areas of focus

In addition to the external auditors, the internal audit department is also involved in the testing of subsystems which are relevant to accounting and reporting, such as the Treasury system and the bookkeeping systems of the local units

Continuous improvement

Linde's risk management system is forward-looking It is continuously being improved in order to increase its effectiveness

The relevant accounting-related internal controls are reviewed and optimised on a regular basis to ensure an efficient, functional process The chart of accounts used throughout the Group, for example, is adapted regularly to meet new internal or external requirements In addition, the Group reviews all the guidelines which apply to local units and Global Support Functions at least once a year to ensure that processes are improved and amended as necessary

Risk areas

The main risk areas which might have an adverse effect on the Group's net assets, financial position and results of operations are described below Also set out for each risk area are the strategies adopted by Linde to control those risks In each risk area, a large number of individual risks from different regions and business areas are grouped together Moreover, each risk strategy in turn comprises a large number of specific individual measures and activities Therefore, no opinion is expressed as to the loss potential or the probability of occurrence of the risks in the individual risk areas

Risks arising from the economic environment

As a company with global operations, Linde is dependent on cyclical trends in the world economy Risk factors, such as high levels of sovereign debt in major economies, monetary instability, continuing relatively high levels of unemployment in the US and in some European countries, and the unpredictable political future in countries in the Arab world, have increased uncertainty about the global economic trends which lie ahead 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 If the global economy weakens, there is the threat of lost sales, a potential lack of new business and an increase in the risk of bad debts in the operating business due to the increasing inability of customers to make payments (counterparty risk)

Linde operates in many countries and regions, supplying almost all industry sectors While this does not mean that the Group will be able to prevent a potential further decline in global demand having a negative impact on its growth targets, it does mean that it may be able to reduce the effects of such a decline This spread of risk also applies to counterparty risk Linde deals with counterparties who have good credit ratings Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits are set Experience during the economic crisis has shown that credit ratings can change very rapidly Despite the Group's monitoring procedures, counterparties might delay payment or fail to pay at all

Linde's focus on gases and plant construction, sectors which sometimes benefit in terms of sales and earnings when there is a deterioration in certain economic conditions, also contributes towards reducing the impact of economic cycles on the Group

Moreover, Linde continues to implement a number of cost-reduction and efficiency improvement schemes relating to its processes

Global competition, evidenced in particular by increased downward pressure on prices, means that Linde is exposed to the risk of losing market share and experiencing a decline in its market profile The Group is countering this risk by constantly conducting analyses of its market environment and its situation in relation to the competition Linde obtains vital information about customers' requirements by maintaining regular contact with customers, reinforcing its proximity to the market The Group uses the information it receives to develop and supply products tailored to suit the needs of the market and to enhance its competitive position and continue to raise its market profile

Risks in politically unstable countries

Linde is a global group operating in around 100 countries worldwide Potential risks the Group might encounter in different countries include the nationalisation or expropriation of assets, legal risks, the prohibition of capital transfers, bad debts with government institutions, war and other unrest To manage these risks, Linde employs risk assessment tools to evaluate the Group's risk situation in terms of the impact of risk on its net assets, financial position and results of operations and to ensure capital adequacy and cross-border financing at optimal levels of risk Individual capital expenditure projects are evaluated for political risk and target returns on investment are set accordingly On the basis of this evaluation, the risks are covered, if appropriate, by German government guarantees for direct foreign investment, tailored insurance solutions or similar financial instruments available in the market Counterparty risk for export business is also assessed, and limited if necessary by hedging instruments such as Hermes guarantees

External risks

A fundamental risk for Linde, as for all companies, is posed by potential radical changes in the political, legal and social environment A risk to the net assets, financial position and results of operations of the Group also exists in the form of natural disasters, pandemics or terrorist acts These risks, which are covered in some cases by insurance, are addressed by Business Continuity Management In the business units, under the direction of the Group-wide SHEQ (Safety, Health, Environment, Quality) function, local contingency plans are developed to minimise as far as possible the potential consequences of serious events through rapid, effective action and to ensure the fastest possible return to normal operations, even in the case of highly improbable events or losses of a grave nature

Strategic risk

Linde has devised a long-term strategy for growth, based inter alia on the megatrends energy, the environment and health, and on dynamic trends in the emerging economies At regular meetings, the Executive Board and Supervisory Board, as well as Group management personnel, evaluate this strategy and implement any corrective measures required

Linde also pays close attention to global economic trends, so that it can take the necessary steps to adapt to changing conditions, by adjusting the timeframe or geographical application of its strategy

Projects in the energy and environment sector often differ from normal capital expenditure projects in terms of their size and complexity and the level of innovation associated with them The approaches adopted by Linde to cover such risks are set out in the sections below on "Risks associated with innovation" and "Project risks"

In the healthcare sector, the level of state control and regulation of products and treatments is constantly increasing Linde deals with potential risks in this area by ensuring that it takes extensive legal advice and analyses changes in the regulatory environment on an ongoing basis

Linde will continue to increase its commitment in the emerging economies The greater opportunities for growth offered in these countries when compared to the established industrial regions are nevertheless sometimes associated with higher levels of country risk The measures Linde has adopted and the risk management tools it employs to manage these risks are described in the section above on "Risks in politically unstable countries"

Financial risks

The basic risk strategies for interest, currency and liquidity management and the objectives and principles governing Linde's financing are determined by the Treasury committee, led by the Executive Board member with responsibility for finance This committee usually meets once a month and comprises representatives from Treasury and Accounting & Reporting

Due to its global operations, Linde is exposed to a number of financial risks In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates and exchange rates Due to the prevailing uncertainty in the financial markets, especially in the eurozone, these risks are being even more closely monitored

One of the main criteria for the management of counterparty risk is the credit ratings of the counterparties The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps (see glossary) or in the market capitalisation of counterparties Trading and position limits have been defined on this basis Regular reviews of these limits are performed by a supervisory unit which is independent of the trading entity The Group also concludes Credit Support Annexes (or CSAs) with its major 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 This significantly reduces counterparty risk

With regard to the management of liquidity risk, Linde has for years pursued a prudent and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2011 financial year Linde also has access to agreed unutilised financing commitments of EUR 2 5 bn, a syndicated credit facility available until 2015 provided by an international banking group This diversification of financing sources ensures that a concentration of risk in the area of liquidity is avoided

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets These fluctuations affect both the interest expense borne by The Linde Group and the fair value of financial instruments Interest rate risk is centrally managed On the basis of the operational business model and using sensitivity and scenario analyses, the Treasury committee determines ranges for the fixed-floating ratio of the financial liabilities in the main currencies Euro (EUR), British Pounds (GBP), US Dollars (USD) and Australian Dollars (AUD) Group Treasury manages the rates within the agreed ranges and submits regular reports to the Treasury committee about the measures implemented Means of hedging the risk include entering into trading transactions with banks (interest rate derivatives) and using long-term fixed-interest bonds and loans In 2011, on average 77 percent of the exposure of the Group was financed at fixed rates, while at 31 December 2011 the figure was 78 percent

In the case of exchange rate risk, it is important to differentiate between operational transaction risks, which are the result for example of supply contracts for individual projects spread across different currency zones, and translation risks, which arise from the currency translation of the financial statements of subsidiaries where those subsidiaries have a functional currency other than the Group reporting currency

Business and financing activities which are not in the local currency inevitably lead to foreign currency cash flows The Group guideline states that individual business units must monitor the resulting transaction risks themselves and agree appropriate hedging transactions with Group Treasury, based on predetermined minimum hedging rates, provided no other reasons not to hedge the exposure in this way apply

Translation risks are hedged within authorised ranges

Hedging decisions are made according to the risk strategies of the Treasury committee Forward exchange deals, currency swaps (see glossary), simple currency options and foreign currency loans are all used here The main currencies are US Dollars (USD), British Pounds (GBP), Australian Dollars (AUD) and some Eastern European, South American and Asian currencies In the Gases Division, the Group also uses financial instruments, especially to hedge against exposure to changes in the price of electricity, natural gas and propane gas

In the project business in the Engineering Division, foreign currency risks are reduced as much as possible by natural hedges for example, by purchasing supplies and services in the currency of the contract Any foreign currency amounts over and above this are fully hedged as soon as they arise, generally by entering into forward exchange transactions

Financing and hedging decisions are based on the financial information obtained from the Group's treasury management system and its financial and liquidity forecasts These are embedded in the general financial reporting system, which is also used in the areas of Financial Control and Accounting & Reporting

With regard to the organisation of the Treasury department, the principle of segregation of duties between the front, middle and back offices is rigorously observed and monitored throughout the risk management process This means that there is a strict personal and organisational separation between the dealing and the processing and verification of a financial transaction Linde uses a treasury management system to implement, record and evaluate transactions Treasury operations are subject to regular internal and external audits, generally once a year

For further information, see Note [29] of the Notes to the Group financial statements

Pension risks

In certain countries, companies in The Linde Group have defined benefit commitments to their employees under occupational pension schemes Depending on the structure of the schemes, one-off payments may be made or the employees may be entitled to a pension for life with an annual increase which may be variable or inflation-linked As a result, the Group is exposed to risks arising from unexpectedly high rates of inflation or increases in life expectancy

The amount of the obligation is the actuarial present value of all pension commitments and is expressed as the Defined Benefit Obligation (DBO) under IFRS The amount of the obligation is subject to annual changes in the valuation assumptions, especially those relating to the discount rate and inflation This gives rise to interest rate and inflation risks

In most pension schemes, the obligation is covered by assets which are maintained separately The worth of the pension assets is subject to fluctuations in the fair value of those assets e g bonds and shares Therefore Linde is exposed to market risks, especially interest rate risks and spread and equity risks

The risks relating to the pension obligation on the one hand and the pension assets on the other, and therefore to the net funding position of pensions, are quantified and evaluated on a regular basis by Linde There is a natural conflict between a significant reduction of the risk and the achievement in the long term of the return on assets required to keep pace with the increase in the obligation

As a guideline, the Executive Board has set a global risk budget Measures being taken to modify the actual risk are coordinated by the Global Pension Committee and implemented in the local pension schemes The impact of inflation or deflation scenarios in the net funding position of pensions is analysed on a regular basis in the form of scenario calculations and is incorporated into investment decisions An investment panel for pension assets has been set up as an additional measure as part of the Global Pension Committee The panel is chaired by the Executive Board member responsible for finance and also receives advice from external experts This committee assesses the long-term opportunities and risks associated with various asset classes and makes decisions or recommendations regarding the investment strategy of the major pension schemes In 2011, a number of successful measures were taken to reduce risk (see Note [23] of the Notes to the Group financial statements)

Risks arising from acquisitions and investments

Acquisition and investment projects are vital for the future growth of The Linde Group Such projects are, however, associated with complex risks Linde manages and reduces these risks by designing appropriate processes for its acquisition and investment projects

Right at the beginning of each project, the Group assesses the risks associated with that project Major acquisitions, investments and divestments are also discussed and approved by the investment committee or at meetings of the Executive Board Project assumptions, the feasibility of the project and specific business risks are subjected to detailed review at these meetings The Group evaluates, for example, the country/currency risk, the credit ratings of individual customers, trends in the local (gases) markets, and the underlying terms and conditions of the contract and the cost of the investment

In the course of the past financial year, Linde has completed a variety of corporate acquisitions and sales The acquisitions made are the result of deliberate steps taken by the Group to strengthen its core business The investments focused on areas offering opportunities for attractive levels of growth and for sustainable increases in the profitability and competitiveness of the Group

Risks associated with innovation

The capacity to innovate is key to the success of a technology group such as Linde The Group's research and development activities focus not only on improvements in existing customer processes, but also on brand-new technologies and gases applications which may form the basis for future business success Linde is concentrating in particular on the following growth areas energy and the environment, metallurgy, food, health and new materials In the energy and environment sector, for example, the focus of the Group's research and development activities is on hydrogen technology and the carbon capture and storage process, fields with a high level of innovation In the case of steel production and metal recycling, where reducing emissions of carbon dioxide and nitrogen oxides is a key issue, development work often takes place on-site at customers' plants, intervening directly in the production process In the food sector and in the pharmaceutical industry, Linde's innovative solutions must meet strict legal and sector-specific requirements In the area of new materials, investigations are being conducted into the fields of application of materials research such as nanotechnology in the sectors in which Linde operates

Innovative projects differ from normal capital expenditure projects because of their novelty Generally, the more innovative the project, the greater the risks attached to it Despite the great opportunities for growth which may be presented by the activities of Linde's research departments, there is a risk that, due to the high level of complexity and the rate of growth of the technologies and the markets, projects may not be able to proceed for technological, economic, legal or safety reasons On the other hand, there is also the risk that competitors might develop new technologies faster or in a more sustainable manner than Linde and then launch them onto the market and of this presenting a threat to Linde's core technologies

The Group addresses this risk in a number of different ways Clean Energy & Innovation Management, the Group-wide Global Support Function, keeps an eye on major technological trends, known as megatrends, checking constantly to see whether the innovative projects within The Linde Group match its overall strategy and have the potential to generate profitable growth for The Linde Group

The Group also bundles together its development activities In the Healthcare Global Business Unit, for example, Linde has assembled its expertise in medical gases and medical devices within a single innovation and development unit This has allowed knowledge to be shared, contributing to a reduction in the technological risks associated with innovation

In the Gases Division, global teams of experts in the development of applications ensure that development projects are geared towards the current and future requirements around the world of the various industries A rigorous development process with defined milestones identifies variances from target as soon as possible and the appropriate corrective action is taken as a result In addition, current project costs and project targets are under continual review

Linde's participation in the work of standard-setting bodies and associations and representation on many relevant industry committees, such as those concerned with hydrogen technology, makes a further contribution in this field The Group is actively involved in the development of future standards, as the marketing of innovations may depend on compliance with those standards

Purchasing risks

A key element in the success of the divisions is the ready availability of products and services purchased by Linde, which must be of suitable quality, and obtainable in appropriate quantities at prices in line with market conditions This applies particularly to material groups which are dependent on raw materials such as steel, aluminium and brass as well as energy

To reduce risk, Linde pursues a portfolio strategy across the entire Group This strategy is organised on the basis of defined groups of materials, which are used to categorise all products and services Reviews are performed for each group of materials to ascertain security of supply, any dependence on suppliers and the supplier portfolio The Group develops appropriate purchasing strategies using the category management method (see glossary) Regional and local purchasing organisations are involved in this process, from the development of strategy to its implementation in the relevant country, so that the information available about local markets can be incorporated into the development of purchasing strategies

Methods of best practice adopted centrally and supplier selection and evaluation tools are used throughout the Group to support the regional and local purchasing organisations

In addition to adopting purchasing strategies based on groups of materials, Linde is continuing to optimise its supplier portfolio and the contract status of its suppliers so as to minimise purchasing risks For products and services where the price depends to a great extent on volatile primary markets, the cost risks are minimised by using time-optimised agreements An example of this is the purchase of energy On the purchasing side, the impact of price volatility risks relating to the procurement of electricity and natural gas is cushioned by long-term purchasing strategies in the deregulated energy markets On the sales side, due to the amount of energy consumed in industrial gases production, fluctuations in the price of electricity and natural gas are passed through to customers using appropriate price formulas

When purchasing gases, we counter procurement and price risks by means of strict technical apportionment (procurement, own production or filtration of gases) and geographical distribution Unforeseen fluctuations in sales volumes can thus be offset Risks arising from the purchase of gases under take-or-pay agreements with suppliers are minimised by making corresponding agreements with customers

Risks may arise for The Linde Group if long-term procurement contracts are not matched by sales contracts covering a similarly long period Therefore, the risks of fluctuations in demand and prices on the sales side are considered when entering into long-term purchase contracts

Product risks

Potential product risks, such as liability claims and loss of reputation due to product defects, are countered by the high quality and safety levels of Linde's products, product information and services To ensure that products are safe, risk management is based on the concept of product stewardship The potential hazards and risks which might arise for human beings and the environment from a product during its entire life-cycle are analysed and the relevant potential risk is determined Linde takes the necessary measures to avoid the risks which have been identified or, if that is not possible, to reduce the risks to an acceptable level Product stewardship begins at the moment when key raw materials and supplies and services are purchased The Group favours suppliers who attach as much importance to occupational safety, health protection, environmental protection and quality as Linde itself does, and who can demonstrate this, for example, by the fact that they have the appropriate management systems in place

Customers are also involved in product stewardship In the Gases Division, Linde conducts customer screenings for critical products These investigations aim to minimise the risks which might arise from improper handling of the Group's gases or chemicals

Linde only supplies these products to its customers if they can demonstrate beforehand that they are able to guarantee proper use of the gases and that they are able to meet all the necessary safety standards

Linde continually updates its product safety information, such as product safety sheets, to take account of national and international guidelines such as REACH (Registration, Evaluation, Authorisation, restriction of CHemicals) and GHS (Globally Harmonised System of Classification and Labelling of Chemicals) If, despite all these precautions, problems should arise, for example with a gas cylinder, the Group's emergency teams are on stand-by to provide support

To ensure the highest possible levels of safety over the entire product lifecycle of pharmaceutical products, Linde's pharmaceutical products are monitored on a continuous basis using the Vigilance Signal Detection system (see glossary) and regular analyses are performed of the safety of those products in Periodic Safety Update Reports (PSURs)

Production risks

A lengthy stoppage at one of Linde's main plants or at a customer's on-site plant could adversely affect the results of operations and reputation of the Group This would be particularly true if the interruption to the business were to be caused by an accident which also resulted in personal injury or damage to the environment

Therefore, Linde gives high priority to measures to prevent business interruptions These include, in particular, the monitoring and maintenance of plants so that such incidents may be avoided, and the provision of spare parts of strategic importance If, despite these preventive measures, a business interruption should occur, the Group has supply networks operating between its production plants so that any business interruption would have only a limited effect or no effect at all on its customers

Environmental and safety risks

The manufacturing of products and construction of plants by the Group may give rise to risks associated with the production, filling, storage and transport of raw materials, goods or waste These risks, if not handled appropriately, might lead to personal injury, damage to property or environmental damage, which in turn might result in business interruptions, monetary penalties, compensation payments or environmental clean-up costs The reputation of The Linde Group could also suffer if such an event were to occur

The Group therefore strives to be a leader in the areas of safety, health protection, environmental protection and quality All these aspects are integrated into Linde's management systems The Group-wide SHEQ function manages the constant improvement process in these areas, ensuring its success

Maintaining and continually updating a stringent safety standard for production processes and service processes is one of the Group's main preventive strategies Strict safety requirements form the basis of processes with a particularly high exposure to risk A number of years ago, Linde developed and introduced a Major Hazards Review Programme This programme is used for the systematic evaluation of risks which might lead to accidents or damage to property or the environment It helps the Group minimise the risk of incidents which might occur of the safety levels being maintained in its processes were inadequate and it is constantly being updated to address potential new risks

Pollution can occur in many guises and can damage the environment in various ways Linde understands and knows about the environmental impact of its processes and is therefore able to develop and implement plans to reduce and control such effects The Group focuses in particular on reducing emissions and on making continual improvements to its operations to ensure the efficient use of resources, materials and energy Linde is involved, for instance, in improving the energy efficiency of its production plants and in increasing the efficiency of its transport fleet Linde has established quantitative targets at Group level to ensure the rigorous implementation of climate and resource protection (see page 077) The Group's impact on the environment is disclosed in key figures published every year in its Group management report (see page 082) and Corporate Responsibility Report Selected key figures published in the 2010/2011 Corporate Responsibility Report were reviewed for validity and reasonableness and certified by KPMG Sustainability

Project risks

Complex major plant construction projects make specific demands on risk management The Group's Engineering Division handles significant contracts which may be worth several hundred million euro and may extend over a number of years

Typically, the division is involved in the design and construction of turnkey plants Potential risks may arise as a result of the costings of such complex projects which are subject to uncertainties Risks may include unexpected technical problems, supply bottlenecks and quality problems relating to the supply of major components, unforeseen developments during on-site assembly and problems with partners or subcontractors To manage the risks in plant construction, Linde employs tried and tested methods, even in the tendering phase, to assess the impact on the profitability of a large-scale project of potential variances from budgeted cost for individual components The Group conducts simulations of the opportunities and risks associated with each project using numerical methods of analysis By continually monitoring changes in parameters alongside the progress of the project, Linde is able to identify potential project risks at an early stage and to take appropriate measures to counter them These risk management tools are constantly being updated and modified to meet the increasing demands of the market

In the Engineering Division as well, Linde places great emphasis on plant construction and project execution in accordance with quality, health, safety and environmental (QHSE) requirements. In this division, the Group ensures that relevant aspects are taken into account in the planning process and properly applied through the use of a uniform integrated QHSE management system. Linde ensures that quality and HSE concerns are addressed on the construction sites, integrating QHSE considerations into clearly-structured process-based management standards and procedures for the assembly and commissioning of plants, with planning taking place at an early stage, even during tendering, and monitoring.

The implementation of this process is underpinned by a panel of experts with a wide-ranging remit.

Personnel risks

The success of Linde AG is dependent on the commitment, motivation and skills of its employees and executives. The principal risk factors associated with attracting well-qualified staff and retaining their loyalty are the current shortage of skilled personnel in some fields and fierce competition in the labour market, especially now in the Asian markets.

The measures Linde is taking to address these risk factors effectively derive from our corporate culture, which is based on achieving a balance between trust and performance measures. The Group places special emphasis on its employees assuming personal responsibility and thinking and acting in an entrepreneurial way.

To develop the strengths of the Group's executives and foster their commitment, Linde will continue to position itself as an attractive employer in order to retain the loyalty of its executives and employees in the long term. Key components of the Group's rigorous management development programme are the variety of opportunities for professional development, the provision of support and advice to target groups, the early identification and advancement of high achievers and those with potential, and attractive remuneration schemes in line with market rates.

Linde is addressing the issue of the shortage of skilled personnel by ensuring that it offers a range of personal development schemes and extensive opportunities for gaining qualifications and for professional development. This strengthens the position of the Group as an attractive employer in the competitive market for skilled workers, especially in the field of engineering.

The Group also trains graduate engineers on university courses with a work experience element and is dealing with the shortage of engineers by enhancing its own in-house training schemes. By applying this strategy and collaborating more closely with selected higher education institutions, we are able to offer our skilled employees excellent professional prospects.

Linde has also continued to expand its existing training and development programmes for employees and executives, which fall under the heading of People Excellence. Linde University has also been expanded to include an Asia/Pacific campus (see page 079). These programmes are designed to ensure that key positions can be filled by staff from within the organisation, especially in the technical field, and that Linde will be able to use its own resources to meet the challenges of highly competitive labour markets in the Asia/Pacific region.

We were able to measure levels of employee satisfaction in 2010 by conducting a global employee survey, also under the People Excellence banner. The survey will be repeated in 2012 to establish whether the measures taken in response to the 2010 survey have had a positive impact. This will enable the Group to identify at an early stage whether there have been any changes in levels of employee loyalty and to take appropriate measures as a result.

Legal risks

With its international operations, The Linde Group is exposed to numerous legal risks. These may include, in particular, risks relating to product liability, competition and antitrust law, patent law, tax legislation and environmental protection. The outcome of any currently pending or future proceedings can often not be predicted with any certainty. Legal or regulatory judgements or agreed settlements might give rise to expenses which are not covered, or not fully covered, by insurance benefits. These expenses might have an impact on the Group's business and its earnings.

Legal support for Linde's operating activities includes the identification of legal risks based on a systematic approach and the assessment of those risks for the probability of their occurrence and for their potential impact in qualitative and/or quantitative terms.

Certain companies in The Linde Group are parties to various legal proceedings in the ordinary course of business, including some in which claims for damages in large amounts have been asserted. The outcome of the litigation to which Linde Group companies are party cannot be readily foreseen, but Linde believes that such litigation should be disposed of without material adverse effect on its financial position and results of operations.

Prior to the current reporting period, the Brazilian competition authority CADE imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anti-competitive business conduct in the years 1998 to 2004 Seen from today's perspective, Linde assumes that this decision will not stand up to judicial review

Certain subsidiaries in The Linde Group are parties to lawsuits in the United States for alleged injuries resulting from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process In these cases, the subsidiaries are typically one of several or many other defendants The subsidiaries named in these cases believe that they have strong defences to the claims asserted in the various cases and intend to defend vigorously such claims Based on the litigation experience to date, together with current assessments of the claims being asserted and applicable insurance, Linde believes that the continued defence and resolution of the welding fumes litigation will not have a material adverse effect on the financial position and results of operations of the Group Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict The subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims

The legal actions described above are those currently considered to involve major risks They do not necessarily represent an exhaustive list

IT risks

Most of The Linde Group's business processes are supported by in-house or outsourced information services and systems To ensure that operations are not interrupted or disrupted, the Group attaches particular importance to the availability of IT resources and services In addition, Linde is constantly seeking to ensure that the integrity and confidentiality of important information is guaranteed

Data security is a vital and intrinsic part of Linde's Group-wide IT strategy It is therefore viewed in its entirety, which means that Linde devises, implements and monitors procedures to protect data, applications, systems and networks These procedures may be preventive or may be designed to react to specific circumstances

To ensure the effective implementation of the security system, organisational, technical and personal precautionary measures are applied Linde pays particular attention to access protection, the management of data traffic, and the prevention of and protection against potential attacks All major server systems (e-mail, the Web, file and application servers, databases) and PCs are provided with reliable protection from possible threats in the form of anti-virus software which is constantly updated In addition, the Group regularly performs an automatic update of the operating system platform and of critical business applications

The IT security process is structured and defined by a number of policies, standards and recommendations These are based for the most part on internationally recognised security standards such as ISO 27001/27002 or ISO 27005 Industry-specific standards are also used to enhance IT security for example, protecting patient data in the course of the Group's healthcare activities

The measures taken by Linde to create an efficient and secure IT environment always take account of the need for data processing, data storage and data transmission to comply with legal requirements (data protection) The focus here is on the relevant regional and national laws and regulations, as well as on industry standards

To ensure that security measures are implemented with a high degree of efficiency, analyses of threats, weaknesses and risks are conducted These include a review of the appropriateness of the IT systems and corresponding control mechanisms used The relevance, stage of maturity and current state of the security measures adopted are monitored via self-assessments and reviewed by the IT internal audit department and external IT auditors This ongoing process makes it possible to make any amendments or improvements that might be required, contributing to a sustainable increase in the effectiveness of the security measures

In addition, measures are continually being adopted to keep the current IT landscape technically up to date Linde pays particular attention to business-critical resources which are being updated in a long-term programme of consolidation So, for example, high-risk systems are identified, and updated or replaced with new systems Targeted outsourcing activities during the reporting period have enabled Linde to achieve significant improvements in its capacity for data recovery and data production Therefore, the Group is better equipped to deal with any outages or attacks Working parties regularly analyse process risks which might arise from the outsourcing of IT resources and these are reduced, if necessary, by implementing organisational or technical measures

New challenges are arising in the areas of IT security and IT risk management as a result of the increasing virtualisation of server, storage and network components, the ever broader applications of cloud computing services (see glossary), and above all from the rapid rise in mobile solutions Consequently, Linde is analysing appropriate security concepts and implementation opportunities and integrating these into current or proposed risk minimisation strategies

The Linde Template is a major initiative under the HPO programme The aim of the project is to achieve synergies in The Linde Group as a result of worldwide standardisation of business processes and related SAP applications Due to the size of the project and the fact that some of the applications are business-critical and will be affected when the project is implemented, the realisation of the project is associated not only with project risks, but also with specific IT security risks and IT downtime risks Appropriate measures will therefore be included in the project management so that any risks may be more promptly identified and limited

Risk transfer

The Linde Group has taken out appropriate insurance against potential losses and liability risks to ensure that the potential financial consequences of any risks which have arisen are eliminated or limited The Group constantly ensures that its insurance is at the optimum level, based on the specific requirements of the divisions

Evaluation of the overall risk situation of The Linde Group

Based on the risks and future prospects of the Group which have been outlined in this report, no risks have been identified in the 2011 financial year which might have a lasting or significant negative impact on the net assets, financial position and results of operations of The Linde Group

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

The Group has made all the necessary organisational arrangements to ensure that it becomes aware at an early stage of any apparent changes in risk situations and makes an appropriate response to those changes

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FURTHER INFORMATION

Disclosures in accordance with § 315 (4) of the German Commercial Code (HGB) and commentary

Capital subscribed
The company has capital subscribed at the balance sheet date of EUR 437,917,186 56 which is fully paid up This is divided into 171,061,401 shares at a par value of EUR 2 56 per share The shares are bearer shares Each share confers a voting right and is entitled to dividend

Restrictions affecting voting rights or the transfer of shares
In the 2007 financial year, it was resolved at the Annual General Meeting to introduce a share option scheme (Linde Performance Share Programme 2007) for management boards and lower-ranking executives under which up to 3 5 million subscription rights can be issued If members of the management board or certain lower-ranking executives subscribe for or acquire shares as a result of exercising options, 25 percent of those shares or, under certain conditions, shares equivalent to 25 percent of the total number of options exercised, are subject to a two-year lock-up period To date, under this share option scheme, shares have been issued in each of the years from 2007 to 2011

Shareholdings exceeding 10 percent of the voting rights
Linde AG is not aware of any direct or indirect shareholdings which reach or exceed 10 percent of the voting rights

Shares with special rights
There are no shares with special rights which confer powers of control on the holder

Method of controlling voting rights if employees own shares and do not exercise their control rights directly
Employees who hold shares in Linde AG exercise their control rights directly like other shareholders in accordance with legal regulations and the rules set out in the articles of association

Legal regulations and rules set out in the articles of association governing the appointment and removal of members of the Executive Board and changes to the articles of association
The members of the Executive Board are appointed and removed by the Supervisory Board in accordance with §§ 84 and 85 of the German Stock Corporation Law (AktG) and § 31 of the German Codetermination Law (MitbestG) Appointments are for a maximum term of five years It is permissible for members of the Executive Board to be reappointed or for their term of office to be extended, although in each case for a maximum period of five years Pursuant to § 31 of the German Codetermination Law (MitbestG), the appointment of a member of the Executive Board requires at least a two-thirds majority of the members of the Supervisory Board

According to Article 5 1 of the articles of association, the Executive Board consists of several members The Supervisory Board determines the number of Executive Board members According to Article 5 2 of the articles of association, the Supervisory Board can nominate one of the members of the Executive Board as Chairman of the Executive Board and one as Deputy Chairman The Supervisory Board may revoke the appointment of a member of the Executive Board or the nomination of one of the members of the Executive Board as Chairman of the Executive Board if there is good cause to do so pursuant to § 84 (3) of the German Stock Corporation Law (AktG)

Changes to the articles of association require a resolution at the Annual General Meeting in accordance with § 119 (1) No 5 and § 179 AktG Resolutions at the Annual General Meeting require a simple majority of the votes cast, as set out in Article 13 2 of the articles of association and, if a majority of shares is required, a simple majority of the share capital represented at the vote, as long as mandatory legal rules do not require a different majority According to Article 9 5 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association concerning only the form of words to be used

Powers of the Executive Board to issue and repurchase shares
The Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 20,000,000 00 until 3 May 2015 against cash or non-cash contributions by issuing, on one or more occasions, up to 7,812,500 new bearer shares at a par value of EUR 2 56 (Authorised Capital I)

The Executive Board was further authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 80,000,000 00 until 4 June 2012 against cash or non-cash contributions by issuing, on one or more occasions, up to 31,250,000 new bearer shares at a par value of EUR 2 56 (Authorised Capital II)

The issued share capital can be increased by up to EUR 85,000,000 00 by the issue of up to 33,203,125 new bearer shares at a par value of EUR 2 56, if certain conditions are met (conditionally authorised share capital 2010) The increase in share capital will only take place (i) if the holders and obligors of the convertible bonds or warrant-linked bonds, to which were added convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders or obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are not used for this purpose The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board

The issued share capital can be increased by up to EUR 3,988,958 72, divided into 1,558,187 new shares, if certain conditions are met (2002 conditionally authorised share capital) The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board by a resolution passed at the Annual General Meeting on 14 May 2002, use their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit

The issued share capital can be increased by up to EUR 7,753,487 36 by the issue of up to 3,028,706 new bearer shares with a par value of EUR 2 56, if certain conditions are met (2007 conditionally authorised share capital) The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other senior management in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies (individuals with subscription rights) in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007 The conditionally authorised capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares The new shares will participate in profit from the beginning of the financial year in which they are issued If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year

The Executive Board is authorised until 3 May 2015 by a resolution passed at the Annual General Meeting on 4 May 2010 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers The own shares acquired under this authorisation may

→ be sold via the stock exchange or by an offer to all shareholders,
→ subject to the approval of the Supervisory Board, also be sold otherwise,
→ subject to the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies and in the course of corporate mergers,
→ be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
→ be granted, in the case of a sales of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of conversion obligations,
→ be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
→ be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7) or be redeemed, subject to the approval of the Supervisory Board

Significant agreements relating to change of control subsequent to a takeover bid

If there is a change of control, the hybrid bonds issued in 2006 may be called in and repaid early

In each of the financial years from 2007 to 2011, Linde issued benchmark bonds under its Debt Issuance Programme via Linde Finance B V Under the terms and conditions of the issue, in the event of a change of control, the bond debtor may demand immediate repayment if the change of control leads to a withdrawal of the rating or to a reduction in the rating to or below certain rating levels for unsubordinated unsecured liabilities

There are also other significant financing agreements in place, each of which includes specific rules which apply in the event of a change of control

These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party

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There are customer contracts with clauses which grant the customer special cancellation rights in the event of a change of control. If these special cancellation rights are exercised, the contracts provide in principle for appropriate compensation.

Under the terms and conditions of the Linde Performance Share Programme 2007 for management boards and lower-ranking executives, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in the years 2007 to 2011 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined.

Compensation arrangements made by the company with members of the Executive Board or with employees which will apply in the event of a takeover bid

If there is a takeover of Linde AG and their employment contracts are terminated, members of the Executive Board may be entitled to certain compensation payments based on their contractual emoluments. These compensation payments have an upper limit. A more detailed description of the rules on change of control as they affect the members of the Executive Board can be found in the Remuneration report.

Events after the balance sheet date

The following significant event occurred for The Linde Group between the balance sheet date and 1 March 2012

On 9 January 2012, The Linde Group signed an agreement for the acquisition of the Continental European homecare business of the gases company Air Products at an enterprise value of EUR 590 m This business achieved annual sales of EUR 210 m in 2011 with around 850 employees The transaction comprises Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain This strategic acquisition will enable Linde to strengthen its position in a structural growth market

The completion of the transaction is subject to approval by the antitrust authorities, consultation with relevant works councils and the fulfilment of the usual closing conditions

Dividends

The unappropriated profit for the year ended 31 December 2011 of Linde AG was EUR 427,653,502 50 (2010 EUR 431,927,035 57) The Executive Board proposes to the Supervisory Board that, at its meeting on 8 March 2012 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting on 4 May 2012 that the profits be appropriated as follows

→ by distributing a dividend of EUR 2 50 (2010 EUR 2 20) per share entitled to dividend, a total amount of EUR 427,653,502 50 (2010 EUR 374,653,270 20)

The financial statements of Linde AG, which have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG), and the management report are published in the electronic version of the German Federal Gazette

Outlook

Macroeconomic trends

Economic experts predict that macroeconomic growth will be slower in 2012 than in 2011 In their view, the principal risk to macroeconomic trends is the European debt crisis International research institute IHS Global Insight expects global gross domestic product (GDP) to grow by 2 4 percent in 2012, compared with an increase of 2 7 percent in 2011 Global industrial production (IP) is predicted to rise in 2012 by 3 5 percent, compared with 3 8 percent in 2011

In 2012, the pace of economic growth is expected to continue to show significant variations in different regions of the world Economists predict that output in the eurozone will shrink by 0 7 percent in light of the sustained sovereign debt crisis In Germany, on the other hand, GDP is expected to rise slightly, by 0 2 percent In the EMEA region (Europe, Middle East, Africa), IHS Global Insight is predicting an overall rise of 0 3 percent Economists see nothing but negative portents for industrial production in this part of the world They are assuming a decline in IP of 0 4 percent in the EMEA region and a reduction in IP in the eurozone of 1 4 percent, with Germany able to limit the fall in IP to 0 8 percent

In the US, IHS Global Insight is predicting relatively steady if modest growth for 2012 The economic experts expect GDP here to rise by 1 8 percent (2011 1 7 percent) Industrial production, however, is due to rise in 2012 by only 2 6 percent (2011 3 9 percent)

It is expected that the economy in South America will continue to show robust growth, with a predicted rise in GDP of 3 4 percent, although here too it was not possible to match the increase achieved in 2011 of 4 2 percent Economists are predicting a rise in industrial production in South America of 3 3 percent (2011 3 4 percent)

As in previous years, the strongest growth rates in 2012 are expected to be seen in the Asia/Pacific region IHS Global Insight is predicting that economic output will rise here by 6 0 percent (2011 6 5 percent) An increase in industrial production of 6 4 percent is expected, compared with a 7 9 percent rise in 2011 Within the Asia/Pacific region, it is anticipated that China will have the fastest rate of growth Economists are predicting that economic output here will be up 7 8 percent (2011 9 2 percent) IHS Global Insight is forecasting an increase in Chinese industrial production of 10 8 percent in 2012 (2011 13 4 percent)

Industry sector outlook

Gases industry

Against the background of a predicted weakening in global economic trends, it is to be expected that the worldwide gases market will also grow at a rather slower pace in 2012 than in 2011 Nevertheless, it is important in this industry as well to distinguish between individual regions Whereas demand in most developed economies should cool somewhat in 2012 in comparison with 2011, growth in the emerging economies is expected to continue unabated

Engineering business

A further slight increase in investment activity is expected in 2012 in the international market for large-scale plant construction This will derive principally from ever brisk demand from the emerging economies in Asia, the Middle East and the CIS countries New plant construction projects are also expected to come out of North America in view of the economic recovery there and the increasing exploitation of unconventional sources of natural gas

Long-term growth trends, such as the rise in global energy requirements, increasing demand for environmentally friendly technologies and the growing use of unconventional sources of energy, remain intact in 2012

Group outlook

Leading economic research institutes are forecasting an economic downturn in 2012 They expect smaller increases in both global gross domestic product (GDP) and global industrial production (IP) in 2012 than in 2011 The economic experts are projecting that trends will improve somewhat again in 2013 and 2014 Uncertainty remains, however, as to the sustainability and pace of economic growth The main factors which might impede robust global economic growth include high levels of public debt worldwide, monetary instability and continuing relatively high levels of unemployment in the US and in some European countries, as well as the prevailing uncertain political situation in some countries in the Arab world

Based on current economic predictions and prevailing exchange rates, Linde's objective is to continue to achieve increases in Group sales in the 2012 and 2013 financial years and to improve Group operating profit in both years The Group also confirms its medium-term targets It continues to aim to generate Group operating profit of at least EUR 4bn in the 2014 financial year and to achieve in the same year a minimum return on capital employed (ROCE, in accordance with the definition on page 46), the Group s core performance indicator, of 14 percent

Linde anticipates that it will continue to benefit in the coming years from megatrends such as energy, the environment and healthcare, and dynamic growth in the emerging economies The Group will also continue 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 still expects 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

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a somewhat slower rate in 2012 than in 2011 A more significant rise in demand is expected in 2013 The Linde Group 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 continue to make a substantial contribution to sales and earnings trends in the 2012 and 2013 financial years The Group expects its liquefied gases and cylinder gas business to perform in line with macroeconomic trends over the next few years In the Healthcare business unit, Linde is anticipating continuing steady growth Additional momentum will be generated here by the acquisition of Air Products' Continental European homecare business, subject to approval by the relevant antitrust authority and the usual closing conditions

Against this background, Linde continues to expect that sales generated by the Gases Division in the 2012 and 2013 financial years will exceed sales achieved in 2011 and that operating profit will improve in both years

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business over the next few years At EUR 3 6 bn, the order backlog in Linde's Engineering Division remains high, creating a good basis for a solid business performance over the next two years The Group expects to achieve the same level of sales in its plant construction business in the 2012 and 2013 financial years as in 2011 Linde anticipates that it will achieve an operating margin in 2012 of at least 10 percent In the medium term, the target for the operating margin remains at 8 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

Capital expenditure

Linde's investment strategy targets opportunities which offer above-average growth prospects In the 2012 financial year, the Group will pursue the same strategy

It is expected that investment in tangible and intangible assets will continue to increase in 2012 in comparison with 2011 In 2012, as in the past few years, Linde will devote most of these resources to strengthening its international gases business and in particular to the continuing expansion of its on-site business

Large-scale projects, especially in the promising energy sector, may result in some years in capital expenditure in the Gases Division exceeding the average figure of 13 percent of sales in the division However, this capital expenditure guideline remains the medium-term target in the Gases Division

Financing

In the 2012 financial year, Linde will continue to apply its strategy of safeguarding liquidity and maintaining long-term financing Gross financial debt repayable within one year is matched by securities and cash and cash equivalents of EUR 2 073 bn, as well as a EUR 2 5 bn syndicated credit facility available until 2015 which was not drawn down at 31 December 2011 Linde also has fixed-interest securities which it intends to hold long term of EUR 601 m

The dynamic indebtedness factor (net financial debt to operating profit) improved from 1 9 in 2010 to 1 6 in the 2011 financial year At 31 December 2011, net financial debt was EUR 5 094 bn In 2012, Linde expects this figure to increase, given its proposed acquisition of Air Products' Continental European homecare business

Depending on developments in the financial markets and the growth opportunities available, Linde sees a dynamic indebtedness factor of up to 2 5 as an upper limit

The profitable growth defined as one of the Group's medium-term targets should generally continue to be financed mainly by the cash flow from operating activities Linde intends to use the cash flow remaining after deducting capital expenditure to cover both its financing costs and future rises in dividend payments expected at the current time

Dividends

Continuity and prudence will continue to be the most important criteria for Linde's dividend policy in the future As in previous years, the Group will determine the level of the dividend for the 2012 financial year on the basis of the operating profit figures, while at the same time taking wider macroeconomic trends into account

Research and development

In the area of research and development (R&D), Linde will continue to channel most of its funds into energy, the environment and healthcare, thus strengthening its foothold in these fast-growing market segments In the 2012 financial year, the Group is planning to spend around EUR 100m on research and development activities, about the same amount as in the 2011 financial year

In close collaboration with customers, Linde will develop and improve gases applications and processes Following the systematic bundling of R&D activities in the Gases Division, Linde will increasingly focus on the six main trends it has identified for its business (see page 072) In addition to updating its existing portfolio, the Group will concentrate above all on innovations in chemicals & energy and metal & glass, and in the food and processing industries Linde will also pay particular attention in future to gas innovations associated with technical advances in the photovoltaic and electronic semiconductor sectors

In the Healthcare business unit, Linde will continue to provide its greatest support in the current 2012 financial year to research focusing on the medical application of gases and the development of medical devices for intensive respiratory disease therapy

In the Engineering Division, the Group's efforts will be directed at evolving various plant technologies, concentrating especially on improving energy efficiency and reducing environmental impact Innovative projects to expand Linde's existing product portfolio and tap into new lines of business in collaboration with various partners in industry and science are already off the ground

In addition, Linde plans to consolidate its pioneering role in the promising hydrogen technology sector as well as in the energy and environmental sectors

Purchasing

Gases Division
In the 2012 financial year, Linde anticipates a number of different price trends in the procurement markets relevant to the Gases Division Prices of products which are particularly affected by the price of steel are expected to ease On the other hand, upward pressure on prices is anticipated for products and services which are dependent on the price of oil In 2012, the Group's aim is to continue to reduce purchasing costs across the entire portfolio of products and services in the Gases Division

Engineering Division
Shortages in raw materials are expected to result in price increases for input materials during the current financial year and beyond In addition, price fluctuations in the raw material markets make it difficult to project long-term pricing

Linde is countering this trend through the systematic implementation of its Global Procurement Strategy The purchasing organisation is able to achieve very good prices for international projects as a result of constant improvements in processes and the introduction of globally harmonised IT systems

The key elements of standardised procedures throughout the procurement process in Linde's Engineering Division are streamlined and efficient structures, a reduction in the number of suppliers and the global bundling of purchasing volumes In 2012, the Group will continue to work on improvements to its procurement strategy As a result, Linde expects purchasing costs in the Engineering Division to be lower in 2012 than in 2011

Group Financial Statements

Linde AG has prepared its Group financial statements for the year ended 31 December 2011 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Some items in the statement of financial position and statement of profit or loss have been combined under one heading to improve the clarity of presentation. Such items are disclosed individually in the Notes.

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Group – Statement of profit or loss

Group – Statement of profit or loss			
in € million	Note	2011	2010
Sales	[8]	13,787	12,868
Cost of sales		8,766	8,347
Gross profit on sales		5,021	4,521
Marketing and selling expenses		2,031	1,859
Research and development costs		98	94
Administration expenses		1,163	1,074
Other operating income	[9]	285	286
Other operating expenses	[9]	180	169
Income from associates and joint ventures (at equity)		76	68
Financial income	[11]	359	396
Financial expenses	[11]	650	676
Earnings before taxes on income		1,619	1,399
Taxes on income	[12]	375	335
Earnings after taxes on income		1,244	1,064
attributable to non-controlling interests		70	59
attributable to Linde AG shareholders		1,174	1,005
Earnings per share in € – undiluted	[13]	6 88	5 94
Earnings per share in € – diluted	[13]	6 82	5 86

Group – Statement of comprehensive income

Group – Statement of comprehensive income		
in € million See Note [22]	2011	2010
Earnings after taxes on income	1,244	1,064
Other comprehensive income (net of tax)	-117	1,375
Unrealised gains/losses on available for-sale financial assets	5	-5
Unrealised gains/losses on derivative financial instruments	-107	-166
Currency translation differences	138	1,390
Actuarial gains/losses on pension provisions	-151	160
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19 58)	-2	-4
Total comprehensive income	1,127	2,439
attributable to non-controlling interests	53	120
attributable to Linde AG shareholders	1,074	2,319

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Group – Statement of financial position

Group – Statement of financial position

in € million	Note	31.12.2011	31.12.2010
Assets			
Goodwill	[14]	7,868	7,799
Other intangible assets	[14]	3,300	3,506
Tangible assets	[15]	9,030	8,723
Investments in associates and joint ventures (at equity)	[16]	754	678
Other financial assets	[16]	918	338
Receivables from finance leases	[18]	302	344
Other receivables and other assets	[18]	526	566
Income tax receivables	[18]	5	-
Deferred tax assets	[12]	368	306
Non-current assets		23,071	22,260
Inventories	[17]	1,036	956
Receivables from finance leases	[18]	50	48
Trade receivables	[18]	2,030	1,855
Other receivables and other assets	[18]	558	483
Income tax receivables	[18]	97	105
Securities	[19]	1,073	17
Cash and cash equivalents	[20]	1,000	1,159
Non-current assets classified as held for sale and disposal groups	[21]	-	5
Current assets		5,844	4,628
Total assets		**28,915**	**26,888**

Group – Statement of financial position

in € million	Note	31.12.2011	31.12.2010
Equity and liabilities			
Capital subscribed		438	436
Conditionally authorised capital € 97 million (2010: € 99 million)			
Capital reserve		5,264	5,205
Revenue reserves		5,752	5,108
Cumulative changes in equity not recognised through the statement of profit and loss		150	99
Total equity attributable to Linde AG shareholders	[22]	11,604	10,848
Non-controlling interests	[22]	540	514
Total equity	[22]	12,144	11,362
Provisions for pensions and similar obligations	[23]	938	884
Other non current provisions	[24]	445	487
Deferred tax liabilities	[12]	2,012	1,990
Financial debt	[25]	6,491	6,214
Liabilities from finance leases	[26]	33	39
Trade payables	[27]	6	5
Other non-current liabilities	[27]	194	187
Liabilities from income taxes	[27]	96	88
Non-current liabilities		10,215	9,894
Other current provisions	[24]	1,455	1,515
Financial debt	[25]	1,277	459
Liabilities from finance leases	[26]	13	10
Trade payables	[27]	2,712	2,564
Other current liabilities	[27]	996	950
Liabilities from income taxes	[27]	103	134
Current liabilities		6,556	5,632
Total equity and liabilities		28,915	26,888

Group – Statement of cash flows

Group – Statement of cash flows

in € million See Note [30]	2011	2010
Earnings before taxes on income	1,619	1,399
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,300	1,246
Impairments of financial assets	2	7
Profit/loss on disposal of non-current assets	-45	-24
Net interest	285	254
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	24	43
Income from associates and joint ventures (at equity)	-76	-68
Distributions/dividends received from associates and joint ventures	44	45
Income taxes paid	-361	-305
Changes in assets and liabilities		
Change in inventories	-79	-7
Change in trade receivables	-179	-145
Change in provisions	-191	-205
Change in trade payables	183	236
Change in other assets and liabilities	-100	-54
Cash flow from operating activities	**2,426**	**2,422**
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	-1,345	-1,192
Payments for investments in consolidated companies	-28	-37
Payments for investments in financial assets	-50	-31
Payments for investments in securities	-1,655	-24
Proceeds on disposal of securities	3	24
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	115	139
Proceeds on disposal of non-current assets held for sale and disposal groups	12	13
Proceeds on disposal of financial assets	42	43
Cash flow from investing activities	**-2,906**	**-1,065**

Group – Statement of cash flows

in € million See Note [30]	2011	2010
Dividend payments to Linde AG shareholders and non-controlling interests	-419	-349
Cash outflows for purchase of non controlling interests	-11	-9
Proceeds from issue of employee shares	30	81
Interest received	182	212
Interest paid	-520	-510
Proceeds of loans and capital market debt	2,030	588
Cash outflows for the repayment of loans and capital market debt	-951	-1,088
Change in liabilities from finance leases	-5	-3
Cash flow from financing activities	336	-1,078
Net cash inflow/outflow	-144	279
Opening balance of cash and cash equivalents	1,159	831
Effects of currency translation	-15	49
Closing balance of cash and cash equivalents	1,000	1,159

Statement of changes in Group equity

Statement of changes in Group equity

			Revenue reserves	
in € million See Note [22]	Capital subscribed	Capital reserve	Actuarial gains/losses	Retained earnings
At 1 Jan 2010	432	5,103	-357	4,616
Earnings after taxes on income	–	–	–	1,005
Other comprehensive income (net of tax)	–	–	157	–
Total comprehensive income	–	–	157	1,005
Dividend payments	–	–	–	-304
Changes as a result of share option schemes	4	102	–	–
Other changes	–	–	–	-9
At 31 Dec 2010/1 Jan 2011	436	5,205	-200	5,308
Earnings after taxes on income	–	–	–	1,174
Other comprehensive income (net of tax)	–	–	-151	–
Total comprehensive income	–	–	-151	1,174
Dividend payments	–	–	–	-375
Changes as a result of share option schemes	2	59	–	–
Other changes	–	–	–	-4
At 31 Dec 2011	438	5,264	-351	6,103

	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
	-1,206	4	144	8,736	451	9,187
	–	–	–	1,005	59	1,064
	1,327	-5	-165	1,314	61	1,375
	1,327	-5	-165	2,319	120	2,439
	–	–	–	-304	-45	-349
	–	–	–	106	–	106
	–	–	–	-9	-12	-21
	121	-1	-21	10,848	514	11,362
	–	–	–	1,174	70	1,244
	154	5	-108	-100	-17	-117
	154	5	-108	1,074	53	1,127
	–	–	–	-375	-44	-419
	–	–	–	61	–	61
	–	–	–	-4	17	13
	275	4	-129	11,604	540	12,144

Segment information

(Part of the Notes to the Group financial statements)

Segment information

	Reportable segments			
	Total Gases Division		Engineering Division	
in € million See Note [31]	2011	2010	2011	2010
Sales to third parties	11,052	10,221	2,151	2,101
Sales to other segments	9	7	380	360
Segment sales	**11,061**	**10,228**	**2,531**	**2,461**
Operating profit	**3,041**	**2,766**	**304**	**271**
of which share of income from associates/joint ventures (at equity)	89	85	–	–
Amortisation of intangible assets and depreciation of tangible assets	1,247	1,177	37	36
of which amortisation of fair value adjustments identified in the course of purchase price allocation	220	232	8	8
of which impairments	26	19	–	–
EBIT (Earnings before interest and tax)	**1,794**	**1,589**	**267**	**235**
Capital expenditure (excluding financial assets)	1,439	1,326	26	23

	Reportable segments	
	Gases Division	
	EMEA	
in € million	2011	2010[1]
Sales to third parties	5,663	5,319
Sales to other segments	9	11
Segment sales	**5,672**	**5,330**
Operating profit	**1,634**	**1,513**
of which share of income from associates/joint ventures (at equity)	12	4
Amortisation of intangible assets and depreciation of tangible assets	588	552
of which amortisation of fair value adjustments identified in the course of purchase price allocation	62	67
of which impairments	21	14
EBIT (Earnings before interest and tax)	**1,046**	**961**
Capital expenditure (excluding financial assets)	627	616

[1] During the reporting period, the reportable segment structure was changed and the prior year figures have been adjusted accordingly

	Reportable segments					
	Other Activities		Reconciliation		Total Group	
	2011	2010	2011	2010	2011	2010
	584	546	–	–	13,787	12,868
	–	3	-389	-370	–	–
	584	549	-389	-370	13,787	12,868
	64	57	-199	-169	3,210	2,925
	–	–	-13	-17	76	68
	33	36	-17	-3	1,300	1,246
	14	14	–	–	242	254
	–	3	–	–	26	22
	31	21	-182	-166	1,910	1,679
	17	15	-115	-62	1,367	1,302

	Reportable segments					
	Gases Division					
	Asia/Pacific		Americas		Total Gases Division	
	2011	2010[1]	2011	2010[1]	2011	2010
	3,066	2,686	2,323	2,216	11,052	10,221
	10	6	61	63	9	7
	3,076	2,692	2,384	2,279	11,061	10,228
	872	754	535	499	3,041	2,766
	50	54	27	27	89	85
	389	352	270	273	1,247	1,177
	104	98	54	67	220	232
	–	1	5	4	26	19
	483	402	265	226	1,794	1,589
	587	492	225	218	1,439	1,326

Entity-wide disclosures about geographical regions

in € million	2011	2010
Sales by location of customer		
Germany	1,245	1,217
Other Europe	4,742	4,489
North America	1,890	1,679
South America	746	712
Africa	785	666
Asia/Australia	4,379	4,105
Sales by location of customer	**13,787**	**12,868**

Non-current segment assets by location of company

in € million	2011	2010
Europe	9,444	9,488
Germany	1,147	1,098
UK	1,550	1,569
Asia/Pacific	6,466	6,080
China	689	567
Australia	1,656	1,643
North America	2,563	2,566
USA	1,424	1,451
South America	856	867
Brazil	304	294
Africa	869	1,027
South Africa	502	622
Non-current segment assets	**20,198**	**20,028**

The information disclosed by country excludes goodwill

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General principles

[1] Basis of preparation

The Linde Group is an international technology group with Gases and Engineering Divisions which operates across the globe The parent company of The Linde Group is Linde AG The registered office of Linde AG is in Munich (Munich Commercial Register, ref HRB 169850)

The consolidated financial statements of Linde AG for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union pursuant to EU Regulation Nr 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards The consolidated financial statements also comply with the additional requirements of § 315a (1) of the German Commercial Code (HGB) All the Standards which were in force at the balance sheet date have been applied and, in addition, those set out in Note [7] which have been applied early

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

The statement of profit or loss has been prepared using the cost of sales method

The financial statements which are included in the consolidated financial statements have been audited by KPMG AG Wirtschaftsprufungsgesellschaft The annual financial statements of companies included in the consolidation are drawn up at the same balance sheet date as the annual financial statements of Linde AG

[2] Principles of consolidation

Companies are consolidated using the acquisition method The cost of an acquisition is measured at the fair values of the assets acquired and the liabilities received or transferred at the date of acquisition Acquisition-related costs are recognised in profit or loss when they arise The identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are recognised at their fair values at the date of acquisition, irrespective of the extent of any non-controlling interests Adjustments regarding contingent consideration after the one-year adjustment period, which is disclosed as a liability at the date of acquisition, are recognised in profit or loss Non-controlling interests are measured either at fair value or at the appropriate share of the identifiable net assets in the company acquired

Where non-controlling interests are acquired, any remaining balance between the acquisition cost and the share of net assets acquired is offset directly in equity

Intra-Group sales, income, expenses and accounts receivable and payable have been eliminated

Intra-Group profits and losses arising from intra-Group deliveries of non-current assets and inventories have also been eliminated

The same principles apply to the measurement of companies accounted for using the equity method as for the consolidation of subsidiaries

[3] Acquisitions

Major acquisitions in the course of the financial year were

	Group holding in percent	Cost in € million	Acquisition date
Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia	100 0	45	16 08 11
Uraltech Gas (UTG), Russia	72 0	10	31 01 11

Acquisitions are considered major if the cost of acquisition exceeds EUR 10 m In both cases outlined below, the transactions were step acquisitions

On 16 August 2011, The Linde Group acquired 51 percent of the shares in the joint venture Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia, previously accounted for using the equity method As a result of purchasing the shares from BNDM Incorporated Holdings Sdn Bhd, Linde increased its shareholding from 49 percent to 100 percent The aim of the acquisition was to achieve unrestricted control over the company acquired to facilitate the pursuit of the Group's objectives in the growth region of Malaysia 80 percent of the purchase price or EUR 23 m was paid in cash, while the remainder of the purchase price will be paid four years after the acquisition date The outstanding payment of EUR 4 m has been recognised in the purchase price on a discounted basis Since the date of acquisition, the company has been included as a subsidiary in the Group financial statements of The Linde Group and has been allocated to the Asia/Pacific segment The excess of the purchase price, including the shares already held restated at fair value, over the net assets acquired is EUR 33 m This figure comprises mainly goodwill, customer relationships and fair value adjustments relating to tangible assets The principal component of the goodwill is the regional presence of the business in an area of Malaysia which is regarded as a growth region The acquisition of the shares resulted in a remeasurement of the existing 49 percent shareholding at a fair value of EUR 22 m Due to this remeasurement, EUR 3 m was recognised as a loss in the financial result The Group did not opt to disclose goodwill in respect of non-controlling interests The goodwill that has been recognised in the balance sheet is not tax-deductible

Furthermore, on 31 January 2011, The Linde Group acquired 22 percent of the shares in the joint venture Uraltech Gas, Russia, previously measured at amortised cost This acquisition increased Linde's shareholding in Uraltech Gas to 72 percent The company was consolidated in the EMEA operating segment as of this date The aim of the acquisition was to achieve control over the company acquired to facilitate the pursuit of the Group's objectives in the growth region of Russia The purchase price of the shares acquired was EUR 5 m, which was paid in cash The amortised cost of the shares held to date was EUR 5 m, which was the same as their fair value at the acquisition date The difference before purchase price allocation was EUR 5 m After fair value adjustments, mainly for tangible assets, goodwill of EUR 2 m was recognised The principal component of the goodwill here too is the regional presence of the business The Group did not opt to disclose goodwill in respect of non-controlling interests The goodwill that has been recognised in the balance sheet is not tax-deductible

Other acquisitions

The other acquisitions are immaterial to the net assets, financial position and results of operations of The Linde Group when viewed singly and are therefore disclosed in aggregate The acquisitions relate to business units which have been allocated to the Asia/Pacific reportable segment

In each case, the purchase consideration was in cash The principal components of the goodwill arising on acquisition are expected synergies, assets which cannot be included in other categories and other factors The assets which cannot be included in other categories relate in particular to the regional presence of the businesses acquired The Group did not opt to disclose goodwill in respect of non-controlling interests The goodwill that has been recognised in the balance sheet is not tax-deductible

Acquisition-related costs for all acquisitions in the financial year totalled EUR 0 m

Differences arising on acquisitions

in € million	EOX	UTG	Other	Total
Acquisition cost according to IFRS 3	45	10	4	59
Share of net assets at book value	12	5	3	20
Difference before purchase price allocation	33	5	1	39
Customer relationships	8	–	–	8
Air separation plants	3	1	–	4
Land and buildings	1	–	–	1
Other tangible assets	2	4	–	6
Deferred taxes	-4	-1	–	-5
Non-controlling interests	–	-1	–	-1
Goodwill at acquisition date	23	2	1	26

Impact of acquisition of EOX on net assets

Opening balance at 31 July 2011

in € million	Book value	Adjustment	Fair value
Non-current assets	14	14	28
Inventories	1	–	1
Cash and cash equivalents	1	–	1
Receivables	4	–	4
Equity	12	10	22
Non-controlling interests	–	–	–
Non-current liabilities	4	4	8
Current liabilities	4	–	4

Impact of acquisition of UTG on net assets

Opening balance at 1 February 2011

in € million	Book value	Adjustment	Fair value
Non-current assets	10	5	15
Inventories	1	–	1
Receivables	1	–	1
Other current assets	1	–	1
Equity	5	3	8
Non-controlling interests	2	1	3
Current liabilities	6	1	7

Impact of acquisitions on results of operations of The Linde Group from the date of acquisition

in € million	EOX	UTG	Other	Total
Sales	5	15	3	23
Cost of sales	-2	-10	-2	-14
Gross profit on sales	3	5	1	9
Other operating income and expenses	-2	-5	-1	-8
EBIT	1	-	-	1
Financial result	-	-	-	-
Earnings before taxes on income	1	-	-	1
Taxes on income	-	-	-	-
Earnings after taxes on income	1	-	-	1
attributable to non-controlling interests	-	-	-	-
attributable to Linde AG shareholders	1	-	-	1

Impact of acquisitions on results of operations of The Linde Group from 1 January to 31 December 2011

in € million	EOX	UTG	Other	Total
Sales	13	16	5	34
Cost of sales	-7	-10	-4	-21
Gross profit on sales	6	6	1	13
Other operating income and expenses	-3	-6	-	-9
EBIT	3	-	1	4
Financial result	-1	-1	-	-2
Earnings before taxes on income	2	-1	1	2
Taxes on income	-	-	-	-
Earnings after taxes on income	2	-1	1	2
attributable to non-controlling interests	-	-	-	-
attributable to Linde AG shareholders	2	-1	1	2

[4] Scope of consolidation

The Group 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 equity method is used to account for associates and joint ventures Associates are companies in which Linde AG holds, either directly or indirectly, 20 percent or more of the voting rights and/or where it is able to exert significant influence on financial and operating policies Joint ventures are companies which are managed jointly by Linde AG and one or several partners Companies in which Linde AG holds the majority of the voting rights, either directly or indirectly, but where it is unable to control the company due to substantial rights of non-controlling shareholders (significant influence), are also accounted for using the equity method

The following table shows the structure of companies included in the consolidated financial statements of The Linde Group

	As at 31.12.2010	Additions	Disposals	As at 31.12.2011
Consolidated subsidiaries	496	7	15	488
of which within Germany	23	1	2	22
of which outside Germany	473	6	13	466
Other investments	65	4	10	59
of which within Germany	2	–	–	2
of which outside Germany	63	4	10	57
Companies accounted for using the equity method	49	5	1	53
of which within Germany	–	–	–	–
of which outside Germany	49	5	1	53

Most of the additions to the companies included in the consolidation are newly-formed subsidiaries Where the additions relate to acquisitions as defined in IFRS 3 *Business Combinations*, details of these are given in Note [3] Acquisitions Most of the disposals of companies included in the scope of the consolidation are the result of the Reduction of Legal Entities project, which forms part of the HPO programme designed to achieve sustainable process optimisation and increased efficiency The aim of this project is to simplify the legal structure of the consolidated companies and to reduce the number of entities through liquidations and mergers

As a result of their inclusion in the Group financial statements, the following fully-consolidated subsidiaries are exempt under the provisions of § 264 (3) and § 264b of the German Commercial Code (HGB) from the duty to disclose annual financial statements and to prepare a management report, provided that all the other requirements set out in § 264 (3) and § 264b HGB have been met

Name	Location
Cleaning Enterprises GmbH	Munich
Commercium Immobilien- und Beteiligungs-GmbH	Munich
Eibl Homecare GmbH	Mahlow
Heins & Co GmbH	Bremen
Hydromotive GmbH & Co KG	Leuna
Linde Electronics GmbH & Co KG	Pullach
Linde Engineering Dresden GmbH	Dresden
Linde Gas Produktionsgesellschaft mbH & Co KG	Pullach
Linde Gas Therapeutics GmbH	Unterschleissheim
Linde Welding GmbH	Pullach
Martens Schweisstechnik GmbH	Rastede
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf
Selas-Linde GmbH	Pullach
Tega – Technische Gase und Gasetechnik GmbH	Würzburg
Unterbichler Gase GmbH	Munich

A list of the shareholdings of The Linde Group is given in Note [41]

[5] Foreign currency translation

Transactions in foreign currency are translated into the relevant functional currency of the individual entity on the transaction date After initial recognition, foreign currency fluctuations relating to monetary items are recognised in profit or loss For non-monetary items, historic translation rates continue to form the measurement basis Translation differences arising from the translation of items into the reporting currency continue to be recognised in "Cumulative changes in equity not recognised through the statement of profit or loss" The financial statements of foreign subsidiaries, including any fair value adjustments identified in the course of a purchase price allocation, are translated in accordance with the functional currency concept set out in IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Assets and liabilities, contingent liabilities and other financial commitments are translated at the mid-rate on the balance sheet date (closing rate method) Items in the statement of profit or loss and the net income for the year are translated at a rate which approximates to the translation rate on the date of the transaction (the average rate)

Differences arising from the translation of equity are included in the Statement of changes in Group equity under the heading "Cumulative changes in equity not recognised through the statement of profit or loss"

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation before 1 January 2005 continue to be accounted for in the Group currency

The financial statements of foreign companies accounted for using the equity method are translated using the same principles for the adjustment of equity as are applied to consolidated subsidiaries

The financial statements of subsidiaries outside Germany whose functional currency is the currency of a hyperinflationary economy are adjusted for the change in purchasing power arising from the inflation 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 Linde in that country are no longer accounted for on a historic cost basis but after adjustments for the effects of inflation The local inflation index (INPC or Indice Nacional de Precios al Consumidor) is used for this purpose

[6] Currencies

The following principal exchange rates have been used

Exchange rate €1 =	ISO code	Mid-rate on balance sheet date		Average rate for the year	
		31 12 2011	31 12 2010	2011	2010
Argentina	ARS	5 57540	5 31130	5 74644	5 19005
Australia	AUD	1 26830	1 30750	1 34778	1 44418
Brazil	BRL	2 41410	2 22030	2 32598	2 33503
Canada	CAD	1 32320	1 33450	1 37634	1 36727
China	CNY	8 15510	8 81730	8 99921	8 98487
Czech Republic	CZK	25 59900	25 04200	24 58228	25 28483
Hungary	HUF	315 54000	278 39000	279 35962	275 39341
Malaysia	MYR	4 10740	4 12520	4 25590	4 27500
Norway	NOK	7 74920	7 79200	7 79760	8 01002
Poland	PLN	4 46750	3 96650	4 11901	3 99409
South Africa	ZAR	10 48220	8 85590	10 08627	9 70784
South Korea	KRW	1,502 04000	1,500 06000	1,540 82074	1,533 44592
Sweden	SEK	8 91400	8 98340	9 03115	9 54575
Switzerland	CHF	1 21540	1 24950	1 23315	1 38217
Turkey	TRY	2 44240	2 06280	2 33658	1 99875
UK	GBP	0 83430	0 85750	0 86786	0 85845
USA	USD	1 29570	1 33790	1 39235	1 32747

[7] Accounting policies

The Group financial statements have been prepared under the historical cost convention, with the exception of derivative financial instruments and available-for-sale financial assets, which are stated at their fair values

The financial statements of companies consolidated in The Linde Group have been prepared using uniform accounting policies in accordance with IAS 27 *Consolidated and Separate Financial Statements*

Recently issued accounting standards

The IASB and IFRIC have revised numerous standards and issued many new ones in the course of their projects to develop IFRS and achieve convergence with US GAAP Of these, the following standards are mandatory in the Group financial statements for the year ended 31 December 2011

→ Revised IAS 24 *Related Party Disclosures*
→ Improvements to International Financial Reporting Standards (2010)
→ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
→ Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

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

Recently issued accounting standards which have not yet been applied

In addition, the following standards have been issued by the IASB or by IFRIC, but have not been applied in the Group financial statements for the year ended 31 December 2011, as they are not yet effective or have not yet been adopted by the European Union

→ 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 IFRS 7 *Financial Instruments Disclosures – Transfers of Financial Assets*
→ Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
→ Amendments to IAS 12 *Deferred Tax Recovery of Underlying Assets*

IFRS 9 is not expected to become effective until the 2015 financial year and it may result in changes in the classification and measurement of financial assets in the Group financial statements

It is probable that IFRS 10 and 11 will become effective from the 2013 financial year and they may lead to changes in the companies included in the consolidation and/or changes in the measurement of investments in the consolidated financial statements It is probable that IAS 19 will become effective from the 2013 financial year and it may lead to a slight 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

Revenue recognition

Sales comprise the sales of products and services as well as lease and rental income, less discounts and rebates

Revenue from the sale of goods is recognised when the risks of ownership have been transferred to the customer, the consideration can be reliably determined and it is probable that the associated receivables will be collected If the customer is to take delivery of the goods, the relevant sale will not be recognised until the customer has accepted delivery In the case of long-term service contracts, the sales are recorded on a straight-line basis over the period of the contract

Revenue from customer-specific construction contracts is reported in accordance with IAS 18 *Revenue* and/or in accordance with IAS 11 *Construction Contracts*, based on the stage of completion of the contract (percentage of completion method, or PoC method) Under this method, revenue is only recognised when the outcome of a construction contract can be estimated reliably

For sales and earnings recognition relating to lease transactions, see the section below on accounting for leases

Long-term construction contracts

Long-term construction contracts are measured using the PoC method The stage of completion of each contract is determined by the ratio of costs incurred to the expected total cost (cost-to-cost method) When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred (zero profit method) If the cumulative contract output (costs incurred plus profits disclosed) exceeds payments on account on an individual contract, the construction contract is disclosed under Trade receivables If there is a negative balance after deducting payments on account, the amount is disclosed under Trade payables Anticipated losses on contracts are recognised in full, based on an assessment of identifiable risks

The financial result from long-term construction contracts is disclosed in Other operating income

Cost of sales

Cost of sales comprises the cost of goods and services sold and the cost of merchandise sold It includes not only the cost of direct materials and direct manufacturing expenses, but also overheads including depreciation of production plants, amortisation of certain intangible assets and inventory write-downs

Research and development costs

Research costs and development costs which cannot be capitalised are recognised immediately in profit or loss

Financial result

The financial result includes the interest expenses on liabilities, dividends received, interest income on receivables and gains and losses on financial instruments recognised in profit or loss The interest cost relating to pension provisions and any loss on remeasurement of certain embedded derivatives are also included in financial expenses

Interest income and interest expenses are recognised in profit or loss on the basis of the effective interest rate method Dividends are recognised in profit or loss when they have been declared Finance income relating to finance leases is calculated using the effective interest rate method In addition, the expected return on plan assets relating to pension provisions and any gain on remeasurement of certain embedded derivatives are disclosed in Financial income

Intangible assets

Intangible assets comprise goodwill, customer relationships, that portion of development costs that may be recognised as an asset, patents, software, licences and similar rights

Purchased and internally generated intangible assets are stated at acquisition cost or manufacturing cost less accumulated amortisation and any impairment losses An internally generated intangible asset is recognised if it can be identified as an asset, if it is probable that the future economic benefits that are attributable to the asset will flow to Linde, and if the cost of the asset can be measured reliably Amortisation of intangible assets is recognised under the heading in the statement of profit or loss which corresponds to its functional features It is important to determine whether the intangible assets have finite or indefinite useful lives Goodwill, intangible assets with indefinite useful lives and intangible assets not yet ready for use are not amortised, but are subject instead to an impairment test once a year, or more often if there is any indication that an asset may be impaired

The impairment test in accordance with IAS 36 *Impairment of Assets* compares the carrying amount of the cash-generating unit or of the asset to be tested with the recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use

According to IAS 36 *Impairment of Assets*, goodwill is allocated to the cash-generating unit, the lowest level at which goodwill is monitored for internal management purposes, and tested for impairment at least once a year at this level In the Gases Division, this is the level of the Regional Business Units (RBUs), which are the equivalent of the operating segments before their aggregation into reportable segments Outside the Gases Division, goodwill is tested for impairment at the level of the reportable segments The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount If the carrying amount of the cash-generating unit exceeds the value in use, a test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount Any impairment losses relating to an intangible asset with an indefinite useful life are recognised in the statement of profit or loss and disclosed in functional costs

To calculate the value in use of the cash-generating units, post-tax future cash inflows and outflows are derived from corporate financial budgets approved by management which cover a detailed planning period of five years The calculation of the terminal value is based on the future net cash flows from the latest available detailed planning period The post-tax interest rates used to discount the cash flows take into account industry-specific and country-specific risks relating to the particular cash-generating unit When the terminal value is calculated, declining growth rates are used, which are lower than the growth rates calculated in the detailed planning period and which serve mainly to compensate for a general inflation rate

Intangible assets with finite useful lives are amortised over the estimated useful life of the assets and the amortisation expense is disclosed under the heading in the statement of profit or loss which corresponds to the functional features of the underlying assets Customer relationships are stated at acquisition cost and amortised on a straight-line basis over their estimated useful life of between five and 40 years The estimated useful life of customer relationships purchased is calculated on the basis of the term of the contractual relationship underlying the customer relationship, or on the basis of expected customer behaviour If there are any indications of impairment in the intangible assets, an impairment test is performed

If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the intangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised This does not apply to goodwill

Costs incurred in connection with the purchase for consideration and in-house development of software used internally, including the costs of bringing this software to an operational state, are capitalised and amortised on a straight-line basis over an estimated useful life of three to eight years

Tangible assets

Tangible assets are reported at acquisition or manufacturing cost less accumulated depreciation based on the estimated useful life of the asset and any impairment losses The manufacturing cost of internally-generated plants comprises all costs which are directly attributable to the manufacturing process and an appropriate portion of production overheads The latter include production-related depreciation, a proportion of administrative expenses and a proportion of social costs The acquisition or manufacturing cost is reduced by government grants For qualifying tangible assets, where the purchase or manufacture takes more than one year, the borrowing costs during the construction period are also capitalised Recognition at manufacturing cost is based on the assumption of normal output Tangible assets are depreciated using the straight-line method and the depreciation expense is disclosed in the statement of profit or loss under the heading which corresponds to the functional features of the underlying asset If a tangible asset comprises several components with different useful lives, the depreciation is calculated separately for the various components Existing legal or de facto site restoration obligations are included in the cost of the components based on the discounted expected settlement The depreciation method and the estimated useful lives of the assets are reviewed on an annual basis and adapted to prevailing conditions

The following useful lives apply to the different types of tangible assets

Buildings	10–40 years
Technical equipment	6–15 years
Fixtures, furniture and equipment	3–20 years

If significant events or market developments indicate an impairment in the value of the tangible asset, Linde reviews the recoverability of the carrying amount of the asset by testing for impairment The carrying amount of the asset is compared with the recoverable amount, which is defined as the higher of the asset's fair value less costs to sell and its value in use To determine the recoverable amount on the basis of value in use, estimated future cash flows are discounted at a rate which reflects the risk specific to the asset If the net book value exceeds the recoverable amount, an impairment loss is recognised When estimating future cash flows, current and expected future inflows as well as segment-specific, technological, economic and general developments are taken into account If an impairment test is carried out on tangible assets at the level of a cash-generating unit which also includes a portion of allocated goodwill, and an impairment loss is recognised, then impairment losses will be recognised first in respect of the goodwill and then in respect of the other assets based on their relative carrying amounts, taking into account the fair value of the assets If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the tangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised

For the accounting treatment of assets held under leases, see the section below on accounting for leases

Associates and joint ventures

Associates and joint ventures are accounted for under the equity method at cost at the date of acquisition In subsequent periods, the carrying amount is adjusted up or down to reflect Linde's share of the results of operations of the investee Any distributions received from the investee reduce the carrying amount of the investment If the losses of an associate or joint venture attributable to The Linde Group equal or exceed the value of the interest held in this associate or joint venture, no further losses are recognised unless the Group incurs an obligation or makes payments on behalf of the associate or joint venture If there are any indications of impairment in the investments in associates or joint ventures, the carrying amount of the relevant investment is subject to an impairment test If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the investment is increased to a maximum figure of the share of net assets in the associate or joint venture

Inventories

Inventories are reported at the lower of acquisition or manufacturing cost and net realisable value Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale Manufacturing cost includes both direct costs and appropriate indirect material and production costs, as well as production-related depreciation charges Administrative expenses and social costs are included if they can be allocated to production In addition, for inventories where the purchase or manufacture takes more than one year, the borrowing costs are capitalised Recognition at manufacturing cost is based on the assumption of normal output Inventories are generally measured on an average basis or using the FIFO (first in, first out) method

Financial instruments

In the normal course of events, purchases and sales of financial assets and liabilities are accounted for on settlement day This does not apply to derivatives, which are accounted for on the trading day

According to IAS 39 *Financial Instruments Recognition and Measurement*, financial instruments must be categorised as financial instruments held for trading or fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, or loans and receivables No financial instruments were reclassified in the 2011 financial year The Linde Group does not avail itself of the fair value option, whereby financial assets or financial liabilities are classified as at fair value through profit or loss when they are first recognised

Available-for-sale financial assets include equity instruments and debt instruments If equity instruments are not held for trading or measured at fair value through profit or loss, they are classified as available-for-sale financial assets Debt instruments are included in this category if they are held for an unspecified period and can be sold depending on the market situation

Financial instruments are initially recognised at fair value Transaction expenses which are directly attributable to the acquisition or issue of financial instruments are only included in the determination of the carrying amount if the financial instruments are not recognised at fair value through profit or loss

The subsequent measurement of available-for-sale financial assets is based on the separate recognition in equity as other comprehensive income of unrealised gains and losses, inclusive of deferred tax, until they are realised. Equity instruments for which no price is quoted in an active market and for which the fair value cannot be reliably determined are reported at cost. If the fair value of available-for-sale financial assets falls below cost and if there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is transferred to profit or loss. Impairment reversals are recognised in equity for equity instruments and in profit or loss for debt instruments.

Loans and receivables and held-to-maturity financial investments are measured at amortised cost using the effective interest rate method. Where there is objective evidence that the asset is impaired, they are recognised at the present value of expected future cash flows if this is lower than amortised cost. The present value of expected future cash flows is calculated using the original effective interest rate of the financial asset.

The Linde Group conducts regular impairment reviews of the following categories of financial assets: loans and receivables, available-for-sale financial assets and held-to-maturity financial investments. The following criteria are applied:

(a) significant financial difficulty of the issuer or obligor,
(b) breach of contract, such as a default or delinquency in payments of interest or principal,
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that would not otherwise be considered,
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
(e) the disappearance of an active market for that asset because of financial difficulties,
(f) a recommendation based on observable data from the capital market,
(g) information about significant changes with an adverse effect that have taken place in the technological, economic or legal environment of a contracting party,
(h) a significant or prolonged decline in the fair value of the financial instrument.

A financial asset is eliminated if Linde loses its contractual entitlement to cash flows from such an asset or if it transfers virtually all the risks and opportunities associated with that financial asset. In the 2011 financial year, no financial assets that would qualify for elimination were transferred by Linde.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, all derivative financial instruments are reported at fair value, irrespective of their purpose or the reason for which they were acquired.

In the case of a fair value hedge, derivatives are used to hedge the exposure to changes in the fair value of assets or liabilities. The gain or loss from the change in fair value of the derivative is recognised immediately in profit or loss. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss with respect to the hedged risk, which is also recognised immediately in profit or loss.

In the case of a cash flow hedge, derivatives are used to hedge the exposure to variability in cash flows associated with an asset or liability which has been recognised or with forecast transactions. The hedge-effective portion of the gains or losses arising from the remeasurement at fair value of these derivative financial instruments is initially disclosed as other comprehensive income in "Cumulative changes in equity not recognised through the statement of profit or loss". A transfer is made to the statement of profit or loss when the hedged underlying transaction is realised. The hedge-ineffective portion of the changes in fair value is recognised immediately in profit or loss.

In the case of hedges of a net investment in a foreign operation, hedging instruments are used to hedge the exposure to translation risks arising from investments in a foreign functional currency Gains and losses arising from these hedging instruments are accounted for in equity as other comprehensive income as part of "Cumulative changes in equity not recognised through the statement of profit or loss" until the company is disposed of or sold

If the requirements for hedge accounting are not met, the gain or loss on the remeasurement of derivative financial instruments at fair value is recognised in profit or loss

In accordance with IAS 39 *Financial Instruments Recognition and Measurement*, embedded derivatives, i e derivatives which are included in host contracts, are separated from the host contract and accounted for as derivative financial instruments, if certain requirements are met

For more information about risk management and the impact on the balance sheet of derivative financial instruments, see Note [29]

Receivables and liabilities from financial services, trade receivables and trade payables, financial debt, as well as other receivables, other assets and other liabilities, are reported at amortised cost as long as they are not derivative financial instruments Differences between historic cost and the repayment amount are accounted for using the effective interest rate method Appropriate impairment losses are recognised if specific risks are identified The carrying amount of the financial debt which comprises the hedged item in a fair value hedge is adjusted for the corresponding gain or loss with respect to the hedged risk

Financial instruments which contain both an equity portion and a liability portion are classified in accordance with IAS 32 *Financial Instruments Presentation* The financial instruments issued by The Linde Group are classified entirely as financial liabilities and reported at amortised cost No part thereof is classified separately as an equity instrument

Deferred taxes

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 *Income Taxes* under the liability method in respect of all temporary differences between the carrying amounts of the assets and liabilities under IFRS and the corresponding tax base used in the computation of taxable profit, and in respect of all consolidation adjustments affecting net income and unused tax loss carryforwards

Deferred tax assets are only recognised for unused tax losses to the extent that it is probable that taxable profits will be available in future years against which the tax losses can be utilised Deferred taxes are calculated at the tax rates that apply to the period when the asset is realised or the liability is settled, using tax rates set out in laws that have been enacted or substantively enacted in the individual countries by the balance sheet date

Tax credits which relate to capital expenditure are recognised in accordance with the provisions of IAS 12 *Income Taxes* They are not offset against the relevant capital expenditure

Provisions for pensions and similar obligations

The actuarial valuation of provisions for pensions is based on the projected unit credit method set out in IAS 19 *Employee Benefits* for defined benefit obligations This method takes into account not only vested future benefits and known pensions at the balance sheet date, but also expected future increases in salaries and pensions The calculation of the provisions is determined using actuarial reports based on biometric assumptions An option is available under IFRS in respect of the recognition of actuarial gains and losses, the cumulative effect of an asset ceiling and the effects of an increase in the pension obligation in accordance with IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* This option has been exercised by Linde, resulting in the immediate offset of actuarial gains and losses, the cumulative effect of an asset ceiling and the effects of an increase in the pension obligation in accordance with IFRIC 14 against revenue reserves

The pension obligations have been disclosed net of plan assets at their fair values

The expense arising from additions to the pension provisions is allocated to functional costs in the statement of profit or loss The interest cost of the pension obligations and the expected return on plan assets are disclosed in the financial result

Other provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, Other provisions are recognised when a present obligation to a third party exists as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Provisions are recognised for all identifiable risks and liabilities of uncertain timing or amount The amounts provided are the best estimate of the probable expenditure required to settle the obligation and are not offset against recourse claims The estimate of the obligation includes any cost increases which need to be taken into account at the balance sheet date Provisions which relate to periods of more than twelve months are discounted

Provisions for warranty claims are recognised taking current or estimated future claims experience into account

Site restoration obligations are capitalised when they arise, at the discounted value of the obligation, and a provision for the same amount is established at the same time The depreciation charged on the asset and the unwinding of interest applied to the provision are both allocated as an expense to the periods of use of the asset

Provisions for restructuring are recognised if a formal, detailed restructuring plan has been drawn up and communicated to the relevant parties

Cost of sales also includes additions to the provisions for warranties and provisions for onerous contracts Warranty provisions are established for the estimated cost at the date of sale of that particular product Provisions for onerous contracts are made in full in the reporting period in which the estimated total cost of the particular contract exceeds the expected revenue

To cover insurance risks, mainly through general and business insurance, insurance contracts are entered into with an insurer outside the Group The costs arising from these insurance contracts are recognised in functional costs

In previous years, companies in The Linde Group acted as reinsurers in respect of some of the abovementioned insurance contracts The provisions of this type which still exist fall within the scope of IFRS 4 *Insurance Contracts* Insurance risks are recognised in the Group financial statements in the form of a provision for unsettled claims The provision for payment obligations comprises insurance claims which have arisen by the balance sheet date but which have not yet been settled Provisions for claims which have been notified by the balance sheet date are based on estimates of the future costs of the claims including loss adjustment expenses These are set up on the basis of individual obligations Provisions for claims incurred but not reported (IBNR) at the balance sheet date are set up to take account of the estimated cost of claims Due to the fact that no information is available at that stage about the extent of these claims, estimates are made based on industry experience The provision is calculated using actuarial and statistical models

Accounting for leases

Lease agreements are classified as finance leases in accordance with IAS 17 *Leases* if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee All other leases are operating leases Linde Group companies enter into lease agreements both as lessor and as lessee

When Linde enters into an agreement as the lessor of assets held under a finance lease, the future minimum lease payments due from the customer, equivalent to the net investment in the lease, are disclosed under Receivables from finance leases Finance income is spread over the reporting periods using the effective interest rate method

When Linde is the lessee under a finance lease agreement, the assets are disclosed at the beginning of the lease under tangible assets at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, while the corresponding liabilities to the lessor are recognised in the balance sheet as Liabilities from finance leases When the present value is calculated, the interest rate underlying the lease agreement is used or, if that is not available, the incremental borrowing rate Depreciation charged on this tangible asset and the reduction of the lease liability are recorded over the lease term If the useful life of the asset is shorter than the lease term, this should be used to determine the depreciation period instead Whereas the leased property is depreciated on a straight-line basis over the lease term, the related lease liability is amortised using the effective interest rate method Over the course of the lease term, this results in a difference between the lease obligation and the carrying amount of the leased property

Rental and lease payments made by Linde under operating leases are recognised in functional costs in the statement of profit or loss on a straight-line basis over the lease term

According to IFRIC 4 *Determining whether an Arrangement contains a Lease*, if specific criteria are met, certain arrangements should be accounted for as leases that do not take the legal form of a lease In particular, in the Gases Division, certain gas supply contracts are classified as embedded finance leases The contracts relating to these plants are disclosed in Receivables from finance leases at the net investment in the lease i e the present value of future minimum lease payments due from the customer When the plant is completed and brought on stream, a one-off amount is shown in sales which is equivalent to the net investment in the lease

In the case of operating leases or embedded operating leases, if the economic ownership of the leased asset is not transferred to the customer as lessee, but remains with Linde as lessor, the lease income from the operating lease is recognised in sales on a straight-line basis over the lease term

Non-current assets held for sale and disposal groups and Discontinued operations

Non-current assets and disposal groups are classified separately in the balance sheet as held for sale, if they are available for sale in their present condition and the sale is highly probable Assets that are classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell Liabilities classified as directly related to non-current assets held for sale are disclosed separately as held for sale in the liabilities section of the balance sheet For discontinued operations, additional disclosures are required in the Notes, as long as the requirements for classification as discontinued operations are met

Discretionary decisions and estimates

The preparation of the Group financial statements 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 (see Notes [14], [15] and [17]),
- → the recognition and measurement of pension obligations (see Note [23]),
- → the recognition and measurement of Other provisions (see Note [24]),
- → the assessment of the stage of completion of long-term construction contracts (see Notes [18] and [27]),
- → the assessment of lease transactions

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

The obligation arising from defined benefit pension commitments is determined on the basis of actuarial parameters An increase or decrease in the discount rate of 0 5 percent would lead to a reduction or increase in pension obligations of EUR 373 m or EUR 383 m respectively An increase or decrease in the inflation assumption of 0 5 percent would lead to an increase or reduction in pension obligations of EUR 296 m or EUR 286 m respectively This change in parameters 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, and on past experience and circumstances known at the balance sheet date The actual outflow of resources may therefore differ from the figure included in 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 takes 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 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

Notes to the Group statement of profit or loss

[8] Sales

Sales are analysed by activity in the segment information

Sales are derived from the following activities

in € million	2011	2010
Revenue from the sale of goods and services	11,920	11,048
Revenue from long term construction contracts	1,867	1,820
Group	13,787	12,868

[9] Other operating income and expenses

Other operating income

in € million	2011	2010
Exchange gains	44	55
Profit on disposal of non-current assets	52	37
Negative past service cost on pensions	22	29
Ancillary revenue	33	26
Income from release of provisions	25	23
Financial income from long-term construction contracts	11	22
Income from freestanding foreign currency hedges	14	9
Miscellaneous operating income	84	85
Group	285	286

The income from negative past service cost has arisen mainly as a result of changes in the conditions governing the UK pension plan (EUR 16 m) and as a result of income from plan curtailments and plan settlements See Note [23] for further information about the Group's pension schemes

The profit on disposal of non-current assets primarily relates to profits on disposal of land and buildings

Other operating expenses

in € million	2011	2010
Exchange losses	49	58
Expenses from freestanding foreign currency hedges	8	12
Loss on disposal of non-current assets	6	12
Expenses related to pre-retirement part-time work schemes	2	2
Miscellaneous operating expenses	115	85
Group	**180**	**169**

Miscellaneous operating expenses include an expense of EUR 35 m in compensation for the economic advantage which, according to the Munich public prosecutor's findings, has arisen for the Engineering Division of the Group as a result of possible legal breaches committed by external business partners

[10] Other information on the Group statement of profit or loss

During the 2011 financial year, personnel costs of EUR 2 653 bn (2010 EUR 2 527 bn) were recognised in functional costs The figures for amortisation and depreciation are given in the segment information

[11] Financial income and expenses

Financial income

in € million	2011	2010
Expected return on plan assets, see Note [23]	254	246
Finance income from embedded finance leases in accordance with IFRIC 4/IAS 17	24	43
Income from a redemption penalty	30	-
Income from reversal of impairment on financial assets	2	29
Income from investments	1	18
Other interest and similar income	48	60
Group	**359**	**396**

As a result of the reclassification of virtually all ECOVAR® gas supply contracts in 2010, the finance income from embedded finance leases in accordance with IFRIC4/IAS17 has fallen significantly In 2010, these contracts were still accounted for as embedded finance leases and a portion of the sales revenue relating to those contracts was disclosed as finance income

The income of EUR 30 m arising from a redemption penalty is in respect of the early repayment of a loan granted in relation to the disposal of BOC Edwards in the 2007 financial year An unscheduled repayment of the full loan amount of EUR 59 m was made in February 2011 In 2010, income of EUR 29 m was recognised from the reversal of an impairment loss on this loan which led to the loan being restated in financial assets at its original amount

Financial expenses		
in € million	2011	2010
Interest cost of pension obligations, see Note [23]	253	265
Impairment of financial assets	6	10
Other interest and similar charges	391	401
Group	650	676

In interest income and interest expenses, gains and losses from fair value hedge accounting are offset against each other, in order to give a fair presentation of the economic effect of the underlying hedging relationship Interest income and interest expenses relating to derivatives are also disclosed net

[12] Taxes on income

Taxes on income in The Linde Group can be analysed as follows

Taxes on income		
in € million	2011	2010
Current tax expense and income	382	365
Tax expense and income relating to prior periods	–27	43
Deferred tax expense and deferred tax income	20	–73
Group	375	335

Included under the "Tax expense and income relating to prior periods" heading in the 2011 financial year is current tax income of EUR 7 m (2010 tax expense of EUR 48 m) and deferred tax income of EUR 20 m (2010 EUR 5 m) Of the total amount of deferred tax income, EUR 22 m (2010 EUR 69 m) relates to the change in temporary differences

The income tax expense disclosed for the 2011 financial year of EUR 375 m is EUR 68 m lower than the expected income tax expense of EUR 443 m, a theoretical figure arrived at by applying the German tax rate of 27 4 percent (2010 27 4 percent) to Group earnings before taxes on income Tax effects recognised directly in equity are shown in detail in Note [22]

The difference between the expected income tax expense and the figure disclosed is explained below

in € million	2011	2010
Earnings before taxes on income	1,619	1,399
Income tax rate of Linde AG (including trade tax) (in %)	27 4	27 4
Expected income tax expense	443	383
Foreign tax rate differential	–33	–25
Effect of associates	–18	–14
Reduction in tax due to tax-free income	–52	–40
Increase in tax due to non-tax-deductible expenses	40	21
Tax expense and income relating to prior periods	–61	–28
Effect of changes in tax rate	–38	–32
Change in other permanent differences	74	72
Other	20	–2
Income tax expense disclosed	375	335
Effective tax rate (in %)	23 2	23 9

In the 2011 financial year, the corporate income tax rate in Germany was 15 0 percent (2010 15 0 percent) Taking into account an average rate for trade earnings tax of 11 6 percent (2010 11 6 percent) and the solidarity surcharge (0 8 percent in both 2011 and 2010), this gives a tax rate for German companies of 27 4 percent (2010 27 4 percent) The rate used to calculate deferred tax for German companies was 27 4 percent (2010 27 4 percent)

Income tax rates for Group companies outside Germany vary between 12 5 percent and 40 0 percent

No deferred tax is calculated in respect of retained profits in subsidiaries, as the profits are reinvested indefinitely in these operations or are not subject to taxation

In the reporting period, other changes consists of an expense arising from a change in the valuation allowance of EUR 9 m In 2010, there was income arising from the change in the valuation allowance of EUR 4 m, which is the result of the recognition of deferred tax assets for tax loss carryforwards and tax credits not recognised until now

Deferred tax assets and liabilities

in € million	2011 Deferred tax assets	2011 Deferred tax liabilities	2010 Deferred tax assets[1]	2010 Deferred tax liabilities
Intangible assets	8	888	8	982
Tangible assets	175	811	192	828
Financial assets	77	150	85	128
Current assets	505	440	438	442
Provisions	210	219	219	231
Liabilities	684	838	703	781
Tax loss carryforwards and tax credits	43	–	63	–
Amounts offset	-1,334	-1,334	-1,402	-1,402
	368	**2,012**	**306**	**1,990**

[1] Adjusted for the effects of impairments disclosed separately in 2010

The tax credits in the 2011 financial year relate mainly to investment incentives, as in the prior year

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the deferred tax asset will be realised The carrying amount of deferred tax assets which relate to potential reductions in the tax base of EUR 202 m (2010 EUR 199 m) was therefore reduced by EUR 54 m (2010 EUR 47 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 192 m (2010 EUR 169 m) and deductible temporary differences of EUR 10 m (2010 EUR 30 m) will be utilised Of the revised figure for total potential reductions in the tax base of EUR 192 m (2010 EUR 169 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 33 m (2010 EUR 62 m) may be carried forward for up to ten years and EUR 159 m (2010 EUR 107 m) may be carried forward for longer than ten years

Tax loss carryforwards

in € million	2011	2010
May be carried forward for up to 10 years	45	67
May be carried forward for longer than 10 years	–	–
May be carried forward indefinitely	199	145
	244	**212**

The increase in tax loss carryforwards is mainly due to losses arising in Saudi Arabia and Brazil There are also tax loss carryforwards relating to US state tax of EUR 23 m (2010 EUR 23 m)

[13] Earnings per share

in € million	2011	2010
Earnings after taxes on income attributable to Linde AG shareholders	1,174	1,005
Shares in thousands		
Weighted average number of shares outstanding	170,649	169,328
Dilution as a result of share option schemes	1,599	2,303
Weighted average number of shares outstanding – diluted	172,248	171,631
Earnings per share in € – undiluted	**6 88**	**5 94**
Earnings per share in € – diluted	**6 82**	**5 86**

Included in the figure for diluted earnings per share is the issue of shares relating to the 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

See Note [40] for the calculation of the adjusted earnings per share

Further information about the option schemes is given in Note [28]

Notes to the Group statement of financial position

[14] Goodwill/Other intangible assets

Movements in the intangible assets of The Linde Group during the 2011 financial year and in the previous year were as follows

Acquisition cost in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
At 1 Jan 2010	7,302	2,947	388	823	11,460
Currency adjustments	491	348	49	58	946
Additions due to acquisitions	15	21	–	3	39
Additions	–	–	–	34	34
Disposals	–	–	–	12	12
Transfers	–	1	–	13	14
Reclassification as assets held for sale	-2	–	–	–	-2
At 31 Dec 2010/1 Jan 2011	7,806	3,317	437	919	12,479
Currency adjustments	43	10	-1	2	54
Additions due to acquisitions	26	9	–	–	35
Additions	–	–	–	67	67
Disposals	–	–	–	10	10
Transfers	–	–	–	2	2
Reclassification as assets held for sale	–	–	–	–	–
At 31 Dec 2011	7,875	3,336	436	980	12,627

Accumulated amortisation in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
At 1 Jan 2010	5	382	41	417	845
Currency adjustments	2	57	4	26	89
Additions due to acquisitions	–	–	–	1	1
Amortisation	–	140	18	92	250
Impairments	–	–	–	–	–
Reversal of impairments	–	–	–	–	–
Disposals	–	–	–	11	11
Transfers	–	–	–	–	–
Reclassification as assets held for sale	–	–	–	–	–
At 31 Dec 2010/1 Jan 2011	7	579	63	525	1,174
Currency adjustments	–	11	4	3	18
Additions due to acquisitions	–	–	–	–	–
Amortisation	–	142	44	87	273
Impairments	–	–	–	3	3
Reversal of impairments	–	–	–	–	–
Disposals	–	–	–	10	10
Transfers	–	–	–	1	1
Reclassification as assets held for sale	–	–	–	–	–
At 31 Dec 2011	7	732	111	609	1,459
Net book value at 31 Dec 2011	7,868	2,604	325	371	11,168
Net book value at 31 Dec 2010	7,799	2,738	374	394	11,305

In the balance sheet at 31 December 2011, the total figure for goodwill is EUR 7 868 bn (2010 EUR 7 799 bn) Of this amount, EUR 4 812 bn relates to the acquisition of The BOC Group in the 2006 financial year, EUR 866 m relates to other acquisitions in previous financial years and EUR 26 m to acquisitions in the 2011 financial year The acquisitions in the 2011 financial year include an increase in goodwill of EUR 23 m for the acquisition of Eastern Oxygen Industries Sdn Bhd (EOX), Malaysia The goodwill arising from the acquisition of the AGA Group in 1999 was EUR 2 164 bn at the balance sheet date

The brand names acquired in the course of the BOC acquisition and other acquisitions of EUR 325 m (2010 EUR 374 m) have been accounted for to date as intangible assets with indefinite useful lives and have therefore not been amortised During the reporting period, it was decided that The Linde Group would adopt a uniform brand identity in the medium term and these brand names were redefined as intangible assets with finite useful lives The brand names are amortised on a straight-line basis over a period of twelve years

During the financial year, impairment losses of EUR 3 m (2010 EUR 0 m) were recognised in respect of Other intangible assets These impairment losses relate principally to licence agreements in the North America region

Additions to Other intangible assets include development costs of EUR 10 m related to internally generated software solutions for the Group's own use in the SAP environment At the balance sheet date, these assets were still in development and have therefore not yet been amortised

An impairment test of goodwill was carried out at 30 September 2011 No impairment losses were recognised as a result

The recoverable amount of the goodwill was determined as its value in use To calculate its value in use, a discounted cash flow method was applied The discounted cash flow method was based on the following assumptions

- A detailed five-year plan was used as the basis for the calculation of the cash flows The growth rates assumed for the detailed planning period are based on the latest estimates from international economic research institutes regarding trends in gross domestic product in the relevant Regional Business Unit and take into account current expectations regarding future business trends For subsequent periods, an annual growth rate below those determined in the detailed planning period was assumed, which was based on long-term expectations for inflation and was between 1 and 2 percent
- The corporate planning was complemented by an examination of alternative scenarios concerning the potential development of The Linde Group These scenarios were also used for the purpose of the impairment test The main aspects to be taken into account in the alternative scenarios are an increase in WACC of 100 basis points and a decrease in the growth rates in the perpetual annuity of 100 basis points Even if these changes in parameters were to be adopted, there would be no need to recognise impairment losses in respect of goodwill
- At the level of the South America cash-generating unit (CGU), an increase of 190 basis points in Linde's WACC would result in the value in use equalling the carrying amount In the remaining CGUs, if this increase in WACC were applied, the value in use would still significantly exceed the carrying amount
- A decrease in Linde's operating profit of 21 percent over all periods including perpetuity would result in the value in use equalling the carrying amount at the level of CGU South America Assuming the same percentage decline in profit in the remaining CGUs, the value in use would still significantly exceed the carrying amount

The following table provides a summary of the allocated goodwill and the parameters used

Assumptions for the impairment test of goodwill

	Book value of allocated goodwill as of 31 12 2011	Pre-tax WACC based on region-specific premiums and discounts at impairment test date 30 09 2011 in percent	Post tax WACC based on region-specific premiums and discounts at impairment test date 30 09 2011 in percent	Long-term growth rate in percent
EMEA				
Africa & UK[1]	1,189	7 3	5 8	1 5
Continental & Northern Europe	2,730	6 8	5 3	1 0
Eastern Europe & Middle East	413	9 1	7 5	2 0
Asia/Pacific				
Greater China	210	6 7	6 1	2 0
South & East Asia	376	9 3	7 2	2 0
South Pacific	1,343	6 9	5 2	1 0
Americas				
North America	912	7 0	5 1	1 0
South America	125	12 7	8 8	2 0
Engineering Division	270	12 5	9 0	1 5
Other Activities	300	8 7	6 7	1 5
Total	**7,868**			

[1] The RBU Africa & UK includes an aggregated figure for goodwill which has until now been shown separately at the level of RBU Africa and RBU UK

[15] Tangible assets

Movements in the tangible assets of The Linde Group in the 2011 financial year were as follows

Acquisition cost in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
At 1 Jan 2010	2,331	14,444	1,212	856	18,843
Currency adjustments	172	1,203	80	68	1,523
Additions due to acquisitions	9	24	2	–	35
Additions	62	368	52	781	1,263
Disposals	25	234	37	10	306
Transfers	40	1,212	-38	-675	539
Reclassification as assets held for sale	-16	-17	–	–	-33
At 31 Dec 2010/1 Jan 2011	2,573	17,000	1,271	1,020	21,864
Currency adjustments	30	103	–	9	142
Additions due to acquisitions	9	38	1	1	49
Additions	52	380	63	797	1,292
Disposals	39	169	27	2	237
Transfers	56	740	24	-804	16
Reclassification as assets held for sale	–	–	–	–	–
At 31 Dec 2011	2,681	18,092	1,332	1,021	23,126

Accumulated depreciation in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
At 1 Jan 2010	1,011	9,357	903	6	11,277
Currency adjustments	73	756	61	3	893
Additions due to acquisitions	2	8	1	–	11
Depreciation	69	825	81	–	975
Impairments	3	13	5	1	22
Reversal of impairments	–	1	–	–	1
Disposals	15	208	35	1	259
Transfers	–	278	–37	–	241
Reclassification as assets held for sale	–7	–11	–	–	–18
At 31 Dec 2010/1 Jan 2011	1,136	11,017	979	9	13,141
Currency adjustments	17	87	2	7	113
Additions due to acquisitions	3	17	2	–	22
Depreciation	74	847	91	–	1,012
Impairments	1	21	–	1	23
Reversal of impairments	3	8	–	–	11
Disposals	29	160	27	–	216
Transfers	4	15	–6	–1	12
Reclassification as assets held for sale	–	–	–	–	–
At 31 Dec 2011	1,203	11,836	1,041	16	14,096
Net book value at 31 Dec 2011	1,478	6,256	291	1,005	9,030
Net book value at 31 Dec 2010	1,437	5,983	292	1,011	8,723

Tangible assets include leased land, land rights and buildings, technical equipment and machinery, and fixtures, with a carrying amount totalling EUR 45 m (2010 EUR 51 m) Due to the form of the underlying finance leases, these tangible assets are attributable to The Linde Group in its capacity as the economic owner of the assets Of the total of EUR 45 m, EUR 30 m (2010 EUR 30 m) relates to land, land rights and buildings, EUR 15 m (2010 EUR 19 m) to technical equipment and machinery and EUR 0 m (2010 EUR 2 m) to fixtures, furniture and equipment

Also included in tangible assets is technical equipment held under embedded operating leases Of the total minimum lease payments from such embedded operating leases, EUR 15 m is due within one year (2010 EUR 10 m), EUR 57 m is due within one to five years (2010 EUR 62 m) and EUR 124 m is due in more than five years (2010 EUR 135 m)

Impairment tests were based on the recoverable amount of the assets tested, whereby generally the value in use was applied The discount rates used (WACC) are the same as those used in the impairment test for goodwill

Impairment losses of EUR 23 m were recognised in respect of tangible assets in 2011 (2010 EUR 22 m), mainly due to lower profit expectations The impairment losses related principally to production plants and were allocated to the following reportable segments of The Linde Group EUR 21 m (2010 EUR 14 m) to EMEA, EUR 0 m (2010 EUR 1 m) to Asia/Pacific and EUR 2 m (2010 EUR 4 m) to the Americas In the Other Activities segment, no impairment losses were recognised in 2011, compared with impairment losses of EUR 3 m recognised in 2010

Reversals of impairment losses totalled EUR 11 m (2010 EUR 1 m) They are the result of the improvement in economic conditions since 2010 and relate mainly to the reversal of impairment losses on technical equipment in the following reportable segments EUR 4 m (2010 EUR 1 m) in EMEA and EUR 3 m (2010 EUR 0 m) in the Americas

Borrowing costs for construction periods over one year of EUR 31 m (2010 EUR 33 m) were capitalised, based on an interest rate of 4 5 to 4 9 percent (2010 3 0 to 4 5 percent)

The cost of tangible assets was reduced in the 2011 financial year by government grants for air separation plants of EUR 3 m (2010 EUR 1 m)

Land, land rights and buildings of EUR 89 m (2010 EUR 75 m) were pledged as security

[16] Investments in associates and joint ventures / Other financial assets

Movements in the financial assets of The Linde Group during the financial year were as follows

Cost in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans[1]
At 1 Jan 2010	571	112	275
Currency adjustments	64	7	19
Additions due to acquisitions	–	–	–
Additions	79	10	27
Disposals	28	10	61
Transfers	2	–18	–2
At 31 Dec 2010/1 Jan 2011	688	101	258
Currency adjustments	45	1	7
Additions due to acquisitions	–	–	–
Additions	97	13	16
Disposals	37	–	51
Transfers	–29	–12	1
At 31 Dec 2011	764	103	231

[1] EUR 220 m (2010 EUR 247 m) of the non-current loans relates to loans to associates and joint ventures

Accumulated impairments in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans
At 1 Jan 2010	12	12	–
Currency adjustments	–	–1	–
Additions due to acquisitions	–	–	–
Impairments	–	7	–
Disposals	–	1	–
Transfers	–2	4	–
At 31 Dec 2010/1 Jan 2011	10	21	–
Currency adjustments	–	–	–
Additions due to acquisitions	–	–	–
Impairments	–	1	1
Disposals	–	–	–
Transfers	–	–6	–
At 31 Dec 2011	10	16	1
Net book value at 31 Dec 2011	754	87	230
Net book value at 31 Dec 2010	678	80	258

	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans	Strategic liquidity reserve	Total
Net book value at 31 Dec 2011	754	87	230	601	1,672
Net book value at 31 Dec 2010	678	80	258	–	1,016

There were unrecognised gains of EUR 2 m at 31 December 2011 relating to investments in associates and joint ventures (2010 unrecognised losses of EUR 5 m) In addition, there were charge-free guarantee agreements at the balance sheet date in respect of associates and joint ventures of EUR 28 m (2010 EUR 31 m) These are disclosed as contingent liabilities in Note [38]

Associates and joint ventures are listed in Note [41] The aggregate amounts of the share of net assets and results of operations of the associates and joint ventures were as follows

Statement of financial position

	Investments in associates and joint ventures (at equity)	
in € million	31 12 2011	31 12 2010[1]
Non-current assets	1,358	1,253
Inventories	7	7
Other current assets	152	112
Cash and cash equivalents	61	70
Total assets	1,578	1,442
Equity excluding non-controlling interests	535	450
Non-current liabilities	868	855
Current liabilities	175	137
Total equity and liabilities	1,578	1,442

[1] Adjusted for the effects of companies locally accounted at equity which were not included in 2010

Statement of profit or loss

	Investments in associates and joint ventures (at equity)	
in € million	2011	2010[1]
Sales	464	409
Cost of sales	371	326
Gross profit on sales	93	83
Other operating income and expenses	5	-1
EBIT	98	82
Financial result	18	25
Earnings before taxes on income	116	107
Taxes on income	23	23
Earnings after taxes on income	93	84

[1] Adjusted for the effects of companies locally accounted at equity which were not included in 2010

[17] Inventories

in € million	31.12.2011	31.12.2010
Raw materials and supplies	103	87
Work in progress, unfinished goods and services	238	233
Finished goods	447	422
Merchandise	159	136
Payments in advance to suppliers	89	78
Group	**1,036**	**956**

At 31 December 2011, an aggregate amount of EUR 88 m was recognised as an inventory allowance (2010: EUR 84 m).

[18] Receivables from finance leases, Trade receivables, Other receivables and other assets and Income tax receivables

	Current		Non-current		Total	
in € million	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Receivables from finance leases	50	48	302	344	352	392
Receivables from percentage of completion contracts	102	52	–	–	102	52
Other trade receivables	1,928	1,803	–	–	1,928	1,803
Trade receivables	2,030	1,855	–	–	2,030	1,855
Other tax receivables	175	100	22	26	197	126
Derivatives with positive fair values	129	92	87	127	216	219
Prepaid pension costs	–	–	327	332	327	332
Miscellaneous receivables and assets	254	291	90	81	344	372
Other receivables and other assets	558	483	526	566	1,084	1,049
Income tax receivables	97	105	5	–	102	105

Receivables from finance leases

Almost all the receivables from finance leases relate to agreements which are classified as embedded finance leases according to IFRIC 4/IAS 17. The counterparty risk arising from receivables from finance leases is covered by the air separation plants and other plants underlying the contracts.

The data relating to receivables from finance leases is as follows

in € million	31.12.2011	31.12.2010
Total minimum lease payments (gross investment)	440	506
due within one year	71	72
due in one to five years	248	258
due in more than five years	121	176
Present value of minimum lease payments	352	392
due within one year	50	48
due in one to five years	195	192
due in more than five years	107	152
Unearned finance income included in the minimum lease payments	88	114

Receivables from percentage of completion contracts
Receivables from percentage of completion (PoC) contracts comprise the aggregate amount of costs incurred and recognised profits, less advance payments received.

At the balance sheet date, costs incurred and profits recognised on long-term construction contracts amounted to EUR 4,450 bn (2010: EUR 3,073 bn), offset against advance payments received of EUR 4,888 bn (2010: EUR 3,608 bn), giving rise to receivables of EUR 102 m (2010: EUR 52 m) and liabilities of EUR 540 m (2010: EUR 587 m).

Other trade receivables
Other trade receivables are due from a large number of customers in a wide variety of industry sectors and many different regions. To assess the recoverability of accounts receivable, the creditworthiness of customers is subject to constant review. Credit loss insurance is taken out if required.

Financial assets past due but not impaired

31.12.2011, in € million	30–60 days	60–90 days	90–180 days	> 180 days
Trade receivables	55	24	4	1
Miscellaneous receivables and assets	1	–	–	–

31.12.2010, in € million	30–60 days	60–90 days	90–180 days	> 180 days
Trade receivables	54	26	3	1
Miscellaneous receivables and assets	–	–	–	–

In the case of financial assets which are neither past due nor impaired, there were no indications at the balance sheet date of any potential impairment.

[19] Securities

Short-term securities rose during the reporting period from EUR 17 m to EUR 1 073 bn The increase was due to investment in available-for-sale securities of EUR 1 063 bn (2010 EUR 8 m) i e the short-term investment of non-restricted funds as part of the Group's cash management There were held-to-maturity securities at the balance sheet date of EUR 10 m (2010 EUR 9 m) Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set

[20] Cash and cash equivalents

Cash and cash equivalents of EUR 1 000 bn (2010 EUR 1 159 bn) comprise mainly cash at banks and money market funds which have maturities of three months or less

Cash and cash equivalents

in € million	31 12 2011	31 12 2010
Bank balances	431	546
Money market funds	488	518
Cheques	2	2
Cash	2	4
Cash equivalents	77	89
Group	**1,000**	**1,159**

The Linde Group concludes Credit Support Annexes (CSAs) with banks to reduce counterparty risk 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 The amount disclosed in cash equivalents as a result of these agreements was EUR 45 m (2010 EUR 53 m)

[21] Non-current assets classified as held for sale and disposal groups

The land and buildings from the EMEA reportable segment disclosed in 2010 in "Non-current assets classified as held for sale and disposal groups" were sold in the 2011 financial year No impairment losses were recognised in 2010 when the assets were reclassified under this heading

[22] Equity

in €	31 12 2011	31 12 2010
Capital subscribed	437,917,186 56	435,960,168 96
Authorised capital (total)	100,000,000 00	100,000,000 00
Authorised Capital I	20,000,000 00	20,000,000 00
Authorised Capital II	80,000,000 00	80,000,000 00
Conditionally authorised capital (total)	96,742,446 08	98,699,463 68
2002 conditionally authorised capital	3,988,958 72	5,043,717 12
2007 conditionally authorised capital	7,753,487 36	8,655,746 56
2010 conditionally authorised capital	85,000,000 00	85,000,000 00

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 437,917,186 56 and is fully paid up It is divided into 171,061,401 shares at a par value of EUR 2 56 per share The shares are bearer shares Each share confers a voting right and is entitled to dividend The entitlement to dividend can be excluded either by law (e g in the case of own shares) or by a provision of the articles of association, or by a resolution at the Annual General Meeting (e g in respect of the commencement of the dividend entitlement of new shares in the year of issue if the shares are issued prior to the Annual General Meeting)

In the 2011 financial year, 412,015 new shares were issued out of 2002 conditionally authorised capital to service the Management Incentive Programme for executives Share capital increased as a result by EUR 1,054,758 40 As a result of the issue of 352,445 new shares out of 2007 conditionally authorised capital to service the Long Term Incentive Plan, share capital increased by EUR 902,259 20 Overall, share capital in the 2011 financial year increased by EUR 1,957,017 60, from EUR 435,960,168 96 to EUR 437,917,186 56, divided into 171,061,401 shares

	2011	2010
Number of shares at 1 Jan	170,296,941	168,907,096
Exercise of Management Incentive Programme (MIP 2002)	412,015	1,255,371
Exercise of Long Term Incentive Plan (LTIP 2007)	352,445	134,474
Number of shares at 31 Dec	171,061,401	170,296,941

Authorised capital

At 31 December 2011, the authorised capital comprised the following

Authorised Capital I

Authorised Capital I, whereby the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 25,106,534 40 until 7 June 2010 against cash contributions by issuing new bearer shares on one or more occasions, was abolished as a result of a resolution passed at the Annual General Meeting on 4 May 2010

Based on a resolution passed at the Annual General Meeting on 4 May 2010, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 20,000,000 00 until 3 May 2015 against cash or non-cash contributions by issuing, on one or more occasions, up to 7,812,500 new bearer shares at a par value of EUR 2 56 The shareholders are granted subscription rights as a result The new shares must be offered for subscription to the shareholders However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares of the same type traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of capital subscribed which relates to those shares which are used to service options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or corporate mergers. The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude subscription rights for an amount of up to EUR 3,500,000.00 to the extent necessary to issue shares to the employees of Linde AG and/or its affiliated companies while excluding the subscription rights of shareholders. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Authorised Capital II

The Executive Board was further authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 80,000,000.00 until 4 June 2012 against cash or non-cash contributions by issuing, on one or more occasions, up to 31,250,000 new bearer shares at a par value of EUR 2.56. The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of the capital subscribed which relates to those shares which are used to service the options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or corporate mergers The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights)

Conditionally authorised capital

The conditionally authorised capital at 31 December 2011 comprised the following

2002 conditionally authorised capital

The issued share capital can be increased by up to EUR 3,988,958 72, divided into 1,558,187 new shares with a par value of EUR 2 56 if certain conditions are met It was resolved at the Annual General Meeting on 14 May 2002 to create conditionally authorised capital of EUR 15,360,000 00, divided into 6,000,000 new shares The Executive Board was authorised, with the approval of the Supervisory Board, to issue by 14 May 2007 up to 6,000,000 subscription rights to shares to members of the Executive Board of the company, members of the management boards of affiliated companies as defined by §§ 15 ff of the German Stock Corporation Law (AktG) and to selected executives, each with a term of seven years (Management Incentive Programme) The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board at the Annual General Meeting on 14 May 2002, exercise their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit

In the 2011 financial year, options under the Management Incentive Programme were exercised As a result, 2002 conditionally authorised capital was reduced by EUR 1,054,758 40 from EUR 5,043,717 12 EUR to EUR 3,988,958 72, divided into 1,558,187 shares The issued share capital increased in 2011 as a result

2007 conditionally authorised capital

The issued share capital can be increased by up to EUR 7,753,487 36 by the issue of up to 3,028,706 new bearer shares with a par value of EUR 2 56 if certain conditions are met The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other executives in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies, in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007 (Long Term Incentive Plan) The conditionally authorised share capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares The new shares will participate in profit from the beginning of the financial year in which they are issued If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year

In the 2011 financial year, options from the Long Term Incentive Plan were exercised As a result, the 2007 conditionally authorised capital was reduced by EUR 902,259 20 from EUR 8,655,746 56 to EUR 7,753,487 36, divided into 3,028,706 shares The issued share capital increased in 2011 as a result

2010 conditionally authorised capital

The issued share capital can be increased by up to EUR 85,000,000 00 by the issue of up to 33,203,125 new bearer shares with a par value of EUR 2 56 if certain conditions are met (2010 conditionally authorised capital) The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds and warrant-linked bonds, both existing bonds and in addition convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders or obligors of convertible bonds to

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be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, settle their conversion obligations, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

Authorisation to purchase own shares

The Executive Board is authorised until 3 May 2015 by a resolution passed at the Annual General Meeting on 4 May 2010 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers.

The own shares acquired under this authorisation may

- → be sold via the stock exchange or by an offer to all shareholders,
- → with the approval of the Supervisory Board, also be sold otherwise,
- → with the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies and in the course of corporate mergers,
- → be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
- → be granted, in the case of a sale of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation,
- → be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
- → be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7), or be redeemed, with the approval of the Supervisory Board.

Notification of voting rights

The following notifications were received by the company from investors who have exceeded or fallen below certain threshold percentages of voting rights set out in § 21 (1) or (1a) of the German Securities Trading Law (WpHG).

1. Allianz SE

Allianz SE, Munich, Germany, informed us in writing on 23 February 2011 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Allianz SE fell below the 3 percent threshold on 21 February 2011 and stood at 2.97 percent (5,051,187 voting rights). Of the 2.97 percent, 2.96 percent of the voting rights (5,045,068 voting rights) are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 1 WpHG and 0.004 percent of the voting rights (6,119 voting rights) are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 6 WpHG.

In addition, Allianz SE informed us of the following in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG:

The share of voting rights in Linde AG held by Allianz Deutschland AG, Munich, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2.99 percent (5,092,869 voting rights). These voting rights are attributable to Allianz Deutschland AG in accordance with § 22 (1), sentence 1, No. 1 WpHG.

The share of voting rights in Linde AG held by Jota Vermögensverwaltungsgesellschaft mbH, Munich, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2 96 percent (5,032,742 voting rights) These voting rights are attributable to Jota Vermogensverwaltungsgesellschaft mbh in accordance with § 22 (1), sentence 1, No 1 WpHG

The share of voting rights in Linde AG held by Allianz Lebensversicherung AG, Stuttgart, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2 96 percent (5,032,742 voting rights)

2 BlackRock, Inc , New York, USA

BlackRock, Inc , New York, USA, informed us in writing on 20 May 2011 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by BlackRock, Inc exceeded the 5 percent threshold on 16 May 2011 and on that day reached 5 02 percent (8,548,805 voting rights) The voting rights are attributable to BlackRock, Inc in accordance with § 22 (1), sentence 1, No 6 and sentence 2 WpHG

BlackRock Financial Management, Inc , New York, USA, informed us in writing on 7 December 2009 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by BlackRock Financial Management, Inc exceeded the 3 percent threshold on 1 December 2009 and stood at 3 14 percent (5,291,730 voting rights) All the voting rights are attributable to BlackRock Financial Management, Inc in accordance with § 22 (1), sentence 1, No 6 in conjunction with sentence 2 WpHG

BlackRock Holdco 2, Inc , New York, USA, informed us in writing on 7 December 2009 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by BlackRock Holdco 2, Inc exceeded the 3 percent threshold on 1 December 2009 and stood at 3 14 percent (5,291,730 voting rights) All the voting rights are attributable to BlackRock Holdco 2, Inc , New York, USA, in accordance with § 22 (1), sentence 1, No 6 in conjunction with sentence 2 WpHG

3 Capital Research and Management Company

Capital Research and Management Company, Los Angeles, USA, informed us in writing on 1 November 2010 in accordance with §§ 21 (1), 22 (1) WpHG that the share of voting rights in Linde AG held by Capital Research and Management Company fell below the 5 percent threshold on 25 October 2010 At that date, Capital Research and Management Company held 4 94 percent of all voting rights in Linde AG (8,389,290 voting rights) All the voting rights are attributable to Capital Research and Management Company in accordance with § 22 (1), sentence 1, No 6 WpHG

4 Sun Life Financial Inc

Sun Life Financial Inc , Toronto, Canada, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial Inc exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1325 percent (8,647,941 voting rights) 5 1098 percent of the voting rights (8,609,626 voting rights) are attributable to Sun Life Financial Inc in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG 0 0227 percent of the voting rights (38,315 voting rights) are attributable to Sun Life Financial Inc in accordance with § 22 (1), sentence 1, No 1 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Sun Life Global Investment Inc , Toronto, Canada, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Global Investment Inc exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Sun Life Global Investment Inc in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Sun Life Assurance Company of Canada - U S Operations Holdings, Inc , Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Assurance Company of Canada - U S Operations Holdings, Inc , exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Sun Life Assurance Company of Canada - U S Operations Holdings, Inc , in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Sun Life Financial (U S) Holdings, Inc , Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial (U S) Holdings, Inc , exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Sun Life Financial (U S) Holdings, Inc , in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Sun Life Financial (U S) Investments LLC, Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial (U S) Investments LLC exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Sun Life Financial (U S) Investments LLC in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Sun Life of Canada (U S) Financial Services Holdings, Inc , Boston, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life of Canada (U S) Financial Services Holdings, Inc , exceeded the 5 percent holding on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Sun Life of Canada (U S) Financial Services Holdings, Inc , in accordance with § 22 (1), sentence 1, No 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Massachusetts Financial Services Company (MFS), Boston, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Massachusetts Financial Services Company (MFS), Boston, USA, exceeded the 5 percent threshold on 26 January 2009 and stood at 5 1098 percent (8,609,626 voting rights) These voting rights are attributable to Massachusetts Financial Services Company (MFS) in accordance with § 22 (1), sentence 1, No 6 WpHG None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own

Capital reserve

The capital reserve comprises the premiums arising on the issue of shares and the expenses relating to the issue of option rights to employees in accordance with IFRS 2 *Share-based Payments*

Revenue reserves

Included under this heading are the past earnings of the companies included in the Group financial statements, to the extent that these have not been distributed In addition, actuarial gains and losses relating to pension provisions are allocated directly to revenue reserves and form a component thereof This makes it quite clear that these amounts will not be transferred to profit or loss in future periods

In the 2011 financial year, a total amount of EUR 4 m was offset against revenue reserves This was the result of the Group increasing its stake in its subsidiary Abelló Linde, Barcelona, Spain, in which an additional 5 percent of the shares was acquired The amount offset against revenue reserves is the difference between the purchase price of the additional shares and the shares acquired from the non-controlling shareholders

In addition, a deferred tax asset of EUR 48 m (2010 deferred tax liability of EUR 60 m) was recognised in the movement in revenue reserves as a result of actuarial gains and losses and the effect of the limit on a defined benefit asset (asset ceiling as set out in IAS 19 58)

Cumulative changes in equity not recognised through the statement of profit or loss

Disclosed under this heading are the differences arising on the translation of the financial statements of foreign subsidiaries and gains or losses on the remeasurement of securities and derivative financial instruments, accounted for in equity rather than being recognised in the statement of profit or loss

Movements in Cumulative changes in equity not recognised through the statement of profit or loss were as follows

	2011			2010		
in € million	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Movement in currency translation differences	138	–	138	1,390	–	1,390
Movement in unrealised gains/losses on available-for-sale financial assets						
Movement in accumulated unrealised gains/losses	6	–1	5	–7	2	–5
Unrealised gains/losses on available-for-sale financial assets	6	–1	5	–7	2	–5
Movement in unrealised gains/losses on derivative financial instruments						
Movement in accumulated unrealised gains/losses	–108	7	–101	–182	2	–180
Realised gains/losses	–8	2	–6	19	–5	14
Unrealised gains/losses on derivative financial instruments	–116	9	–107	–163	–3	–166

Non-controlling interests

The interests of the non-controlling shareholders in equity relate mainly to the following Group companies

in € million	31 12 2011	31 12 2010
BOC LienHwa Industrial Gases Co Ltd, Taiwan	218	205
African Oxygen Limited, South Africa	107	124
MIG Production Co Ltd, Thailand	33	32
Saudi Industrial Gas Co Ltd, Saudi Arabia	30	32
Linde Gas Algérie S p A, Algeria	24	20
BOC India Ltd, India	19	19
Abelló Linde S A, Spain	18	24
Linde Engineering Dalian Co Ltd, China	18	16
Linde-Huayi (Chongqing) Gases Co Ltd, China	17	–
BOC Bangladesh Ltd, Bangladesh	8	8
Various other companies	48	34
	540	**514**

Capital employed

To ensure the medium-term and long-term success of the Group, return on capital employed (ROCE) is used as the core performance indicator Capital employed is defined for this purpose as the average of the figures at the balance sheet date for the current financial year and the prior financial year

Capital employed

Equity
\+
Financial debt
\+
Liabilities from finance leases
\+
Net pension obligations
–
Cash, cash equivalents and securities
–
Receivables from finance leases

The return figure used in the calculation comprises EBIT before non-recurring items (including income from associates and joint ventures, excluding financing costs for pension obligations) plus the amortisation of fair value adjustments identified in the course of the purchase price allocation See Note [40] for information about the calculation of ROCE

[23] Provisions for pensions and similar obligations

in € million	31 12 2011	31 12 2010
Provisions for pensions	912	860
Provisions for similar obligations	26	24
Total provisions	938	884
Pension assets	327	332

Pension provisions are recognised in accordance with IAS 19 *Employee Benefits* for obligations relating to future benefits and current benefits payable to current and future employees of The Linde Group and their surviving dependants

Different countries have different pension systems, due to the variety of legal, economic and fiscal conditions applicable in each country These are generally based on the remuneration and length of service of the employees

The provisions for similar obligations include bridging payments in Germany as well as other obligations

Occupational pension schemes can be either defined contribution or defined benefit schemes In the case of defined contribution plans, the company incurs no obligation other than the payment of contributions to an external pension fund The total of all pension costs relating to defined contribution plans in 2011 was

EUR 124m (2010 EUR 114m) Of this amount, contributions to state pension schemes in 2011 totalled EUR 66m (2010 EUR 59m)

In the case of defined benefit plans (see glossary), the company's obligation is to meet the defined benefit commitments to current and former employees Two different methods can be distinguished the recognition of provisions for pensions and the use of externally financed pension schemes

For the external financing of pension obligations, The Linde Group uses standard international models for the transfer of pension assets (e g pension funds and contractual trust arrangements) Pension plans financed via external pension funds exist principally in Australia, Canada, Germany, Hong Kong, Ireland, the Netherlands, New Zealand, Norway, South Africa, Spain, Switzerland, the UK and the US

The amount of the pension obligation (actuarial present value of the defined benefit obligation, or DBO) is calculated using actuarial valuation methods, which require the use of estimates

In addition to assumptions about mortality and disability, the following assumptions which depend on the economic situation in that particular country are also relevant, so that for countries outside Germany weighted average figures based on the obligation are given

	Germany		UK		Other Europe		USA & Kanada		Other countries	
in percent	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Discount rate	4 60	4 80	4 80	5 60	3 80	3 90	4 72	5 27	5 57	7 10
Expected return on plan assets	4 70	5 00	4 80	6 00	4 59	4 99	4 94	5 63	7 71	7 61
Growth in future benefits	2 50	2 50	2 50	3 62	2 97	2 81	3 00	3 00	4 53	5 08
Growth in pensions	2 00	2 00	3 10	3 30	1 11	0 87	2 14	2 05	2 83	3 77

The growth in future benefits comprises expected future increases in salaries, which are estimated annually, taking inflation and the economic situation into account The information about the sensitivity of individual actuarial parameters is given in Note [7] Accounting policies under the heading "Discretionary decisions and estimates"

The actuarial present value of the pension obligations, calculated on the basis of the projected unit credit-method, is reduced by the fair value of the plan assets where these are held in an externally financed pension fund If the plan assets exceed the obligations from the pension commitments, an asset is disclosed in accordance with IAS 19 *Employee Benefits* According to IAS 19 58, an asset may be recognised where a defined benefit plan has been overfunded only if The Linde Group, under its obligation as an employer, has the right to receive a refund of the contributions in cash or to reduce future contributions

If the assets do not cover the obligation, the net obligation after deducting any past service cost is recognised under provisions for pensions

Increases or decreases in the present value of the defined benefit obligation or in the fair value of the plan assets may give rise to actuarial gains or losses, which might be caused, for example, by changes in the parameters used in the calculation, changes in estimates with regard to risk trends of pension obligations or differences between the actual and expected return on plan assets

In some countries, Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements In certain countries, however, these increases in plan assets will not lead to the recognition of an asset because of the asset ceiling described in IAS 19 58 (IFRIC 14) Therefore, during the reporting period, there was no increase in the pension provision or decrease in pension assets not affecting income for plans with contribution obligations of this type

Reconciliation of the defined benefit obligation and the plan assets

	Germany		UK	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
At 1 Jan 2010	858	308	2,637	2,327
Current service cost	15	–	38	–
Interest cost	43	–	148	–
Expected return on plan assets	–	17	–	147
Employers' contributions	–	1	–	117
Employees' contributions	8	8	1	1
Actuarial gains/losses	40	-7	-196	113
Effects of changes in exchange rates	–	–	88	79
Pension payments made	-48	-1	-101	-101
Past service cost	–	–	-29	–
Changes in Group structure/other changes	-1	-1	–	–
Plan curtailments	–	–	–	–
Plan settlements	–	–	–	–
At 31 Dec 2010 /01 Jan 2011	915	325	2,586	2,683
Current service cost	16	–	31	–
Interest cost	43	–	141	–
Expected return on plan assets	–	16	–	160
Employers' contributions	–	–	–	117
Employees' contributions	8	8	1	1
Actuarial gains/losses	21	27	253	171
Effects of changes in exchange rates	–	–	84	89
Pension payments made	-48	–	-102	-102
Past service cost	–	–	-16	–
Changes in Group structure/other changes	–	–	–	–
Plan curtailments	–	–	–	–
Plan settlements	–	–	–	–
At 31 Dec 2011	955	376	2,978	3,119

	Other Europe		USA & Canada		Other countries		Total	
	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
	560	441	427	497	262	323	4,744	3,896
	14	-	17	-	9	-	93	-
	25	-	26	-	23	-	265	-
	-	22	-	31	-	29	-	246
	-	19	-	8	-	7	-	152
	6	6	-	-	1	1	16	16
	41	10	12	25	11	-	-92	141
	37	22	34	36	50	63	209	200
	-30	-24	-24	-22	-30	-29	-233	-177
	-	-	-	-	-	-	-29	-
	-1	-	-	-	-	-6	-2	-7
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	652	496	492	575	326	388	4,971	4,467
	15	-	17	-	9	-	88	-
	26	-	25	-	18	-	253	-
	-	25	-	31	-	22	-	254
	-	17	-	3	-	6	-	143
	6	6	-	-	1	1	16	16
	46	-2	13	-30	2	-13	335	153
	6	4	16	16	-21	-32	85	77
	-31	-26	-22	-20	-26	-24	-229	-172
	-	-	-	-	-	-	-16	-
	-	-	-	-	-96	-96	-96	-96
	-1	-	-3	-	-	-	-4	-
	-	-	-	-	-2	-	-2	-
	719	520	538	575	211	252	5,401	4,842

Funding status of the defined benefit obligations

	Germany		UK	
in € million	2011	2010	2011	2010
Actuarial present value of pension obligations (defined benefit obligation)	955	915	2,978	2,586
of which unfunded pension obligations	345	334	–	–
of which funded pension obligations	610	581	2,978	2,586
Fair value of plan assets	376	325	3,119	2,683
Net obligation	579	590	-141	-97
Cumulative effect of asset ceiling	–	–	–	–
Past service cost	–	–	–	–
At 31 December	579	590	-141	-97
of which pension provision (+)	579	590	–	–
of which pension asset (-)	–	–	-141	-97

Portfolio structure of pension assets

in percent	31.12.2011	31.12.2010
Equities	20	25
Fixed-interest securities	64	57
Property	3	5
Insurance	1	1
Other	12	12
	100	**100**

The pension expense relating to defined benefit plans can be analysed as follows

	Germany		UK	
in € million	2011	2010	2011	2010
Current service cost	16	15	31	38
Interest cost	43	43	141	148
Expected return on plan assets	-16	-17	-160	-147
Amortisation of past service cost	–	–	-16	-29
Plan curtailments/plan settlements	–	–	–	–
	43	41	-4	10

	Other Europe		USA & Canada		Other countries		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	719	652	538	492	211	326	5,401	4,971
	97	121	76	75	13	20	531	550
	622	531	462	417	198	306	4,870	4,421
	520	496	575	575	252	388	4,842	4,467
	199	156	-37	-83	-41	-62	559	504
	26	20	–	2	–	2	26	24
	–	–	–	–	–	–	–	–
	225	176	-37	-81	-41	-60	585	528
	230	176	83	80	20	14	912	860
	-5	–	-120	-161	-61	-74	-327	-332

	Other Europe		USA & Canada		Other countries		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	15	14	17	17	9	9	88	93
	26	25	25	26	18	23	253	265
	-25	-22	-31	-31	-22	-29	-254	-246
	–	–	–	–	–	–	-16	-29
	-1	–	-3	–	-2	–	-6	–
	15	17	8	12	3	3	65	83

During the reporting period, some changes were made to the conditions which apply to the pension plan in the UK These changes comprise mainly an increase in members' contributions, as well as some restrictions to pensionable earnings and to cap the increases on pensions in payment As a result of these amendments, income of EUR 16 m relating to negative past service cost in pension plans was recognised In the segment information, this income is disclosed in operating profit as part of corporate activities Corporate activities and consolidation adjustments are included in the reconciliation column Moreover, the current service cost for this pension plan is lower than in previous years These measures are intended to ensure the long-term financial viability of the pension plan

In South Africa, there was a plan settlement for certain parts of the pension plan as a result of the purchase of an insurance contract which fully covers the future pension commitments concerned The insurance contract was acquired using funds of EUR 96 m from the plan assets The income resulting from the transaction was EUR 2 m In addition, there were plan curtailments in several countries

Actual income from plan assets in external pension funds was EUR 407 m (2010 EUR 387 m) The result from plan assets was significantly higher than the expected return on plan assets of EUR 254 m (2010 EUR 246 m) The expected return on plan assets is determined on the basis of market yields on long-term government bonds applicable at the balance sheet date and of supplementary amounts for the expected additional yield in various asset categories in the following financial year

Under IFRS, actuarial gains and losses should be divided into those arising from changes in assumptions and those not arising from changes in assumptions (experience adjustments)

Experience adjustments

in € million	2011	2010	2009	2008	2007
Pension obligation (as at 31 12)	5,401	4,971	4,744	4,097	5,152
Experience adjustment	34	-54	29	-40	-40
Plan assets (as at 31 12)	4,842	4,467	3,896	3,453	4,813
Experience adjustment	153	141	253	-947	-45
Net obligation	559	504	848	644	339

Payments to increase plan assets in external pension funds in the 2012 financial year are expected to amount to EUR 96 m Payments in the 2011 financial year were EUR 143 m From 2012 on, Linde will no longer be required to make special payments to the UK pension fund included in the BOC acquisition agreement Special payments of EUR 80 m were made to the UK pension fund in 2011 However, as a result of the ongoing shortfall in the UK pension plans in accordance with local valuation rules, it is anticipated that special payments of EUR 30 m will be made in 2012 The individual components of the net pension expense for the following year are calculated on the basis of existing data The expense for newly acquired pension entitlements and the interest cost for each respective financial year are determined each year on the basis of the prior year's defined benefit obligation at the relevant valuation date

[24] Other provisions

At the balance sheet date, Other provisions had the following maturity structure

in € million	Current		Non-current		Total	
	2011	2010	2011	2010	2011	2010
Provisions for taxes	602	571	–	–	602	571
Obligations from delivery transactions	116	133	96	98	212	231
Warranty obligations and risks from transactions in course of completion	112	114	66	97	178	211
Obligations relating to personnel	396	393	83	81	479	474
Insurance obligations	–	–	10	13	10	13
Dismantling obligations	17	6	116	103	133	109
Other obligations	212	298	74	95	286	393
Miscellaneous provisions	853	944	445	487	1,298	1,431
Other provisions	**1,455**	**1,515**	**445**	**487**	**1,900**	**2,002**

The provisions for warranty obligations and risks from transactions in course of completion consist principally of provisions for anticipated losses on transactions in course of completion, for litigation and for guarantees and warranty obligations

The provisions for obligations relating to personnel comprise mainly provisions for pre-retirement part-time work, restructuring, outstanding holidays, anniversaries and wages and salaries not yet paid The provision for obligations relating to pre-retirement part-time work is based on individual contractual agreements

The reinsurance obligations in the 2011 financial year related solely to Priestley Dublin Reinsurance Company Limited

The provisions for dismantling obligations are stated at the discounted settlement amount on the date the plant comes on stream A corresponding item is recognised in tangible assets and is subject to depreciation The provision is compounded over the duration of the underlying contracts Due to the wide range of residual terms of the contracts, the residual term of the provision falls mainly in a range of between one and twenty years Changes in estimates, where these involve a change in assumptions about future cost trends or changes in interest rates, are adjusted for under the relevant balance sheet headings without affecting profit or loss

in € million	At 01.01.2011	Changes in Group structure[1]	Utilisation	Release	Addition	Transfer	At 31.12.2011
Provisions for taxes	571	2	43	23	95	–	602
Obligations from delivery transactions	231	–	52	2	34	1	212
Warranty obligations and risks from transactions in course of completion	211	6	33	59	53	–	178
Obligations relating to personnel	474	3	202	31	233	2	479
Insurance obligations	13	–	–	3	–	–	10
Dismantling obligations	109	6	2	4	24	–	133
Other obligations	393	2	68	105	67	-3	286
Miscellaneous provisions	1,431	17	357	204	411	–	1,298
Other provisions	2,002	19	400	227	506	–	1,900

[1] Including currency differences.

[25] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group, analysed as follows:

	Current		Non-current				Total	
	Due within one year		Due in one to five years		Due in more than five years			
in € million	2011	2010	2011	2010	2011	2010	2011	2010
Subordinated bonds	–	–	–	–	1,461	1,450	1,461	1,450
Other bonds	796	11	1,923	2,738	2,880	1,778	5,599	4,527
Commercial papers (CP)	132	62	–	–	–	–	132	62
Bank loans and overdrafts	349	386	224	234	3	14	576	634
Gross financial debt	1,277	459	2,147	2,972	4,344	3,242	7,768	6,673
Less: Securities	1,073	17	601	–	–	–	1,674	17
Less: Cash and cash equivalents	1,000	1,159	–	–	–	–	1,000	1,159
Net financial debt	-796	-717	1,546	2,972	4,344	3,242	5,094	5,497

Of the subordinated bonds and other bonds at 31 December 2011, EUR 742 m and EUR 2.201 bn respectively (2010: EUR 432 m and EUR 1.852 bn respectively) were in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships outstanding at the year-end which had been agreed, the subordinated bonds of EUR 1.461 bn would have been EUR 69 m lower and the other bonds of EUR 5.600 bn would have been EUR 98 m lower. In total, financial debt has increased by a total of EUR 167 m (2010: EUR 188 m) as a result of fair value hedging relationships.

EUR 167 m of the other bonds was in a cash flow hedging relationship at 31 December 2011 (2010: EUR 76 m).

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise the liquidity risk. 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 The amount arising from these agreements which is disclosed in bank loans and overdrafts within financial debt is EUR 95 m (2010 EUR 156 m), while the amount disclosed in cash equivalents is EUR 45 m (2010 EUR 53 m)

In the 2011 and 2010 financial years, there were no defaults or breaches of loans payable

The bonds are analysed as follows

Fixed-interest bonds

Issuer	Nominal volume in relevant currency (ISO code)	€ million[1]	Weighted average residual term (in years)[2]	Weighted average effective interest rate (in percent)[2,3]
Linde Finance B V, Amsterdam	EUR 5,316 m	5,367	4 42	5 1
Linde Finance B V, Amsterdam	GBP 850 m	1,096	6 97	7 5
Linde Finance B V, Amsterdam	USD 400 m	309	2 87	3 7
African Oxygen Limited, Johannesburg	ZAR 290 m	28	0 92	12 7
		6,800		

[1] Includes adjustments relating to hedging transactions

[2] Subordinated bonds issued by Linde are included only until the end of the period when Linde may first exercise its right to call in the bond

[3] Effective interest rate in the relevant currency

Variable-interest bonds

Issuer	Nominal volume in relevant currency (ISO code)	€ million	Weighted average residual term (in years)	Weighted average coupon (in percent)[1]
Linde Finance B V, Amsterdam	AUD 150 m	117	3 64	5 5
Linde Finance B V, Amsterdam	USD 120 m	93	4 39	1 2
Linde Finance B V, Amsterdam	EUR 50 m	50	6 40	2 1
		260		

[1] Current coupon in the relevant currency

Subordinated bonds

There is a right to call the EUR 700 m and GBP 250 m subordinated bonds issued in July 2006, which have a final maturity date of 14 July 2066 This right applies as from 14 July 2016 If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (three-month Euribor + 4 125 percent for the euro bond and three-month Libor + 4 125 percent for the bond in British pounds) The right to call the loan will then be available every quarter on the due date for interest payment

The coupon payment may be suspended on any due date for interest payment Coupon payments not made will be made up if The Linde Group makes payments for securities pari passu or subordinated securities or Linde AG makes dividend payments

The EUR 400 m subordinated bond issued in July 2003 has no final maturity date, although there is a right to call the loan from 3 July 2013 If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (three-month Euribor + 3 375 percent) The right to call the loan will then be available every quarter on the due date for interest payment

The coupon payment may be suspended as soon as Linde AG fails to pay a dividend Coupon payments may be suspended for a maximum period of five years If Linde AG resumes the dividend payment, or if Linde AG or Linde Finance B V make other payments for securities pari passu or subordinated securities before a period of five years has elapsed, all the cancelled coupon payments are made up

Other bonds

In June 2011, Linde Finance B V issued a new EUR 600 m bond under the EUR 10 bn Debt Issuance Programme The ten-year bond has a fixed interest coupon of 3 875 percent and is guaranteed by Linde AG The proceeds of the transaction were primarily used to finance the tender offer published in May 2011 for the EUR 1 bn bond with a 4 375 percent coupon due in 2012 and the EUR 300 m bond with a 5 375 percent coupon due in 2013 The remaining funds are being used for general corporate purposes Under the terms of the redemption, Linde Finance B V repurchased EUR 276 m of the nominal volume of the EUR 1 bn bond due in 2012 at a price of 102 444 and EUR 84 m of the nominal volume of the EUR 300 m bond due in 2013 at a price of 107 013

In December 2011, Linde Finance B V issued a new EUR 750 m bond This seven-year bond has a coupon of 3 125 percent

Both these transactions have enabled Linde to secure long-term funds at attractive interest rates and to extend the maturity profile of its financial debt In addition, a number of five-year bonds totalling USD 120 m were placed via Linde Finance B V

Euro commercial papers

The Linde Group uses a Euro Commercial Paper Programme for short-term financing Under the programme, the issuers are Linde AG and Linde Finance B V with a guarantee from Linde AG The volume of the programme is EUR 2 bn

Bank loans and overdrafts

The Linde Group currently has an agreed unutilised syndicated revolving credit facility of EUR 2 5 bn, which also serves as back-up for its EUR 2 bn Commercial Paper Programme At 31 December 2011, there were commercial papers issued by Linde Finance B V of EUR 60 m outstanding

The five-year revolving credit facility was agreed in May 2010 with a consortium consisting of 25 of the major German and international banks used by Linde

Financial covenants

As a result of its financial debt, The Linde Group enters from time to time into financial covenants with which it is bound to comply

The credit agreement for the EUR 2 5 bn syndicated credit facility contains no financial covenants

The trust deed relating to the GBP 100 m loan stock bond with a maturity date of 2012/2017, which is disclosed in other bonds, includes various financial covenants at the level of The BOC Group Ltd sub-group The most significant covenants relate to the indebtedness, preferential creditors and any exceptional disposal of the sub-group All the covenants of The BOC Group Ltd were observed in the 2011 and 2010 financial years

The bank and capital market liabilities of African Oxygen Limited include various financial covenants relating to key financial figures in African Oxygen Limited All the financial covenants relating to African Oxygen Limited were fulfilled in the 2011 and 2010 financial years

[26] Liabilities from finance leases

Liabilities from finance leases are repaid over the lease term They have the following residual lease terms at the balance sheet date

Liabilities from finance leases

in € million	31 12 2011	31 12 2010
Total minimum lease payments (gross investment)	93	93
due within one year	15	13
due in one to five years	17	23
due in more than five years	61	57
Present value of minimum lease payments	46	49
due within one year	13	10
due in one to five years	8	16
due in more than five years	25	23
Finance charge included in the minimum lease payments	47	44

The book values of assets held under finance leases are disclosed principally under tangible assets (see Note [15]) These assets comprise distribution equipment, vehicles and other fixtures and fittings Land, land rights and buildings are also included here Some of the lease agreements contain extension clauses, purchase options or price adjustment clauses customary in the market

[27] Trade payables, Other liabilities, Liabilities from income taxes

	Current		Non-current		Total	
in € million	2011	2010	2011	2010	2011	2010
Percentage of completion (PoC)	540	587	–	–	540	587
Other	2,172	1,977	6	5	2,178	1,982
Trade payables	2,712	2,564	6	5	2,718	2,569
Advance payments received from customers	193	174	14	10	207	184
Other taxes	154	119	2	–	156	119
Social security	54	54	1	–	55	54
Derivatives with negative fair values	140	126	97	96	237	222
Sundry liabilities	455	477	80	81	535	558
Other liabilities	996	950	194	187	1,190	1,137
Income tax payables	103	134	96	88	199	222
	3,811	3,648	296	280	4,107	3,928

Percentage of completion trade payables of EUR 540 m (2010 EUR 587 m) relate to advance payments received on construction contracts, where these exceed the state of completion of the contract

Other information

[28] Share option scheme

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting of Linde AG held on 5 June 2007 to introduce a performance share programme for management (Long Term Incentive Plan 2007 – LTIP 2007), under which up to 3 5 million options can be issued over a total period of five years

The aim of LTIP 2007 is to present Linde management worldwide with meaningful performance criteria and to encourage the long-term loyalty of management personnel

Participants are granted options on an annual basis to subscribe to Linde shares, each with a maximum term of three years, two months and two weeks The Supervisory Board determines the allocation of options to the members of the Executive Board of Linde AG Otherwise, the Executive Board determines the participants in the scheme and the number of options to be issued

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 of 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 These arrangements allow for flexibility in the exercise of options

It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash The decision as to how the option entitlements will be met in each case will be made by the appropriate executive bodies of the company The company plans to meet option entitlements in future by issuing new shares, as in 2011

Certain conditions apply to the exercise of the options First of all, the option conditions provide for a qualifying period (vesting period) for the share options of three years from their date of issue At the end of the vesting period, the options may be exercised within a period of four weeks, on condition that the member of the plan is still employed at that time by Linde AG or by a Group company under a service or employment agreement and that he or she is not under notice In special cases where a member of the scheme leaves Linde's employ prematurely, an exception to the above rules may be made Under certain conditions, the exercise period may be shortened or the vesting period lengthened, although the term of the individual tranches may not exceed the maximum term of three years, two months and two weeks Options in a tranche may only be exercised at the end of the vesting period if and to the extent that the three performance targets laid down have been met A performance target may be met irrespective of whether the other performance targets have been met Included in the definition of the three performance targets are minimum targets and stretch targets, the fulfilment of which results in a different number of exercisable options in the tranche

A 40 percent weighting applies to the "adjusted earnings per share" performance target The minimum target is reached if the adjusted diluted earnings per share achieves a compound annual growth rate (CAGR) of 7 percent during the vesting period The stretch target is reached if a CAGR of 12 percent is achieved If the minimum target is reached, 10 percent of the options in a tranche may be exercised and, if the stretch target is reached, 40 percent of the options in a tranche If the CAGR is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates Details of the calculation of "adjusted earnings per share" are given in Note [40] The "adjusted earnings per share" performance target is regarded as a performance condition as defined by IFRS 2

A 30 percent weighting applies to the "absolute total shareholder return" performance target The minimum target is reached if the total shareholder return during the vesting period is 20 percent of the initial value The stretch target is reached if the total shareholder return is 40 percent If the minimum target is reached, 7 5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates The first component of total shareholder return over the three-year period is the change in the share price of Linde AG over the vesting period, which is determined by comparing the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system of the Frankfurt Stock Exchange before the issue date of the options in the relevant tranche and the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system before the third last stock exchange trading day before the exercise period. The other components of total shareholder return are dividends paid and the value of any statutory subscription rights relating to the shares (e.g. as a result of increases in share capital). The "absolute total shareholder return" performance target is regarded as a market condition as defined in IFRS 2 and is included in the measurement of the option price.

A 30 percent weighting applies to the "relative total shareholder return" performance target. The minimum target is reached if the total shareholder return of the Linde AG share exceeds the median of the control group (DAX 30) during the vesting period. The stretch target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the control group (DAX 30) during the vesting period. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. When total shareholder return is calculated, the same comments apply as for the "absolute total shareholder return" performance target. The "relative total shareholder return" performance target is regarded as a market condition as defined in IFRS 2 and is included in the measurement of the option price.

In accordance with IFRS 2 *Share-based Payment*, the total value of share options granted to management is determined at the issue date using an option pricing model. The total value calculated of the share options at the issue date is allocated as a personnel expense over the period in which the company receives service in return from the employee. This period is generally the same as the agreed vesting period. The other side of the entry is made directly in equity (capital reserve).

Movements in the options issued under the Long Term Incentive Plan 2007 were as follows:

Options – Long Term Incentive Plan 2007

	LTIP – Number of options
At 01.01.2010	1,697,242
Options granted	520,340
Exercised	134,474
Forfeited	433,590
Expired	–
At 31.12.2010/01.01.2011	1,649,518
of which exercisable at 31.12.2010	–
Options granted	416,320
Exercised	352,445
Forfeited	143,356
Expired	1,267
At 31.12.2011	1,568,770
of which exercisable at 31.12.2011	–

In 2011, 352,445 options in the 2008 tranche were exercised, which increased capital subscribed by EUR 1 m (2010 EUR 1 m)

The average remaining period in the LTIP 2007 is 15 months (2010 18 months) The exercise price for all the tranches in the LTIP 2007 is EUR 2 56 The average share price when the options were exercised was EUR 116 27

The calculation of the expense is based on the fair value of the options issued, using a Monte Carlo simulation for the fair value calculation The following measurement parameters were used

Monte Carlo simulation model

	1st tranche 2007	2nd tranche 2008	3rd tranche 2009	4th tranche 2010	5th tranche 2011
Date of valuation	02 08 2007	05 06 2008	20 05 2009	01 06 2010	01 06 2011
Expected share volatility (in %)	20 26	22 58	34 60	35 27	34 06
Risk-free interest rate (in %)	4 31	4 28	1 88	0 85	1 89
Expected dividend yield (in %)	1 90	1 90	3 10	2 50	2 50
Initial value of Linde share (in €)	88 45	96 10	59 75	84 54	116 45
Exercise price (in €)	2 56	2 56	2 56	2 56	2 56
Number of participants	840	871	862	868	915

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of these share options into account

Options per exercise hurdle

	Option price in €	Weighting in percent	Total value in €	Probability in percent	Value at 31 12 in €
1st tranche 2007					
Earnings per share	81 30	40	32 52	–	–
Absolute total shareholder return	36 34	30	10 90		10 90
Relative total shareholder return	43 69	30	13 11		13 11
Total		**100**	**56 53**		**24 01**
2nd tranche 2008					
Earnings per share	88 52	40	35 41	94	33 43
Absolute total shareholder return	41 27	30	12 38		12 38
Relative total shareholder return	46 85	30	14 06		14 06
Total		**100**	**61 85**		**59 87**
3rd tranche 2009					
Earnings per share	52 10	40	20 84	100	20 84
Absolute total shareholder return	26 38	30	7 91		7 91
Relative total shareholder return	30 93	30	9 28		9 28
Total		**100**	**38 03**		**38 03**
4th tranche 2010					
Earnings per share	79 64	40	31 86	100	31 86
Absolute total shareholder return	38 85	30	11 66		11 66
Relative total shareholder return	46 78	30	14 03		14 03
Total		**100**	**57 55**		**57 55**
5th tranche 2011					
Earnings per share	105 72	40	42 29	40	16 92
Absolute total shareholder return	52 57	30	15 77		15 77
Relative total shareholder return	61 17	30	18 35		18 35
Total		**100**	**76 41**		**51 04**

In 2011, the probability that the "adjusted earnings per share" performance target would be reached in respect of the third and fourth tranche (allocated in the 2009 and 2010 financial years) of the LTIP 2007 was adjusted As a result of expenses determined in prior years on the basis of other probabilities, there was a negative impact on earnings in the 2011 financial year of EUR 6 m (2010 EUR 4 m), which was recognised in functional costs

The volatility figure underlying the valuation is based on the historical volatility of Linde shares The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group was as follows

Personnel expenses – Long Term Incentive Plan 2007

in € million	2011	2010
Total	30	25

Linde Management Incentive Programme 2002

It was resolved at the Annual General Meeting of Linde AG held on 14 May 2002 to introduce a share option scheme for management (Linde Management Incentive Programme 2002 – MIP 2002), under which up to six million subscription rights could be issued The Linde Management Incentive Programme 2002 expired in the 2006 financial year

The aim of this share option scheme was to allow Linde executives to participate in price rises in Linde shares and thereby in the increase in the value of the company Participants were granted options to subscribe to Linde shares, each with a term of seven years The Supervisory Board determined the allocation of subscription rights to members of the Executive Board of Linde AG Otherwise, the Executive Board, with the approval of the Supervisory Board, determined the number of options to be issued

The options confer the right to subscribe to shares in Linde AG at the exercise price The exercise price for acquiring new shares in Linde AG is 120 percent of the base price The base price is the average closing price of Linde shares in Xetra trading on the Frankfurt Stock Exchange over the last five days before the issue date of the options The establishment of the exercise price also fulfils the legal requirement for a performance target linked to the rise in the share price of the company It only makes economic sense to exercise the option if the share price exceeds the exercise price Setting a performance target of a 20 percent increase in share price links the motivation of the participants in the share option scheme closely with the interests of the shareholders, who are seeking to achieve a medium-term increase in the value of the company

The option conditions provide for a qualifying period for the share options of two years from their date of issue At the end of this period, the options can be exercised during the entire option term i e during the five years from the end of the qualifying period, excluding any blocked periods These are the periods from three weeks before to two days after the public reporting dates of the company, and the last two weeks before the end of the financial year until two days after the announcement of the annual results, and 14 weeks before until the third banking day after the Annual General Meeting In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the Xetra closing price of Linde shares on the exercise date These arrangements allow for flexibility in the exercise of the subscription rights It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and the company As in previous years, the company plans to meet option entitlements in future by issuing new shares For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options if there are exceptional unforeseen movements in the Linde share price This was not the case in the 2011 and 2010 financial years

Participation in the Linde Management Incentive Programme 2002 requires no investment from the executives entitled to options Instead, it is an additional component of their remuneration package

In accordance with IFRS 2 *Share-based Payment*, the total value of share options granted to management will be determined at the issue date using an option pricing model The total value calculated of the share options at the issue date will then be allocated as a personnel expense over the period in which the company receives service in return from the employee This period is generally the same as the qualifying period The other side of the entry is made directly in equity (in the capital reserve)

Movements in the options issued under the Linde Management Incentive Programme 2002 were as follows

Options – Linde Management Incentive Programme 2002

	Number of options	Average exercise price in €
At 01 01 2010	2,429,723	70 18
Options granted		
Exercised	1,255,371	64 24
Forfeited	-	-
Expired	1,302	32 38
At 31 12 2010/01 01 2011	1,173,050	76 58
of which exercisable at 31 12 2010	1,173,050	-
Options granted		
Exercised	412,015	71 61
Forfeited	-	-
Expired	4,500	47 91
At 31 12 2011	756,535	79 45
of which exercisable at 31 12 2011	756,535	-

As a result of the exercise of 412,015 options (2010 1,255,371), capital subscribed increased by EUR 1 m (2010 EUR 3 m) and the capital reserve rose by EUR 29 m (2010 EUR 77 m)

The calculation of the expense is based on the fair value of the subscription rights issued, using the Black-Scholes option pricing model The average share price when the options were exercised was EUR 115 80 (2010 EUR 98 92) The range of exercise prices of options exercisable at the balance sheet date was between EUR 64 88 and EUR 81 76

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining terms of the share options into account

As in 2010, the Linde Management Incentive Programme 2002 had no effect on earnings in 2011

[29] Financial instruments

The following table shows the fair values of financial instruments by category, and includes a comparison of the fair values with their carrying amounts

Financial assets

	Financial instruments			
	Fair value	Carrying amount		
		Cash and cash equivalents	Loans and receivables	Held-to-maturity financial assets
31 December 2011, in € million				
Investments and securities	1,733	–	7	13
Receivables from finance leases	424	–	–	–
Trade receivables	2,030	–	2,030	–
Derivatives with positive fair values	216	–	–	–
Miscellaneous receivables and assets	671	–	203	–
Cash and cash equivalents	1,000	1,000	–	–
Total	**6,074**	**1,000**	**2,240**	**13**

Financial liabilities

	Financial instruments
	Fair value
31 December 2011, in € million	
Financial debt	8,274
Liabilities from finance leases	46
Trade payables	2,178
Derivatives with negative fair values	237
Sundry liabilities	535
Total	**11,270**

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
	–	–	1,713	1,733	–	1,733
	–	–	–	–	352	352
	–	–	–	2,030	–	2,030
	98	118	–	216	–	216
	–	–	–	203	468	671
	–	–	–	1,000	–	1,000
	98	118	1,713	5,182	820	6,002

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
	7,768	–	–	7,768	–	7,768
	–	–	–	–	46	46
	2,178	–	–	2,178	–	2,178
	–	49	188	237	–	237
	429	–	–	429	106	535
	10,375	49	188	10,612	152	10,764

Financial assets

	Financial instruments			
	Fair value	Carrying amount		
		Cash and cash equivalents	Loans and receivables	Held-to-maturity financial assets
31 December 2010, in € million				
Investments and securities	75	–	8	12
Receivables from finance leases	368	–	–	–
Trade receivables	1,855	–	1,855	–
Derivatives with positive fair values	219	–	–	–
Miscellaneous receivables and assets	704	–	266	–
Cash and cash equivalents	1,159	1,159	–	–
Total	**4,380**	**1,159**	**2,129**	**12**

Financial liabilities

	Financial instruments
	Fair value
31 December 2010, in € million	
Financial debt	7,025
Liabilities from finance leases	49
Trade payables	1,982
Derivatives with negative fair values	222
Sundry liabilities	558
Total	**9,836**

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
	–	–	55	75	–	75
	–	–	–	–	392	392
	–	–	–	1,855	–	1,855
	50	169	–	219	–	219
	–	–	–	266	438	704
	–	–	–	1,159	–	1,159
	50	169	55	3,574	830	4,404

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
	6,673	–	–	6,673	–	6,673
	–	–	–	–	49	49
	1,982	–	–	1,982	–	1,982
	–	86	136	222	–	222
	457	–	–	457	101	558
	9,112	86	136	9,334	150	9,484

The fair value of financial instruments is generally determined using stock exchange prices If stock exchange prices are not available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument

The fair value of derivative financial instruments is determined as follows options are valued by external partners using the Black-Scholes option pricing model Futures are measured with recourse to the stock exchange price in the relevant market All other derivative financial instruments are measured by discounting expected future cash flows using the net present value method As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources

These calculations are based on the following interest curves

Interest curves

in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2011								
Interest for six months	1 56	0 75	1 31	0 27	4 65	2 67	7 46	1 19
Interest for one year	1 41	0 69	1 08	0 36	3 87	2 07	7 28	1 11
Interest for five years	1 72	1 27	1 55	0 48	4 29	1 95	7 49	1 58
Interest for ten years	2 36	2 05	2 26	0 98	4 46	2 25	7 49	2 22
2010								
Interest for six months	1 17	0 39	0 99	0 29	5 07	1 95	4 00	1 40
Interest for one year	1 30	0 45	0 90	0 35	5 18	2 23	5 29	1 60
Interest for five years	2 45	2 21	2 65	0 57	5 81	3 16	7 41	2 72
Interest for ten years	3 24	3 41	3 57	1 16	6 02	3 59	7 41	3 43

For loans and receivables which are measured at amortised cost, there are no liquid markets For current loans and receivables and liabilities recognised at amortised cost, it is assumed that the fair value corresponds to the carrying amount For all other loans and receivables, the fair value is determined by discounting future expected cash flows The interest rates applied to the loans are the same as those that would apply to new loans secured with the same risk structure, original currency and maturity

Fair value is determined using the discounted cash flow method, taking into account individual credit ratings and other market circumstances in the form of credit and liquidity spreads generally applied in the market

In the 2011 financial year, there were no differences between the fair value of a financial instrument when it was first recognised and the amount which would have been recognised at that time had the valuation method described above been used

The following table shows the financial instruments in The Linde Group which are measured at fair value Linde uses the following hierarchy to determine and disclose fair values, based on the method used to ascertain the fair values

→ Level 1 Quoted prices in active markets for the same financial instrument
→ Level 2 Valuation techniques for which all significant inputs are based on observable market data
→ Level 3 Valuation techniques for which any significant input is not based on observable market data

Financial assets and liabilities measured at fair value

31 December 2011, in € million	Level 1	Level 2	Level 3
Investments and securities	1,664	–	–
Freestanding derivatives with positive fair values	–	98	–
Derivatives designated as hedging instruments with positive fair values	–	118	–
Freestanding derivatives with negative fair values	–	49	–
Derivatives designated as hedging instruments with negative fair values	–	188	–

Financial assets and liabilities measured at fair value

31 December 2010, in € million	Level 1	Level 2	Level 3
Investments and securities	7	–	45
Freestanding derivatives with positive fair values	–	50	–
Derivatives designated as hedging instruments with positive fair values	–	169	–
Freestanding derivatives with negative fair values	–	86	–
Derivatives designated as hedging instruments with negative fair values	–	136	–

In 2011, there were no transfers of the fair value calculations between Levels 1, 2 and 3 For shares in companies measured to date using Level 3 valuation methods, which were stated at EUR 45 m at 31 December 2010, the necessary parameters to measure the instruments at fair value were not available in the reporting year These financial instruments were therefore measured at the balance sheet date at the last available fair value determined by Level 3 valuation methods of EUR 45 m There were no indications of any impairment arising in the meantime There is currently no intention to sell these financial instruments

Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 49 m (2010 EUR 3 m) for which a fair value cannot be reliably determined For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods There is currently no intention to sell these assets

In the 2011 financial year, net financial gains/losses arose as follows

in € million	2011	2010
From freestanding derivatives	54	–92
From held-to-maturity financial assets	–	–2
From loans and receivables	1	198
From available-for-sale financial assets	3	–7
of which transfers to the statement of profit or loss	–3	–
of which transfers to cumulative changes in equity	6	–7
From financial liabilities at amortised cost	–114	–163
Total	–56	–66

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The net financial gains and losses on financial instruments arise from changes in fair value, the recognition of impairment losses and reversals of impairment losses, eliminations and exchange rate differences In 2011, the net financial gains and losses from loans and receivables include income of EUR 30 m arising from a redemption penalty in respect of the early repayment of a loan relating to the disposal of BOC Edwards in the 2007 financial year In 2010, income of EUR 29 m was recognised under this heading from the reversal of an impairment loss on this loan

The net financial gains and losses correspond to the valuation gains and losses of the financial instruments, but exclude interest and dividends

Freestanding derivatives comprise all those derivatives which are not designated as hedging instruments They include those derivatives in economic hedging relationships not designated as hedges in respect of which gains and losses arising from the underlying transaction and the hedged item are recognised at the same time in the statement of profit or loss even without applying hedge accounting

The financial result includes fees and other costs of capital of EUR 12 m (2010 EUR 18 m) relating to financial instruments not at fair value through profit or loss

No interest income has been accrued which relates to impaired financial instruments, especially receivables

Impairment loss on financial assets

31 December 2011, in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2011 financial year
Investments and securities	1,738	5	1,733	1
Receivables from finance leases	352	–	352	–
Trade receivables	2,234	204	2,030	43
Derivatives	216	–	216	–
Miscellaneous receivables and assets	675	4	671	1
Cash and cash equivalents	1,000	–	1,000	–

31 December 2010, in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2010 financial year
Investments and securities	79	4	75	1
Receivables from finance leases	395	3	392	3
Trade receivables	2,043	188	1,855	45
Derivatives	219	–	219	–
Miscellaneous receivables and assets	707	3	704	6
Cash and cash equivalents	1,159	–	1,159	–

The carrying amounts of the financial assets recognised take into account the highest possible risk of default A summary of financial assets past due but not impaired is presented in Note [18]

The interest income and interest expense from financial instruments not measured at fair value through profit or loss were as follows

Interest income/expense from financial instruments not measured at fair value

in € million	2011	2010
Interest income	54	75
Interest expense	336	332
Group	-282	-257

Not included here are the interest income and expense from derivatives or the interest income and expense from assets and liabilities outside the scope of IFRS 7

Risk positions and risk management

The Linde Group is exposed to a variety of financial risks These include in particular counterparty risk, liquidity risk, interest rate risk, exchange rate risk and other market price risks These are described below For further information about risk management in The Linde Group, see the Group management report

Counterparty risk

Counterparty risk is the risk that a counterparty does not meet his or her contractual payment obligations and that this leads to a loss for The Linde Group

The Linde Group generally deals with counterparties who have good credit ratings Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set Experience during the economic crisis showed that credit standings can change very quickly It is therefore possible that, despite the Group's monitoring process, counterparties might delay payments or fail to make them at all The Linde Group does not believe that it has any significant exposure to default risk arising from any individual counterparty The concentration of the counterparty risk is limited due to the Group's broad and uncorrelated customer base The single largest debtor constitutes less than 1 percent of the total figure for Trade receivables in The Linde Group, with one exception which constitutes around 2 percent of the total

The risk positions outstanding are subject to strict limits and are continually monitored The carrying amounts of financial assets reported in the balance sheet, taking into account impairment losses, represent the highest possible default risk, without including the value of any collateral

A significant criterion for the management of counterparty risk relating to financing and capital market transactions is the credit ratings of the counterparties We limit the extent and duration of any commercial transactions to be concluded accordingly Regular reviews are performed by a supervisory unit which is independent of the trading department to ensure compliance with all the limits set The Linde Group has concluded bilateral credit support annexes (CSAs) with the majority of the banks with which financial instruments are traded On the basis of such agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B V for the purpose of interest rate and currency management are collateralised with cash on a regular basis In this way, the default risk arising from these instruments is minimised A willingness to enter into CSAs with Linde AG and Linde Finance B V is an essential prerequisite to being accepted as a counterparty by Linde In this connection, EUR 45 m (2010 EUR 53 m) was pledged as collateral by The Linde Group for derivatives with negative fair values, and EUR 95 m (2010 EUR 156 m) was received as collateral for derivatives with positive fair values The Linde Group also has financial assets with a carrying amount of EUR 6 m (2010 EUR 2 m) which are pledged as collateral for liabilities or contingent liabilities In the 2011 and 2010 financial years, no additional significant collateral was held by The Linde Group apart from the CSAs described above

Liquidity risk

Liquidity risk is the risk that the Group will no longer be able to meet its financial payment obligations. Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below.

2011, in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	4,440	4,661	3,184
Cash outflows from derivatives with negative fair values	102	780	143
of which settled gross	102	769	77
related cash inflows as a result of gross settlement	71	646	70

2010, in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	3,283	4,605	3,040
Cash outflows from derivatives with negative fair values	113	496	104
of which settled gross	110	475	103
related cash inflows as a result of gross settlement	86	362	93

In the case of derivative financial instruments, only those with negative fair values are included in the cash flows presented above in accordance with IFRS 7.39 (b). In the case of derivatives settled gross, both the cash outflow and the cash inflow on the settlement of the derivative are included in the analysis to avoid distortions in the presentation.

Interest rate risks

Interest rate risks arise from market fluctuations in interest rates. As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2011, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 5.027 bn (2010: EUR 5.414 bn). Of these, EUR 1.098 bn (2010: EUR 1.399 bn) related to instruments bearing interest at variable rates and EUR 3.929 bn (2010: EUR 4.015 bn) to instruments bearing interest at fixed rates. This is equivalent to a fixed-rate ratio of 78 percent (2010: 74 percent).

The Linde Group sees British Pounds, Euro, Australian Dollars and US Dollars as the currencies which have a significant impact on our financing activities. At the balance sheet date, The Linde Group had total holdings of interest-bearing instruments in British Pounds of GBP 281 m (2010: GBP 198 m) [fixed-rate ratio: 91 percent (2010: 100 percent)], in Euro of EUR 2.971 bn (2010: EUR 3.608 bn) [fixed-rate ratio: 77 percent (2010: 65 percent)], in Australian Dollars of AUD 578 m (2010: AUD 613 m) [fixed-rate ratio: 90 percent (2010: 56 percent)] and in US Dollars of USD 1,076 m (2010: USD 1.268 bn) [fixed-rate ratio: 63 percent (2010: 50 percent)].

Based on instruments bearing interest at variable rates and financial instruments hedging interest rate risks which The Linde Group holds or has issued, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects (if exchange rates remained constant)

2011, in € million	Change	Statement of profit or loss	Recognised in equity
Currency			
EUR	+100 bp	-9	-
	-100 bp	10	-2
GBP	+100 bp	-1	-9
	-100 bp	1	9
USD	+100 bp	1	5
	-100 bp[1]	-2	-5
AUD	+100 bp	-1	16
	-100 bp	1	-17
Other currencies	+100 bp	1	9
	-100 bp	-1	-10

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero No negative interest rates were allowed

2010, in € million	Change	Statement of profit or loss	Recognised in equity
Currency			
EUR	+100 bp	-11	-12
	-100 bp[1]	11	13
GBP	+100 bp	2	-
	-100 bp[1]	-2	-
USD	+100 bp	-4	8
	-100 bp[1]	1	-9
AUD	+100 bp	-	8
	-100 bp	-	-8
Other currencies	+100 bp	3	8
	-100 bp	-3	-8

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero No negative interest rates were allowed

Exchange rate risks

Due to its international Group activities, The Linde Group is exposed to exchange rate risks This broad spread of activities over many different currency areas and its local business model result in a low concentration of risk for the Group

The Linde Group monitors and manages its exchange rate risk, a risk which has an impact on its operations The gross exchange rate risk comprises all the operating activities of the Group This gross exchange rate risk is reduced by around 90 percent (2010 90 percent) as a result of hedging operations Therefore, The Linde Group

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is exposed at the balance sheet date to a net exchange rate risk of 10 percent of the total of all operating activities involving foreign currency (2010 10 percent)

The risk of exchange rate movements is monitored for internal management purposes on the basis of a value-at-risk, which relates to positions in currencies other than the relevant functional currency The value-at-risk is calculated on the basis of historical data (250 working days) in accordance with international banking standards The value-at-risk presents the maximum potential loss based on a probability of 97 5 percent for a holding period of twelve months The calculation takes into account correlations between the transactions being considered, the risk of a portfolio is generally lower than the total of the respective individual risks

At 31 December 2011, the value-at-risk was EUR 12 m (2010 EUR 14 m)

Other market price risks

As a result of its energy purchases, The Linde Group is exposed to risks arising from changes in commodity prices The Linde Group monitors and manages these commodity price risks arising from the purchase of electricity and natural gas for use in production These hedging operations are governed by strict risk management guidelines, compliance with which is constantly being monitored Commodity price risks are hedged in the main by long-term supply contracts or limited by the form and structure of sales contracts Derivatives are also used to a much lesser extent to hedge against the exposure to price changes The commodity price risk from financial instruments is therefore not material

Hedge accounting

Cash flow hedges

The Linde Group hedges cash flows at both Group and company levels, based on agreed minimum hedging rates At the company level, future transactions which are highly probable are hedged against foreign exchange rate risks A rolling 15-month budget or the budgets for individual customer-specific projects are used for this purpose

In general, these hedges are accounted for as cash flow hedges in accordance with IAS 39 *Financial Instruments Recognition and Measurement* The effective portion of the gain or loss on the hedging instruments is recognised directly in equity and released to the statement of profit or loss when the hedged cash flows are also recognised in the statement of profit or loss or if a hedged transaction is no longer expected to occur In addition, the risks associated with changes in interest rates relating to certain financial liabilities or future financing measures are hedged by derivative financial instruments and accounted for as cash flow hedges

The Linde Group also hedges the exposure to commodity price risks which arise in the normal course of business from its procurement transactions and results in open risk positions To reduce the extent of the risk, The Linde Group enters into a small number of electricity, natural gas and propane gas derivatives Usually, hedging relationships of this type are also designated as cash flow hedging relationships, if this accords with the facts

If the hedged future transactions (forecast transactions as defined in IAS 39) result in the recognition of a non-financial asset or a liability, the initial carrying amounts of these are adjusted for the amount recorded in equity This is usually the case for inventories and non-current assets

The following table presents a reconciliation of the reserve for cash flow hedges

in € million	2011	2010
At 1 January	-31	-28
Additions	-28	-22
Transfers to the statement of profit or loss	-8	19
of which relating to sales	-1	-7
of which relating to cost of sales	-5	24
of which relating to financial income	-2	2
At 31 December	-67	-31

In the 2011 financial year, an expense of EUR 1 m was recognised in the financial result which related to forecast transactions which did not take place The amount was in respect of interest rate hedges on proposed borrowings In 2010, an amount of EUR 1 m was debited to cost of sales as a result of forecast transactions which did not take place This related to foreign currency hedges in respect of proposed investments in tangible assets

No amounts were recognised in 2011 and 2010 as a result of ineffectiveness in cash flow hedges

Cash flows and the gains and losses from those hedging instruments are expected to be as follows

2011, in € million	Within one year	In one to five years	In more than five years	Total
Cash flows from hedged transactions	-223	-19	-53	-295
Cash flows from hedging instruments	-51	-97	-13	-161
Gain/loss	-31	-26	-10	-67

2010, in € million	Within one year	In one to five years	In more than five years	Total
Cash flows from hedged transactions	-260	-121	-11	-392
Cash flows from hedging instruments	-24	-102	-9	-135
Gain/loss	-8	-22	-1	-31

Fair value hedges

The Linde Group uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes If the hedge is determined to be effective, the carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk

The following table shows the changes in underlying transactions and hedging instruments in fair value hedging relationships recognised in profit or loss

in € million	2011	2010
From hedged transactions	-17	-22
From hedging instruments	17	25
Ineffectiveness	-	3

Hedges of a Net Investment in a Foreign Operation

The Linde Group hedges its exposure to translation risk by taking out loans in foreign currency and by entering into forward exchange contracts These hedges generally qualify as hedges of net investments in foreign operations (referred to below as net investment hedges) in accordance with IAS 39 *Financial Instruments Recognition and Measurement* and hence the effective portion of the hedge is transferred to equity If the foreign operation is subsequently sold or relinquished, the amount recognised in equity is released to the statement of profit or loss

No amounts were recognised in 2011 or 2010 as a result of ineffectiveness in net investment hedges

Fair value of financial instruments designated as hedges

in € million	2011	2010
Cash flow hedges		
Forward exchange transactions	-8	-21
Interest rate swaps	-71	-40
Commodities	-25	2
Financial liabilities	59	15
Fair value hedges		
Interest rate swaps	105	90
Net investment hedges		
Forward exchange transactions	-71	2
Financial liabilities in foreign currencies	780	667
Total	769	715

[30] Group statement of cash flows

The statement of cash flows shows the source and application of funds In accordance with IAS 7 *Statement of Cash Flows*, cash flows from operating activities are distinguished from cash flows from investing and financing activities

The cash and cash equivalents disclosed in the statement of cash flows comprise all cash and cash equivalents disclosed in the balance sheet i e cash in hand, bank balances and money market funds with a maturity of three months or less The cash and cash equivalents are not subject to any drawing restrictions

The cash flows from investing and financing activities are calculated directly on the basis of payments, while the cash flow from operating activities is derived indirectly from earnings before taxes on income

When the cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation and changes in Group structure As a result, it is not possible to reconcile the figures to the differences between the headings in the published balance sheet

Distributions received and income taxes paid included in the cash inflow from operating activities are disclosed separately Cash inflows from associates and joint ventures have been disclosed in cash inflow from operating activities Finance income from embedded finance leases (IFRIC 4/IAS 17) has been included in cash inflow from operating activities, due to the fact that such income is clearly related to the operating activities of The Linde Group Other types of interest payments are included in the cash flow from financing activities

See the Group cash flow statement for cash outflows relating to newly consolidated companies In the Group balance sheet an amount of EUR 4 m (2010 EUR 0 m) has been recognised as liabilities which are not included in the cash outflows for consolidated companies

The total increase in cash and cash equivalents as a result of acquisitions was EUR 1 m (2010 EUR 2 m) There was no change in cash and cash equivalents as a result of disposals

Investing activities comprise additions to and disposals of tangible assets, financial assets, intangible assets and consolidated companies Additions and disposals in foreign currency have been translated at average rates

[31] Segment information

IFRS 8 *Operating Segments* requires operating segments to be defined primarily on the basis of internal management within the organisation The scope of the financial information prepared for segment reporting corresponds to the information made available on a regular basis to the full Executive Board

The organisational structure in the gases business is derived from management at regional level The operating segments within the Gases Division therefore comprise the following eight Regional Business Units (RBUs) North America, South America, Continental & Northern Europe, Africa & UK, Eastern Europe & Middle East, South & East Asia, Greater China and South Pacific These operating segments are aggregated to form the following three reportable segments

→ EMEA (Europe, Middle East and Africa)
→ Asia/Pacific
→ Americas

The Engineering Division and Other Activities are managed separately on a global basis In accordance with IFRS 8, The Linde Group therefore reports in five reportable segments The "Reconciliation" column comprises corporate activities and consolidation adjustments

A brief description of the reportable segments is given below

Gases Division (EMEA, Asia/Pacific and the Americas)

Production, sale and distribution of gases for applications in industry, medicine, environmental protection and in research and development In addition, this division offers technical application know-how, specialised services and the necessary hardware to use the various gases The business model in the three reportable segments within the Gases Division (EMEA, Asia/Pacific and the Americas) is largely identical in each segment

Engineering Division

Design and realisation of turnkey olefin plants for the production of hydrogen and synthesis gases and the processing of natural gas, as well as the construction of air separation plants and pharmaceutical plants This division also develops and manufactures plant components and offers specialised services

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Other Activities
Other Activities principally comprises Gist, a leading supplier of logistics and supply chain solutions with business operations mainly in the UK The contribution made by Fred Butler® in the 2011 financial year was insignificant as a result of the closure of the business operations

Change in segment structure
To meet future operational challenges, the Executive Board of The Linde Group reassigned the Group's regional responsibilities by creating a specific Executive Board portfolio for the Asia/Pacific reportable segment Since the beginning of the first quarter of 2011, Linde's Gases Division has therefore reported on the basis of the three reportable segments EMEA, Asia/Pacific and the Americas Moreover, in the course of the change in internal organisational structure for the EMEA segment, the existing RBUs Africa and UK & Ireland were merged to form RBU Africa & UK, to take better advantage in future of synergies between the two RBUs (process know-how especially in the Business Area Merchant and Packaged Gases) During the reporting period, the segment structure of the Gases Division was adjusted retrospectively to match the change in internal organisational structure

Segment accounting policies

For the reportable segments, the same accounting policies apply as those set out in Note [7] Exceptions apply to Group financing which is generally allocated to Corporate Pension obligations are generally allocated to the segment in which the relevant employees work The provision for existing pension obligations arising from the BOC pension plan in respect of the legal entities in the UK is allocated to the EMEA segment The service cost was charged to the EMEA and Corporate segments Transactions between the reportable segments described above are generally conducted under the same conditions as for non-related third parties

To arrive at the figure for the Gases Division as a whole from the figures for the three reportable segments within the Gases Division, consolidation adjustments of EUR 71 m (2010 EUR 73 m) have been applied to sales Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the figures for the reportable segments in the Gases Division

Segment profit is calculated on the basis of operating profit, which is defined as earnings before interest, tax, depreciation and amortisation (EBITDA), including the share of net profit from joint ventures and associates

Capital expenditure per segment represents the amounts invested during the financial year from the point of view of the subsidiary Included in the "Reconciliation" column are not only the consolidation adjustments required from the Group's point of view, but also adjustments as a result of variances in Group acquisition and manufacturing cost as a result of supplies made by the Engineering Division to the Gases Division

The reconciliations of segment sales to Group sales and segment operating profit to Group earnings before taxes on income are shown below

Reconciliations of segment sales and of the segment result

in € million	2011	2010
Segment sales		
Sales of the reportable segments	14,176	13,238
Consolidation	-389	-370
Group sales	13,787	12,868
Operating profit		
Operating profit from the reportable segments	3,409	3,094
Operating profit from Corporate activities	-130	-72
Amortisation and depreciation	1,300	1,246
of which fair value adjustments identified in the course of the purchase price allocation	242	254
Financial income	359	396
Financial expenses	650	676
Consolidation	-69	-97
Earnings before taxes on income	1,619	1,399

[32] Employees

The average number of employees (including part-time employees pro-rata) can be analysed as follows

	2011	2010
Employees by reportable segment		
Gases Division	38,469	37,398
EMEA	20,819	20,716
Asia/Pacific	10,515	9,747
Americas	7,135	6,935
Engineering Division	6,110	5,678
Other Activities	4,963	4,787
Group	**49,542**	**47,863**

[33] Recommendation for the approval of the annual financial statements and appropriation of profit of Linde AG

The unappropriated profit of Linde AG was EUR 427,653,502 50 (2010 EUR 431,927,035 57)

The annual financial statements of Linde AG prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Law (AktG) are published in the German Federal Gazette (Bundesanzeiger) and filed in the electronic German Federal Gazette

Balance sheet of Linde AG – Assets

in € million	31 12 2011	31 12 2010
Intangible assets	76	51
Tangible assets	335	331
Financial assets	13,661	12,965
Non-current assets	14,072	13,347
Inventories	2,232	1,896
Less advance payments received from customers	–2,232	–1,896
Receivables and other assets	1,018	719
Securities	1,050	–
Liquid assets	499	580
Current assets	2,567	1,299
Prepaid expenses and deferred charges	11	8
Total assets	**16,650**	**14,654**

Balance sheet of Linde AG – Equity and liabilities

in € million	31 12 2011	31 12 2010
Capital subscribed	438	436
Conditionally authorised capital of € 97 million (2010 € 99 million)		
Capital reserve	5,141	5,112
Revenue reserves	2,017	1,917
Unappropriated profit	428	432
Equity	8,024	7,897
Provisions for pensions and similar obligations	455	487
Other provisions	886	949
Provisions	1,341	1,436
Liabilities	7,285	5,321
Total equity and liabilities	**16,650**	**14,654**

Income statement of Linde AG

in € million	2011	2010[1]
Sales	2,028	2,809
Cost of sales	1,204	2,026
Gross profit on sales	**824**	**783**
Marketing and selling expenses	292	290
Research and development costs	135	122
General administration expenses	329	281
Other operating income	328	287
Other operating expenses	198	156
Investment income	422	323
Other interest and similar income	201	177
of which from affiliated companies € 170 million (2010 € 156 million)		
Amortisation of financial assets and securities held as current assets	3	36
Interest and similar charges	297	242
of which to affiliated companies € 247 million (2010 € 196 million)		
Profit on ordinary activities	521	443
Extraordinary result	-	37
Taxes on income	50	48
Net income	**471**	**432**
Transfer to revenue reserves	-43	-
Unappropriated profit	**428**	**432**

[1] Adjusted

The Executive Board recommends to the Supervisory Board that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 8 March 2012, the appropriation of profit of EUR 427,653,502.50 (2010: EUR 431,927,035.57) be voted on at the Annual General Meeting on 4 May 2012:

→ the distribution of a dividend of EUR 2.50 per share entitled to dividend (2010: EUR 2.20).

The amount to be distributed will therefore be EUR 427,653,502.50 (2010: EUR 374,653,270.20), based on 171,061,401 (2010: 170,296,941) shares entitled to dividend.

[34] Related party transactions

In addition to the subsidiaries included in the Group financial statements, Linde AG is related, directly or indirectly, while carrying out its normal business activities to non-consolidated subsidiaries, joint ventures and associates The business relationships with these companies are conducted under the same conditions as for non-related third parties 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, arranged by division

The full list of Group shareholdings (see Note [41]) has been filed in the electronic German Federal Gazette The information about the remuneration of the Executive Board and the Supervisory Board is set out in Note [35]

The volume of transactions of The Linde Group with these related parties was as follows

Services provided by the Group to related parties

	2011				2010			
in € million	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total
Sale of engineering services	1	93	–	94	–	356	–	356
Revenue from the sale of industrial gases	–	18	–	18	–	10	–	10
Other revenue from the sale of finished or unfinished goods or services	–	43	–	43	–	30	–	30

Services provided by related parties to the Group

	2011				2010			
in € million	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total
Industrial gases purchased from related parties	–	7	–	7	–	5	–	5
Finished or unfinished goods or services purchased from related parties	–	127	–	127	–	118	–	118

Some members of the Supervisory Board and Executive Board are, or have been in the past year, active as members of the Supervisory or Executive Boards of other companies Linde has a normal business relationship with almost all these companies The sale of goods and services to these companies takes place under the same conditions as for non-related third parties

At the balance sheet date, receivables from and liabilities to related parties were as follows

in € million	31 12 2011				31 12 2010			
	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	Total
Receivables from related parties	3	265	–	268	3	291	–	294
Liabilities to related parties	1	24	–	25	1	25	–	26

In addition, there were charge-free guarantee agreements at the balance sheet date in respect of bank loans and overdrafts relating to associates and joint ventures of EUR 28 m (2010 EUR 31 m) These are disclosed as contingent liabilities in Note [38] At the balance sheet date, there were also open purchase orders relating to joint ventures of EUR 94 m

[35] Additional information about the Supervisory Board and Executive Board

Supervisory Board

In the 2011 financial year, the total remuneration of members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, was EUR 2,730,447 (2010 EUR 2,504,950) Of this amount, EUR 1,023,107 (2010 EUR 1,023,400) related to fixed emoluments and EUR 1,656,764 (2010 EUR 1,442,280) to variable emoluments

At 31 December 2011, as at the end of 2010, there were no advances or loans to members of the Supervisory Board Moreover, the members of the Supervisory Board received no emoluments or benefits for any personal services they provided, such as consultancy or mediation services

Executive Board

Emoluments of the Executive Board

in €	2011	2010
Fixed emoluments	4,266,645	4,080,077
Variable emoluments	7,518,516	7,821,055
Total cash emoluments	11,785,161	11,901,132

In the 2011 financial year, under the 2007 Performance Share Programme approved at the Annual General Meeting, a total of 68,573 options (2010 78,065 options) were granted to members of the Executive Board as part of their total emoluments These had a value on the grant date of EUR 51 04 (2010 EUR 38 43) per option No expense arose for the company or for the Group as a result of 9,796 options granted in the 2011 financial year to J Kent Masters, a member of the Executive Board until 30 September 2011 All options which had been granted to him but not yet exercised were forfeited on 30 September 2011 on his retirement from the Board

In 2011 and 2010, there were no advances or loans to members of the Executive Board

Total remuneration paid to former members of the Executive Board and their surviving dependants amounted to EUR 2,841,716 (2010 EUR 2,579,839)

A provision of EUR 36,903,317 (2010 EUR 36,147,574) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants In the financial statements of Linde AG, a provision of EUR 35,003,558 (2010 EUR 34,899,136) was made

The remuneration report presents the basic features and the structure of the remuneration of the Executive Board and Supervisory Board It forms part of the Group management report and is presented on pages 023 to 035 of the 2011 annual report

[36] Declaration of Compliance with the German Corporate Governance Code and Declaration on Corporate Governance in accordance with § 289a of the German Commercial Code (HGB)

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Law (AktG) on the recommendations of the German Corporate Governance Code and made it available to shareholders on a permanent basis The Declaration of Compliance has been published on the Internet at www linde com/declarationofcompliance The Declaration on Corporate Governance can be found on the Internet at www linde com/corporategovernance

A detailed commentary on corporate governance in Linde is set out in the Corporate Governance section of this report

[37] Other Board memberships

(Disclosures regarding other Board memberships are as at 31 December 2011)

Supervisory Board

Members of the Supervisory Board of Linde Aktiengesellschaft are members of the following other German supervisory boards and comparable German and foreign boards

Dr Manfred Schneider
Chairman of the Supervisory Board of Linde AG

→ External offices
Bayer AG (Chairman)
RWE AG (Chairman)

Hans-Dieter Katte
Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Pullach Works Council, Engineering Division, Linde AG

Michael Diekmann
Second Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Board of Management of Allianz SE

→ External offices
BASF SE
Siemens AG

→ Group offices
Allianz Deutschland AG
Allianz Global Investors AG (Chairman)

→ Group offices
Allianz S p A
Allianz France S A
(Vice-President of the Administrative Board)

Professor Dr Ann-Kristin Achleitner
(appointed on 12 May 2011)
Professor at the Technical University Munich (TUM)

→ External offices
METRO AG

→ External offices
Vontobel Holding AG, Zurich, Switzerland
(Member of the Administrative Board)
Bank Vontobel AG, Zurich, Switzerland
(Member of the Administrative Board)

Dr Clemens Börsig
Chairman of the Supervisory Board of Deutsche Bank AG

→ External offices
Bayer AG
Daimler AG
Deutsche Bank AG (Chairman)

→ External offices
Emerson Electric Company
(Member of the Board of Directors)

Gernot Hahl
Chairman of the Worms Works Council, Gases Division, Linde AG

Thilo Kämmerer
Trade Union Secretary, IG Metall

→ External offices
KION GROUP GmbH
KION Holding 1 GmbH

Matthew F C Miau
Chairman of MiTAC-SYNNEX-Group, Taiwan

→ External offices
BOC Lienhwa Industrial Gases Co Ltd
(Member of the Board of Directors)
Winbond Electronics Corp
(Member of the Board of Directors)

→ Group offices
Getac Technology Corporation
(Member of the Board of Directors)
Synnex Corporation
(Member of the Board of Directors)

→ Membership of other German supervisory boards
→ Membership of comparable German and foreign boards

Supervisory Board

Klaus-Peter Müller
Chairman of the Supervisory Board
of Commerzbank AG

→ External offices
Commerzbank AG (Chairman)
Fresenius SE & Co. KGaA
Fresenius Management SE

→ External offices
Landwirtschaftliche Rentenbank
(Member of the Administrative Board)
Parker Hannifin Corporation
(Member of the Board of Directors)

Jens Riedel
Chairman of the Leuna Works Council,
Gases Division, Linde AG

Xaver Schmidt
Secretary to the Executive Board of IG Bergbau,
Chemie, Energie, Hanover

→ External offices
Berufsgenossenschaftliches Universitätsklinikum
Bergmannsheil GmbH
(Alternate Chairman)

Josef Schregle
Director of Finance for EMEA
(Europe, Middle East, Africa)
and Project Control (FE)
Engineering Division, Linde AG

The following member retired from the Supervisory Board in the 2011 financial year
(The information provided relates to the date of retirement)

Dr Gerhard Beiten
(retired on 12 May 2011)
Lawyer

→ Membership of other German supervisory boards
→ Membership of comparable German and foreign boards

Executive Board

In addition to their individual management functions in affiliated companies and in companies in which an investment is held, members of the Executive Board of Linde Aktiengesellschaft are members of the following German supervisory boards and comparable German and foreign boards

Professor Dr Wolfgang Reitzle
Chief Executive Officer

→ External offices
Continental AG (Chairman)

Professor Dr Aldo Belloni
Member of the Executive Board

Georg Denoke
Member of the Executive Board

Sanjiv Lamba
Member of the Executive Board
(appointed on 9 March 2011)

→ Group offices
Linde Pakistan Limited
(Member of the Board of Directors)
Linde Bangladesh Limited
(Member of the Board of Directors)
BOC INDIA LIMITED
(Member of the Board of Directors)

The following member retired from the Executive Board in the 2011 financial year
(The information provided relates to the date of retirement)

J Kent Masters
Member of the Executive Board
(retired on 30 September 2011)

→ External offices
Rockwood Holdings, Inc , USA
(Member of the Board of Directors)

→ Membership of other German supervisory boards
→ Membership of comparable German and foreign boards

[38] Contingent liabilities/Other financial commitments

Contingent liabilities

in € million	31.12.2011	31.12.2010
Guarantees	4	4
Warranties	70	61
	74	**65**

Litigation

The Linde Group or one of its Group companies are involved in current or foreseeable legal or arbitration proceedings in the normal course of business.

In 2010, the Brazilian competition authority CADE imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anticompetitive business conduct in the years 1998 to 2004. The amount relating to The Linde Group is around EUR 80 m. Seen from today's perspective, Linde assumes that this decision will not stand up to judicial review.

Linde is also party to various current or foreseeable legal or arbitration proceedings in respect of which the probability of a claim is unlikely or the impact on the economic situation of The Linde Group will be immaterial. Appropriate provisions for potential financial liabilities are made in the relevant Group company for all other proceedings in which Linde is involved.

Other financial commitments

in € million	31.12.2011	31.12.2010
Obligations under non-cancellable operating leases	595	563
Capital expenditure commitment (tangible fixed assets)	223	320
Capital expenditure commitment (intangible assets)	5	1
	823	**884**

Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

Procurement leases

in € million	31.12.2011	31.12.2010
Total minimum lease payments (gross investment)		
due within one year	137	132
due in one to five years	272	260
due in more than five years	186	171
	595	**563**

The minimum lease payments relate to leased buildings, technical equipment, fixtures, furniture and equipment (procurement leases) They are in respect of a large number of individual lease agreements In the 2011 financial year, costs arising from operating leases of EUR 197 m (2010 EUR 183 m) were recognised

The Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract There are clear internal rules here as to how the liability should be split between the partners At present, there are plant construction orders with our consortium partners totalling EUR 1 114 bn (2010 EUR 904 m) Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liability in respect of these contracts

[39] Auditors' fees and services

KPMG, the auditors of the Group financial statements, provided the following services to companies in The Linde Group

	2011		2010	
in € million	Group	Thereof KPMG AG[1]	Group	Thereof KPMG AG[1]
Audit (including expenses)	8	3	8	4
Other attestation services	3	2	3	1
Tax consultancy	2	1	2	-
Other services	1	-	1	1
	14	**6**	**14**	**6**

[1] KPMG AG Wirtschaftsprüfungsgesellschaft and affiliated companies

In the table above, audit comprises the fees for the audit of the consolidated financial statements of The Linde Group and of the statutory annual financial statements of Linde AG and the subsidiaries included in the consolidated financial statements

Other attestation services comprise mainly reviews of the quarterly reports, the issue of a comfort letter, due diligence reviews, confirmation of compliance with specific contractual agreements and other review procedures

Tax consultancy costs relate mainly to the preparation of tax returns, transfer pricing analyses, advice to employees who work outside their home country and tax advice relating to current or proposed business transactions

[40] Reconcılıatıon 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 the other acquisitions directly related to the BOC transaction

Adjusted financial figures

	31 12 2011			31 12 2010		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Sales	13,787	–	13,787	12,868	–	12,868
Cost of sales	–8,766	52	–8,714	–8,347	83	–8,264
Gross profit on sales	5,021	52	5,073	4,521	83	4,604
Research and development costs, marketing, selling and administration expenses	–3,292	190	–3,102	–3,027	171	–2,856
Other operating income and expenses	105	–	105	117	–	117
Income from associates and joint ventures (at equity)	76	–	76	68	–	68
EBIT	1,910	242	2,152	1,679	254	1,933
Financial result	–291	–	–291	–280	–	–280
Taxes on income	–375	–101	–476	–335	–92	–427
Earnings after taxes on income	1,244	141	1,385	1,064	162	1,226
attributable to non-controlling interests	70	–	70	59	–	59
attributable to Linde AG shareholders	1,174	141	1,315	1,005	162	1,167
Equity including non-controlling interests	12,144	–649	11,495	11,362	–790	10,572
Plus Financial debt	7,768	–	7,768	6,673	–	6,673
Plus Liabilities from finance leases	46	–	46	49	–	49
Less Receivables from finance leases	352	–	352	392	–	392
Less Cash, cash equivalents and securities	2,674	–	2,674	1,176	–	1,176
Plus Net pension obligations	611	–	611	552	–	552
Capital employed	17,543	–649	16,894	17,068	–790	16,278
Earnings per share in € – undiluted	6 88	–	7 71	5 94	–	6 89
Earnings per share in € – diluted	6 82	–	7 63	5 86	–	6 80
Return on capital employed (ROCE) in %	11 0	–	13 0	10 3	–	12 5

[41] List of shareholdings of The Linde Group and Linde AG at 31 December 2011 in accordance with the provisions of § 313 (2) No 4 of the German Commercial Code (HGB)

The results of companies acquired in 2011 are included as of the date of acquisition The information about the equity and the net income or net loss of the companies is as at 31 December 2011 in accordance with IFRS, unless specifically disclosed in the notes below

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		0 5	–0 2	c
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–3 9	–2 4	e
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		1 0	0 0	
Linde Electronics GmbH	Stadl-Paura	AUT	100		7 5	0 6	
Linde Gas GmbH	Stadl-Paura	AUT	100		122 2	110 3	
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	49	233 9	1 8	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		0 2	0 0	
Chemogas N V	Grimbergen	BEL	100		3 9	–1 2	
Linde Gas Belgium NV	Grimbergen	BEL	100		4 3	–0 3	
Bossot Trade EOOD	Stara Zagora	BGR	100	100	–0 1	0 0	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100	100	1 7	–0 7	
Linde Gas BH d o o	Zenica	BIH	85	85	11 3	–0 1	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	0 6	0 1	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0 0	0 0	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		–4 4	1 5	
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		0 0	0 0	c, d
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0 0	0 0	d
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		0 0	0 0	d
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–0 3	0 0	
PanGas AG	Dagmersellen	CHE	100		97 0	38 8	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0 0	0 0	c, d
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	8 3	1 6	
Linde Gas a s	Prague	CZE	100		200 3	52 1	
Linde Sokolovská s r o	Prague	CZE	100		69 9	4 8	
AGA Holding GmbH	Munich	DEU	100	100	90 3	–0 6	
Eibl Homecare GmbH	Mahlow	DEU	100		4 2	–	a
Heins & Co GmbH	Bremen	DEU	100		0 0	–	a
Hydromotive GmbH & Co KG	Leuna	DEU	100	100	1 9	0 3	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0 1	0 0	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Linde Electronics GmbH & Co KG	Pullach	DEU	100	100	25 3	-0 5	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	3 4	0 2	
Linde Gas Produktionsgesellschaft mbH & Co KG	Pullach	DEU	100	100	354 3	5 3	
Linde Gas Therapeutics GmbH	Unterschleissheim	DEU	100		27 0	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	0 1	0 0	
Linde Welding GmbH	Pullach	DEU	100		0 3	–	a
Martens Schweißtechnik GmbH	Rastede	DEU	100		1 2	–	a
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf	DEU	100		0 1	–	a
Spectra Gases (Germany) GmbH	Babenhausen	DEU	100	100	6 2	1 5	
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Wurzburg	DEU	100	100	4 8	–	a
Unterbichler Gase GmbH	Munich	DEU	100		0 9	–	a
AGA A/S	Copenhagen	DNK	100		8 8	3 1	
Linde Gas Algerie S p A	Algiers	DZA	66	66	63 3	11 3	
Abelló Linde, S A	Barcelona	ESP	85	85	123 5	8 0	
LINDE ELECTRONICS, S L	Barcelona	ESP	100		-0 4	0 1	
LINDE MEDICINAL, S L	Cordoba	ESP	100		7 3	0 5	
AS Eesti AGA	Tallinn	EST	100		13 6	3 8	
Kiinteisto Oy Karakaasu	Espoo	FIN	100		-2 1	0 0	
Kiinteisto Oy Karaportti	Espoo	FIN	100		-3 2	0 0	
Oy AGA ab	Espoo	FIN	100		92 7	58 0	
Teollisuuskaatsut Suomi Oy	Espoo	FIN	100		2 3	0 0	
TK-Teollisuuskaasut Oy	Espoo	FIN	100		-0 1	-0 1	
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		2 4	0 1	
Linde France S A	Saint-Priest	FRA	100		167 5	26 2	
Linde Médical Domicile S A	Amiens	FRA	100		0 4	0 0	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0 0	0 0	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0 4	0 0	
BOC HELEX	Guildford	GBR	100		1,825 5	70 2	
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 3	0 0	c, d
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 8	0 0	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0 1	0 0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD	Nottingham	GBR	100		-0 3	0 0	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Nottingham	GBR	80		1 0	0 1	c, d
GAS & GEAR LIMITED	Nottingham	GBR	100		0 0	0 0	c, d
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100		0 0	0 0	c, d

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 1	-0 1	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100		-1 8	-0 1	c, d
INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0 0	0 0	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Nottingham	GBR	100		0 1	0 0	c, d
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Nottingham	GBR	100		3 3	0 3	c, d
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	95		1 3	0 2	c, d
LEENGATE HIRE & SERVICES LIMITED	Nottingham	GBR	100		0 0	0 0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (CANNOCK) LIMITED	Nottingham	GBR	100		-0 9	-0 1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	100		0 2	0 0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	88		1 6	0 2	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100		0 2	-0 1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0 2	0 0	c, d
LEENGATE VALVES LIMITED	Nottingham	GBR	94		1 4	0 5	c, d
LEENGATE WELDING LIMITED	Nottingham	GBR	100		0 0	0 0	c, d
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		-22 8	2 2	
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	0 0	0 0	c, d
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		0 0	0 0	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 1	0 0	c, d
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	88		1 1	0 0	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 2	0 0	c, d
W & G SUPPLIES LIMITED	Nottingham	GBR	100		0 3	0 0	c, d
WELDER EQUIPMENT SERVICES LIMITED	Nottingham	GBR	75		0 0	0 0	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0 3	-0 1	c, d
AEROSCOPIO HELLAS S A	Piraeus	GRC	71	71	0 1	0 0	
Linde Hellas E P E	Mandra	GRC	100	100	40 2	1 6	
LINDE PLIN d o o	Karlovac	HRV	100	100	4 3	0 5	
Linde Gáz Magyarország Zrt	Répcelak	HUN	100	100	208 3	38 4	
BOC (TRADING) LIMITED	Dublin	IRL	100		0 2	5 0	c, d
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7 1	23 0	
BOC Gases Ireland Limited	Dublin	IRL	100		33 3	18 3	c, d

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1 7	0 0	
ISAGA ehf	Reykjavik	ISL	100		2 9	1 1	
Linde Gas Italia S r l	Arluno	ITA	100		146 7	5 4	
LINDE MEDICALE Srl	Arluno	ITA	100		35 8	6 6	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	26 8	–0 9	
BOC Kenya Limited	Nairobi	KEN	65		11 6	1 1	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100		–3 3	–1 5	
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		0 0	0 0	c, d
AGA UAB	Vilnius	LTU	100		4 2	0 0	
AGA SIA	Riga	LVA	100		13 1	1 8	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0 7	0 0	
Afrox Moçambique, Limitada	Maputo	MOZ	100		–2 0	–1 5	c
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		–1 0	0 0	c, d
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		0 0	0 0	
Afrox Malawi Limited	Blantyre	MWI	79		–7 1	–0 4	
GAS & WELDING PRODUCTS (PTY) LTD	Windhoek	NAM	100		0 0	0 0	d
IGL (PTY) LIMITED	Windhoek	NAM	100		–6 8	0 0	
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		–0 2	–0 1	
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		–1 0	0 0	
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		0 1	0 0	
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		0 0	0 0	
BOC Gases Nigeria Plc	Lagos	NGA	60		6 5	1 7	
AGA International B V	Schiedam	NLD	100		216 9	4 1	
Beheermaatschappij De Econoom B V	Schiedam	NLD	100		1 8	–0 3	
Linde Electronics B V	Schiedam	NLD	100		3 7	0 8	
Linde Gas Benelux B V	Schiedam	NLD	100		156 9	36 7	
Linde Gas Cryoservices B V	Eindhoven	NLD	100		4 2	1 1	
Linde Gas Therapeutics Benelux B V	Eindhoven	NLD	100		51 8	8 6	
Linde Homecare Benelux B V	Nuland	NLD	100		12 7	–1 6	
Mecomfa SPC B V	Schiedam	NLD	100		–5 2	–0 3	
Mecomfa SPC2 B V	Schiedam	NLD	100		1 0	0 0	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		274 8	50 4	
AGA AS	Oslo	NOR	100		31 3	29 0	
Eurogaz-Gdynia Sp z o o	Gdynia	POL	99		4 9	1 1	
LINDE GAZ POLSKA Spółka z o o	Krakow	POL	100	100	102 3	12 0	
LINDE SOGAS, LDA	Lisbon	PRT	100		32 0	3 2	
LINDE GAZ ROMANIA S R L	Timisoara	ROU	100	100	114 2	17 5	
OXIGEN PLUS S R L	Bucharest	ROU	100		0 9	0 5	c

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
OAO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	10 4	-0 2	
OJSC "Linde Gas Rus"	Balashikha	RUS	100	100	38 8	3 0	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		62 5	3 5	
LINDE GAS SRBIJA Industrija gasova a d Bečej	Becej	SRB	82	82	9 4	0 4	
Aries 94 s r o	Bratislava	SVK	100		1 5	0 4	
Linde Gas k s	Bratislava	SVK	100		24 9	4 9	
LINDE PLIN d o o	Celje	SVN	100	100	7 5	1 3	
AB Held	Lidingö	SWE	100		0 0	0 0	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		-0 1	0 0	
AGA Gas Aktiebolag	Lidingö	SWE	100		0 0	0 0	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		0 0	0 0	
AGA International Investment Aktiebolag	Lidingo	SWE	100		0 0	0 0	
AGA Medical Aktiebolag	Lidingö	SWE	100		0 0	0 0	
AGA RE Försäkrings AB	Lidingö	SWE	100		0 7	0 0	
Agatronic AB	Lidingö	SWE	100		0 1	0 0	
CRYO Aktiebolag	Gothenburg	SWE	100		0 0	0 0	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		0 0	0 0	
Svenska Aktiebolaget Gasaccumulator	Lidingo	SWE	100		0 1	0 0	
Svets Gas Aktiebolag	Lidingo	SWE	100		0 0	0 0	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		0 0	0 0	d
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		-1 6	-0 3	
Linde Gas Tunisie S A	Ben Arous	TUN	60	60	5 9	0 0	
Linde Gaz A S	Istanbul	TUR	100	100	53 8	-2 5	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0 7	0 2	
BOC Uganda Limited	Kampala	UGA	100		0 8	0 1	
PJSC "Linde Gaz Ukraine"	Dnipropetrovsk	UKR	100	96	29 1	0 3	
African Oxygen Limited	Johannesburg	ZAF	56		346 5	22 8	c
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0 0	0 0	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		-7 5	-1 1	
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		0 0	0 0	
AFROX FINANCE (PTY) LIMITED	Johannesburg	ZAF	100		0 0	0 0	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		-0 3	0 0	
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	100		-4 3	-0 1	
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		0 0	0 0	
AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED	Kempton Park	ZAF	100		0 0	0 0	
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0 0	0 0	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
ENERGY MEDICAL SUPPLIES (PTY) LIMITED	Johannesburg	ZAF	100		-0.2	0.0	
HARRIS GAS EQUIPMENT (PTY) LIMITED	Boksburg	ZAF	100		0.0	0.0	d
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100		-0.6	0.1	
ISAS TRUST	Johannesburg	ZAF	100		11.6	3.3	
MEDISPEED (NATAL) (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		0.0	0.0	
NICOWELD (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX ZAMBIA LIMITED	Ndola	ZMB	70		-10.8	1.3	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		18.9	2.9	c
HANDIGAS (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	d
INDUSTRIAL GASES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
OXYCO UTILITIES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
OXYGEN INDUSTRIES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
WELDEX (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
ZIMBABWE OXYGEN (PVT) LIMITED	Harare	ZWE	100		-18.9	-2.9	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		98.2	0.0	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		8.2	0.9	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		1.5	37.1	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		-0.9	0.0	
BOC Limited	North Ryde	AUS	100		355.6	173.6	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		2.9	0.5	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		5.1	0.0	
ELGAS LIMITED	North Ryde	AUS	100		86.1	32.7	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		2.8	0.3	
FLEXIHIRE PTY LIMITED	Rockhampton	AUS	100		22.1	6.7	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		-1.7	0.0	
PACIFIC INDUSTRIAL SUPPLIES PTY LIMITED	North Ryde	AUS	100		5.2	0.7	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		15.8	3.2	
THE COMMONWEALTH INDUSTRIAL GASES PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
TIAMONT PTY LIMITED	North Ryde	AUS	100		2.9	0.5	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		20.1	2.6	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		7.7	0.0	
Linde Bangladesh Limited	Dhaka	BGD	60		20.4	6.6	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		3.5	0.4	d
BOC (China) Holdings Co., Ltd	Shanghai	CHN	100		122.9	8.6	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		7.5	0.1	
BOC Gases (Suzhou) Co., Ltd	Suzhou	CHN	100		32.3	6.5	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		16.2	0.2	
BOC Gases (Wuhan) Co., Ltd	Wuhan	CHN	100		6.3	0.1	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		13.9	0.0	
BOCLH Industrial Gases (DaLian) Co., Ltd	Dalian	CHN	100		12.0	0.5	
BOCLH Industrial Gases (Shanghai) Co., Ltd	Shanghai	CHN	100		10.5	0.2	
BOCLH Industrial Gases (Songjiang) Co., Ltd	Shanghai	CHN	100		–1.2	2.1	
BOCLH Industrial Gases (Suzhou) Co., Ltd	Suzhou	CHN	100		16.8	0.8	
BOCLH Industrial Gases (Xiamen) Co., Ltd	Xiamen	CHN	100		3.0	0.0	
CONFEDERATE TRADING (SHANGHAI) CO., LTD	Shanghai	CHN	100		–0.1	0.6	
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	10.7	1.3	
Linde Electronics & Specialty Gases (Suzhou) Co Ltd	Suzhou	CHN	100	100	11.0	–0.5	
Linde Gas Ningbo Ltd	Ningbo	CHN	100		98.9	0.2	
Linde Gas Shenzhen Ltd	Shenzhen	CHN	100		4.0	0.7	
Linde Gas Southeast (Xiamen) Ltd	Xiamen	CHN	100		3.3	1.2	
Linde Gas Xiamen Ltd	Xiamen	CHN	100	100	34.5	4.0	
Linde Gas Zhenhai Ltd	Ningbo	CHN	100		4.1	–0.4	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		7.6	0.0	
Linde Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		2.0	–0.3	
Linde Gases (Fushun) Co., Ltd	Fushun	CHN	100		5.4	–0.2	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		0.8	1.0	
LINDE GASES (SHANGHAI) CO., LTD	Shanghai	CHN	100		12.9	1.9	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		7.8	–0.4	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		18.2	1.6	
Linde Gases (Yantai) Co., Ltd	Yantai City	CHN	100		17.3	0.0	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		7.9	–0.1	
Linde Huachang (Zhangjiagang) Gas Co. Ltd	Zhangjiagang	CHN	75		5.6	0.9	
Linde Lienhwa Gases (Beijing) Co., Ltd	Beijing	CHN	100		14.4	0.4	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd	Nanjing	CHN	100		9.6	–0.3	
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	60		42.1	0.1	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd	Shanghai	CHN	80		0.7	–0.4	
Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100		9.0	–0.1	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Shanghai Huayi Microelectronic Material Co Ltd	Shanghai	CHN	100		11 1	-0 9	
Shanghai Linhua Gas Transportation Co , Ltd	Shanghai	CHN	100		0 7	0 0	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	100		1 3	-0 2	
Sichuan Jianyang Gangtong Medical Gas Company Limited	Jianyang	CHN	100		0 9	0 3	c
Wuxi Boc Gases Co , Limited	Wuxi	CHN	100		1 0	0 0	
BOC (FIJI) LIMITED	Lami Suva	FJI	90		2 8	0 9	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		0 0	0 0	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wanchai	HKG	100		0 0	0 0	c
Linde Gas (H K) Limited	Hong Kong	HKG	100	100	192 2	-0 8	
Linde HKO Limited	Kowloon	HKG	100		30 4	9 8	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		0 4	0 5	
PT Gresik Gases Indonesia	Jakarta	IDN	97		14 7	-1 1	
PT Gresik Power Indonesia	Jakarta	IDN	97		9 5	0 4	
PT Townsville Welding Supplies	Jakarta	IDN	100		-0 8	-0 3	
PT LINDE INDONESIA	Jakarta	IDN	100		18 3	2 1	
BOC INDIA LIMITED	Kolkata	IND	89		175 8	17 9	
Linde Japan Ltd	Yokohama	JPN	100	100	0 4	0 0	
Linde Korea Co , Ltd	Pohang	KOR	100		189 8	10 0	
Ceylon Oxygen Ltd	Colombo	LKA	100	100	19 4	1 2	
DAYAMOX SDN BHD	Petaling Jaya	MYS	100		0 0	2 8	
EASTERN OXYGEN INDUSTRIES SDN BHD	Petaling Jaya	MYS	100		23 9	0 5	
Linde Gas Products Malaysia Sdn Bhd	Petaling Jaya	MYS	100	100	16 2	0 8	
Linde Industrial Gases (Malaysia) Sdn Bhd	Petaling Jaya	MYS	80	80	9 0	-0 1	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		75 2	19 0	
LINDE MALAYSIA SDN BHD	Petaling Jaya	MYS	100		151 4	41 2	
LINDE WELDING PRODUCTS SDN BHD	Petaling Jaya	MYS	100		0 8	0 1	
BOC LIMITED	Auckland	NZL	100		34 7	17 2	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35 9	22 7	
ELGAS LIMITED	Auckland	NZL	100		21 8	0 7	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0 3	0 0	
Linde Pakistan Limited	Karachi	PAK	60		13 6	2 2	
BATAAN INDUSTRIAL GASES INC	Pasig City	PHL	100		0 3	0 1	
BOC (PHILS) HOLDINGS, INC	Pasig City	PHL	100		20 9	0 0	
CHATSWOOD INC	Makati City	PHL	62		-0 5	0 0	
CIGC CORPORATION	Pasig City	PHL	100		0 7	0 0	
CRYO INDUSTRIAL GASES, INC	Pasig City	PHL	100		0 2	0 0	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
GRANDPLAINS PROPERTIES, INC	Pasig City	PHL	40		1 6	0 0	e
LINDE PHILIPPINES (SOUTH), INC	Mandaue City	PHL	100		16 5	1 5	
LINDE PHILIPPINES, INC	Pasig City	PHL	100		21 0	0 4	
ROYAL SOUTHMEADOWS, INC	Mandaue City	PHL	40		0 6	0 0	e
BOC Papua New Guinea Limited	Lae	PNG	74		17 6	5 9	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		1 4	5 1	
Linde Gas Singapore Pte Ltd	Singapore	SGP	100	100	95 7	14 8	
LINDE TREASURY ASIA PACIFIC PTE LTD	Singapore	SGP	100		N/A	N/A	f
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		1 0	0 6	
KTPV (THAILAND) LIMITED	Bangkok	THA	100		12 9	0 0	
Linde Carbonic Ltd	Samut Prakan	THA	100	100	1 3	0 2	
Linde Gas (Thailand) Ltd	Samut Prakan	THA	100		1 6	0 1	
MIG Production Company Limited	Samut Prakan	THA	54		65 7	10 5	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2 3	0 0	
SKTY (Thailand) Limited	Bangkok	THA	100		44 7	0 1	
Thai Industrial Gases Public Company Limited	Samut Prakan	THA	100		153 6	27 1	
TIG Air Chemicals Limited	Samut Prakan	THA	99		24 9	4 8	
TIG HyCO Limited	Samut Prakan	THA	100		23 7	3 2	
TIG TRADING LIMITED	Samut Prakan	THA	100		5 8	0 1	
BOC (TONGA) LIMITED	Nuku'Alofa	TON	100		0 1	0 0	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	100		31 9	2 5	
BOC LIENHWA INDUSTRIAL GASES CO , LTD	Taipei	TWN	50		182 8	39 6	c
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89		7 5	0 2	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		9 5	2 2	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chia Yi	TWN	100		0 1	0 0	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0 2	0 1	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO , LTD	Taichung Hsien	TWN	100		3 8	0 9	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2 9	1 7	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2 4	0 2	c, d
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0 4	0 3	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		0 3	0 1	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yi Lan	TWN	100		0 2	0 2	c
LIEN YI LPG COMPANY LIMITED	Tao Yuan	TWN	60		1 8	0 1	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		8 1	0 4	c
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	55		92 1	20 7	c

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		11 4	1 7	c
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100		13 3	-1 0	
BOC LIENHWA (BVI) HOLDING Co , Ltd	Tortola	VGB	100		91 0	-0 2	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100		0 0	0 0	
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100		13 8	-1 0	
SKY WALKER GROUP LIMITED	Tortola	VGB	100		0 0	0 0	c
Linde Gas Vietnam Limited	Ho Chi Minh City	VNM	100	100	1 1	-1 0	
BOC Samoa Limited	Apia	WSM	96		1 1	0 1	
Americas							
BOC GASES ARUBA N V	Santa Cruz	ABW	100		2 8	0 0	
Grupo Linde Gas Argentina S A	Buenos Aires	ARG	100	65	35 3	3 3	
The Hydrogen Company of Paraguana Ltd	Hamilton	BMU	100		36 1	5 3	
Linde Gases Ltda	Barueri	BRA	100		150 1	-45 3	
LINDE BOC GASES LIMITADA	Sao Paulo	BRA	100		13 0	1 6	
BOC de Chile S A	Santiago	CHL	100		8 6	1 5	
Linde Gas Chile S A	Santiago	CHL	100		106 7	13 9	
Spectra Gases (Shanghai) Trading Co , LTD	Shanghai	CHN	100		2 4	0 9	
Linde Colombia S A	Bogotá	COL	100		90 9	1 7	
Linde Gas Curaçao N V	Willemstad	CUW	100		2 5	0 4	
LINDE GAS DOMINICANA, S R L	Santo Domingo	DOM	100		5 3	0 7	
AGA S A	Quito	ECU	100		28 8	4 8	
Agua y Gas de Sillunchi S A	Quito	ECU	100		0 8	0 0	
Spectra Gases Limited	Guildford	GBR	100		1 1	0 5	
BOC GASES DE MEXICO, S A DE C V	Mexico City	MEX	100		0 0	0 0	
Compania de Operaciones de Nitrogeno, S A de C V	Santa Fe	MEX	100		4 2	0 8	c
SERVICIOS DE OPERACIONES DE NITROGENO, S A DE C V	Santa Fe	MEX	100		1 1	0 2	c
AGA S A	Callao	PER	100		11 2	1 4	
Linde Gas Puerto Rico, Inc	Cataño	PRI	100		4 1	0 2	d
AGA S A	Montevideo	URY	100		11 3	3 0	
ESS LLC	Wilmington	USA	100		-10 4	0 0	d
Holox Inc	Murray Hill	USA	100		0 0	0 0	c, d
LAG Methanol LLC	Wilmington	USA	100		290 5	49 4	d
Linde Canada Investments LLC	Wilmington	USA	100		14 9	0 7	
Linde Delaware Investments Inc	Wilmington	USA	100		125 2	81 5	
Linde Energy Services, Inc	Wilmington	USA	100		-0 3	0 0	
Linde Gas North America LLC	Wilmington	USA	100		708 0	59 2	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Linde Merchant Production, Inc	Wilmington	USA	100		16 2	–1 4	
Linde North America, Inc	Wilmington	USA	100	<0,1	67 0	474 0	
Linde RSS LLC	Wilmington	USA	100		0 6	0 7	
Linde Transport, Inc	Nashville	USA	100		–14 3	0 0	
Spectra Gases Delaware Inc	Wilmington	USA	100		0 0	0 0	d
TMG Co LLC	Wilmington	USA	100		18 0	1 8	
AGA Gas C A	Caracas	VEN	100		85 8	11 2	g
BOC GASES DE VENEZUELA, C A	Caracas	VEN	100		2 6	0 4	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		–0 6	0 0	
Spectra Gases (BVI) Inc	Tortola	VGB	100		N/A	N/A	d
General Gases of the Virgin Islands, Inc	Saint Croix	VIR	100		4 4	0 1	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	17 8	16 9	
Linde (Australia) Pty Ltd	North Ryde	AUS	100	100	1 1	0 0	
Linde Process Plants Canada Inc	Calgary	CAN	100		–0 5	0 0	
Arboliana Holding AG	Pfungen	CHE	100		4 0	0 0	
Bertrams Heatec AG	Pratteln	CHE	100		13 2	1 9	
BOC AG	Basle	CHE	98		1 9	–0 1	
Linde Kryotechnik AG	Pfungen	CHE	100		11 9	3 7	
Cryostar Cryogenic Equipments (Hangzhou) Co Ltd	Hangzhou	CHN	100	100	3 9	1 7	
Hangzhou Linde International Trading Co , Ltd	Hangzhou	CHN	100		0 2	0 0	
Linde Engineering (Dalian) Co Ltd	Dalian	CHN	56	56	42 8	3 9	
Linde Engineering (Hangzhou) Co Ltd	Hangzhou	CHN	75	75	13 8	6 6	
Linde Engineering Dresden GmbH	Dresden	DEU	100	6	56 9	–	a
Selas-Linde GmbH	Pullach	DEU	100	100	28 6	–	a
CRYOSTAR SAS	Hesingue	FRA	100		50 0	11 4	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		1 6	0 2	
Linde Engineering India Private Limited	New Delhi	IND	100	100	7 4	2 0	
Linde Impianti Italia S p A	Fiumicino	ITA	100	100	3 2	1 5	
LPM, S A de C V	Mexico City	MEX	100	90	7 5	–0 1	
Linde Engineering (Malaysia) Sdn Bhd	Kuala Lumpur	MYS	100	100	0 2	0 0	
Linde Arabian Contracting Company Ltd	Riyadh	SAU	100	90	19 2	1 9	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	12 8	5 2	
Linde Process Plants, Inc	Tulsa	USA	100		56 0	21 3	
Selas Fluid Processing Corporation	Wilmington	USA	100		5 8	–2 3	
VN Corporation	Wilmington	USA	100		34 3	3 2	
Linde Process Plants (Pty) Ltd	Johannesburg	ZAF	100	100	4 9	3 9	

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	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.5	143.1	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	28.2	
Van Dongen & Van Bergeijk GmbH	Wallern an der Trattnach	AUT	100		0.0	0.0	c
Van Dongen Belgium BVBA	Lochristi	BEL	100		-0.3	0.0	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		23.3	0.0	
Linde Canada Limited	Mississauga	CAN	100		192.5	38.2	d
Linde Holding AG	Lucerne	CHE	100	100	25.5	5.6	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		2.2	0.2	
Cleaning Enterprises GmbH	Munich	DEU	100		3.8	–	a
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	1,608.8	–	a
Linde US Beteiligungs GmbH	Munich	DEU	100		506.2	0.9	
Fred Butler Denmark ApS	Copenhagen	DNK	100		-2.3	-0.4	
LOGISTICA DOTRA, SL	Seville	ESP	100		0.2	0.0	c
LOGISTICA VAN TRANS S.L.	Burgos	ESP	100		0.7	0.2	c
LINDE INVESTMENTS FINLAND OY	Espoo	FIN	100		0.9	0.0	
Linde Holdings SAS	Saint-Priest	FRA	100		156.6	43.4	
The Boc Group S.A.S.	Hesingue	FRA	100		53.4	0.3	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		1,119.5	18.7	
APPLIED VISION LIMITED	Guildford	GBR	100		2.7	0.0	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		100.6	0.7	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100		290.4	6.1	
BOC HOLDINGS	Guildford	GBR	100		4,222.0	268.9	
BOC HOLLAND FINANCE	Guildford	GBR	100		66.7	0.0	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		781.4	115.0	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		188.2	3.4	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		192.4	28.8	
BOC INVESTMENTS NO.2 LIMITED	Guildford	GBR	100		0.0	0.0	
BOC INVESTMENTS NO.5	Guildford	GBR	100		372.1	8.3	
BOC INVESTMENTS NO.7	Guildford	GBR	100		325.3	4.4	
BOC IRELAND FINANCE	Guildford	GBR	100		373.8	8.3	
BOC JAPAN	Guildford	GBR	100		46.4	2.0	
BOC JAPAN FINANCE	Guildford	GBR	100		0.0	0.0	
BOC JAPAN HOLDINGS LIMITED	Guildford	GBR	100		275.5	10.8	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		108.6	1.7	
BOC LIMITED	Guildford	GBR	100		769.3	198.5	d

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BOC LUXEMBOURG FINANCE	Guildford	GBR	100		19.4	0.3	
BOC NETHERLANDS FINANCE	Guildford	GBR	100		116.3	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		523.1	-0.4	
BOC NOMINEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSIONS LIMITED	Guildford	GBR	100		0.0	0.0	
BOC POLAND HOLDINGS LIMITED	Guildford	GBR	100		6.6	0.0	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TECHNOLOGIES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TRUSTEES NO. 4 LIMITED	Guildford	GBR	100		0.0	0.0	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		1.3	0.0	
CRYOSTAR LIMITED	Guildford	GBR	100		0.0	0.0	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		0.0	0.0	
G L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		244.2	-2.6	c
GIST LIMITED	Guildford	GBR	100		191.5	45.4	
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100		1.9	0.4	
HANDIGAS LIMITED	Guildford	GBR	100		43.8	0.7	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		36.8	0.5	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.4	0.0	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		283.0	0.0	
LINDE FINANCE	Guildford	GBR	100		225.8	6.8	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	9,298.3	126.1	
MEDISHIELD	Guildford	GBR	100		0.4	0.0	
MEDISPEED	Guildford	GBR	100		390.1	19.6	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		-0.4	0.0	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		347.6	7.5	
STORESHIELD LIMITED	Guildford	GBR	100		333.9	0.3	
THE BOC GROUP LIMITED	Guildford	GBR	100		2,815.2	385.7	d
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	0.0	
TRANSHIELD	Guildford	GBR	100		15.7	0.2	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.2	0.0	
BOC NO. 1 LIMITED	St. Peter Port	GGY	100		13.2	-0.5	
BOC NO. 2 LIMITED	St. Peter Port	GGY	100		4.4	0.0	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		8.0	0.0	
Linde Global Support Services Private Limited	Kolkata	IND	100		1.5	0.8	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		14.6	0.0	

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	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
BOC Investments Ireland	Dublin	IRL	100		310 0	0 0	
Gist Distribution Limited	Dublin	IRL	100		5 9	3 0	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100		21 9	2 5	
ALBOC (JERSEY) LIMITED	St Helier	JEY	100		0 1	13 4	
BOC AUSTRALIAN FINANCE LIMITED	St Helier	JEY	100		335 1	0 0	
BOC PREFERENCE LIMITED	St Helier	JEY	100		64 8	0 0	
BOC EUROPE HOLDINGS BV	Amsterdam	NLD	100		570 6	17 0	
BOC INVESTMENTS BV	Amsterdam	NLD	100		9 7	0 1	
Fred Butler Netherlands B V	Veenendaal	NLD	100		21 6	0 1	
G VAN DONGEN HOLDING B V	Dirksland	NLD	100		0 3	-0 3	
G VAN DONGEN TRANSPORTBEDRIJF DIRKSLAND B V	Dirksland	NLD	100		2 0	-0 2	
GIST BV	Bleiswijk	NLD	100		2 0	0 3	
Linde Finance B V	Amsterdam	NLD	100		167 8	15 3	
Linde Holdings Netherlands B V	Schiedam	NLD	100	100	1,833 0	103 0	
PEEMAN TRANSPORT B V	Dirksland	NLD	100		0 9	-0 1	
The BOC Group B V	Amsterdam	NLD	100		1,177 3	19 9	
VAN DONGEN & VAN BERGEIJK B V	Dirksland	NLD	100		0 2	0 0	
VAN DONGEN AALSMEER B V	Dirksland	NLD	100		0 7	-0 1	
VAN DONGEN CHARTERING B V	Dirksland	NLD	100		0 6	0 5	
VAN DONGEN EN MOSTERT B V	Dirksland	NLD	100		0 7	0 0	
VAN DONGEN MATERIEEL B V	Dirksland	NLD	100		3 6	0 6	
Van Dongen Repair B V	Dirksland	NLD	100		-0 6	-0 5	
VAN DONGEN WESTLAND B V	Dirksland	NLD	100		0 4	-0 3	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2 2	22 7	
BOC GIST INC	Makati City	PHL	100		0 1	0 0	
BOC Intressenter AB	Helsingborg	SWE	100		35 7	0 8	
AGA Aktiebolag	Lidingö	SWE	100		807 0	51 5	d
Fred Butler Sweden Aktiebolag	Lidingo	SWE	100		1 9	0 0	
INO Therapeutics AB	Lidingö	SWE	100		6 8	1 0	d
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	2,034 1	153 6	
Linde Cleaning US, LLC	Wilmington	USA	100		-1 5	-0 3	
Linde Holdings, LLC	Wilmington	USA	100		142 9	7 9	
Linde LLC	Wilmington	USA	100		530 0	177 5	

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Gases Division							
EMEA							
Adnoc Linde Industrial Gases Co Limited (Elixier)	Abu Dhabi	ARE	49	49	153 8	20 7	b
Krakovská s r o	Novy Malin	CZE	37		0 5	0 1	c, d
Plyny Jehlár s r o	Brest	CZE	34		0 1	0 0	c, d
HELISON PRODUCTION S p A	Skikda	DZA	51	51	28 4	9 4	b, e
Messer Algerie SPA	Algiers	DZA	40		4 2	2 1	b, d
Oxigeno de Sagunto, S L	Barcelona	ESP	50		12 9	0 0	b, c, d
Oy Innogas Ab	Kulloo	FIN	50		1 4	0 0	b
Parhaat Yhdessä koulutusyhdistys ry	Vantaa	FIN	25		0 2	0 0	
LIDA S A S	Saint Quentin Fallavier	FRA	22		0 3	0 2	b, c, d
LIMES SAS	Saint Herblain	FRA	50		4 3	0 0	b, c
Helison Marketing Limited	St Helier	GBR	51		8 0	1 7	b, e
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0 7	-0 1	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		-5 5	-0 2	d
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		0 0	0 0	d
B V Nederlandse Pijpleidingmaatschappij	Papendrecht	NLD	50		0 0	0 0	b, c
Bio Facility B V	Papendrecht	NLD	50		0 0	0 0	b
Bio Supply C V	Papendrecht	NLD	45		3 8	1 6	
OCAP CO2 v o f	Schiedam	NLD	50		-10 6	-1 2	b
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		26 4	2 6	b, c
LIMITED ELECTRONICS SOUTH AFRICA	Johannesburg	ZAF	50		-1 2	-0 8	b, e
Asia/Pacific							
Beijing Fudong Gas Products Co, Ltd	Beijing	CHN	60		1 7	0 2	b, c, d, e
BOC-SPC Gases Co, Ltd	Shanghai	CHN	50		41 6	7 3	b
BOC-TISCO GASES CO, Ltd	Tayiuan	CHN	50		127 2	23 9	b
Chongqing Linde-SVW Gas Co, Ltd	Chongqing	CHN	50		18 2	-0 4	b
Dalian BOC Carbon Dioxide Co Ltd	Dalian	CHN	50		2 5	-0 1	b
Fujian Linde-FPCL Gases Co, Ltd	Quanzhou	CHN	50		36 2	3 4	b
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		32 4	6 1	b
Guangzhou GISE Gases Co, Ltd	Guangzhou	CHN	50		12 1	0 4	b
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50		0 2	0 0	b, c, d
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		22 2	-1 3	b
Linde Carbonic Co Ltd, Tangshan	Qian'an	CHN	80		1 5	-0 2	b, e
Ma'anshan BOC Ma Steel Gases Company Limited	Ma'anshan City	CHN	50		88 9	22 6	b

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Maoming Coolants Carbon Dioxide Company Limited	Maoming	CHN	50		0 7	0 0	b
Nanjing BOC-YPC Gases CO , LTD	Nanjing	CHN	50		60 3	9 5	b
Shanghai HuaLin Industrial Gases Co Ltd	Shanghai	CHN	50		66 6	11 4	b
Shenzhen South China Industrial Gases Co Ltd	Shenzhen	CHN	50		5 9	0 5	b
Zibo BOC-QILU Gases Co , Ltd	Zibo	CHN	50		55 7	12 1	b
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bangalore	IND	50		9 4	1 5	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		2 2	1 2	b
Kulim Industrial Gases Sdn Bhd	Petaling Jaya	MYS	50		24 9	1 9	b, c, d
BACNOTAN AIR GASES, INCORPORATED	Taguig	PHL	50		–0 3	0 0	b, c, d
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		8 1	0 8	b, c
Blue Ocean Industrial Gases Co , Ltd	Taipei	TWN	50		19 9	–0 3	b, c, d
Americas							
Compania de Nitrogeno de Cantarell, S A de C V	Santa Fe	MEX	65		3 7	–8 4	b, c, e
CLIFFSIDE HELIUM, L L C	Wilmington	USA	26		0 1	0 1	b
Cliffside Refiners, L P	Wilmington	USA	27		10 3	2 3	b
East Coast Oxygen Company	Bethlehem	USA	50		18 6	–3 2	b
High Mountain Fuels, LLC	Wilmington	USA	50		8 7	–0 2	b
Hydrochlor LLC	Wilmington	USA	50		9 9	0 0	b
Spectra Investors, LLC	Branchburg	USA	49		–2 3	0 0	b
Other Activities							
Caravell Kuhlgerätevertriebs GmbH i L	Ratingen	DEU	50	50	0 1	0 0	b, c, d
Majakka Voima Oy	Helsinki	FIN	23		2 0	0 0	
LOGI-FRANCE SARL	Antony	FRA	50		–0 3	–0 1	b
VAN DONGEN & VAN DER KWAAK B V	Dirksland	NLD	50		–1 0	–1 0	b

Non-consolidated subsidiaries

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Gases Division							
EMEA							
LINDE PLIN d o o Sarajevo	Sarajevo	BIH	100	100	0 0	0 0	c
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		0 0	0 0	d
CUULSTICK VENTURES (PTY) LIMITED	Gaborone	BWA	100		N/A	N/A	d
Progas AG	Dagmersellen	CHE	100		0 1	0 0	c, d
GAS AND EQUIPMENT WILLEMSTAD N V	Willemstad	CUW	100		0 0	0 0	c, d
GI/LINDE ALGERIE	Algiers	DZA	100	40	6 9	1 2	c, d
ELECTROCHEM LIMITED	Guildford	GBR	100	100	3 6	0 0	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		-1 8	0 0	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0 9	0 0	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		0 0	0 0	
KINGSTON MEDICAL GASES LIMITED	Guildford	GBR	100		0 2	0 0	c, d
Tech Gas Ama pjs Company (TGA)	Tehran	IRN	100	100	-1 1	0 1	c, d
Linde Gas Jordan Ltd	Zarqa	JOR	100		0 0	0 0	d
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		0 0	0 0	d
KS Luftgassproduksjon	Oslo	NOR	100		0 0	0 0	c, d
Norgas AS	Oslo	NOR	100		0 1	0 0	c, d
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	0 0	0 0	c, d
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51	51	0 4	0 0	c, d
Linde Technické Plyny spol s r o	Bratislava	SVK	100		0 1	0 0	c, d
Nynäshamns Gasterminal AB	Lidingö	SWE	100		0 0	0 0	c, d
Asia/Pacific							
BOC SOLUTIONS PTY LIMITED	North Ryde	AUS	100		0 0	0 0	c
ELGAS SUPERANNUATION PTY LTD	North Ryde	AUS	100		0 0	0 0	c, d
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		0 0	0 0	c, d
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		1 6	0 0	d
BOC NOUVELLE-CALEDONIE SAS	Noumea	NCL	100		0 0	0 0	
THE GAS COMPANY LIMITED	Auckland	NZL	100		0 4	0 0	
BACOLOD OXYGEN CORPORATION	Mandaue City	PHL	100		0 1	0 0	c, d
CARBONIC PHILIPPINES INC	Mandaue City	PHL	100		0 1	0 0	c, d
CEBU LIQUID GAS CORPORATION	Lapu Lapu City	PHL	67		-0 3	-2 5	c, d
CIGI PROPERTIES, INC	Mandaluyong City	PHL	100		0 0	0 0	d
DAVAO OXYGEN CORPORATION	Mandaue City	PHL	100		0 5	0 0	c, d
ORMOC OXYGEN CORPORATION	Mandaue City	PHL	100		0 1	0 0	c, d
VISMIN AIRTECH INDUSTRIAL GASES CORPORATION	Mandaue City	PHL	100		0 2	0 0	c, d
Chia Chi Industrial Company Limited	Taipei	TWN	100		0 4	0 0	c, d
LUCK STREAM Co , Ltd	Kaohsiung	TWN	100	100	2 7	0 1	c, d

Non-consolidated subsidiaries

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Americas							
177470 CANADA INC	Mississauga	CAN	100		1 0	0 0	c, d
177472 CANADA INC	Mississauga	CAN	100		2 7	0 0	c, d
44001 ONTARIO LIMITED	Ontario	CAN	100		1 3	0 0	c, d
Engineering Division							
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda	Sao Paulo	BRA	100	90	-0 3	-2 1	c, d
Linde Engenharia Do Brasil Ltda	Barueri	BRA	100	90	1 4	0 1	c, d
Linde Engineering Far East, Ltd	Seoul	KOR	100	100	0 4	0 0	c, d
Linde Engineering Taiwan Ltd	Taipei	TWN	100		0 4	0 2	c, d
Other Activities							
Linde Australia Holdings Pty Ltd	North Ryde	AUS	100	100	0 0	0 0	c
Cunduacan Invest GmbH	Munich	DEU	100		0 0	0 0	c, d
CRIOSBANC FRANCE S A R L	Trappes	FRA	100		0 0	0 0	c, d
Fred Butler UK Limited	London	GBR	100		0 0	0 0	c, d
GLPS TRUSTEES LIMITED	Guildford	GBR	100		0 0	0 0	d
VORGEM LIMITED	Glasgow	GBR	100		0 0	0 0	c, d
The BOC Group Limited, (Hong Kong)	Kowloon	HKG	100		0 3	0 0	c, d
BOC B V	Amsterdam	NLD	100		0 0	0 0	c
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	d
SELOX, INC	Nashville	USA	100		N/A	N/A	d

Other participations (not consolidated)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (-) in € million	Note
Gases Division							
EMEA							
Linde Vítkovice a s	Ostrava	CZE	50		15 4	-1 0	c, d
TKD TrockenEis und Kohlensaure Distribution GmbH	Fraunberg	DEU	50	50	0 3	0 1	c, d
AGA Føroyar Sp/f	Torshavn	DNK	50		0 4	0 0	c, d
AGA HiQ Center Aps	Hillerød	DNK	50		0 3	0 1	c, d
Societe de Gardiennage et de Surveilance du Centre (SGS/Centre)	Algiers	DZA	23		2 6	0 1	c, d
Carburo del Cinca S A	Monzón	ESP	20		5 7	1 1	c, d
Oxígeno de Andalucia, S L	San Roque	ESP	49		0 1	0 0	b, c, d

Other participations (not consolidated)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
QUÍMICA BASICA, S A	Barcelona	ESP	33		1 4	0 0	b, c, d
NAMGAS (PTY) LIMITED	Windhoek	NAM	44		0 0	0 0	d
Bio Supply B V	Papendrecht	NLD	50		0 0	0 0	c
Fuel Cell Boat B V	Amsterdam	NLD	20		0 0	0 0	
TASCO ESTATES LIMITED	Dar es Salaam	TZA	20		N/A	N/A	d
INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED	Johannesburg	ZAF	26		0 0	0 0	c, d
Asia/Pacific							
Guangzhou GNC Carbon Dioxide Company Ltd	Guangzhou	CHN	50		N/A	N/A	d
HON CHEN Enterprise Co , Ltd	Kaohsiung	TWN	50		0 8	0 1	c, d
SUN HSIN LPG COMPANY LIMITED	Yun Lin	TWN	50		0 3	0 0	c, d
Americas							
HERA, HYDROGEN STORAGE SYSTEMS INC	Longueuil	CAN	20		0 0	0 0	c, d
RECUPERADORA INTEGRAL DE NITROGEO, SAPI DE C V	Mexico City	MEX	50		0 0	0 0	b, c
TOMOE TRANSTECH SPECIALTY GASES PTE LTD	Singapore	SGP	25		1 7	0 3	b, c, d
Other Activities							
InfraLeuna GmbH	Leuna	DEU	25	25	382 8	13 8	c, d

Key
a Profit/loss transfer agreement
b Joint venture
c Local GAAP
d Figures from financial years prior to year ended 31 December 2011
e Consolidation method differs from percentage of shares held due to a contractual agreement
f Incorporation in 2011
g The distribution of dividend for 2009 is subject to foreign exchange restrictions
N/A = No financial data available

[42] Events after the balance sheet date

On 9 January 2012, Linde signed an agreement to acquire the Continental European homecare business of the gases company Air Products at an enterprise value of EUR 590 m The business achieved annual sales of EUR 210 m in 2011 with around 850 employees The transaction comprises Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain This strategic acquisition will strengthen Linde's position in a structural growth market

The completion of the transaction is subject to approval by the antitrust authorities, consultation with relevant works councils and fulfilment of the other usual closing conditions

On 1 March 2012, the Executive Board of Linde AG released the consolidated financial statements for submission to the Supervisory Board It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them The Group financial statements and the statutory financial statements of Linde AG are published on the day after the financial statements have been approved at the Supervisory Board meeting on 8 March 2012

Declaration of the Executive Board

The Executive Board of Linde AG is responsible for the preparation, completeness and accuracy of the Group financial statements and the Group management report and for the additional information given in the annual report

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (HGB) The Group management report includes an analysis of the net assets, financial position and results of operations of the Group, together with explanatory comments thereon, as required by the provisions of the German Commercial Code

Our efficient internal management and control systems and the use of uniform guidelines throughout the Group ensure the reliability of this data We have received confirmation from those responsible in each division and from the chief executives of each company of the soundness of the financial data reported to the Corporate Centre and of the effectiveness of the related control systems

The internal audit department performs reviews on a continuous basis across the Group to ensure compliance with the guidelines and the reliability and effectiveness of the control systems

The risk management system established for The Linde Group ensures that, in accordance with the requirements of company law, developments that might endanger the continuance of The Linde Group as a going concern are identified early, so that measures may be taken to counter the risks if necessary

In accordance with the Annual General Meeting resolution, KPMG AG Wirtschaftsprufungsgesellschaft, Berlin, has audited the Group financial statements drawn up in accordance with International Financial Reporting Standards and the Group management report, and issued an unqualified opinion

The Group financial statements, the Group management report and the audit report will be discussed in detail in the presence of the auditors at the meeting of the Supervisory Board to approve the financial statements The Supervisory Board will present the outcome of the audit in its report

Munich, 1 March 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

Auditors' report

We have audited the accompanying consolidated financial statements of Linde Aktiengesellschaft and its subsidiaries, which comprise the group statement of profit or loss, statement of comprehensive income, group statement of financial position, group statement of cash flows, statement of changes in group equity and notes to the group financial statements for the business year from 1 January to 31 December 2011

Management's Responsibility for the Consolidated Financial Statements
The management of Linde AG is responsible for the preparation of these consolidated financial statements This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § 315a (1) of the German Commercial Code (HGB), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprufer (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA) Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The selection of audit procedures depends on the auditor's professional judgement This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Audit Opinion
Pursuant to § 322 (3), sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with International Financial Reporting Standards as adopted in the EU and the supplementary requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the group as at 31 December 2011 as well as the results of operations for the business year then ended, in accordance with these requirements

Report on the Group Management Report
We have audited the accompanying group management report of Linde AG for the business year from 1 January to 31 December 2011 The management of Linde AG is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to § 315a (1) HGB We are required to conduct our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprufer (IDW) Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development

Pursuant to § 322 (3), sentence 1, HGB, we state that our audit of the group management report has not led to any reservations

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development

Munich, 1 March 2012

KPMG AG
Wirtschaftsprufungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprufer

Gunter Nunnenkamp
Wirtschaftsprüfer

Further information

FURTHER INFORMATION

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the 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 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 principal opportunities and risks associated with the expected development of the Group

Munich, 1 March 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

Management organisation

(As at 1 March 2012)

Executive Board	Regional/operational responsibilities	Global and central functions
Professor Dr Wolfgang Reitzle, Chief Executive Officer	Gist	Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal, Innovation Management, Internal Audit, Performance Transformation, SHEQ (Safety, Health, Environment, Quality)
Professor Dr Aldo Belloni	EMEA segment (Europe, Middle East, Africa), Global Business Unit Tonnage (on site), Engineering Division	
Thomas Blades[1]	Americas segment, Global Business Unit Healthcare, Business Area Merchant & Packaged Gases (liquefied and cylinder gases)	
Sanjiv Lamba	Asia/Pacific segment, Asia Joint Venture Management, Business Area Electronics (electronic gases)	
Georg Denoke	Finance/Controlling for the segments EMEA, Americas, Asia/Pacific	Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Insurance, Mergers & Acquisitions, Procurement, Risk Management, Tax

[1] The Supervisory Board of Linde AG has appointed Thomas Blades as a member of the Executive Board. Blades succeeds J. Kent Masters, who stepped down from the Linde AG Executive Board on 30 September 2011. Blades is expected to assume his position on 8 March 2012.

Divisions

Gases Division	Engineering Division	Gist
See diagram below for organisation	Werner Schwarzmeier, Chairman	Martin Gwynn
	Jürgen Nowicki	
	Dr Bruno Ziegler	
	Dr Samir Serhan	

Gases Division

EMEA segment (Europe, Middle East, Africa)	Americas segment	Asia/Pacific segment
RBU Continental & Northern Europe Peter Stocks	RBU North America Pat Murphy	RBU Greater China Steven Fang
RBU Africa & UK Mike Huggon	RBU South America Philippe Brunet	RBU South & East Asia Bernd Eulitz
RBU Eastern Europe & Middle East Dr Hans Hermann Kremer	Finance/Controlling Americas Philippe Brunet	RBU South Pacific Colin Isaac
Finance/Controlling EMEA Matthias von Plotho		Asia Joint Venture Management Peter Owen
		Finance/Controlling Asia/Pacific Binod Patwari

Global Business Units (GBUs) and Business Areas (BAs)

GBU Tonnage (On-site)	GBU Healthcare	BA Electronics	BA Merchant & Packaged Gases
Dr Rainer Schlicher	Dr Christian Wojczewski	Peter Owen	Dr Steve Penn

Global and central functions

Procurement	Christoph Clausen
Group Accounting & Reporting, Risk Management, Insurance	Björn Schneider
Financial Control, Capital Expenditure, Growth & Performance	Michael Ullrich
Group Treasury	Dr Sven Schneider
Innovation Management	Dr Andreas Opfermann
Communications & Investor Relations	Dr Harry Roegner
Mergers & Acquisitions	Jens Luhring
Group Information Services	Sandeep Sen
Performance Transformation	Dr Alexander Unterschütz
Group Human Resources	Werner Boekels
Group Legal	Dr Christoph Hammerl (provisional)
Internal Audit	Thomas Müller
SHEQ	Phil Graham
Tax	Michael Weißberg
Corporate Strategy	Jan Ellringmann

Review of the year

JANUARY

↳ Linde becomes the preferred engineering partner of the South African company Sasol Technology (Pty) Ltd The agreement is for an initial term of 10 years and relates to a major portion of Sasol's coal gasification technology downstream aspects such as raw gas cooling, by-product processing and overall integration of the gas island

↳ Linde is selected as Daimler's exclusive hydrogen partner for the Mercedes-Benz F-CELL World Drive This endurance trip sends three B-class F-CELL hydrogen-powered fuel-cell cars right around the world Linde is the sole supplier of mobile hydrogen for the zero-emissions vehicles for the entire tour The trip takes each of the cars around 30,000 kilometres across four continents and 14 countries in 125 days

FEBRUARY

↳ In Tasmania, Linde officially brings on stream Australia's first micro-LNG plant The project, which is associated with a long-term supply contract for LNG Refuellers Pty Ltd, includes the supply of six filling stations for the transport company in the Tasmanian region

↳ At its Cebu site in the Philippines, Linde invests EUR 3 8 m in the construction of a plant to produce carbon dioxide The new plant, which produces 24 tonnes of carbon dioxide per day, supplies the shipbuilder Tsuneishi Heavy Industries

MARCH

↳ In Pasir Gudang in Malaysia, Linde officially opens a new air separation plant The EUR 47 m project is Linde's biggest single investment in Malaysia and demonstrates that here too the Group is gearing its business towards long-term growth The plant had started production in the second half of 2010

↳ Linde introduces its new segment structure in the Gases Division The Group also sets out reallocated regional responsibilities Linde's Gases Division now reports on the basis of the following three reportable segments EMEA (Europe, Middle East, Africa), Asia/Pacific and the Americas Linde also establishes a specific regional responsibility on the Executive Board for the Asia/Pacific segment to capitalise on the huge potential offered by growth markets in Asia

APRIL

↳ Linde announces that it is further advancing the use of hydrogen as an environmentally sound fuel in North America At Coca-Cola's production site at Coca-Cola Bottling Co Consolidated in Charlotte, North Carolina, Linde will set up a zero-emissions hydrogen fuelling system to supply 40 forklift trucks

MAY

↳ Linde is to build and operate a large hydrogen and synthesis gas plant in Chongqing Chemical Park in western China Linde implements the project in a joint enterprise with Chongqing Chemical & Pharmaceutical Holding Company (CCPHC) The new on-site plant will in future supply carbon monoxide, hydrogen and synthesis gas to the BASF and CCPHC production plants based there The investment in the project is around EUR 200 m The new plant, which is being supplied by Linde's Engineering Division, is expected to come on stream in the third quarter of 2014 This project strengthens Linde's presence in western China and reinforces its position as the leading gases and engineering company in China

↳ In Sweden, Linde officially opens the country's first terminal for liquefied natural gas (LNG) Linde is the owner and operator of the terminal and sells the LNG to customers in industry, transport and shipping With this new terminal, Linde has gained entry into a promising growth market

JUNE

↳ Linde announces that it is working together with car manufacturer Daimler to press ahead with the development of an infrastructure for fuel-cell vehicles Over the next three years, the two companies plan to build an additional 20 hydrogen filling stations in Germany, thereby ensuring a supply of hydrogen produced exclusively from renewable sources for the steadily increasing number of fuel-cell vehicles on the roads As a result of the Linde/Daimler initiative, which involves investment in euro running into the double-digit millions, the number of public hydrogen filling stations in Germany is set to more than triple

JULY

↳ Linde paves the way for entry into the promising market segment of floating LNG plants Together with its project partner SBM Offshore, Netherlands, the Group signs a cooperation agreement with the Thai oil group PTT (Petroleum Authority of Thailand) to develop a floating natural gas liquefaction plant in the Timor Sea off the northern coast of Australia The project will involve the conversion of natural gas from three gas fields into LNG If the gas reserves meet expectations, the project will move into the front-end engineering and design phases The final investment decision should be made at the end of 2012 Commercial production would be expected to commence at the end of 2016

↳ Linde enters into an agreement with the Chinese Yantai Wanhua Group to build two air separation plants The plants will have a total production capacity of 110,000 normal cubic metres of oxygen and nitrogen per hour, and will also supply third-party customers They are expected to come on stream at the beginning of 2014

AUGUST

↳ Linde is involved in the major pipeline project, Nord Stream, which has assured the supply of natural gas from Russia to 26 million European households since the end of 2011 For a whole week, without interruption, Linde supplied 14,000 normal cubic metres of nitrogen per hour, injecting it into the pipeline This was for the inertisation of the pipeline i e rinsing the pipes with nitrogen to remove reactive gases

↳ With the support of the US Department of Energy (DoE), Linde is continuing to develop carbon capture and storage (CCS) technology in coal-fired power stations in the United States The DoE decided to provide USD 15 m of funding to build a pilot plant in Wilsonville, Alabama, to test innovative CO_2 scrubbing processes as of 2014 These processes aim to separate the CO_2 in the most energy-efficient and cost-effective way In the plant, Linde will seek to remove at least 90 percent of the carbon dioxide from the power station flue gases Energy costs will rise by only 30 percent as a result

SEPTEMBER

↳ Working together with a number of partners, Linde launches the first public hydrogen filling station in the UK Both 350 bar and 700 bar technology can be used at the filling station, which is situated in Swindon on the M4 motorway between London and Swansea

↳ Linde signs a contract to build Europe's largest on-site fluorine production plant for Schüco TF, Germany's leading manufacturer of thin-film silicon solar modules By using environmentally friendly fluorine, Schuco is able to reduce emissions from its production plants by 103,000 tonnes of CO_2 equivalent per annum

OCTOBER

↳ In South Korea, Linde starts production at the new air separation plant on the Giheung site The plant produces 3,000 tonnes of nitrogen per day for customers in the electronics and semiconductor industries At EUR 130 m, this air separation plant is Linde's biggest investment to date in South Korea

↳ Linde launches a new model range in the growing market segment of small hydrogen plants With its HYDROPRIME® product, Linde is expanding its portfolio to include a standardised range, so that it can offer the market the whole spectrum of sizes for hydrogen and synthesis gas plants

NOVEMBER

↳ Linde builds up its business relationships with the Chinese steel industry and commits to providing all the gas supplies for Hebei Puyang Iron and Steel in Wu'an in northern China Under this on-site agreement, Linde will acquire and operate the seven existing air separation plants and an existing pipeline network, equipping them with the latest technology At the same time, Linde's Engineering Division will construct a new air separation plant on the site, which will have a production capacity of 30,000 normal cubic metres of oxygen per hour The investment in the project is around EUR 120 m

DECEMBER

↳ Linde invests EUR 42 m in the Jilin Chemical Park in north-east China to build a new hydrogen plant The new plant is expected to come on stream at the end of 2013 and will supply high-purity hydrogen to several companies at this integrated chemical complex Production plants situated here include those of Evonik Industries and Jishen, a joint venture between PetroChina Jilin Beifang Chemical Group and Jilin Shenhua Group

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Contact details

Linde AG
Klosterhofstrasse 1
80331 Munich
Germany
Phone +49 89 35757-01
Fax +49 89 35757-1075
www linde com

Communications
Phone +49 89 35757-1321
Fax +49 89 35757-1398
E-mail media@linde com

Investor Relations
Phone +49 89 35757-1321
Fax +49 89 35757-1398
E-mail investorrelations@linde com

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