

Annual Report  
BOC Investments No.1 Limited

2010

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## BOC Investments No.1 Limited

### Annual report for the year ended 31 December 2010

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**Directors' report for the year ended 31 December 2010****Principal activities**

The company is a member of the Linde Group, and its ultimate parent company is Linde AG

The company's principal activity has been throughout the year under review and the preceding year the General Partner in BOC AIP Limited Partnership ("BOC AIP"), an Australian limited liability partnership. It is envisaged that this will continue to be the company's principal activity for the foreseeable future.

As General Partner, the company has exclusive responsibility for the management and control of BOC AIP. It carries out these activities in Australia through its agent, BOC Limited (Australia).

**Business review**

The company received dividends from group undertakings and participating interests of £35,816,000 (2009 22,537,000). These dividends were satisfied by the transfer of promissory notes from a subsidiary undertaking. The results for the year are contained in the accompanying profit and loss account on page 6 and show a profit for the financial year of £36,878,000 (2009 £23,543,000).

**Dividends**

Interim dividends of £8,495,452 and £40,320,474 were paid on 29 April 2010 and 3 November 2010 respectively on the company's ordinary £1.00 shares. Of these dividends, £8,495,452 was satisfied by the transfer of promissory notes to the company's sole shareholder (2009 £11,380,137).

The directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009 Nil).

**Directors**

The directors of the company during the year and, where relevant, subsequent to the year end were

Mr A C Brackfield

Mr M Dennis

Dr T Finken

Mr J K Masters

The directors are not subject to retirement by rotation

### Disclosure of information to auditors

The directors who held 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 auditors are 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 auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



S K Kelly  
Secretary

15 June 2011

The Priestley Centre  
10 Priestley Road  
Surrey Research Park  
Guildford  
Surrey  
GU2 7XY  
England

**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 law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law 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 Companies Act 2006. 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.



KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## **Independent auditor's report to the members of BOC Investments No. 1 Limited**

We have audited the financial statements of BOC Investments No. 1 Limited for the year ended 31 December 2010 set out on pages 6 to 13. 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 auditors**

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](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit 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.

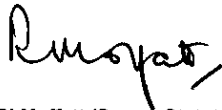
**Opinion on other matters prescribed by the Companies Act 2006**

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 (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP Statutory Auditor**  
Chartered Accountants  
1 The Embankment  
Leeds  
West Yorkshire  
LS1 4DW

17 June 2011

**Profit and loss account for the year ended 31 December 2010**

| in £ thousands                                       | Note        | 2010          | 2009          |
|--|-------------|---------------|---------------|
| Income from shares in group undertakings             |             | 35,816        | 22,537        |
| Administrative expenses                              |             | (24)          | (23)          |
| Other operating income                               |             | 29            | 18            |
| <b>Operating profit</b>                              |             | <b>35,821</b> | <b>22,532</b> |
| <b>Profit on ordinary activities before interest</b> |             | <b>35,821</b> | <b>22,532</b> |
| Interest receivable and similar income               | [5]         | 1,072         | 1,016         |
| Interest payable and similar charges                 | [5]         | (4)           | -             |
| <b>Net financing income</b>                          |             | <b>1,068</b>  | <b>1,016</b>  |
| <b>Profit on ordinary activities before taxation</b> |             | <b>36,889</b> | <b>23,548</b> |
| Tax on profit on ordinary activities                 | [6]         | (55)          | (5)           |
| <b>Profit for the financial year</b>                 | <b>[12]</b> | <b>36,834</b> | <b>23,543</b> |

All of the above relates to continuing operations

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

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



| <b>Balance sheet as at 31 December 2010</b>   |      |                |                |
|---|------|----------------|----------------|
| in £ thousands                                | Note | 31 12 2010     | 31 12 2009     |
| <b>Fixed assets</b>                           |      |                |                |
| Investments in group undertakings             | [8]  | 130,997        | 130,997        |
| <b>Current assets</b>                         |      |                |                |
| Debtors amounts falling due within one year   | [9]  | 12,745         | 24,708         |
| Cash at bank and in hand                      |      | 44             | -              |
| Creditors amounts falling due within one year | [10] | (185)          | (122)          |
| <b>Net current assets</b>                     |      | <b>12,604</b>  | <b>24,586</b>  |
| <b>Net assets</b>                             |      | <b>143,601</b> | <b>155,583</b> |
| <b>Capital and reserves</b>                   |      |                |                |
| Called up share capital                       | [11] | 130,997        | 130,997        |
| Profit and loss account                       | [12] | 12,604         | 24,586         |
| <b>Shareholders' funds</b>                    | [13] | <b>143,601</b> | <b>155,583</b> |

The financial statements on pages 6 to 13 were approved by the board of directors on 15 June 2011 and were signed on its behalf by



Dr T Finken  
Director

## Notes to the financial statements for the year ended 31 December 2010

### [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 the going concern basis of 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) Group financial statements

The financial statements contain information about BOC Investments No 1 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are excluded by full consolidation in the consolidated financial statements of its ultimate parent, Linde AG, a company registered in Germany

#### c) 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

#### d) Interest in partnership

The company, together with BOC Investment Holdings Limited, is a partner holding an interest in BOC AIP Limited, an Australian Limited Liability Partnership. Under the terms of the partnership agreement there are no restrictions on the realisation of its interest in the income, expenses, assets and liabilities of the partnership by the company. Therefore, the company includes its share of the assets, liabilities, income and expenses of BOC AIP Limited in its own accounts as required by FRS 9

#### e) 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 current 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

**f) Income**

Interest income is recorded on an accruals basis. Investment income is recognised when dividends are declared by the relevant board of directors.

**g) Functional currency**

The functional currency of BOC Investments No 1 Limited is Sterling and the accounts are prepared using its functional currency, which is the currency of the primary economic environment in which it operates.

**h) Foreign exchange**

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling on the date of the transaction or the contracted rate where applicable. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date and the resulting exchange differences are taken to the profit and loss account.

**i) Investment**

Fixed asset investments are stated at costs less provision for any impairment in value.

**j) Dividends**

Final dividends proposed by the board of directors and unpaid at the year end and are not recognised in the financial statements until they have been approved by shareholders in general meeting. Interim dividends are recognised when they are paid.

**[2] Directors' emoluments**

The emoluments of the directors are paid by the ultimate parent company, Linde AG, The BOC Group Limited or BOC Limited, in their roles as managers and directors of Linde AG, The BOC Group Limited or BOC Limited.

**[3] Auditor's remuneration**

The remuneration payable in relation to audit services of £2,500 (2009: £2,500) is borne by The BOC Group Limited and is included in the aggregated fees disclosed in those financial statements.

**[4] Employee information**

The company had no employees in the year. The company is not charged for the services by employees of other Linde Group companies that provide services to the company.

**[5] Interest**

| Interest receivable and similar income |              |              |
|--|--------------|--------------|
| in £ thousands                         | 2010         | 2009         |
| On loans to group undertakings         | 940          | 913          |
| Foreign exchange gain                  | 132          | 103          |
|  | <b>1,072</b> | <b>1,016</b> |

| Interest payable and similar charges |      |      |
|--------------------------------------|------|------|
| in £ thousands                       | 2010 | 2009 |
| On loans from group undertakings     | 4    | -    |

**[6] Tax on profit on ordinary activities**

| in £ thousands   | 2010      | 2009     |
|--|-----------|----------|
| <b>a) Analysis of charge in year</b>                                   |           |          |
| Current tax  |           |          |
| UK corporation tax on profit of the year                               | -         | -        |
| Overseas taxation (including adjustments in respect of previous years) | 11        | 5        |
|  | <b>11</b> | <b>5</b> |
| Deferred tax charge  | 44        | -        |
| <b>Total tax charge</b>  | <b>55</b> | <b>5</b> |

**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 28% (2009 28%)

The differences are explained below

|   |           |          |
|---|-----------|----------|
| Profit on ordinary activities before taxation   | 36,889    | 23,548   |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2009 28%) | 10,329    | 6,593    |
| Effects of  |           |          |
| Income not assessable for tax purposes  | (10,028)  | (3,186)  |
| Overseas tax  | 11        | 5        |
| Relief for overseas tax   | (11)      | (3,124)  |
| Group relief for nil consideration  | (290)     | (283)    |
| <b>Current tax charge for the year (as above)</b>   | <b>11</b> | <b>5</b> |

**Provision for deferred tax**

| in £ thousands                        | 2010      | 2009     |
|---------------------------------------|-----------|----------|
| Short term timing differences         | 44        | -        |
|                                       | <b>44</b> | <b>-</b> |
| Opening deferred tax liability        | -         | -        |
| Deferred tax charge                   | 44        | -        |
| <b>Closing deferred tax liability</b> | <b>44</b> | <b>-</b> |

The company has an unrecognised deferred tax asset on losses of £1,408k. The company has not recognised the asset as it does not expect to utilise the asset in the foreseeable future.

**[7] Dividends**

| in £ thousands             | 2010   | 2009   |
|----------------------------|--------|--------|
| Equity dividend - ordinary | 48,816 | 11,380 |

Interim dividends of £8,495,452 and £40,320,474 were paid on 29 April 2010 and 3 November 2010 respectively on the company's ordinary £1 00 shares. Of these dividends, £8,495,452 was satisfied by the transfer of promissory notes to the company's sole shareholder (2009 £11,380,137)

**[8] Investments**

| in £ thousands                    | Participating interest |
|-----------------------------------|------------------------|
| At 1 January and 31 December 2010 | 130,997                |

Investments are stated at cost less provision for any impairment in value

At 31 December 2010, the company owned the following investments via its interest in BOC AIP Limited Partnership

| Country of incorporation | Name                      | % of nominal value held | Class of shares held            |
|--------------------------|---------------------------|-------------------------|---------------------------------|
| Australia                | BOC Australia Pty Limited | 20%#                    | A\$1 Ordinary                   |
| Australia                | BOC Australia Pty Limited | 20%                     | A\$0 50 J Redeemable Preference |
| Australia                | BOC Limited (Australia)   | 20%*#                   | A\$0 20 Ordinary                |
| Australia                | BOC Limited (Australia)   | 20%*                    | A\$0 10 A Ordinary              |

\* held via BOC Australia Pty Limited

# 2 Ordinary shares in each of these companies are held directly by the company

The financial statements include 20% of the results, assets and liabilities of BOC AIP Limited as the directors consider it is a Joint Arrangement that is not an Entity (JANE) in accordance with FRS 9. In the year ended 31 December 2009 BOC AIP Limited had £nil turnover and at the balance sheet date it had £654 1m fixed assets and £658 0m net assets

**[9] Debtors**

| in £ thousands                      | 2010   | 2009   |
|-------------------------------------|--------|--------|
| Amounts falling due within one year |        |        |
| Amounts owed by group undertakings  | 12,745 | 24,708 |

Amounts owed by group undertakings of £12,480,723 (2009 £24,547,344) are unsecured, interest bearing and repayable on demand. The balance of £267,635 (2009 £160,320) is unsecured, interest free and repayable on demand

**[10] Creditors**

| in £ thousands                             | 2010       | 2009       |
|--|------------|------------|
| <b>Amounts falling due within one year</b> |            |            |
| Amounts owed to group undertakings         | 109        | 87         |
| Corporation tax                            | 22         | 35         |
| Other taxation and social security         | 10         | -          |
| Deferred tax                               | 44         | -          |
|  | <b>185</b> | <b>122</b> |

Amounts owed to group undertakings of £100,429 (2009 £42,299) are unsecured, interest bearing and repayable on demand. The balance of Amounts owed to group undertakings of £8,207 (2009 £45,073) is unsecured, interest free and repayable on demand.

**[11] Share capital**

| in £ thousands                            | 2010           | 2009           |
|---|----------------|----------------|
| <b>Authorised</b>                         |                |                |
| 135,000,000 Ordinary shares of £1 each    | <b>135,000</b> | <b>135,000</b> |
| <b>Allotted, called up and fully paid</b> |                |                |
| 130,996,740 Ordinary shares of £1 each    | <b>130,997</b> | <b>130,997</b> |

**[12] Reserves**

| in £ thousands                | Profit and loss account |
|-------------------------------|-------------------------|
| Balance at 1 January 2010     | 24,586                  |
| Profit for the financial year | 36,834                  |
| Dividend                      | (48,816)                |
| Balance at 31 December 2010   | <b>12,604</b>           |

**[13] Reconciliation of movements in shareholders' funds**

| in £ thousands                              | 2010            | 2009           |
|---|-----------------|----------------|
| Profit for the financial year               | 36,834          | 23,543         |
| Dividend                                    | (48,816)        | (11,380)       |
| Net (defect)/surplus to shareholders' funds | <b>(11,982)</b> | <b>12,163</b>  |
| Opening shareholders' funds                 | 155,583         | 143,420        |
| Closing shareholders' funds                 | <b>143,601</b>  | <b>155,583</b> |

**[14] Related party transactions**

In accordance with Financial Reporting Standard Number 8, Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of Linde AG, or investees of Linde AG qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

**[15] Ultimate parent undertaking**

The immediate parent undertaking is The BOC Holdings

The ultimate parent undertaking and controlling party of the company is Linde AG, which is registered in Germany

Linde AG is the parent undertaking and 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 2010.

# Continuously Improving.

Leading.

  
THE LINDE GROUP



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Continuously Improving. The Linde Financial Report 2010.

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## Executive Board

EXECUTIVE BOARD

SUPERVISORY BOARD

CORPORATE GOVERNANCE

LINDE SHARES

GROUP MANAGEMENT  
REPORT

GROUP FINANCIAL  
STATEMENTS

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FINANCIAL STATEMENTS

FURTHER INFORMATION

### 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 Information Services, Group Legal,  
Innovation Management, Internal Audit, SHEQ (Safety, Health,  
Environment, Quality) and Gist

Member of the Executive Board since 2002

### Dr Aldo Belloni

Born 1950

Doctorate in Chemical Engineering (Dr -Ing )

Responsible for the Engineering Division, the operating  
segments Western Europe and Asia & Eastern Europe, the Global  
Business Unit Tonnage (on-site) and the Business Area  
Electronics (electronic gases)

Member of the Executive Board since 2000

### J Kent Masters

Born 1960

BS Chemical Engineering

MBA Finance

Responsible for the operating segments Americas and  
South Pacific & Africa, the Global Business Unit Healthcare and  
the Business Area Merchant & Packaged Gases (liquefied and  
cylinder gases)

Member of the Executive Board since 2006

### 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,  
Mergers & Acquisitions, Procurement, Risk Management and Tax  
Human Resources Director

Member of the Executive Board since 2006



From left to right: Carlo Cusi, Karl Masters, Professor Dr. Wolfgang Kretz, Dr. Aldo Belloni

## Letter to the shareholders

*Ladies and Gentlemen,*

Following the most severe downturn in post-war history, the global economy picked up during 2010, growing at a faster and stronger pace than previously expected. Dynamic growth in the emerging economies of Asia, especially in China, provided much of the impetus for this upswing. The more mature markets in Europe and the United States also benefited from the momentum.

Boosted by the economic recovery, we achieved double-digit growth in both Group sales and Group operating profit. We managed to surpass our previous best figures, posted in the 2008 financial year. Group sales rose 14.8 percent to EUR 12.868 bn (2009: EUR 11.211 bn). By way of comparison, Group sales in 2008 were EUR 12.663 bn. We continued to increase profitability, with Group operating profit growing at a faster rate than sales, up 22.6 percent to EUR 2.925 bn (2009: EUR 2.385 bn). Group operating profit in 2008 was EUR 2.555 bn.

The fact that we have achieved these record figures only a year after the toughest financial crisis for more than six decades is remarkable. Clearly, the economic recovery played its part. However, our performance is also testament to the strength of our business model. Our gases and engineering businesses are well positioned on the global stage, enjoying a particularly strong foothold in fast-growing economies. What is more, we have been systematically improving efficiency throughout our entire organisation.

We invite you, our shareholders, to participate in the success of our Group and we will therefore continue to base our dividend payments on earnings. At the Annual General Meeting on 12 May 2011, the Executive Board and the Supervisory Board will propose a dividend of EUR 2.20 per share. This is an increase of 22.2 percent compared with last year's dividend of EUR 1.80.

Economists are predicting growth for 2011, both in global gross domestic product and worldwide industrial production. However, uncertainty remains as to the sustainability and extent of the present recovery. Factors which could dampen wider global growth prospects include high public debt levels across the world, monetary instability and the relatively high unemployment figures in the US and in some European countries.

Irrespective of future macroeconomic trends, we would be well advised to continue to do everything in our power to drive further process enhancements and systematically roll out our holistic concept for lasting efficiency and productivity gains.

We will remain on our current path, looking to the future with complete confidence. In the 2011 financial year, we expect to achieve growth in Group sales and an improvement in Group operating profit relative to 2010. We have also set ourselves new medium-term targets. In the 2014 financial year, we will be aiming to achieve Group operating profit of at least EUR 4 bn. For that same year, we have defined a 14 percent minimum target for return on capital employed - our key performance indicator.



These targets are ambitious but realistic. We will continue to improve over the next few years, creating a stable foundation which will enable us to capitalise even more effectively on long-term global megatrends such as energy, the environment and healthcare, and on dynamic growth in emerging economies.

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<sup>1</sup>**  
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

**Dr Gerhard Beiten**  
Lawyer

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

**Gernot Hahl<sup>1</sup>**  
Chairman of the Worms Works Council,  
Gases Division, Linde AG

**Thilo Kammerer<sup>1</sup>**  
Trade Union Secretary of IG Metall

**Matthew F C Miao**  
Chairman of the MITAC-SYNNEX-Group,  
Taiwan

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

**Jens Riedel<sup>1</sup>**  
Chairman of the Leuna Works Council,  
Gases Division, Linde AG

**Xaver Schmidt<sup>1</sup>**  
Secretary to the Executive Board  
of IG Bergbau, Chemie, Energie, Hanover

**Josef Schregle<sup>1</sup>**  
Manager responsible for finance and  
financial control, Engineering Division,  
Linde AG

## Supervisory Board committees

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

**Dr Manfred Schneider**  
(Chairman)

**Hans-Dieter Katte<sup>1</sup>**  
**Michael Diekmann**  
**Gernot Hahl<sup>1</sup>**

**Standing Committee**

**Dr Manfred Schneider**  
(Chairman)

**Hans-Dieter Katte<sup>1</sup>**  
**Michael Diekmann**  
**Gernot Hahl<sup>1</sup>**  
**Klaus-Peter Muller**

**Audit Committee**

**Dr Clemens Borsig**  
(Chairman)

**Dr Gerhard Beiten**  
**Gernot Hahl<sup>1</sup>**  
**Hans-Dieter Katte<sup>1</sup>**  
**Dr Manfred Schneider**

**Nomination Committee**

**Dr Manfred Schneider**  
(Chairman)

**Michael Diekmann**  
**Klaus-Peter Müller**

<sup>1</sup> 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 2010 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. It also focused on 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 written reports, the Executive Board regularly provided us with timely and comprehensive reviews of 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 discussed significant matters with the Executive Board. 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 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 of the Supervisory Board maintained close contact with the Chairman of the Executive Board throughout the year to keep abreast of the latest developments and events and held regular consultations with him on the Group's strategy, risk situation and risk management. On the basis of the auditors' report and reports submitted by the Executive Board, 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 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 2010 financial year. One member of the Supervisory Board excused himself from the meeting on 16 March for health reasons. All Supervisory Board members were present for the remaining meetings. There were no conflicts of interest involving Supervisory Board members during the period under review.

In 2010, the Supervisory Board's advisory and monitoring activities focused mainly on the growth prospects of the Group, its individual lines of business and operating segments. In-depth discussions with the Executive Board examined in particular the Group's corporate and strategic goals, their feasibility, economic implications and expected 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 structures and processes are being continually 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 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, three 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. One of these proposals related to a new EUR 2.5 bn five-year revolving credit line, which took advantage of more favourable market conditions, to replace the syndicated credit financing the 2006 acquisition of BOC and



the forward start facility concluded in 2009. The other proposals concerned internal legal restructuring and modifications to the procedural rules of the Supervisory Board to reflect amendments to the German Corporate Governance Code dated May 2010.

At the Supervisory Board meeting to approve the financial statements on 16 March 2010, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2009 and agreed the proposed appropriation of earnings. We also received a report from an independent external expert in executive pay detailing the key results of a review of the existing system of remuneration for the Executive Board and the appropriateness of Executive Board remuneration. On the basis of this report and the recommendation from the Standing Committee, we approved the remuneration system for the Executive Board for the duration of existing contractual obligations as well as the overall remuneration for individual Executive Board members for 2009. In light of this, we have also decided to submit the remuneration system for members of the Executive Board to the Annual General Meeting for approval. Moreover, the Supervisory Board issued a 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 a competitive analysis and peer review to give added insights into prospective changes on the global market for industrial gases.

Just before the Annual General Meeting on 4 May 2010, the Executive Board presented the Group financial results for the quarter ending 31 March 2010. On the basis of these quarterly results, we then discussed the forecast for 2010 with the Executive Board. The Executive Board provided detailed information on selected indicators and informed us of their impact on the Group's finances and operations. During this meeting, the Executive Board also outlined plans to conclude a EUR 2.5 bn syndicated credit facility. These plans were then discussed in detail. The meeting also served to prepare for the ensuing Annual General Meeting.

At our meeting on 1 October 2010, the Executive Board outlined in detail the economic situation of The Linde Group and its divisions. It also presented the outlook for 2010 as a whole. The meeting focused on the Group's

strategic roadmap, outlining progress thus far and future strategic steps. In particular we discussed the strategic positioning and direction of the Group and its divisions along with current and prospective initiatives in this area. The Executive Board explained in detail the opportunities and risks on the international market in light of the current general economic climate. In conjunction with this, the Executive Board explained the importance of its process optimisation and efficiency gains programme and outlined measures in the pipeline. We also received in-depth information on the clean energy strategy during the course of the meeting. Two items requiring Supervisory Board approval were also tabled, namely the proposed increase to The Linde Group's 2010 capital expenditure programme and amendments to the existing Euro Commercial Paper Programme (see glossary). Both items were approved. The Supervisory Board addressed new provisions in the German Corporate Governance Code and prepared the resulting amendments to its procedural rules. We also received a report on compliance.

On 3 December 2010, the Executive Board presented us with a report on current business developments and the performance of the Group in comparison with its competitors. It also presented us with a preview of the 2010 financial statements as well as the budget for the 2011 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 actual results. We questioned the Executive Board in depth about the assumptions they had made, focusing in particular on issues relating to investment policy, investment and financing planning, liquidity and debt repayment. We were satisfied that the Executive Board continues to assess thoroughly any risks to the Group given the overall economic climate and is taking appropriate action. We approved the 2011 capital expenditure programme for The Linde Group. We also approved an internal legal restructuring proposal presented by the Executive Board. In addition, we discussed the results of a review examining the efficiency of the Supervisory Board's work. The review was based on a detailed survey conducted in autumn 2010. We debated possible actions here and defined measures aimed at further optimising our activities. This meeting also focused on corporate governance at Linde and the new recommendations under the German Corporate Governance Code in particular.

## Corporate governance and declaration of compliance

We continually verify that the provisions of the German Corporate Governance Code are being correctly implemented. Linde AG complies with all the recommendations of the German Corporate Governance Code as amended on 26 May 2010. In March 2011, the Executive Board and the 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](http://www.linde.com)). In light of amendments to the German Corporate Governance Code in May 2010, the Supervisory Board arranged dedicated training for Supervisory Board members and defined goals for the future composition of the Supervisory Board. These targets and further information about corporate governance at Linde are given in the corporate governance section 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 is Chairman of all the committees except the Audit Committee. The current members of the committees are listed on page 008. Information about the responsibilities of the committees is given in the corporate governance report on pages 016 to 022.

The Standing Committee of the Supervisory Board held two meetings in 2010. A resolution was also passed in writing. The Standing Committee dealt mainly with matters relating to the Executive Board, in particular the specifics of the German Law on the Appropriateness of Executive Board Remuneration (VorstAG) and the preparation of decisions by the full Board related to the emoluments payable to Executive Board members. It examined in detail the findings of an independent external expert in executive pay retained to review the existing remuneration system for the Executive Board and its appropriateness. This expert attended one of the Standing Committee meetings, reported on the findings of the review and answered questions from the committee. The Standing Committee prepared the resolutions regarding the remuneration system for the Executive Board and the total remuneration payable to individual Board members for the March Supervisory Board meeting. Furthermore, the Standing Committee approved amendments to the articles of association rendered necessary as a result of the issue of shares to service the share options. In addition, it prepared the efficiency review of the Supervisory Board.

The Audit Committee held four meetings in 2010. 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 risk 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. The Audit Committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision 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 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, roles and responsibilities within the Internal Audit department, on their audit work and the audit plan for 2010. The Audit Committee was briefed on the efficiency of the internal control system, risk management system and internal audit system, it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question. Detailed discussions were held on a regular basis with the auditors and the Executive Board to address fundamental issues regarding the preparation and audit of the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2010. The Executive Board also regularly provided the committee with information about the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity. Topics of discussion included projects of relevance to the accounting process. The committee was joined by department/unit heads for key items on the agenda. They submitted reports and answered questions from the committee. In addition, the Chairman of the Audit Committee discussed topics of significance with the auditors and the Chief Financial Officer in particular between committee meetings. The Audit Committee and – if necessary – the Supervisory Board – were regularly appraised of the outcome of these discussions.

The Nomination and Mediation Committees had no cause to meet during the year

A committee member excused himself from the Audit and Standing Committee meetings in March 2010 for health reasons. All committee members were otherwise present at all other 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 Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) audited the annual financial statements of Linde AG for the year ended 31 December 2010 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 2010 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) 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 2010 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. The auditors did not report any significant weaknesses in the internal control system. In the 2010 financial year, the audit focus was on the Internal Audit function within The Linde Group.

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 the subject of extensive deliberations at the Audit Committee meeting on 8 March 2011 and the meeting of the Supervisory Board to approve the financial statements on 9 March 2011. 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 2010 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.

## Composition of the Supervisory Board and the Executive Board

There were no changes to the composition of the Supervisory Board or Executive Board in the 2010 financial year

The Supervisory Board would like to thank the Executive Board and all Linde employees for their exceptional personal dedication in mastering what again proved to be quite a challenging financial year

Munich, 9 March 2011

On behalf of the Supervisory Board



Dr Manfred Schneider  
Chairman

# Corporate Governance

Sound corporate governance is fundamental to a company's long-term success. The Supervisory and Executive Boards of Linde AG are firmly committed to upholding the principles of sound corporate governance. Their management and supervision actions are always guided by a strong sense of responsibility. Both bodies will continue to follow developments in this area closely and adapt existing corporate governance structures wherever necessary or beneficial to the Group.

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## CORPORATE GOVERNANCE

- 017 Corporate governance declaration  
and corporate governance report
  - 023 Remuneration report  
(Part of the Group Management Report)
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# 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 released 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 March 2010 in line with Section 161 of the German Stock Corporation Law (AktG) and made this permanently available to the public on the Linde website. In March 2011, the Executive Board and Supervisory Board submitted the following declaration:

"The Executive Board and the Supervisory Board of Linde AG declare in accordance with Section 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 2010, Linde AG has complied with all the recommendations of the Code as amended on 18 June 2009."

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](http://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 transmitting the Annual General Meeting over the Internet. We transmit the opening remarks from the Chairman of the Supervisory Board and the speech from the Chief Executive Officer, but not the general discussion. In principle, the articles of association allow for transmission of the Annual General Meeting in full via electronic media. However, out of respect for the privacy of shareholders, we do not transmit motions or views expressed by individual speakers. Nevertheless, we will continue to follow developments closely.
- In addition, there is a suggestion in the Code that variable emoluments paid to members of the Supervisory Board should also be linked to the long-term performance of the company. When the Supervisory Board remuneration scheme was revised 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 lasting value for stakeholders. Our success has always been built on close and effective cooperation between the Executive and Supervisory Boards, the ability to serve shareholder interests, open communication within the company, proper accounting and auditing, as well as a responsible approach to risks, legal regulations and internal Group rules.

Linde upholds high ethical standards. In 2007, the Executive Board developed a corporate philosophy entitled the Linde Spirit, devised a new code of conduct known as the Code of Ethics and launched both throughout the Group. The Linde Spirit describes the corporate culture captured in the Linde vision plus 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 our corporate culture and aligns with our 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 may have. The Executive Board has also issued its own guidelines for occupational safety, environmental and health protection, quality and purchasing. Like the Code of Ethics, these apply to all employees in The Linde Group.

To reinforce compliance with both legal regulations and voluntarily adopted principles, the company has set up a global compliance organisation. The Executive Board has established a compliance office within Group Legal. Compliance officers have been appointed in the divisions, lines of business and operating segments to support Group-wide observance of the compliance programme. The global compliance officer coordinates and oversees execution of the various compliance measures. The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about current developments and progress within the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating them as necessary. Training is provided for our employees worldwide. Classroom-based courses are supplemented by a Group-wide e-learning programme. In 2010, the Executive Board published a uniform, Group-wide code of conduct to prevent breaches of antitrust law. It also launched dedicated training courses that focus on antitrust law and ways of combating corruption. Information on our core values and compliance policy is available at [www.linde.com/guidelinescorevalues](http://www.linde.com/guidelinescorevalues) and [www.linde.com/corporategovernance](http://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), 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 continued existence of the Group as a going concern and to create lasting value for stakeholders. They are obliged to 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 overseeing its general business activities. Its actions and decisions are made in the best interests of the company, which includes the interests of shareholders, employees, customers and other stakeholder groups. Its overarching aim is to create lasting value for stakeholders. The Executive Board develops the strategic direction of the Group, discusses it with the Supervisory Board and ensures that it is properly executed. It is also responsible for Group financing, developing annual and multi-year business plans for the company as well as preparing interim and half-year financial reports, plus 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 throughout the Group. Given the Group's extensive reach – across both 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. 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, capital measures 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 duties/areas of responsibility 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. In general, 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 carries individual responsibility for the functions assigned in connection with Board resolutions. It is incumbent upon the Chairman of the Executive Board to assume responsibility not only for the functions allocated to him, but also to coordinate all areas of responsibility entrusted to the Executive Board in a due and proper manner. He is the main 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 holds more than three supervisory board positions in other listed companies or on 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/foreign boards of business entities is provided 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. Information on the Executive Board as a whole and on individual Board members, including their responsibilities and duties, can be found in the overview on page 004 or on the company website. The CVs of Executive Board members are also available on the company 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 required is twelve. The appointment of the members to 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 for the members of the Supervisory Board ends with the completion of the Annual General Meeting in 2013. The Supervisory Board composition is balanced to ensure that the members collectively possess the knowledge, skills and professional experience necessary to discharge the duties entrusted to the Board in a due and proper manner. All Supervisory Board members must ensure that they have sufficient time to perform their mandates. Supervisory

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

In accordance with Section 5.4.1 of the German Corporate Governance Code, the Supervisory Board has defined the concrete targets below for its future composition. Taking the company's specific situation into account, these factor in the company's international reach, potential conflicts of interest, age limits for Supervisory Board members and the need for diversity.

→ International expertise

With operations in more than 100 countries, The Linde Group has an international 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 or give rise to a conflict of interests. The mere existence of an employment relationship between employee representatives and the company or associated companies does not exclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of companies that classify as main competitors of The Linde Group. In addition, no more than two former Executive Board members may belong to the Supervisory Board.

→ Age limit for Supervisory Board members

Supervisory Board members should not be older than 72.

→ Diversity

The Supervisory Board is committed to diversity in its composition. In particular, it attaches importance to the fair representation of women. The next elections for both shareholder and employee representatives to the Supervisory Board are scheduled for 2013. The Supervisory Board should include at least two women after these elections at the very latest.

More than five members of the current Supervisory Board have gained extensive international expertise in a professional capacity. No conflicts of interest arose for the members of the Supervisory Board in the 2010 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 companies that classify as main competitors of The Linde Group. Four Supervisory Board members are company employees, no other

consulting, service or work agreements have been concluded between Supervisory Board members and the company. No former members of the Executive Board 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 also 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 candidates in question were approved at the meeting. At present, there are no women on the Supervisory Board. The Board is aiming to appoint a reasonable proportion of women at the next elections. The intention is that at the 2011 Annual General Meeting, when one member of the Supervisory Board will be standing down, a female candidate will be proposed for election. The Supervisory Board currently feels that two female Board members would be appropriate. This level of representation aligns with the number of female employees at management level with experience in the management of industrial companies, the proportion of women in The Linde Group workforce, currently around 19 percent, and the proportion of women in senior management positions, currently around 10 percent.

The procedural rules of the Supervisory Board include criteria determining the impartiality of its members. In the past financial year, some of the members of the Supervisory Board were 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 take place under the same conditions as for non-related third parties. These transactions do not affect the impartiality of the Supervisory Board members concerned. All Supervisory Board members thus demonstrate an adequate degree of impartiality.

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

The Supervisory Board convenes four times a year for regular, scheduled meetings. Should the need arise, it can also schedule extra meetings. 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 require the approval of the Supervisory Board. In appointing the Executive Board, the Supervisory Board aims for diversity and the appropriate representation of women in particular. The Chairman of the Supervisory Board coordinates the work of the entire Supervisory Board and chairs the meetings. He is responsible for ensuring that resolutions passed by the Supervisory Board and its committees are

duly executed. In addition, on behalf of the Supervisory Board, he is authorised to issue statements expedient to the execution of the resolutions passed by 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 to keep abreast of the latest developments and events.

#### Supervisory Board committees

The Supervisory Board has four committees. Various Board members sit on these committees. The committees do the groundwork for the full 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 package payable to each individual Executive Board member. In particular, the Standing Committee is also responsible for approving business transactions with Executive Board members and individuals or companies with whom or which they have close ties and approving other mandates taken up by Executive Board members, especially positions on supervisory boards or comparable boards of business entities that are not members of The Linde Group. It also provides advice about 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 as well as the effectiveness of the internal control system, the risk management system, the internal audit system and the audit process for the financial statements. It also handles compliance issues. Moreover, it discusses interim and half-year financial reports with the Executive Board prior to their publication. The Audit Committee also makes a recommendation to the full 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

and has years of expertise in accounting principles and 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 members to the Executive Board if the required two-thirds majority of votes cast by the Supervisory Board is not obtained in the first ballot.

The Standing Committee generally meets once a year, the Audit Committee four times. The Nomination and Mediation Committees convene meetings as required.

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 or can be viewed at any time at [www.linde.com/supervisoryboard](http://www.linde.com/supervisoryboard). Please refer to pages 010 to 015 in the Report of the Supervisory Board for information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2010 financial year.

### Additional corporate governance information

#### Annual General Meeting

The shareholders assert their rights as conferred under 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 proposals and counter-motions, on the company's website in 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 cannot 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. The proxy forms may be handed in at any time until the evening before the Annual General Meeting, and

may also be in electronic form if so desired. For the first time, shareholders at the 2011 Annual General Meeting will have the option of casting their vote(s) – 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, official approval of the Executive Board and Supervisory Board actions, the appointment of the auditors and generally also the election of shareholder representatives to the Supervisory Board and the appointment of the auditors. Decisions are also made at the Annual General Meeting regarding changes to the articles of association, capital measures and the authorisation to repurchase shares. In addition, the meeting can pass a resolution to approve the remuneration system for Executive Board members. The remarks of the Chairman of the Supervisory Board at the beginning of the Annual General Meeting and the speech of the Chief Executive Officer are transmitted live on the Internet. 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 the Executive Board, the retention in accordance with the applicable statutory provisions amounts to 10 percent of the claim, up to a total corresponding to 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 of the German Corporate Governance Code.

#### Directors' dealings

Linde AG publishes without delay as stipulated by law those transactions subject to notification under Section 15a of the German Securities Trading Law (WpHG) which have been executed by the persons named therein, in particular transactions executed by members of executive bodies of the company and related parties that involve shares in the company or related financial instruments. The transactions disclosed by Linde AG during the year under review can be accessed in the annual document on the company's website.

#### Interests in share capital

The total holdings of all the members of the Executive and Supervisory Boards 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 2010, Executive Board members held a total of 490,000 shares and share options in

Linde AG (0.3 percent of shares issued), 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 share option schemes, is on pages 023 to 031 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 in the company and it always aims to provide shareholders and the public with comprehensive, consistent and up-to-date information. The company makes extensive use of the Internet as a reporting communication platform.

To keep shareholders and the general public informed about key dates and financial reports, the company publishes a financial calendar in its annual report, interim and half-year financial reports and on the Linde AG website. Linde AG publishes the ad-hoc announcements, press releases and directors' dealings in securities that it is required by law to disclose in the media specified by law and on its website. The articles of association are also on the website. Each quarter, Linde informs its shareholders about general business developments and gives an overview of the Group's net assets, financial position and results of operations along with the associated 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 interim and half-year financial reports or annual results. Regular events where the CEO and CFO communicate with 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 company website. The presentations given at these events are also available to view on the website.

Linde's communication policy extends beyond the interests of its shareholders to reach its stakeholders, who are also key to 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 interim and half-year financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of the annual financial statements of Linde AG complies with German commercial law (the German Commercial Code or HGB). The annual financial state-

ments 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 audit 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 2010, the Supervisory Board issued a 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 financial statements and Group financial statements for the year ended 31 December 2010 and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2010 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 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. These are continually being updated and adapted by the Executive Board to reflect 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 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 078 to 087. 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, the basic features and the amount of 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 Emoluments of the Executive Board

The full Supervisory Board is responsible for defining the total remuneration payable to 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. At the start of 2009, the Supervisory Board, at the suggestion of the Standing Committee, approved the current remuneration system for the Executive Board, which had proved its worth over many years, including the main contractual arrangements. At the beginning of 2010, against the background of amendments to the German Stock Corporation Law (AktG) as a result of the German Law on the Appropriateness of Executive Board Remuneration, which does not require any action in respect of existing contracts, the existing remuneration system for the Executive Board was reviewed by an independent external expert in executive pay. In the view of this expert, the current system complies to a great extent with the objectives of the German Law on the Appropriateness of Executive Board Remuneration. The Annual General Meeting on 4 May 2010 approved the current remuneration system for the Executive Board with a majority of 98.56 percent of the capital represented at the meeting. According to existing contractual commitments, a review of the level of the remuneration, its redesign and the renewal of performance-related components, including the five-year performance share programme approved at the Annual General Meeting in 2007, is not due to take place at Linde until the 2012 financial year. Until then, it is the intention of the Supervisory Board to examine improvements to the remuneration system and, once the current contractual commitments have expired, to ensure total conformity with the new legal regulations.

The amount and structure of the remuneration payable to the Executive Board are based not only on the size and international reach of the company, 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 of companies (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 lasting business success and a lasting increase in company value 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 that apply to variable cash emoluments are achieved in full, the target remuneration in any given year, i.e. the sum total of all fixed components, 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) respectively. Assuming all performance targets that apply to variable cash emoluments are achieved in full, the value of the variable emoluments payable to the Executive Board in any given year would roughly correspond on average to a 55/45 percent split between components calculated on the basis of a single year and components calculated over a period of several years respectively.

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 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 must be individually taxed according to the fiscal regulations which apply 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 company. 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 align with the key performance indicators used throughout the Group and with the interests of the shareholders and other stakeholders.

#### Variable cash emoluments

Variable cash emoluments comprise a dividend-related bonus and performance-related bonuses. These payments may be completely waived 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 in 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 main success factors influencing this bonus are return on capital employed (ROCE) and operating profit (EBIT). These two items generally account for 70 percent of the bonus. The remaining 30 percent is based on individual targets. 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 (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 is a two-year qualifying period, which commences on the issue date. During the remaining five-year term, the options can be exercised at any time, except during blocked periods. The seven-year term of the options in the 2002 tranche ended in July 2009, the options of the 2003 tranche ended in June 2010. Options in the 2002 and 2003 tranches which had not been exercised by these times duly expired. At the balance sheet date, options in the 2004, 2005 and 2006 tranches issued to participants could still be exercised provided the qualifying requirements are met.

In the 2010 financial year, four tranches in the scheme were valuable and exercisable. The exercise prices of the four tranches vary between EUR 32.38 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. In total, members of the Executive Board held 195,000 options at the balance



sheet date (2009 535,000), which were theoretically all exercisable as the qualifying period had expired. In the 2010 financial year, members of the Executive Board exercised 340,000 options (2009 100,000).

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) | 2010 | 390,000      | 64.85                           | 260,000                         | 56.40                           | 96.37   | 130,000        | 81.76                    | 81.76                           | 2.3                             |
|  | 2009 | 460,000      | 59.91                           | 70,000                          | 32.38                           | 66.74   | 390,000        | 47.91–81.76              | 64.85                           | 2.4                             |
| Dr Aldo Belloni                          | 2010 | 120,000      | 64.85                           | 80,000                          | 56.40                           | 99.69   | 40,000         | 81.76                    | 81.76                           | 2.3                             |
|  | 2009 | 150,000      | 58.36                           | 30,000                          | 32.38                           | 84.92   | 120,000        | 47.91–81.76              | 64.85                           | 2.4                             |
| Georg Denoke                             | 2010 | 25,000       | 75.01                           | -                               | -                               | -   | 25,000         | 64.88–81.76              | 75.01                           | 2.0                             |
|  | 2009 | 25,000       | 75.01                           | -                               | -                               | -   | 25,000         | 64.88–81.76              | 75.01                           | 3.0                             |
| Total                                    | 2010 | 535,000      |                                 | 340,000                         |                                 |   | 195,000        |                          |                                 |                                 |
|  | 2009 | 635,000      |                                 | 100,000                         |                                 |   | 535,000        |                          |                                 |                                 |

During the 2009 and 2010 financial years, none of the options held by the Executive Board expired or were forfeited. The Executive Board member J. Kent Masters is not a participant in this scheme as he 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 man-

agement tiers. 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 to be exercised once a vesting period of three years from the date of issue has been completed, 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 price of Linde shares, 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 2010 financial year, the fourth tranche of options was allocated. Options were granted to 868 (2009: 862) participants. At the start of August 2010, the vesting period for the first tranche of this programme ended. The stretch target was reached in relation to the relative total shareholder return performance target. The minimum targets were not achieved for the other two performance targets. As a result, 30 percent of the options were exercisable and the remainder expired.

Movements in the options issued to members of the Executive Board under the 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 | Weighted average share price at exercise date | Expired in the financial year | At 31 December | Weighted average remaining life |
|---|------|--------------|-------------------------------|---------------------------------|---|-------------------------------|----------------|---------------------------------|
|   |      | in units     | in units                      | in units                        | in €  | in units                      | in units       | in years                        |
| Professor Dr Wolfgang Rertze (Chairman) | 2010 | 137,564      | 39,032                        | 12,559                          | 93.67   | 29,305                        | 134,732        | 1.5                             |
|   | 2009 | 78,810       | 58,754                        | -                               | -   | -                             | 137,564        | 1.6                             |
| Dr Aldo Belloni                         | 2010 | 45,854       | 13,011                        | 4,186                           | 93.67   | 9,768                         | 44,911         | 1.5                             |
|   | 2009 | 26,269       | 19,585                        | -                               | -   | -                             | 45,854         | 1.6                             |
| Georg Denoke                            | 2010 | 45,854       | 13,011                        | 4,186                           | 89.07   | 9,768                         | 44,911         | 1.5                             |
|   | 2009 | 26,269       | 19,585                        | -                               | -   | -                             | 45,854         | 1.6                             |
| J. Kent Masters                         | 2010 | 45,854       | 13,011                        | 4,186                           | 93.67   | 9,768                         | 44,911         | 1.5                             |
|   | 2009 | 26,269       | 19,585                        | -                               | -   | -                             | 45,854         | 1.6                             |
| Total                                   | 2010 | 275,126      | 78,065                        | 25,117                          | -   | 58,609                        | 269,465        | -                               |
|   | 2009 | 157,617      | 117,509                       | -                               | -   | -                             | 275,126        | -                               |

All the options held at 31 December 2010 were not yet exercisable. The exercise price of all the options is currently EUR 2.56 each. During the 2009 and 2010 financial years, none of the options held by the Executive Board expired.

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 page 088 in the Group management report (Disclosures in accordance with Section 315 (4) of the German Commercial Code).

**Total cost of share-based emoluments**

The total cost of share-based emoluments in 2010 was EUR 25 m (2009 EUR 10 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 €                                     | 2010             | 2009             |
|--|------------------|------------------|
| Professor Dr Wolfgang Reitzle (Chairman) | 2,086,583        | 869,166          |
| Dr Aldo Belloni                          | 695,520          | 289,718          |
| Georg Denoke                             | 695,520          | 289,718          |
| J Kent Masters                           | 695,520          | 289,718          |
| <b>Total</b>                             | <b>4,173,143</b> | <b>1,738,320</b> |

**Pension commitments**

Individual contracts outlining pension commitments have been concluded for the members of the Executive Board. 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 entered into 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 company 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). A widow or widower receives 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 birthday, although maintenance may continue to be paid until he or she reaches the age of 27. If the deceased 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 retail price index for private households based on information provided by the German Statistical Office. If a member of the Executive Board has reached his or her 55th birthday and completed ten years of

service on the Executive Board, and the employment contract is terminated early by the Supervisory Board or the term of office was 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 and the employment contract is terminated before he or she reaches the age of 55, he or she acquires entitlement by law to a future pension benefit by way of supplement to occupational pension benefits 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 2010**

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in 2010 was EUR 11,901,132 (2009 EUR 10,462,310). The increase in comparison with the prior year is mainly due to the fact that the variable cash emoluments rose from EUR 6,431,873 to EUR 7,821,055. This figure also reflects the rise in performance-related bonuses and dividend-related bonuses resulting from the significant improvement in various performance indicators. The total remuneration was EUR 14,901,171 (2009 EUR 13,462,315), which includes options granted to members of the Executive Board under the Performance Share Programme 2007, which have a notional value of EUR 3,000,039 (2009 EUR 3,000,005). In the 2010 financial year, a total of 78,065 options (2009 117,509) were granted to members of the Executive Board. When they were granted, these options had a value of EUR 38.43 (2009 EUR 25.53) per option.

Subject to approval of the annual financial statements of Linde AG for the year ended 31 December 2010 and a corresponding resolution from the Supervisory Board on the variable cash remuneration for 2010, the emoluments for the individual members of the Executive Board for 2010 are as follows:

|  |      | Cash emoluments   |                                 |                      |                        | Share options           |                 | Pensions   |  |
|--|------|-------------------|---------------------------------|----------------------|------------------------|-------------------------|-----------------|--|--|
|  |      | Fixed emolu-ments | Benefits in kind/Other benefits | Variable emolu-ments | Total cash emolu-ments | Value on the grant date | Total emo-ments | Annual amount if pension were paid on balance sheet date | Allocated to pension pro- vision in financial year |
| in €                                     |      |                   |                                 |                      |                        |                         |                 |  |  |
| Professor Dr Wolfgang Reitzle (Chairman) | 2010 | 1,960,000         | 58,933                          | 3,435,000            | 5,453,933              | 1,500,000               | 6,953,933       | 537,600  | 1,178,074  |
|  | 2009 | 1,960,000         | 39,352                          | 2,721,250            | 4,720,602              | 1,499,990               | 6,220,592       | 518,400  | 2,046,780  |
| Dr Aldo Belloni                          | 2010 | 720,000           | 40,339                          | 1,782,080            | 2,542,419              | 500,013                 | 3,042,432       | 288,000  | 286,775  |
|  | 2009 | 720,000           | 29,739                          | 1,457,148            | 2,206,887              | 500,005                 | 2,706,892       | 288,000  | 780,503  |
| Georg Denoke                             | 2010 | 564,000           | 19,828                          | 1,174,000            | 1,757,828              | 500,013                 | 2,257,841       | 130,560  | 169,169  |
|  | 2009 | 564,000           | 13,467                          | 946,500              | 1,523,967              | 500,005                 | 2,023,972       | 122,400  | 243,211  |
| J Kent Masters                           | 2010 | 672,000           | 44,977                          | 1,429,975            | 2,146,952              | 500,013                 | 2,646,965       | 195,360  | 247,367  |
|  | 2009 | 672,000           | 31,879                          | 1,306,975            | 2,010,854              | 500,005                 | 2,510,859       | 190,920  | 262,102  |
| 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             |  |  |
| Total 2009                               |      | 3,916,000         | 114,437                         | 6,431,873            | 10,462,310             | 3,000,005               | 13,462,315      |  | 3,332,596  |
| (%)                                      |      | 29                | 1                               | 48                   | 78                     | 22                      | 100             |  |  |

At 31 December 2010, pension provisions relating to members of the Executive Board who were active members of the pension scheme were EUR 12,141,148 (2009 EUR 10,259,762) in The Linde Group and EUR 11,500,738 (2009 EUR 11,305,406) in the financial statements of Linde AG. The differences in the amounts disclosed are attributable to different accounting parameters used to calculate the figures in the Group financial statements and the annual financial statements. At the closing date, the present values of pension commitments accruing to individual Executive Board members shown on the balance sheet were as follows: Professor Dr Wolfgang Reitzle EUR 9,585,450 (Group), EUR 9,106,245 (Linde AG), Dr Aldo Belloni EUR 3,638,055 (Group), EUR 3,475,927 (Linde AG), Georg Denoke EUR 2,347,283 (Group), EUR 2,126,397 (Linde AG), J Kent Masters EUR 3,184,662 (Group), EUR 2,929,762 (Linde AG).

#### 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 corresponding 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 (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, in particular 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 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 provision outlined in the following: If a member of the Executive Board is prematurely removed from the Board, without cause for the termination of employment, the 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, premature termination of an Executive Board position did not affect the remuneration entitlement accruing to the Board member in question 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 agreement, failure to renew the contract at the appropriate point in time, or resignation of the member of the Executive Board as a result of his or her position on the Board being significantly 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 significantly compromised.

For the pre-existing contracts 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 prior 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 been a member 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 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 that aligns with 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 termination of their contracts. By way of compensation, the company undertakes to pay former Board members an amount corresponding to 50 percent of their fixed monthly emoluments during the period of restraint. In the case of pre-existing contracts, the compensation is determined by statutory guidelines. They stipulate that the compensation shall correspond to 50 percent of the total remuneration paid to the Board member as averaged over the three years prior to termination. The compensation qualifies to the full extent 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 2,579,839 in the 2010 financial year (2009: EUR 2,667,115).

A provision of EUR 36,147,574 (2009: EUR 35,054,097) 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 34,899,136 (2009: EUR 36,836,129) was made. The differences in the amounts disclosed are attributable to different accounting parameters used to calculate the figures in the Group financial statements and the annual financial statements.

## 2 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 company'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 the information in the relevant audited Group financial statements in accordance with IFRS and the articles of association. In 2010, ROCE calculated in this way was 12.5 percent (2009: 10.4 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 the members of the Supervisory Board for any necessary expenses incurred and for VAT on their emoluments

### Emoluments of the Supervisory Board for 2010

Based on a dividend of EUR 2.20 (2009: EUR 1.80) per share entitled to dividend and a Group ROCE of 12.5 percent (2009: 10.4 percent), the total emoluments payable to the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,105,000 (2009: EUR 1,739,800) plus VAT of EUR 399,950 (2009: EUR 330,562). The total emoluments can be broken down into a EUR 860,000 (2009: EUR 840,000) fixed share and a EUR 1,212,000 (2009: EUR 868,800) variable share. The total expenditure on attendance fees was EUR 33,000 (2009: EUR 31,000)

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

| in €  |      | Fixed<br>emoluments | Variable<br>emoluments | Emoluments for<br>sitting on Audit<br>Committee | Attendance<br>fees | Total<br>emoluments <sup>1</sup> |
|---|------|---------------------|------------------------|---|--------------------|----------------------------------|
| Dr Manfred Schneider<br>(Chairman)                  | 2010 | 150,000             | 227,250                |   | 4,000              | 381,250                          |
|   | 2009 | 150,000             | 162,900                |   | 4,000              | 316,900                          |
| Hans-Dieter Katte <sup>2</sup><br>(Deputy Chairman) | 2010 | 75,000              | 113,625                |   | 4,000              | 192,625                          |
|   | 2009 | 75,000              | 81,450                 |   | 4,000              | 160,450                          |
| Michael Diekmann<br>(Second Deputy Chairman)        | 2010 | 75,000              | 113,625                |   | 2,000              | 190,625                          |
|   | 2009 | 75,000              | 81,450                 |   | 2,000              | 158,450                          |
| Dr Gerhard Berten                                   | 2010 | 50,000              | 75,750                 | 20,000  | 4,000              | 149,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 2,000              | 106,300                          |
| Dr Clemens Börsig                                   | 2010 | 50,000              | 75,750                 | 40,000  | 4,000              | 169,750                          |
|   | 2009 | 50,000              | 54,300                 | 40,000  | 4,000              | 148,300                          |
| Gernot Hahl <sup>2</sup>                            | 2010 | 75,000              | 113,625                |   | 3,000              | 191,625                          |
|   | 2009 | 75,000              | 81,450                 |   | 4,000              | 160,450                          |
| Thilo Kämmerer <sup>2</sup>                         | 2010 | 50,000              | 75,750                 |   | 2,000              | 127,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 1,500              | 105,800                          |
| Matthew Miao  | 2010 | 50,000              | 75,750                 |   | 2,000              | 127,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 1,500              | 105,800                          |
| Klaus-Peter Müller                                  | 2010 | 75,000              | 113,625                |   | 2,000              | 190,625                          |
|   | 2009 | 75,000              | 81,450                 |   | 2,000              | 158,450                          |
| Jens Riedel <sup>2</sup>                            | 2010 | 50,000              | 75,750                 |   | 2,000              | 127,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 2,000              | 106,300                          |
| Xaver Schmidt <sup>2</sup>                          | 2010 | 50,000              | 75,750                 |   | 2,000              | 127,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 2,000              | 106,300                          |
| Josef Schregle                                      | 2010 | 50,000              | 75,750                 |   | 2,000              | 127,750                          |
|   | 2009 | 50,000              | 54,300                 |   | 2,000              | 106,300                          |
| Total 2010  |      | 800,000             | 1,212,000              | 60,000  | 33,000             | 2,105,000                        |
| (% )  |      | 38                  | 57                     | 3   | 2                  | 100                              |
| Total 2009  |      | 800,000             | 868,800                | 40,000  | 31,000             | 1,739,800                        |
| (% )  |      | 46                  | 50                     | 2   | 2                  | 100                              |

<sup>1</sup> Amounts excluding VAT

<sup>2</sup> The employee representatives have decided to forward their remuneration to the Hans Böckler Foundation according to the guidelines of the Confederation of German Trade Unions

#### Loans and advances

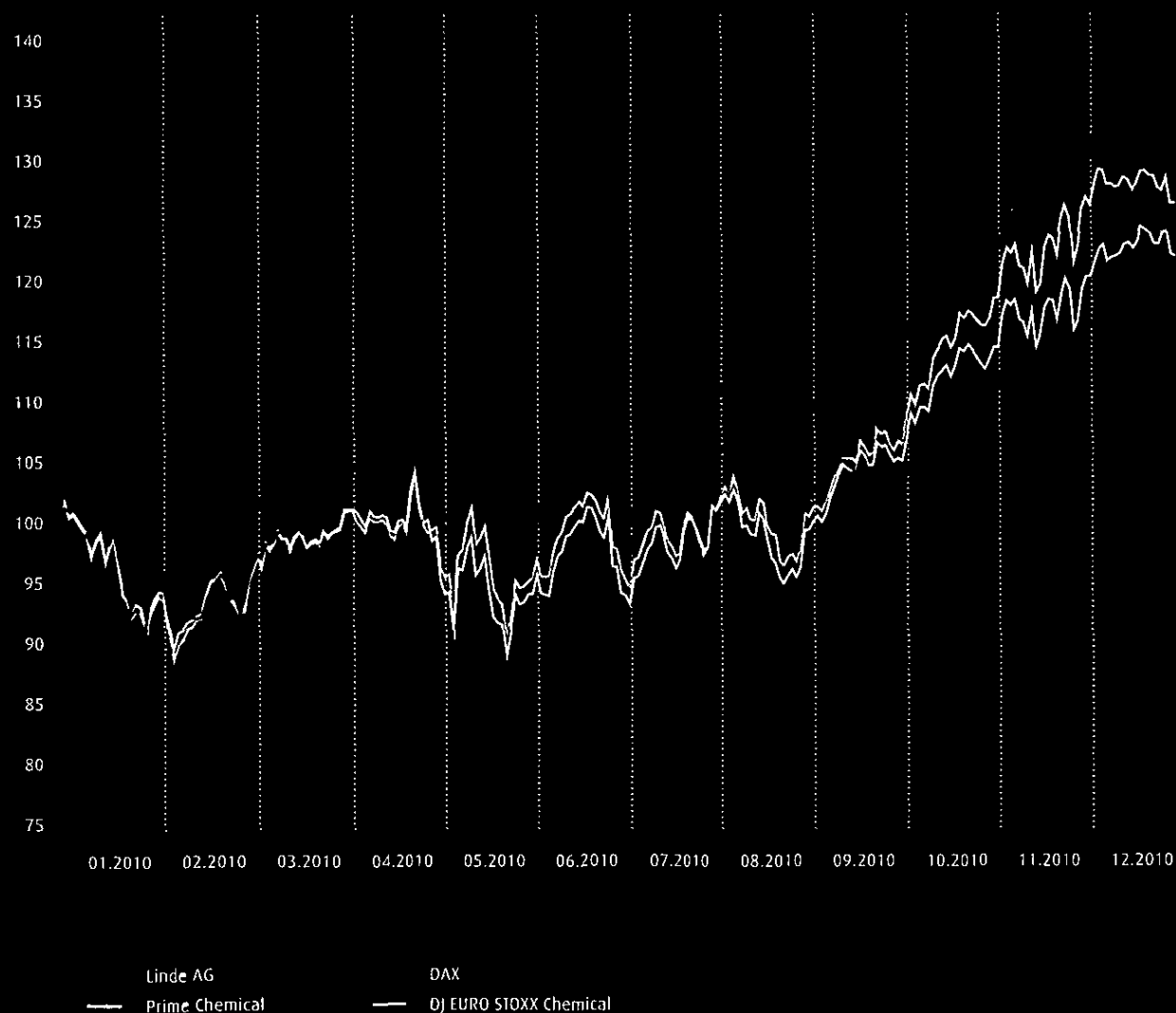
At 31 December 2010, there were no advances or loans to members of the Supervisory Board

# Linde Shares

International stock exchanges saw strong gains in 2010, as the general economic recovery took hold. The Linde share price rose by around 35 percent, again outperforming DAX, the German share index.

Linde share performance in 2010 compared with indices

Index      Financial year 2010  
in %





### Stock markets rise again as recovery takes hold

In the 2010 financial year, the German share index (DAX) continued on the upward trend which began in 2009. It was another year of good performances in the stock markets, with a 16.1 percent rise in share prices. Once the DAX had recovered from profit-taking at the beginning of the year, falling to its lowest point for the year (5,434 points) on 5 February 2010, the rest of the year saw positive trends. The rise in share prices was partly the result of the improved economic situation, which also led to greater profit growth for companies. The DAX reached its highest point for the year of 7,078 points on 21 December and ended the year on 6,914 points.

In a generally good year for stock markets, the German share index outperformed most of the international indices. The MSCI World Index rose 8.0 percent in 2010, while the European stock market barometer DJ EURO STOXX remained at around the same level as at the end of 2009. The DAX was also the strongest performer when compared with the major national indices in Europe, such as those in France (CAC 40 index, Paris, down 3.3 percent) and England (the FTSE 100 index, London, up 9.0 percent). This was primarily due to very good export trends in the German economy.

Significant rises were also to be seen in stock markets in the United States. The S&P 500 index was up 12.8 percent on 2009, while there was a rise of 19.2 percent in the NASDAQ 100 index in the technology stock market NASDAQ.

In this dynamic economic environment, share prices rose once again in the emerging economies. The MSCI Emerging Markets index, for example, went up by 11.7 percent compared with 2009.

### Linde shares reach an all-time high

The benefit accruing to Linde shares from positive sentiment in the global stock markets and strong economic growth in the emerging nations was again above average. Linde shares once more outperformed the DAX, rising in price by 34.9 percent, while the DAX increased by 16.1 percent. For the third year in a row, Linde shares were one of the top ten performers in terms of share price in Germany's leading share index.

In the first half of 2010 in particular, the trend in the price of Linde shares reflected that in the market as a whole. After profit-taking at the beginning of the year, the share price fell to its lowest point for the year of EUR 76.70 on 28 January 2010. As the recovery took hold, boosted by good quarterly figures, the Linde share price continued to rise steadily as the year progressed. In the second half of the year, Linde shares increasingly lost their link with the DAX trends, reaching historic highs. On 14 October 2010, Linde shares exceeded the EUR 100 threshold for the first time in the history of the Group. On 29 December 2010, Linde shares reached their highest price for the year at EUR 115.30

per share, which was also an all-time high. The share price at 31 December 2010 was EUR 113.55.

The capital market reflected in particular Linde's continuous improvement in profitability and its good strategic position in the emerging economies, which are growing at a disproportionately fast rate. Impetus was also generated by the Group's confidence in setting itself a target for the 2010 financial year, only a year after the deep global recession, of achieving a new record for Group operating profit. In the past year, Linde has not only achieved an increase in sales, but also a significant improvement in its operating margin.

Linde shares outperformed the market as a whole both in the corrective phase of 2008 and during the stock market upturn in 2009 and more favourable economic circumstances of the past year. This demonstrates that Linde shareholders value the relative stability of its business model, while at the same time recognising the attractive growth opportunities in the international gases and plant construction business.

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 both increased Linde's credit ratings by one notch in April 2010. By doing so, the agencies have not only recognised the Group's relatively stable business performance during the economic crisis, but have also appreciated Linde's maturity profile, which is geared towards the long term, and its secure liquidity reserve.

During the financial year, Linde has been able to take advantage of its repute and the good situation in the international credit markets to strengthen its financial structure even more. At the same time, Linde has agreed a new EUR 2.5 bn credit line with a strong international banking consortium in a favourable market environment. This credit line replaced the existing syndicated credit and the forward start facility agreed in 2009. Linde has thereby secured itself a solid general liquidity reserve with the banks.

# Capital market-based figures

|   |           | 2010        | 2009                     |
|---|-----------|-------------|--------------------------|
| Number of shares with dividend entitlement for the financial year | No        | 170,296,941 | 168,907,096 <sup>2</sup> |
| Year-end closing price  | €         | 113.55      | 84.16                    |
| Year high   | €         | 115.30      | 87.95                    |
| Year low  | €         | 76.70       | 49.66                    |
| Total dividend Linde AG   | € million | 375         | 304                      |
| Market capitalisation <sup>1</sup>                                | € million | 19,337      | 14,215                   |
| Average weekly volume   | No        | 2,991,460   | 4,095,325                |
| Volatility <sup>1</sup> (200 days)                                | in %      | 20.7        | 26.2                     |
| Information per share   |           |             |                          |
| Cash dividend   | €         | 2.20        | 1.80                     |
| Dividend yield  | in %      | 1.9         | 2.1                      |
| Operating cash flow   | €         | 14.22       | 12.68                    |
| Earnings <sup>3</sup>   | €         | 6.89        | 4.58                     |

<sup>1</sup> As at 31 December 2010

<sup>2</sup> Change due to the exercise of purchase options under the share option scheme

<sup>3</sup> Adjusted for the effects of the purchase price allocation

## Linde performance in comparison with the most important indices<sup>1</sup>

|                            | 2010<br>in percent | Weighting<br>Linde shares<br>in percent |
|----------------------------|--------------------|---|
| Linde (including dividend) | 37.8               | -                                       |
| Linde (excluding dividend) | 34.9               | -                                       |
| DAX                        | 16.1               | 2.96                                    |
| Prime Chemical             | 20.7               | 13.31                                   |
| DJ EURO STOXX              | -0.1               | 0.69                                    |
| DJ EURO STOXX Chemical     | 22.2               | 9.31                                    |
| FTSE Eurofirst 300         | 7.3                | 0.25                                    |
| FTSE E300 Chemical         | 19.2               | 6.42                                    |
| MSCI Euro                  | 8.0                | 0.34                                    |

<sup>1</sup> As at 31 December 2010

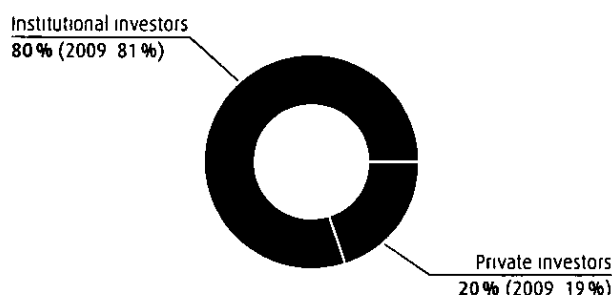
## Shareholder structure

Our annual shareholder identification survey conducted at 31 December 2010 showed that the proportion of Linde shares held by institutional investors (80 percent) remained at nearly the same level as in the prior year (2009: 81 percent). The proportion of Linde shares held by private investors at 31 December 2010 was 20 percent.

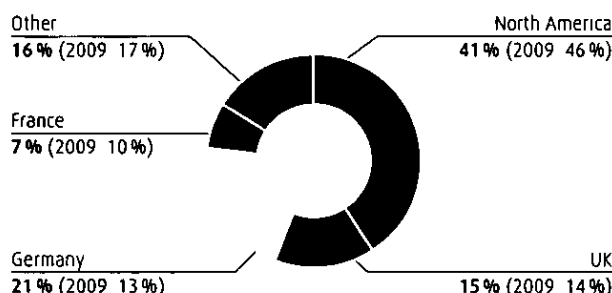
The largest proportion of institutional investors (41 percent) continues to come from North America (2009: 46 percent). At the end of the 2010 financial year, German institutional investors held 21 percent of Linde shares (2009: 13 percent). It should be noted here that the 4 percent shareholding disclosed in respect of Allianz, which was included in 2009 in major shareholders, is now included in institutional investors. The proportion of British institutional investors increased slightly from 14 percent at the end of 2009 to 15 percent at 31 December 2010. With 7 percent of Linde shares (2009: 10 percent), France remains the fourth largest group of institutional investors in Linde, followed by Scandinavia, Switzerland and the Benelux countries.

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 steady long-term wealth creation.

## Shareholder structure



## Institutional investors – Holdings by region



## Dividend payment

Linde has adopted an earnings-based dividend policy based on continuity. The Executive Board and Supervisory Board will recommend the payment of a dividend of EUR 2.20 per share at the Annual General Meeting on 12 May 2011. This is an increase of 22.2 percent over the prior-year dividend of EUR 1.80. This gives a dividend payout ratio of 37.3 percent, based on net income for the year. The dividend yield was 1.9 percent, based on the year-end close.

## Resolutions passed at the Annual General Meeting on 4 May 2010

Subject to approval by the Supervisory Board, the Executive Board of Linde AG was authorised to acquire 10 percent of share capital in own shares by 3 May 2015. In addition, Authorised Capital I was abolished in accordance with Article 3.6 of the articles of association and the Executive Board was authorised, with the approval of the Supervisory Board, to increase the capital subscribed by up to EUR 20m until 3 May 2015 by issuing, on one or more occasions, a total of up to 7,812,500 new bearer shares (Authorised Capital I).

In addition, the authorisations to issue convertible bonds and/or warrant-linked bonds and the corresponding condition-

ally authorised capital in accordance with Article 3.8 of the articles of association (2005 conditionally authorised capital) and in accordance with Article 3.11 of the articles of association (2008 conditionally authorised capital) were abolished and the Executive Board was authorised, with the approval of the Supervisory Board, to issue convertible bonds and/or warrant-linked bonds until 3 May 2015. In order to issue the options and conversion rights, it was resolved to create a new 2010 conditionally authorised capital.

## Investor relations activities

In the 2010 financial year, Linde has continued to communicate closely with participants in the capital market, conducting more than 300 individual conversations with financial analysts and investors. At 25 conferences and roadshows, the Group has offered its shareholders and potential new investors the opportunity to speak to members of the Executive Board. The issues discussed included the stability of Linde's business model and, increasingly, the growth prospects of 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 energy, health and the environment. The Group also highlighted its good position in the emerging economies, especially in Asia, and explained in detail the synergies between its gases and engineering businesses.

Transparency, continuity and reliability will continue to be the guiding principles for the Group's investor relations activities in the current year 2011. 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 excellent positions in fast-growing markets and regions.

All current information about Linde shares can be found on the Group's website at [www.linde.com](http://www.linde.com) in the Investor Relations section. Information and answers to any questions you 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](mailto:investorrelations@linde.com).

## Linde share information

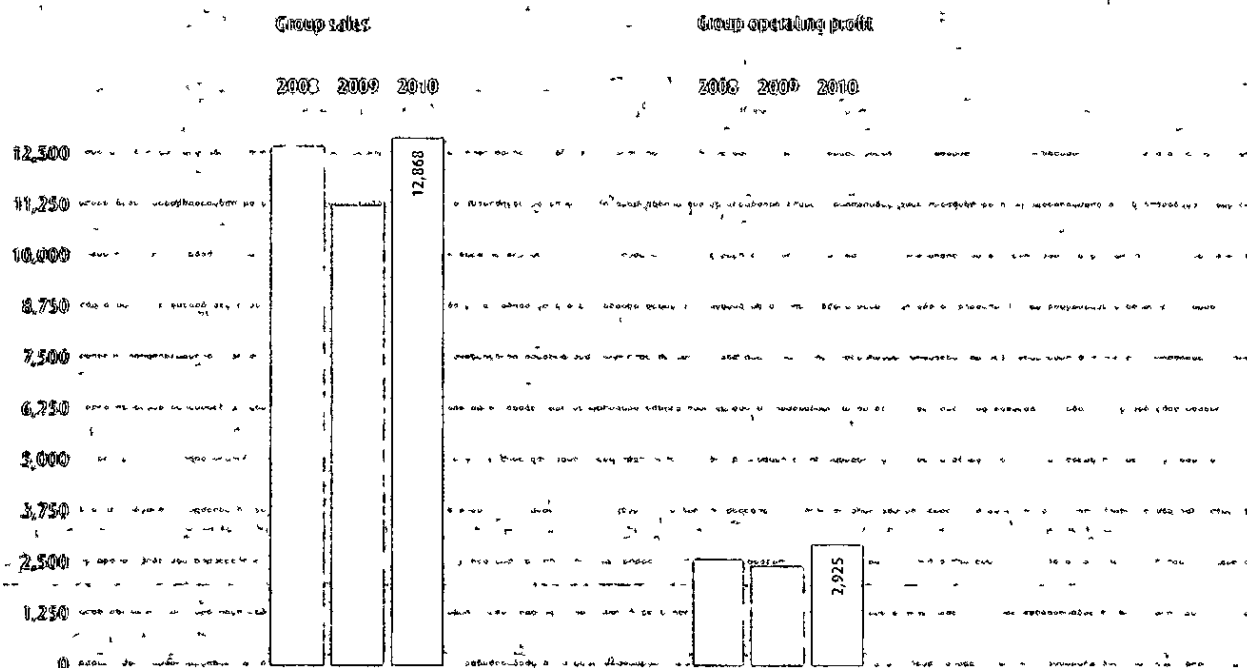
| Type of share                | Bearer shares              |
|------------------------------|----------------------------|
| Stock exchanges <sup>1</sup> | All German stock exchanges |
| Security reference numbers   | ISIN DE0006483001          |
|                              | CUSIP 648300               |
| Reuters (Xetra)              | LING DE                    |
| Bloomberg                    | LIN GR                     |

<sup>1</sup> The listing on the Zurich stock exchange ceased as of 22 March 2010.

# Group Management Report

The overall economic upswing in 2010 gained momentum as the year progressed. Linde capitalised on this positive trend, achieving significant growth in Group sales and Group operating profit. Group sales rose to EUR 12.868 bn, up 14.8 percent on the prior year (2009: EUR 11.211 bn). Group operating profit increased 22.6 percent to EUR 2.925 bn (2009: EUR 2.385 bn). The Group operating margin rose to 22.7 percent in the period under review, up 140 basis points on the prior-year figure of 21.3 percent.

Group sales and Group operating profit (in € million)



## GROUP MANAGEMENT REPORT

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# Macroeconomic environment

## Gross Domestic Product (GDP) in real terms<sup>1</sup>

|                        | % Weighting | % Growth |      |      |      |                  |
|------------------------|-------------|----------|------|------|------|------------------|
|                        |             | 2006     | 2007 | 2008 | 2009 | 2010             |
| Western Europe         | 26.9        | 3.0      | 2.6  | 0.5  | -4.0 | 1.9              |
| Eurozone               | 20.1        | 3.0      | 2.7  | 0.5  | -3.9 | 1.7              |
| Germany                | 5.7         | 3.4      | 2.6  | 1.0  | -4.8 | 3.6              |
| Americas               | 33.8        | 3.1      | 2.7  | 1.0  | -2.5 | 3.4              |
| US                     | 25.7        | 2.7      | 2.1  | 0.4  | -2.5 | 2.9              |
| Asia & Eastern Europe  | 21.8        | 8.1      | 8.2  | 5.3  | 1.8  | 7.2              |
| China                  | 7.4         | 11.6     | 13.0 | 9.0  | 8.6  | 10.1             |
| South Pacific & Africa | 2.8         | 3.6      | 4.5  | 2.7  | 0.6  | 3.1              |
| World                  | 100.0       | 4.0      | 3.8  | 1.6  | -2.2 | 4.1 <sup>2</sup> |

<sup>1</sup> Source: Global Insight, in respect of countries in which Linde operates

<sup>2</sup> In respect of 204 countries around the world

## Industrial Production (IP)<sup>1</sup>

|                        | % Growth |      |      |       |                  |
|------------------------|----------|------|------|-------|------------------|
|                        | 2006     | 2007 | 2008 | 2009  | 2010             |
| Western Europe         | 3.2      | 2.8  | -2.1 | -12.6 | 5.2              |
| Eurozone               | 3.9      | 3.2  | -2.1 | -13.5 | 5.9              |
| Germany                | 5.8      | 5.9  | 0.0  | -15.5 | 9.8              |
| Americas               | 2.6      | 2.0  | -1.6 | -9.3  | 5.7              |
| US                     | 2.3      | 1.5  | -2.2 | -10.0 | 5.4              |
| Asia & Eastern Europe  | 9.4      | 9.6  | 5.1  | 0.3   | 12.2             |
| China                  | 16.2     | 17.9 | 12.5 | 11.0  | 15.2             |
| South Pacific & Africa | 1.3      | 3.2  | 1.7  | -4.8  | 3.8              |
| World                  | 4.3      | 3.9  | -0.4 | -9.2  | 8.0 <sup>2</sup> |

<sup>1</sup> Source: Global Insight, in respect of countries in which Linde operates

<sup>2</sup> In respect of 204 countries around the world

## Overview of global economic trends

2010 was a year of recovery from the global economic crisis. Data collected by international forecasting institute Global Insight shows that global GDP contracted by 2.2 percent in 2009. By comparison, it rose by 4.1 percent in 2010. The year under review also saw global industrial production rise by a sizeable 8.0 percent. This was not sufficient, however, to return to pre-crisis levels as industrial production dropped 9.2 percent in 2009.

The overall pace of economic recovery slowed over the course of 2010 although marked variations were evident at regional level. Emerging economies, for example, were already starting to recover at the end of 2009. This upswing gained momentum during 2010. In more developed economies, however, recovery was generally slower. One of the challenges lies in turning the impetus fuelled thus far mainly by government recovery packages into sustainable growth.

## Western Europe

In 2009, the crisis led to GDP in Western Europe falling 4.0 percent. 2010 was a year of moderate growth, with GDP up slightly by 1.9 percent. 2009 also saw industrial production fall sharply by 12.6 percent. The region has only recovered part of this loss with a 5.2 percent increase in 2010.

The pace of economic recovery varied significantly across the individual countries in Western Europe. Germany experienced above-average growth during the period under review, with GDP rising 3.6 percent. Growth here was initially mainly fuelled by rising exports, although domestic demand also revived as the year progressed, as did, in particular, consumer spending and demand for capital goods.

In contrast, countries such as Spain, Portugal and Ireland faced high unemployment levels and a strong tendency for the market to consolidate. As a result, economic output hardly grew in these markets. GDP in Spain even dropped slightly.

## Americas

The US economy recovered to some degree in 2010. Extensive economic recovery packages plus an expansive monetary policy fuelled a 2.9 percent rise in GDP. Industrial production was 5.4 percent up on the prior year. Despite this upswing, there are still uncertainties surrounding economic growth in the US. Unemployment remained high and the property market showed no signs of recovery. Consumer spending was also restrained.

The economic upswing in South America proved stronger than expected in 2010. The region's GDP grew by 6.2 percent and industrial production by 7.9 percent. This growth was due primarily to high raw material prices, healthy financing conditions and government recovery packages.

## Asia & Eastern Europe

Overall, Asia & Eastern Europe emerged strongly from the global economic crisis in 2010, with the region reporting a 7.2 percent rise in GDP. Industrial production increased by 12.2 percent. However, the rate of recovery differed across the region.

Asia was the strongest performer worldwide, reporting the fastest and sharpest recovery rates. Economic output has already topped pre-crisis levels in many areas. This dynamic growth was primarily driven by exports and consumer demand. Government recovery packages also had a major impact, although these programmes have now been downscaled, resulting in a subsequent slowdown in growth.

China was again the biggest driver of economic growth in Asia last year. Following 8.6 percent GDP growth in 2009, what is now Asia's largest economy again experienced a strong rise of 10.1 percent in 2010.

Eastern Europe was strongly hit by the crisis in 2009, experiencing moderate recovery in the year under review. Key factors here were the high price of raw materials and the onset of

revival in Russia, which grew economic output by 4.0 percent last year. GDP in Eastern Europe as a whole grew 3.4 percent. Industrial production was up 7.3 percent.

## South Pacific & Africa

The economy in the South Pacific & Africa region weathered the crisis relatively well in 2009. In 2010, GDP for the region rose 3.1 percent. Industrial production was up 3.8 percent. Australia, the region's largest economy, benefited in particular from increased investment in the energy and mining sectors. Recovery packages also had a positive impact here.

Africa also returned to a growth path, with GDP in this region increasing by 4.1 percent in 2010. Despite this rise, economic output in key markets did not return to pre-crisis levels. In South Africa, for example, industrial production increased only 5.4 percent last year, compared with a drop of 8.3 percent in 2009.

## Sector-specific background

### Gases industry

The international gases market expanded significantly in 2010, driven by the general economic upswing. However, performance varied considerably across regions and industry sectors.

North America and Europe remain the Group's largest sales markets, followed by Asia, which, by comparison, showed a much more dynamic pace of recovery.

In 2010, production levels in the steel industry, an important customer segment for the gases business, rose by double-digit figures relative to 2009, a year marked by the economic crisis. These increases were primarily fuelled by emerging economies, in particular China, where almost half of the world's steel is now produced. The steel industry is also expanding rapidly in India. In Europe and the US, however, steel production has not yet returned to 2008 levels.

In the chemical sector, the economic upturn that started last year was also mainly due to rapidly rising demand in growth markets and the expansion of capacity to meet new demand. Sales markets in more established economies have not yet fully recovered. Prices for energy and raw materials are subject to extreme fluctuations here. The situation is further compounded by a strong squeeze on prices and profits.

In the oil and natural gas industry, refinery profits showed marked signs of improvement during the period under review due to higher margins and increased demand. However, performance here also differs from region to region. While BRIC countries (see glossary) and the nations of the Middle East continued to experience strong growth, other regions developed at a slower pace. Excess refinery capacity was downscaled accordingly.

The economic backdrop for manufacturing industries increasingly stabilised throughout the course of 2010. Traditional sectors such as the car and ship building industries benefited from strong growth rates in emerging markets, particularly Asia.

In Europe and North America, increasingly rigorous environmental requirements boosted investment in sustainable energy production. Furthermore, demand for new performance materials increased in developed countries.

The semiconductor industry recovered from its major downturn in 2009, reporting a double-digit increase in sales for the year under review. The industry also benefited from a sharp rise in demand for silicon.

The global LED market (see glossary) also experienced dynamic growth due to steadily rising demand for energy-efficient products. Major economies such as China, Japan and the US, for example, are investing in LED-enabled energy-saving lighting technologies.

The growing prioritisation of measures to mitigate climate change also led to a rapid expansion of the solar cell and solar module market in 2010. The installed photovoltaic capacity has almost doubled worldwide and is currently between 13 and 15 gigawatts.

The food and drinks industry, which remained robust in the face of the crisis in 2009, continued on its stable growth path in 2010. The global drinks market grew by 3 percent, although figures varied at regional level. Whereas the carbonated drinks market, for example, contracted slightly in most developed countries, it underwent dynamic growth in emerging economies such as India and China. The industry also benefited from continuing shifts in consumer preferences, which are pushing demand for convenience products such as pre-portioned ready-made meals.

The market for medical gases (Healthcare unit) experienced growth in 2010, albeit at a slower rate than that recorded in previous years.

Driven by demographic change, healthcare nonetheless remains a key global megatrend for Linde. Populations are ageing in a large number of countries. At the same time, chronic disorders that can increasingly be treated in settings other than hospitals are on the rise. Innovative therapies and better patient access to these types of treatment have a positive impact on the healthcare business.

### Engineering business

Following the global financial and economic crisis, 2010 was a year of slow recovery for many key industries such as oil, gas, chemicals, petrochemicals, steel, electronics and automotive.

The economic climate also improved in the global market for large-scale plant engineering, although investment activity has not returned to 2008 levels in all areas.

### Air separation units

Overall investment in the air separation market revived during the course of 2010. Increased steel production was a key driver here. Demand also increased from the energy sector, in particular for gasification projects (see glossary). Increased demand for ultra-pure nitrogen for electronic applications also led to the construction of new air separation units.

Investment activity was strongest in China, followed by Russia and CIS countries (see glossary).

#### Olefin plants

The petrochemical industry recovered quickly from the financial crisis. Growing at a rate of between 3.5 and 4 percent, it virtually returned to normal levels. There is still a degree of excess capacity in this area, however, as a number of major projects were completed before the financial and economic crisis hit.

#### Natural gas plants

During the period under review, the price of crude oil fluctuated between USD 70 and USD 80 – on average around USD 10 higher than prices in 2009. However, these prices are still around 50 percent below the highest figures from 2008.

The economic upswing created a slight rise in demand for oil and gas in Linde's most important sales markets. Nevertheless, supply is still slightly higher than demand in these markets. In this environment, the oil and gas players remained cautious about implementing or expanding new and existing projects. Notable exceptions here were China and Australia, as both markets invested in new natural gas liquefaction plants. Australia is focusing on coal seam gas, while China is primarily interested in plants with small to medium liquefaction capacity for regional energy supplies.

#### Hydrogen and synthesis gas plants

The market for hydrogen and synthesis gas plants grew moderately in 2010. Smaller plants in particular were in demand. In the case of larger projects, investors proved more cautious than before the financial and economic crisis. A number of projects are currently undergoing feasibility studies.





## 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 a key 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 disclosures 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 the respective earnings after taxes on income, has been added to the figure for EBIT in the ROCE calculation.

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

### Definition of ROCE

|                               |  |
|-------------------------------|--|
| Return                        | EBIT<br>(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 <sup>1</sup> | Equity   |
|                               | +  |
|                               | Financial debt   |
|                               | +  |
|                               | Liabilities from financial services  |
|                               | +  |
|                               | Net pension obligations  |
|                               | -  |
|                               | Cash and cash equivalents and securities   |
|                               | -  |
|                               | Receivables from financial services  |

<sup>1</sup> 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 2010 financial year of 12.5 percent (2009: 10.4 percent)

To manage its operating business and indicate 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, earnings before interest, tax, depreciation and amortisation (EBITDA adjusted for the effect of non-recurring items, see glossary), 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 the variable remuneration of management is also based on these figures.

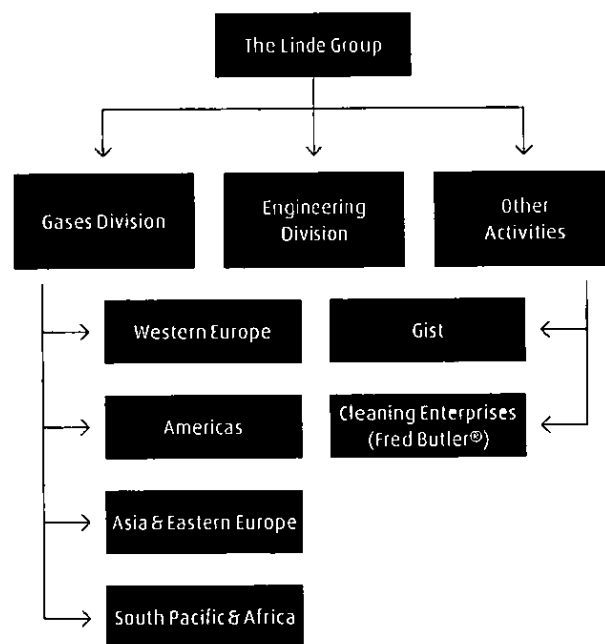
In the 2008 financial year, Linde began implementing its HPO (High Performance Organisation) efficiency programme. In 2010, the Group continued to execute this strategy systematically. HPO is a holistic concept for lasting process optimisation and productivity gains and should result in total gross cost savings in the financial years from 2009 to 2012 of between EUR 650 m and EUR 800 m. It should also make an ongoing contribution to Group competitiveness irrespective of the economic climate. In this context, additional key performance indicators for the measurement of productivity were introduced for all operating units and integrated into Linde's value-based management system. All individual efficiency improvement measures are centrally monitored and reviewed for lasting success.

The Group consists of the Gases Division, the Engineering Division and Other Activities. In the Gases Division, Linde empowers its local management teams to provide their customers with the best possible value-added service. Therefore, the managers in the nine Regional Business Units (RBUs) within the four operating segments – Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa – are responsible for the operating business in their areas. The capital expenditure process is managed centrally. This structure means that the Group takes into account the importance of local and regional market dynamics in the gases business.

Responsibility for the Tonnage (on-site) and Healthcare (medical gases) businesses is also vested in a global centralised function. In the on-site business, this enables Linde to meet the international requirements of its major customers. In the Healthcare business, this central function allows the company to respond more precisely and systematically to the specific requirements of this increasingly regulated sector.

This operating model is reflected in the allocation of responsibilities to members of the Group's Executive Board, ensuring that individual strengths and skills are maximised 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 four operating segments – Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa. Other Activities comprises Gist (our logistics services business) and the subsidiary Cleaning Enterprises (environmentally friendly dry cleaning under the brand name Fred Butler®).

## Business review of The Linde Group

The overall economic upswing of 2010 gained momentum as the year progressed. Linde capitalised on this positive trend, achieving significant growth in Group sales and Group operating profit.

The company benefited from its sound business model, global footprint and very strong position in emerging economies. Linde also made good progress with its High Performance Organisation (HPO) concept, a holistic programme for lasting process optimisation and productivity gains.

In the 2010 financial year, Group sales rose to EUR 12.868 bn, a 14.8 percent increase on the prior year (2009: EUR 11.211 bn). After adjusting for exchange rate effects, this represents a rise of 7.8 percent. The share of sales from joint ventures, which – in accordance with accounting rules – are not included in Group sales, amounted to EUR 358 m in the period under review (2009: EUR 308 m).

### Results of operations

Linde again strengthened its earnings power, and Group operating profit (EBITDA) rose 22.6 percent to EUR 2.925 bn (2009: EUR 2.385 bn). Profit thus grew faster than sales. The Group operating margin was 22.7 percent in the period under review, up 140 basis points compared with the prior-year figure of 21.3 percent. After adjusting for one-off restructuring costs of EUR 83 m recognised in 2009, this represents a rise in the Group operating margin of 70 basis points.

Earnings before tax (EBT) grew 66.9 percent to EUR 1.399 bn (2009: EUR 838 m). Earnings after tax were up 62.9 percent to EUR 1.064 bn (2009: EUR 653 m). The amount attributable to Linde AG shareholders was EUR 1.005 bn (2009: EUR 591 m). This corresponds to earnings per share of EUR 5.94 (2009: EUR 3.51). Adjusted to discount the effects of the purchase price allocation from the BOC acquisition, earnings per share stood at EUR 6.89 (2009: EUR 4.58).

The income statement prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 4.521 bn in the 2010 financial year (2009: EUR 3.770 bn) after deducting cost of sales. The gross margin rose to 35.1 percent during the period under review (2009: 33.6 percent). This increase is attributable mainly to the increase in gross margin reported by the Engineering Division relative to 2009. Systematic Group-wide implementation of the programme for lasting efficiency gains also had a positive impact.

Functional costs (marketing, selling and administration expenses, research and development costs) rose in line with the increased level of business activity during the year under review. As is the case with Group sales, however, exchange rate effects must also be taken into consideration here. Adjusted for these effects, functional costs did rise, but at a slower pace than sales. Again, the HPO concept had a positive impact.

The net financial result (financial income less financial expenses) improved significantly from a net loss of EUR 329 m in 2009 to a net loss of EUR 280 m in 2010. The 2010 figure includes income of EUR 29 m arising from the reversal of an impairment on financial receivables resulting from the disposal of BOC Edwards in 2007.

Due to the marked improvement in profits, the tax expense rose to EUR 335 m (2009: EUR 185 m). This corresponds to an income tax rate of 23.9 percent (2009: 22.1 percent).

## Results of operations

|   | 2010         |            | 2009         |            |
|---|--------------|------------|--------------|------------|
|   | in € million | in percent | in € million | in percent |
| Sales   | 12,868       | 100.0      | 11,211       | 100.0      |
| Cost of sales   | 8,347        | 64.9       | 7,441        | 66.4       |
| Gross profit  | 4,521        | 35.1       | 3,770        | 33.6       |
| Marketing and selling expenses                        | 1,859        | 14.4       | 1,572        | 14.0       |
| Research and development costs                        | 94           | 0.7        | 89           | 0.8        |
| Administration expenses                               | 1,074        | 8.3        | 994          | 8.9        |
| Other operating income                                | 286          | 2.2        | 233          | 2.1        |
| Other operating expenses                              | 169          | 1.3        | 241          | 2.1        |
| Income from associates and joint ventures (at equity) | 68           | 0.5        | 60           | 0.5        |
| Financial result                                      | -280         | -2.2       | -329         | -2.9       |
| Earnings before taxes on income (EBT)                 | 1,399        | 10.9       | 838          | 7.5        |
| Taxes on income                                       | 335          | 2.6        | 185          | 1.7        |
| Earnings after taxes                                  | 1,064        | 8.3        | 653          | 5.8        |
| Attributable to non-controlling interests             | 59           | 0.4        | 62           | 0.6        |
| Attributable to Linde AG shareholders                 | 1,005        | 7.8        | 591          | 5.3        |

## Sales and operating profit by business segment

| in € million                              | 2010   |                  | 2009   |                  |
|---|--------|------------------|--------|------------------|
|   | Sales  | Operating profit | Sales  | Operating profit |
| Gases Division                            | 10,228 | 2,766            | 8,932  | 2,378            |
| Engineering Division                      | 2,461  | 271              | 2,311  | 210              |
| Other activities including reconciliation | 179    | -112             | -32    | -203             |
| Group                                     | 12,868 | 2,925            | 11,211 | 2,385            |

## Gases Division

In 2010, the overall improvement in the general economic climate fuelled demand for industrial gases worldwide

As a result, sales from Linde's Gases Division rose to EUR 10 228 bn, a 14.5 percent increase on the prior year (2009 EUR 8 932 bn). On a comparable basis – i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure – this represents a 5.7 percent rise in sales. The share of sales from joint ventures in the gases business, which is not included in division sales, was EUR 348 m (2009 EUR 298 m).

Over the course of the year, Linde significantly bolstered profitability within the Gases Division. Operating profit was up 16.3 percent to EUR 2 766 bn (2009 EUR 2 378 bn), thus growing faster than sales. The operating margin rose by 40 basis points to 27.0 percent (2009 26.6 percent). This increase in earnings power is primarily due to HPO measures aimed at increasing efficiency and streamlining processes. Capacity utilisation at Linde's production plants was also up on the prior year.

The share of income from associated companies and joint ventures in the Gases Division reported in operating profit was EUR 85 m, a rise of 25.0 percent on last year (EUR 68 m). This increase is primarily attributable to the positive development of joint ventures in China.

The performance of the individual operating segments in the Gases Division highlights the regional variations in the pace of economic recovery. Emerging economies in Asia – China and India in particular – and South America revealed the strongest momentum here. In comparison, economic output in more established economies such as the US and Western Europe showed only moderate signs of growth. Nonetheless, demand here also increased during the reporting period, especially in the energy and environmental sectors.

| Gases Division   |        |        |
|--|--------|--------|
| in € million   | 2010   | 2009   |
| Sales  | 10,228 | 8,932  |
| Operating profit   | 2,766  | 2,378  |
| Capital expenditure<br>(excluding financial investments) | 1,326  | 1,029  |
| Number of employees<br>(at the balance sheet date)       | 37,603 | 37,362 |
| Sales from joint ventures                                | 348    | 298    |

### Operating segment Western Europe

The Western Europe operating segment is the Group's largest sales market. In the financial year 2010, Linde sales totalled EUR 4 021 bn, a 6.8 percent rise on last year's figure of EUR 3 765 bn. On a comparable basis, sales were up 3.3 percent.

Operating profit outpaced sales, up 12.7 percent to EUR 1 184 bn (2009 EUR 1 051 bn). The operating margin was 29.4 percent, up 150 basis points on the prior-year figure (27.9 percent). Numerous HPO initiatives systematically implemented by the company to increase productivity and standardise processes helped fuel this positive trend.

With sales of EUR 3 103 bn (2009 EUR 2 874 bn), the Continental and Northern Europe Regional Business Unit (RBU) again continued to account for the largest part of the gases business in the Western Europe operating segment. In the UK & Ireland RBU, sales for the period under review totalled EUR 920 m (2009 EUR 899 m).

Early signs of an economic upswing evident in Western Europe during the first half of 2010 became more visible in the course of the year, resulting in higher capacity utilisation at existing facilities in the Tonnage (on-site) business. The commencement of operations at a number of new facilities also had a positive impact on business. In the UK, for example, Linde brought a major air separation plant on stream during the period under review. The new plant supplies Linde's long-standing customer Tata Steel with oxygen at the steel hub of Scunthorpe. The facility has a production capacity of 1,600 tonnes per day. Tata also commissioned Linde to modernise an existing air separation plant at the same site.

Another Linde air separation plant went on stream in the Austrian city of Linz. This facility supplies another steel player, Voestalpine. This is the tenth plant that Linde has built in Linz.

In Germany, Linde is set to expand the gas supply infrastructure for steel producer ThyssenKrupp Steel Europe and will be delivering a further major air separation plant in Duisburg as part of this project. The contract was signed in May 2010. This is the eleventh plant of its kind that Linde will have built for ThyssenKrupp at Duisburg. Linde is investing around EUR 75 m in the new plant and in modernisation work on existing production facilities.

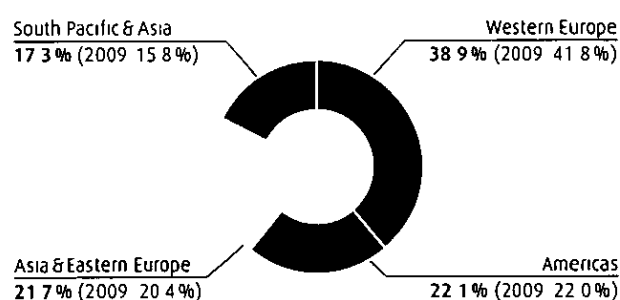
Last year, Linde successfully gained a foothold in the high-growth liquefied natural gas (LNG, see glossary) business in Sweden when the country's first LNG terminal commenced operations. Linde partnered with other players to build the terminal and now sources LNG from the operator, Nynashamn Gasterminal AB, to distribute through its own channels. Hereby Linde succeeded its entry into a fast growing segment.

## Gases Division Sales and operating profit by operating segment

| in € million           | 2010  |                  |                   | 2009  |                  |                   |
|------------------------|-------|------------------|-------------------|-------|------------------|-------------------|
|                        | Sales | Operating profit | Margin in percent | Sales | Operating profit | Margin in percent |
| Western Europe         | 4,021 | 1,184            | 29.4              | 3,765 | 1,051            | 27.9              |
| Americas               | 2,279 | 499              | 21.9              | 1,981 | 429              | 21.7              |
| Asia & Eastern Europe  | 2,239 | 667              | 29.8              | 1,836 | 557              | 30.3              |
| South Pacific & Africa | 1,784 | 416              | 23.3              | 1,418 | 341              | 24.0              |
| Consolidation          | -95   | -                | -                 | -68   | -                | -                 |

Across the entire Western Europe operating segment, Linde continued its activities to ensure security of supply for its customers and prepare for future growth. During the year under review, new production facilities went on stream in Nantes (France), Basel (Switzerland) and Tunis (Tunisia). In Gendorf (Germany) and Rouen (France), new production facilities commenced operations to meet rising demand for carbon dioxide (CO<sub>2</sub>), particularly from the food and beverage sector. In addition, Linde continues to improve its sales structures in the cylinder business. The Group set up a new central cylinder filling plant for the Baltic region in Riga (Latvia), and a new site in Hamburg (Germany) is under construction.

## Analysis of sales by operating segment



## Operating segment Americas

In the 2010 financial year, sales in the Americas operating segment grew 15.0 percent to EUR 2,279 bn (2009: EUR 1,981 bn). This corresponds to an 8.6 percent increase on a comparable basis. Operating profit also outperformed sales in this region, rising 16.3 percent to EUR 499 m (2009: EUR 429 m). The operating margin was therefore 21.9 percent (2009: 21.7 percent). This figure also reflects the positive impact of various successful measures aimed at lasting cost optimisation and efficiency gains.

A direct comparison between sales in the two major regions in the Americas operating segment shows a stronger upward trend in the South America RBU, as expected. Here, sales rose 19.2 percent to EUR 647 m (2009: EUR 543 m). In North America, Linde recorded sales of EUR 1,635 bn (2009: EUR 1,440 bn), a plus of 13.5 percent.

The general improvement in the economic situation in North America resulted in increased demand for industrial gases overall. The food and drinks segment provided particularly strong impetus here.

Similarly, the on-site business reported stronger performance in the 2010 financial year, with average plant capacity utilisation up on the figures posted for 2009. Linde also benefited from new facilities that went on stream during the period under review, including a plant in Lemont, Illinois, that produces hydrogen for desulphurising fuel. In addition, Linde started supplying Shell with hydrogen at the Deer Park refinery complex in Texas.

The company also reached a significant production milestone in the liquefied gases business. In August 2010, Linde started cleaning and liquefying carbon dioxide (CO<sub>2</sub>) at a new plant in Fulton, New York. The CO<sub>2</sub> is a by-product of ethanol production and is sourced from biofuel manufacturer Sunoco. This new facility means that Linde now has the largest CO<sub>2</sub> capacity in the

region, enabling the company to meet rising demand from liquefied gas customers in the food and chemical industries in New York, New Jersey and Pennsylvania as well as in the New England region

In 2010, 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 BMW's Spartanburg production site in South Carolina, for example, Linde set up a zero-emissions hydrogen fuelling system to supply 85 forklift trucks. The hydrogen is liquefied at a Linde plant using electricity generated from renewable sources. This is the first time that the car manufacturer has used hydrogen as an energy carrier for internal logistics.

Linde was also commissioned by regional bus operator AC Transit to install two hydrogen fuelling stations for fuel-cell buses and cars at its Emeryville depot in California, the largest fuel-cell bus site in the US. The stations include the latest compression and fuelling technologies. Linde also supplies the liquid hydrogen, which is stored on site. Linde will also build a station at the customer's Oakland depot in California.

In electronics, Linde is continuing with the installation of a large on-site ultra-pure nitrogen plant in North America for the world's largest semiconductor manufacturer.

The economy in South America experienced dynamic growth during the period under review. The on-site and liquefied gases business in particular benefited from this upward trend in Brazil, Chile and Argentina. The company was also able to continue to consolidate its position in the fast-growing Healthcare market.

In April 2010, Linde started operations at its new air separation plant in the Brazilian industrial complex Camacari. The Camacari industrial complex is the largest integrated industrial cluster in the southern hemisphere. Over ninety companies from a wide range of industries are represented here. The new plant has a production capacity of 300 tonnes per day. Although it mainly supplies chemical and petrochemical companies located at the site with industrial gases, the Camacari plant also supplies medical oxygen to hospitals in the Bahia region and the north-east of Brazil.

A further Linde air separation plant went on stream in Brazil in September 2010. Located in Resende, the plant provides the Votorantim Steel Group – one of the country's largest companies – with industrial gases.

In the Healthcare business, the company extended its previously Europe-focused ENTONOX®/LIVOPAN® marketing campaign to Brazil. This analgesic/sedative gas mixture was successfully launched there during the period under review. Since 2009, Linde has been offering support and advice to sufferers of sleep apnoea under its Leading Independent Sleep Aide (LISA™) programme across the entire South American continent. This breathing disorder occurs during sleep and causes repeated interruptions to breathing.

During the period under review, the Brazilian anti-trust authority CADE imposed fines on a number of gases companies, citing alleged breaches of anti-trust law during the years 1998 to 2004. Linde's Brazilian subsidiary is one of these companies. From the current standpoint, Linde assumes that this decision will not stand up to judicial review.

## Operating segment Asia & Eastern Europe

Dynamic economic trends in Asia plus the economic turnaround in Eastern Europe fuelled strong growth rates in sales and operating profit in Linde's Asia & Eastern Europe operating segment. The company also benefited from its leading position in these markets.

During the period under review, sales rose 21.9 percent to EUR 2,239 bn (2009: EUR 1,836 bn). Stringent execution of the company's HPO concept pushed up operating profit, which increased 19.7 percent to EUR 667 m (2009: EUR 557 m). At 29.8 percent (2009: 30.3 percent), the operating margin remained at a very high level. Adjusted for the dilution effect resulting from the obligation to pass through higher natural gas prices, this figure remained at the prior-year level.

In the Greater China RBU, Linde increased sales by 36.8 percent to EUR 576 m (2009: EUR 421 m), making this region the strongest growth driver in the Asia & Eastern Europe operating segment. Joint venture activities also developed positively in the Greater China RBU, with the Group's share of sales from its interests in joint ventures, which is not included in Group sales, rising 20.9 percent in 2010 to EUR 197 m (2009: EUR 163 m).

Linde also reported an upswing in business in the South and East Asia RBU, with sales up 26.1 percent to EUR 861 m (2009: EUR 683 m). The Group achieved sales of EUR 803 m in the Eastern Europe & Middle East RBU, a rise of 9.3 percent compared with the prior year (EUR 735 m).

In the Greater China region, Linde capitalised on upbeat economic developments to continue to strengthen its leading position. Here the Group won a number of new contracts and invested in strategic projects.

In the northern Chinese province of Shanxi, for example, Linde is building two major new air separation plants on site for Taiyuan Iron & Steel Company Limited (TISCO). The contract, signed in autumn 2010, has a total investment value of EUR 100 m. The project will be managed by BOC-TISCO Gases, the 50/50 gases joint venture set up by Linde and TISCO.



The 2010 financial year also saw Linde secure two new contracts to supply Yangtze Petrochemical Company Limited (YPC) and Dynamic Chemical Company Limited at the Nanjing chemical industrial park in the province of Jiangsu. To secure future supplies, Linde will invest around EUR 24 m in the expansion of its existing gases infrastructure here.

Linde will also be investing EUR 15 m in the expansion of its gases supply infrastructure for GCL-Poly Energy Holdings, China's leading manufacturer of polysilicon. The new agreement, signed by both partners during the period under review, includes the construction of new production and supply facilities for high-purity hydrogen in the Xuzhou industrial park. Linde had already brought two steam reformers (see glossary) on stream in 2009 to supply GCL with hydrogen via pipeline. The new project brings Linde's total investment in its gases supply infrastructure for GCL at the Xuzhou site to around EUR 30 m.

On the electronic gases front, Linde won China's two largest government-supported TFT labs. Linde concluded agreements with Beijing BOE Display Technology and China Star Optoelectronics Technology (CSOT) for the supply of ultra-pure liquefied gases such as nitrogen, oxygen, hydrogen and argon. Linde's investment under the contract with BOE, one of China's largest LCD screen manufacturers, entails an investment of EUR 23 m. In Shenzhen, Guangdong province, the CSOT project will see Linde invest around EUR 17 m.

World-leading semiconductor manufacturer Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) awarded Linde two major gas supply agreements for its new and expansion projects in Taiwan. Linde will thus be investing around EUR 29 m in expanding its gases infrastructure in the area.

The South and East Asia region also showed healthy signs of recovery during the period under review, with markets in India, Thailand and Singapore fuelling a sharp rise in economic output, particularly in the first half of 2010.

In August 2010, Linde went on stream with a 220 tonnes per day (tpd) liquefied gas facility at the Indian site of Selaqui, which supplies customers in the north of India. Linde plans to expand its operations in western India by setting up a new 330 tpd air separation unit in Taloja. This will replace an existing smaller facility. The expansion will enable the company to meet increasing demand in one of India's fastest growing regions.

In Malaysia, Linde is investing around EUR 15 m in the construction of a new 200 tpd CO<sub>2</sub> plant in Terengganu. The facility is scheduled to start production at the end of 2011. The investment consolidates the Group's leading position in the Malaysian market for ultra-pure CO<sub>2</sub>. In September 2010, Linde commenced operations at a major air separation plant in Pasir Gudang, Johor. The gases produced at this plant will be used to supply customers in South Malaysia as well as in Singapore.

Linde has also expanded its production capacity in Pakistan. In spring 2010, the Group invested around EUR 17 m to build a

new 150 tpd air separation plant in Lahore. The facility is scheduled to go on stream during the first quarter of 2012 and will supply customers in the north of the country with oxygen, nitrogen and argon.

In autumn 2010, Linde acquired the company Ceylon Oxygen Limited in a move to further expand its strong position in the fast-growing South and East Asia market. The company employs 106 people and is Sri Lanka's leading manufacturer of medical and industrial gases. Ceylon Oxygen is the only gases company in the country that operates its own air separation plant.

In Eastern Europe, markets initially got off to a slow start in the first quarter of 2010 but picked up as the year progressed. Russia and the Czech Republic in particular showed signs of economic recovery. The Middle East region proved comparatively robust throughout the economic crisis due to investments in the petrochemical industry.

During the period under review, Linde succeeded in establishing a foothold in the emerging Kazakhstan market. The company is set to build a large, cutting-edge air separation plant for the world's leading steel company, ArcelorMittal, at its Temirtau site. The contract for this project was signed in May 2010. The on-site facility will be the first major plant of its kind in Kazakhstan and will have a capacity of 2,000 tpd. It is scheduled to go on stream in mid-2012 and represents an investment of around EUR 95 m.

Last summer, Linde started production at Europe's largest stand-alone air separation plant. Located in south-west Poland at Biskupice Pogórne, the facility produces up to 600 tonnes of liquefied nitrogen, oxygen and argon per day. Its proximity to the Czech Republic and Germany makes it an ideal location to supply Central European markets with liquefied gases.

## Operating segment South Pacific & Africa

In the South Pacific & Africa operating segment, Linde sales in the 2010 financial year increased 25.8 percent to EUR 1.784 bn (2009 EUR 1.418 bn). This substantial increase is almost entirely due to positive exchange rate effects for the Australian dollar and the South African rand. On a comparable basis, sales only increased slightly by 2.5 percent compared with the prior-year period.

Operating profit was also boosted by exchange rate effects and increased by 22.0 percent to EUR 416 m (2009 EUR 341 m), resulting in an operating margin of 23.3 percent (2009 24.0 percent).

With sales totalling EUR 1.256 bn (2009 EUR 980 m), the South Pacific RBU again accounts for the lion's share of business in this segment. The Africa RBU accounted for EUR 528 m of the segment's sales (2009 EUR 438 m).

The economy in the South Pacific region, which proved comparatively robust throughout the crisis in 2009, remained on a stable growth path in 2010.

Linde is the region's leading gases supplier and continued to strengthen its business base here over the last year. In March 2010, Linde started operations at a helium plant in Darwin (Northern Territory) – the first plant of its kind in Australia. With a capacity of 4.2 million cubic metres of helium per year, the facility enables the company to meet demand in Australia and ensures sufficient capacity for exports to New Zealand and Asian markets.

A new steam reformer for producing hydrogen also went on stream at Altona in the Australian state of Victoria. The Group's investment will secure supplies to meet rising demand in the region.

In May 2010, Linde agreed to invest around EUR 45 m in the expansion of its liquefied natural gas (LNG) capacity in Victoria. The resulting rise in production will also enable the Group to supply a network of LNG fuelling stations scheduled to be set up along the east coast of Australia.

The Group also agreed to invest around EUR 15 m in an air separation unit in Karratha, North West Australia, to supply the regional market with industrial gases.

South Africa is the most important sales market in the Africa RBU. Here, the high rand had a dampening effect on international trade and thus local industrial production. Furthermore, a substantial hike in energy prices compared with the prior year led to increased cost pressure. Linde has therefore streamlined and modernised its production facilities and aligned its product offering with reduced demand. Work on converting the gases production centre in Germiston, for example, was almost completed in the period under review. The Group also started production at its new speciality gases facility. The gases from this plant will also be used to supply African markets outside of South Africa.

Linde operates in a further seventeen African countries. In the 2010 financial year, business here was up on the prior year, enabling the company to consolidate its position as the leading gases provider in Sub-Saharan Africa.

## Product segments

Performance in the individual product segments reflects the overall positive trends in the Gases Division throughout 2010. Linde achieved the highest rate of sales growth in its on-site business (supplying gases on site to major customers). 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 here increased by 9.6 percent to EUR 2.451 bn (2009 EUR 2.237 bn). Linde benefited from the continued improvement in existing capacity utilisation as well as from new plants coming on stream.

In the liquefied gases business, sales totalled EUR 2.487 bn. On a comparable basis, this was a 6.6 percent increase on the prior-year figure (2009 EUR 2.333 bn).

In the cylinder gases business, Linde increased sales on a comparable basis by 3.4 percent to EUR 4.160 bn (2009 EUR 4.023 bn). After a slow start, this area continued to pick up during the remainder of the period under review.

The Healthcare business covers Linde's medical gases, services, devices and care operations. Here, the Group continued on its steady growth path, with sales rising 4.2 percent to EUR 1.130 bn (2009 EUR 1.084 bn). Healthcare is a continuing global megatrend. Demographic shifts, improved diagnostic and therapy options – particularly for chronic ailments – and better patient access to these new forms of care are the main drivers in this fast-growing market.

Linde's Healthcare business covers Hospital Care and Homecare. Hospital Care supplies hospitals with medical gases, services and related equipment, while Homecare concentrates on medical gases, services and devices for patients in settings other than hospitals.

Sales in the Hospital Care division rose by 4.7 percent to EUR 847 m (2009: EUR 809 m), allowing Linde to strengthen its position in key markets such as Asia and South America. The Group also reported several successes in Europe during the period under review. In Norway, for example, Linde has won tenders to supply state-run hospitals in five out of six regions.

In the Homecare division, sales were up 2.9 percent to EUR 283 m (2009: EUR 275 m). A substantial share of sales was generated by the REMEO® care programme for chronic ventilated patients. Linde continued to expand its offering here throughout the financial year, particularly in the major Homecare markets of Europe and the Americas. New REMEO® ventilation centres were opened in the US, Colombia and Germany.

#### Gases Division Sales by product area

| in € million    | 2010          | 2009 <sup>1</sup> | Change<br>in percent |
|-----------------|---------------|-------------------|----------------------|
| Liquefied gases | 2,487         | 2,333             | 6.6                  |
| Cylinder gases  | 4,160         | 4,023             | 3.4                  |
| On-site         | 2,451         | 2,237             | 9.6                  |
| Healthcare      | 1,130         | 1,084             | 4.2                  |
| <b>Total</b>    | <b>10,228</b> | <b>9,677</b>      | <b>5.7</b>           |

<sup>1</sup> Adjusted for exchange rate effects, changes in Group structure and changes in the price of natural gas.

## Engineering Division

The international large-scale engineering business is a late-cycle sector. Here, the market climate stabilised in the course of 2010. Linde saw a marked rise in investment activity in smaller and medium-size projects across all four main lines of business (olefin plants, natural gas plants, air separation plants, and hydrogen and synthesis gas plants).

The Engineering Division reported sales of EUR 2 461 bn in 2010, thus exceeding the prior-year figure (2009: EUR 2 311 bn) by 6.5 percent.

The successful execution of a number of individual projects meant that operating profit grew faster than sales, rising 29.0 percent to EUR 271 m (2009: EUR 210 m). At 11.0 percent (2009: 9.1 percent), the operating margin again significantly exceeded the target figure of 8 percent.

Order intake was EUR 2 159 bn at the end of the year (2009: EUR 2 458 bn). When comparing these figures, it should be noted that order intake in 2009 was largely shaped by several major projects. One major contract for an olefin plant in Abu Dhabi (United Arab Emirates), for example, was alone worth USD 1 075 bn. During the year under review, however, new orders were spread over a broader basis with numerous contracts for smaller and medium-size plants.

New orders were concentrated in Europe and the Asia/Pacific region, both accounting for around 27 percent respectively of contract wins. Some 20 percent of new business was attributable to the Middle East.

Almost 60 percent of all contracts awarded during the period under review were for olefin and air separation plants. The remaining 40 percent were evenly divided across the other lines of business.

Linde continues to report a high order backlog. At 31 December 2010, this figure was EUR 3 965 bn (2009: 4 215 bn).

| Engineering Division                                  |       |       |
|---|-------|-------|
| in € million  | 2010  | 2009  |
| Sales   | 2,461 | 2,311 |
| Order intake  | 2,159 | 2,458 |
| Order backlog   | 3,965 | 4,215 |
| Operating profit                                      | 271   | 210   |
| Capital expenditure (excluding financial investments) | 23    | 32    |
| Number of employees (at the balance sheet date)       | 5,811 | 5,716 |

### By region

| in € million  | Sales |      | Order intake |      |
|---------------|-------|------|--------------|------|
|               | 2010  | 2009 | 2010         | 2009 |
| Europe        | 678   | 678  | 589          | 784  |
| North America | 166   | 248  | 286          | 70   |
| South America | 77    | 103  | 50           | 160  |
| Asia/Pacific  | 562   | 558  | 587          | 361  |
| Middle East   | 891   | 682  | 446          | 916  |
| Africa        | 87    | 42   | 201          | 167  |

### By plant type

| in € million                      | Sales |      | Order intake |       |
|-----------------------------------|-------|------|--------------|-------|
|                                   | 2010  | 2009 | 2010         | 2009  |
| Olefin plants                     | 783   | 465  | 616          | 1,457 |
| Natural gas plants                | 172   | 272  | 360          | 163   |
| Hydrogen and synthesis gas plants | 284   | 429  | 350          | 261   |
| Air separation plants             | 999   | 949  | 611          | 359   |
| Other                             | 223   | 196  | 222          | 218   |

### Olefin plants

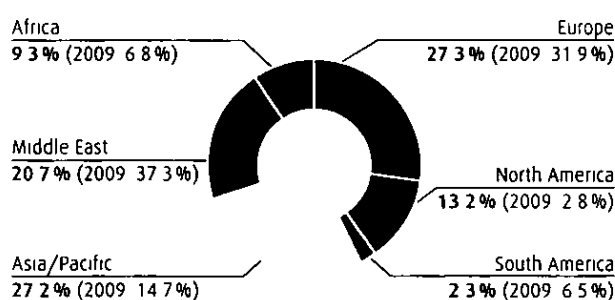
The petrochemical industry recovered swiftly from the 2008/2009 global economic downturn. Last year's growth rates were almost back to pre-crisis levels. However, the market still has excess capacity due to the large number of major projects undertaken before the economic and financial crisis hit.

In the 2010 financial year, Linde started constructing a large polypropylene plant for plastics manufacturer Tobolsk-Polymer in Western Siberia. Worth around EUR 450 m, this project is currently one of the key investments in Russia's petrochemical industry.

In 2010, Linde also successfully put an ethane cracker (see glossary) on stream in Ruwais, Abu Dhabi (United Arab Emirates). With a record-breaking capacity of 1,490 kilotonnes of ethylene per year, it is the world's largest plant of this type. The plant is operated by Borouge, a joint venture between Abu Dhabi National Oil Company (ADNOC) and Borealis. This is the second project of this kind that Linde has completed for Borouge. Work is already underway on Borouge 3, a further ethane cracker at the Ruwais site.

Sasol Chemical Industries Ltd. awarded Linde Engineering an engineering, procurement and construction (EPC) contract for the installation of an ethylene recovery unit to be integrated into the Sasolburg petrochemical complex (South Africa). The project is worth EUR 135 m and handover is scheduled for April 2013.

### Order intake by region

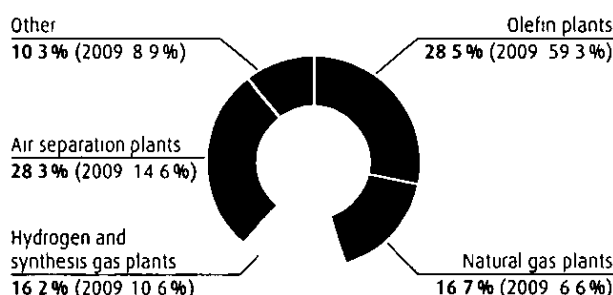


Linde and Samsung Engineering Co. (South Korea) have won a contract from Tasnee Sahara Olefins Co. (TSOC) and Dow Chemical to plan, procure and construct the first part of a large acrylic acid complex to be built at Al Jubail in Saudi Arabia. The complex is scheduled to go on stream in the second quarter of 2013. Linde and Samsung already have a proven track record of collaboration in Saudi Arabia. The companies successfully teamed up to work on an earlier ethylene project for the same client.

### Natural gas plants

Following the sharp downturn in 2009, demand for crude oil and natural gas increased slightly during the period under review. Supply, however, still exceeded demand in international markets. As a result, the oil and gas industry was cautious when it came to investing in new projects and expanding existing developments. China and Australia were notable exceptions here, with investment in liquefied natural gas (LNG) plants strong in both regions.

### Order intake by plant type



At the start of the 2010 financial year, Linde received a contract from Chinese gas supplier Guanghui to build a mid-size LNG plant. The scope of services includes the liquefaction process licence, basic engineering for the entire plant, delivery of a coil-wound heat exchanger plus procurement of the plant's compressors and drives. A pioneer in the move to build an LNG supply chain in China, Guanghui is teaming up with Linde for the second time. The LNG produced at the plant will be used as an environmentally friendly fuel for trucks.

Linde's technological expertise in the field of natural gas liquefaction is also in demand in Australia. Here, the Group is supplying key components for two LNG plants as part of the Queensland Curtis LNG project. The supply contract was signed mid-2010. Queensland Curtis LNG is a showcase project of QGC, a subsidiary of British Gas. The project aims to develop coal-bed gas reserves in the Australian state of Queensland for the international market. It is one of the largest infrastructure projects in Australia.

During Q3 2010, Linde started operations at an LNG plant in the Norwegian region of Stavanger for its customer Skangass AS. At the heart of the plant is a coil-wound heat exchanger made for the first time entirely from stainless steel. This technical highlight also positions Linde strongly for the promising market emerging for floating LNG plants. Here, the high levels of mechanical stress make stainless steel heat exchangers the preferred choice.

### Air separation plants

Business in the air separation plant sector picked up in 2010 following a sharp drop in investment in 2009 due to the economic and financial crisis. Linde's Engineering Division also benefited from new on-site projects channelled through the Group's Gases Division.

The Engineering Division has been awarded various major international projects by the Gases Division, including plants for ThyssenKrupp in Germany, ArcelorMittal in Kazakhstan and TISCO in China (see Gases Division section).

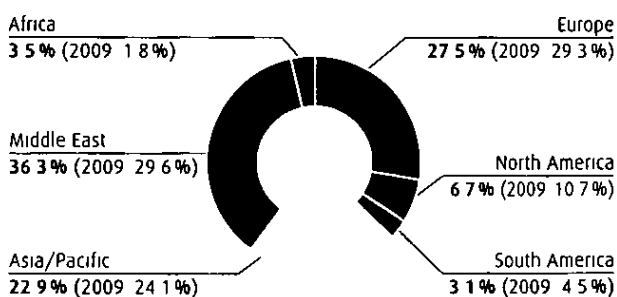
In 2010, the Group also started work on an air separation plant in Vorsino near Moscow in Russia. This plant will secure a long-term supply of industrial gases for the steel corporation KNPEMZ from 2011 onwards.

Linde also secured a contract to supply the Yankuang Coal Company with two air separation plants at its Erdos site (Inner Mongolia). The Group is also constructing an air separation plant for Baosteel Metal Co. Ltd in Wujing.

2010 was a successful year for smaller, standardised plants from Linde. Orders were particularly strong from the US, Taiwan and China.

At the end of 2010, Linde completed assembly of the world's largest complex of air separation plants (Pearl GTL) in Qatar (Persian Gulf). The facility is set to go on stream in 2011. The contract, which Linde secured in 2006, covered the delivery of eight large, identical air separation plants.

### Sales by region



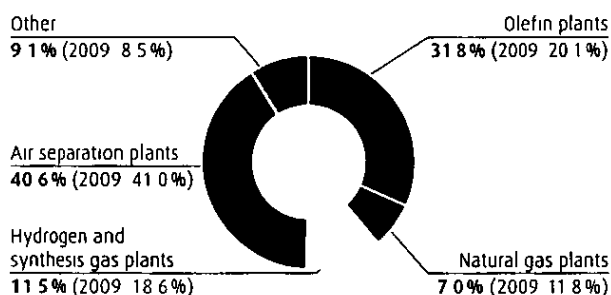
In Abu Dhabi, Linde is currently constructing the United Arab Emirates' largest air separation cluster through a joint venture with the Abu Dhabi National Oil Company (ADNOC). The new plants will be handed over at the start of 2012, producing large amounts of nitrogen to optimise the extraction of natural gas.

### Hydrogen and synthesis gas plants

The market for hydrogen and synthesis gas plants progressed at a moderate pace in the 2010 financial year. Investors proved more cautious than before the financial and economic crisis, especially with regard to larger projects. However, demand for smaller hydrogen plants with capacities of around 300 normal cubic metres per hour was up. Linde developed a standardised offer (HYDROPRIME™) for this growing segment during the period under review and will be launching it in the first quarter of 2011.

To strengthen further its competitive position in the hydrogen sector, Linde launched a dedicated optimisation programme under the umbrella of its HPO framework. The measures here focus primarily on reducing plant investment and operating costs. Linde is currently rolling out this programme across the Group.

### Sales by plant type



The production of synthetic natural gas (SNG) is becoming increasingly important, particularly in coal-rich regions. In autumn 2010, Linde secured an important contract here from South Korea. Together with the Danish company Haldor Topsoe, Linde will be supplying the technology for syngas treatment and the methanation unit for an SNG plant in Gwangyang. The plant will produce synthetic natural gas from coal and/or petroleum coke and was awarded by POSCO, one of the world's leading steelmakers.

#### Other types of plant

The market for biotechnology plants reveals significant growth potential. During the period under review, Linde strengthened its foothold in this market by starting work on the Chemical Biotechnological Process (CBP) Centre in Leuna, Germany. The Group was contracted to plan, supply and construct the entire technical complex from the Fraunhofer-Gesellschaft in December 2009. This innovation hub will focus on transferring industrial biotechnology processes from the research to the pilot phase, from where they can move to industrial-scale commercialisation.

In the pharmaceutical biotechnology sector, Linde received pre-feed and feed contracts for plants dedicated to the production of active pharmaceutical ingredients and the manufacture of ready-to-use pharmaceutical products. The Group also received follow-up engineering contracts from the United Arab Emirates and Switzerland for projects that are already underway.

## Other activities

The Other Activities segment comprises Gist (Linde's logistics services) and Group member Cleaning Enterprises (environmentally friendly dry cleaning under the brand name Fred Butler®)

Gist specialises in the distribution of chilled and frozen food and drink products and operates in a stable market. Gist sales for the 2010 financial year totalled EUR 547 m, an 18.7 percent increase on the prior-year figure of EUR 461 m. The Group's partnership with retail chain Marks & Spencer (M & S) was one of the main drivers of this growth. In March 2009, Gist signed a ten-year contract with M & S to manage its food supply chain in the UK and the Republic of Ireland. The agreement also covers the supply 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 will enable Gist to further expand its logistics infrastructure.

Cleaning Enterprises, a member of The Linde Group, achieved sales of EUR 2 m during the period under review (2009: EUR 4 m). The company is currently realigning its business model.

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## Net assets and financial position

As the recovery took hold in 2010, Linde supported the expansion of its business through targeted capital expenditure. The Group's focus on safeguarding its liquidity and continuing to repay financial debt remained.

Total assets increased in 2010 by EUR 2 507 bn to EUR 26 888 bn. This increase was mainly due to exchange rate effects on the translation of the local financial statements of Linde Group subsidiaries into the reporting currency, the Euro. Capital expenditure in the Gases Division also contributed to the rise in total assets.

Goodwill rose, primarily as a result of exchange rate effects, by a total of EUR 502 m to EUR 7 799 bn. Goodwill of EUR 15 m arose on acquisitions made during the 2010 financial year. The principal acquisition was the purchase of the majority interest in the industrial gases company, Ceylon Oxygen Limited, Sri Lanka. Other intangible assets, which include in particular customer relationships arising from the BOC acquisition, rose by EUR 188 m. This increase was mainly due to exchange rate effects less amortisation. Receivables from financial services, which almost exclusively relate to our long-term gas supply contracts which are classified as leases in accordance with IFRIC 4, fell by EUR 237 m to EUR 392 m. The main reason for this decrease was the reclassification of almost all ECOVAR gas supply contracts as tangible assets. These contracts had previously been accounted for as embedded finance leases. This reclassification in the balance sheet by Linde took place as a result of the development of our ECOVAR business model.

Current assets rose by EUR 630 m from EUR 3 998 bn to EUR 4 628 bn. Here, the increase in trade receivables of EUR 248 m from EUR 1 607 bn to EUR 1 855 bn should be taken into consideration. This was due not only to exchange rate effects, but also to higher business volumes. Another major reason for the increase in current assets was the increase in cash and cash equivalents of EUR 328 m to EUR 1 159 bn.

On the equity and liabilities side, the increase in total equity and liabilities was due mainly to the increase in equity.

Equity grew from EUR 9 187 bn to EUR 11 362 bn. The equity ratio was 42 percent (2009: 38 percent). The main factors which had a positive impact on equity were exchange rate movements of EUR 1 390 bn, earnings after tax of EUR 1 064 bn and actuarial gains on the remeasurement of pension provisions of EUR 156 m.

The net pension obligation fell in 2010 from EUR 887 m to EUR 552 m. The positive market trends for the plan assets and the change in the actuarial assumptions for the measurement of the pension provisions were significant contributory factors in the decrease. Another factor which reduced the net pension obligation was the contributions to plan assets made by The Linde Group of EUR 152 m (2009: EUR 127 m). Of these contributions, around EUR 78 m (2009: EUR 68 m) related to the special payments made to the UK pension fund which were agreed in the

course of the BOC acquisition. The fall in interest rates in the 2010 financial year had the opposite effect on the measurement of the pension provisions, increasing the net pension obligation.

Linde was able to reduce its net financial debt in the 2010 financial year by EUR 622 m to EUR 5 497 bn (2009: EUR 6 119 bn). This was mainly due to the free cash flow before financing activities, which rose by 17.8 percent to EUR 1 357 bn (2009: EUR 1 152 bn). In addition, Linde continued to work during the financial year at optimising its liquidity position and financial debt. In May 2010, the Group agreed a EUR 2.5 bn syndicated credit line. This credit line replaces the syndicated credit to finance the BOC acquisition in 2006 and the forward start facility agreed in 2009. Linde's maturity profile is geared for the long term. Of the financial debt of EUR 6 673 bn (2009: EUR 6 967 bn), EUR 459 m (2009: EUR 381 m) is disclosed as current and EUR 6 214 bn (2009: EUR 6 586 bn) as non-current financial debt. Financial debt repayable within one year is matched by cash and cash equivalents of EUR 1 159 bn and a EUR 2.5 bn syndicated credit facility available until 2015. At 31 December 2010, available liquidity was EUR 3 200 bn (2009: EUR 2 450 bn).

The Group's gearing (the ratio of net debt to equity) was 48 percent at 31 December 2010, due to the increase in share capital and the decrease in net financial debt (2009: 67 percent). The dynamic indebtedness factor (net financial debt to operating profit) reduced from 2.6 in 2009 to 1.9 in 2010.

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### ASSET TO LIABILITY

### LIABILITY TO ASSET

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2010 2011

## Cash flow statement

Linde increased its cash flow from operating activities in the 2010 financial year to EUR 2 422 bn (2009 EUR 2 142 bn), continuing the positive trends seen in prior quarters. The 13.1 percent rise is mainly due to the improvement in Group operating profit. An improvement in working capital, especially in the fourth quarter of 2010, also had a positive impact on cash flow from operating activities.

Net cash outflow from investing activities in 2010 was EUR 1 065 bn (2009 EUR 990 m). This change was mainly due to increased capital expenditure.

The cash outflow for investing activities for 2010 was EUR 1 284 bn (2009 EUR 1 278 bn), of which EUR 68 m relates to payments for financial assets and consolidated companies (2009 EUR 86 m). The largest transaction here was the acquisition of the majority interest in Ceylon Oxygen Limited in Sri Lanka.

As a result of the significant increase in cash inflow from operating activities, the net cash inflow (free cash flow before financing activities) in the 2010 financial year rose to EUR 1 357 bn (2009 EUR 1 152 bn).

### Cash flow statement (summary)

| in € million   | 2010          | 2009         |
|--|---------------|--------------|
| <b>Cash flow from operating activities</b>                               | <b>2,422</b>  | <b>2,142</b> |
| Cash outflows for investments  | -1,284        | -1,278       |
| Cash inflows from the disposal of assets                                 | 219           | 288          |
| <b>Cash flow from investing activities</b>                               | <b>-1,065</b> | <b>-990</b>  |
| <b>Free cash flow before financing</b>                                   | <b>1,357</b>  | <b>1,152</b> |
| Dividend payments to Linde AG shareholders and non-controlling interests | -349          | -343         |
| <b>Net interest payments</b>   | <b>-298</b>   | <b>-301</b>  |
| Proceeds of loans and capital market debt                                | 588           | 1,437        |
| Cash outflows for the repayment of loans and capital market debt         | -1,088        | -2,138       |
| Other changes  | 69            | 14           |
| <b>Change in cash and cash equivalents</b>                               | <b>279</b>    | <b>-179</b>  |

In the 2010 financial year, Linde paid dividends of EUR 349 m (2009 EUR 343 m). The figure for net interest payments of EUR 298 m was similar to the prior-year figure of EUR 301 m. It should be noted here that the reduction in the financial debt took place mainly in the fourth quarter of 2010 and was therefore not fully reflected in the net interest payments for the full year.

Receipts and payments relating to loans and capital market debt resulted in a net cash outflow of EUR 500 m (2009 EUR 701 m). The change in cash and cash equivalents was therefore an increase of EUR 279 m (2009 a reduction of EUR 179 m).

## Summary of the 2010 financial year

The global economy showed clear signs of recovery in 2010, following the deepest recession in more than six decades. This upturn was mainly driven by dynamic growth in emerging Asian economies, China in particular. More developed markets in Europe and the US also benefited from this trend, for example through increased exports to emerging economies.

Linde capitalised on this favourable economic climate, achieving significant growth in both Group sales and Group operating profit. The company even exceeded its previous all-time high of 2008, with Group sales rising 14.8 percent to EUR 12.868 bn (2009: EUR 11.211 bn). In the 2008 financial year, Linde achieved Group sales of EUR 12.663 bn. The Group increased its profitability in 2010, with Group operating profit up 22.6 percent to EUR 2.925 bn (2009: EUR 2.385 bn).

By comparison, Group operating profit in 2008, a record-breaking year, was EUR 2.555 bn. The Group operating margin in the 2010 financial year rose 140 basis points to 22.7 percent (2009: 21.3 percent).

Linde has also seen a significant improvement in other key performance indicators in 2010 compared with 2009. Return on capital employed (ROCE) was 12.5 percent (2009: 10.4 percent), while adjusted earnings per share increased by 50.4 percent to EUR 6.89 (2009: EUR 4.58). Cash flow from operating activities rose 13.1 percent to EUR 2.422 bn (2009: EUR 2.142 bn). Linde was also able to reduce net financial debt by EUR 622 m to EUR 5.497 bn (2009: EUR 6.119 bn).

This all-round positive performance is confirmation of the Group's business model and wide market reach. Linde is a global player and extremely well-positioned, especially in the key Asian and South American markets that provided much of the momentum behind last year's global economic upswing. The fact that profit grew faster than sales shows the progress made by the Group again in 2010 with its strategy of achieving lasting productivity and efficiency gains.

# 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 2010 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 the banks and other market participants and ensures that the subsidiaries are financed in a cost-efficient manner.

The 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, Benelux countries, Australia, 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 (see glossary) 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.

### Acquisition credit

Net financial debt, which increased significantly in the course of the BOC acquisition in 2006, had been further reduced to EUR 5,497 bn at 31 December 2010 (2009: EUR 6,119 bn). During the 2010 financial year, the Group repaid the syndicated credit facility (term loan, see glossary) taken out to refinance the BOC acquisition. The original amount of this loan was GBP 8.9 bn. At 31 December 2009, the equivalent of around EUR 500 m remained outstanding.

### Syndicated credit facility

In order to increase the flexibility of its financing still further, in May 2010 Linde agreed a new EUR 2.5 bn five-year revolving credit line (see revolver in glossary) credit line. This credit line replaces the EUR 2 bn credit line from 2006, which was originally due to run until May 2011, and the EUR 1.6 bn forward start credit line agreed in June 2009. The transaction was arranged by

Linde itself and forms part of a club deal. 25 major German and international banks used by Linde were involved in the transaction. With this new credit line, the Group has ensured that it has a solid general liquidity reserve with the banks. The facility is currently unused and also serves as back-up for Linde's EUR 2 bn Commercial Paper Programme (see glossary). At 31 December 2010, there were no commercial papers outstanding under this programme.

### Capital market activities

In 2010, 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.

Under the EUR 10 bn Debt Issuance Programme (see glossary), issues totalling EUR 4.1 bn in various currencies were outstanding at 31 December 2010 (2009: EUR 3.9 bn).

In August 2010, the Group issued a floating-rate 150 m 5-year Australian dollar bond. The issue was used for general refinancing, with the aim of continuing to optimise the maturity profile, and to hedge against currency fluctuations associated with the Australian assets in the Group balance sheet. The issue, which received positive market feedback, was Linde's first ever AUD bond and was a seamless continuation of the Group's successful financing strategy of relying on a broad base of financing sources and tools. The bond was issued under the Debt Issuance Programme and is listed on the Luxembourg Stock Exchange.

# 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-    | € 1,000 m      | 4 375                         | 24 04 2012                         | XS0297698853 |
| Linde Finance B V               | A3/A-    | € 300 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 <sup>1</sup>  | 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 <sup>1</sup>  | A3/A-    | £ 100 m        | 12 250                        | 02 10 2017<br>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 <sup>2</sup> + 0 850 | 19 08 2015                         | XS0531121290 |
| Subordinated bonds <sup>1</sup> |          |                |                               |                                    |              |
| Linde Finance B V               | Baa2/BBB | € 400 m        | 6 000                         | Undated<br>Call right from 2013    | XS0171231060 |
| Linde Finance B V               | Baa2/BBB | € 700 m        | 7 375                         | 14 07 2066<br>Call right from 2016 | XS0259604329 |
| Linde Finance B V               | Baa2/BBB | £ 250 m        | 8 125                         | 14 07 2066<br>Call right from 2016 | XS0259607777 |

<sup>1</sup> These bonds were not issued under the Debt Issuance Programme

<sup>2</sup> 3-month BBSW (Australian Bank Bill Swap 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. Even after the BOC acquisition, the Group's stated objective is a solid "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. The subordinated bonds are currently rated at BBB by S&P and at Baa2 by Moody's.

## Rating 2010

| 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 2010 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. Capital expenditure comprises additions to tangible assets and intangible assets, as well as investments in long-term gas supply contracts which are classified as embedded leases in accordance with IFRIC 4/IAS 17.

Capital expenditure in the 2010 financial year, excluding financial investments, totalled EUR 1 302 bn (2009: EUR 1 137 bn). Relative to Group sales, the rate of investment was 10.1 per cent, as in 2009. Not all capital expenditure was disclosed in the respective years in the cash flow statement as items affecting the movement of funds.

In addition, Linde continued to strengthen its good competitive position in the international market by spending EUR 68 m (2009: EUR 86 m) on acquisitions and investments in financial assets. Of these, EUR 37 m related to investments in consolidated companies. One example of these activities was the acquisition of the majority interest in Ceylon Oxygen Limited in Sri Lanka. The

remaining investment in financial assets of EUR 31 m related mainly to capital increases in associates and joint ventures.

If these payments are included, total capital expenditure in the 2010 financial year was EUR 1 370 bn (2009: EUR 1 223 bn).

Most of the Group's capital expenditure (2010: EUR 1 326 bn, 2009: EUR 1 029 bn) was once again incurred for the global expansion of its gases business. As in prior years, the Group's focus was on the expansion of its fast-growing on-site business. The investment ratio in the Gases Division in 2010 was 13.0 per cent of sales (2009: 11.5 per cent).

### Capital expenditure by division

| in € million                            | 2010  | 2009  |
|---|-------|-------|
| Gases Division                          | 1,326 | 1,029 |
| Engineering Division                    | 23    | 32    |
| Other activities <sup>1</sup>           | -47   | 76    |
| Group (excluding financial investments) | 1,302 | 1,137 |
| Financial investments                   | 68    | 86    |
| Group                                   | 1,370 | 1,223 |

<sup>1</sup> Including consolidations

### Capital expenditure of the Gases Division by operating segment (excluding financial investments)

|                             | 2010         |              | 2009         |              |
|-----------------------------|--------------|--------------|--------------|--------------|
|                             | in € million | in percent   | in € million | in percent   |
| Western Europe              | 439          | 33.1         | 347          | 33.7         |
| Americas                    | 218          | 16.4         | 244          | 23.7         |
| Asia & Eastern Europe       | 504          | 38.1         | 327          | 31.8         |
| South Pacific & Africa      | 165          | 12.4         | 111          | 10.8         |
| <b>Total Gases Division</b> | <b>1,326</b> | <b>100.0</b> | <b>1,029</b> | <b>100.0</b> |



# Purchasing

## The Linde Group

Linde has a Group-wide portfolio procurement strategy in place. In the 2010 financial year, the Group spent around EUR 9.7 bn (2009: around EUR 8.2 bn) on purchasing across a wide range of markets worldwide. Around EUR 7.8 bn of the Group's expenditure here is attributable to the Gases Division and around EUR 1.9 bn to the Engineering Division.

## Gases Division

In the Gases Division, purchasing covers an extremely broad range of products and services including energy, gases, gas cylinders and valves, tanks and tank equipment, vehicles, health-care equipment, components for large-scale plants and complete small plants, IT hardware and software, plus a wide range of services.

During the year under review, the Group's purchasing departments had to adapt to changing market dynamics. A significant rise in demand across many areas turned what was a buyer's market into a seller's market. This resulted in suppliers putting up their prices worldwide. Through organisational changes at a structural and workflow level, Linde managed to increase purchasing performance. The Group thus succeeded not only in resisting price increases but also in driving down prices. Linde intends to continue systematically increasing efficiency levels within the framework of its holistic concept aimed at lasting process optimisation (HPO).

In addition to the structural changes realised by Linde during the period under review, the Group also benefited from economies of scale resulting from supplier consolidation on the back of product and service standardisation.

To identify further optimisation potential, the company examined and evaluated the purchasing departments of the 20 largest Group members in 2010. Linde uses the results of these audits to agree action plans and implementation roadmaps with the respective companies. The aim is to achieve defined HPO performance benchmarks. Progress here will be tracked using Linde's global purchasing scorecard (see glossary) for optimum transparency.

Linde is aiming for further performance gains throughout its purchasing organisation as these will also have a lasting positive impact on costs and cash flow in the future. This applies not only to expenditure, but also to processes. The overarching aim for the purchasing organisation is to establish a secure supply chain for the Group's entire product portfolio at fair market prices.

## Engineering Division

In the 2010 financial year, Linde again experienced a rising readiness to invest among international engineering customers. This, in turn, bolstered demand for capital goods, which exerted some upward pressure on prices. However, this trend did not negatively impact supplies of engineering parts, components, equipment and machines. This was partly attributable to the expansion of production capacity, particularly in the Middle and Far East and in Europe.

The Engineering Division launched its Global Procurement project in 2009. This project moved on to the implementation phase in 2010. The aim here is to improve competitiveness and profitability further by increasing the volume of goods and services sourced from best cost countries (see glossary). During the year under review, Linde established the necessary organisational structures, setting up procurement centres in Europe, India, China, South Korea, Abu Dhabi and the US. Market proximity means Linde will be able to pinpoint the most cost-effective sources as early as the project planning phase and thus secure a competitive advantage.

In addition, the Group defined detailed purchasing strategies that will apply to all Linde Engineering companies in the future. These new guidelines will create additional cost efficiencies by standardising processes, consolidating the supplier base and bundling purchasing needs. Implementation of these procurement strategies is showing early signs of success with Linde already achieving price reductions, some of which are quite substantial. The Group expects this trend to gain momentum in 2011 and anticipates that the systematic implementation of these purchasing strategies will result in lower prices in many areas.

In collaboration with various technical departments, the purchasing department also launched a value engineering programme. The aim of this programme is to reduce prices by defining optimised standards for cost-intensive products.

Prices for engineering parts and components were up 15–25 percent due to a sharp increase in the cost of production supplies. The price of carbon-steel and stainless-steel sheet metal rose by an average of around 30 and 50 percent respectively in 2010. The Group expects purchasing prices to rise moderately over the course of the current financial year but does not anticipate a major turnaround in relation to available production capacities or value chain costs.

Rising demand also caused the cost of machines to increase slightly in 2010. However, the Group was able to reduce the cost base for compressors in air separation units and minimise

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market-specific price increases for these compressors through its SCALE efficiency programme

Manufacturers, European companies included, are expanding production capacity in Asia. The aim here is to produce lower-price machines for local markets and, increasingly, to supply export markets.

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Linde expects that procurement prices for compressors in SCALE plants will not change significantly in 2011. The Group anticipates a slight increase in prices for other applications, although this trend will be kept in check by extending the SCALE concept to other types of machines and through the forces of international competition.

CORPORATE GOVERNANCE

Prices in the pipeline material sector stabilised as demand slowly started to rise again. Market analysts nevertheless expect market prices to increase by around 5 percent over the course of 2011. Linde intends to counter this trend by intensifying its Global Procurement strategy. The Group has already realised noticeable savings by increasing the volume of goods and services purchased from China, India and South Korea. Linde's procurement centre in China achieved cost efficiencies of 35 percent on average for air separation plants for the Chinese market.

LINDE SHARES

Linde expects to shave around 10 percent off pipeline material costs in the short term through the systematic implementation of its new procurement strategy.

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# Research and development

## The Linde Group

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

The Linde Group continuously opens up new application opportunities for its gases and is dedicated to optimising existing processes and plant technologies. The Group always works closely with its customers to ensure the best possible fit for individual needs. Research activities focus in particular on the environmental impact of production processes. Key priorities include the need to increase energy efficiency across processes and plants and cut the emissions released during production – by both Linde and its customers

In the last financial year, Linde spent a total of EUR 94 m on research and development (2009: EUR 89 m). At 31 December 2010, 324 employees were working in this field (2009: 346). 199 in the Gases Division and 125 in the Engineering Division. During the period under review, no significant R&D know-how was purchased from third parties. To protect its innovations, Linde filed 232 new patents across the Group in the course of 2010. At 31 December 2010, the technologies of The Linde Group were protected by a total of 2,788 patents

The Linde Innovators Club promotes innovation and creativity among the Group's engineers and technicians and has become quite an institution within the company. The Linde Group Patent & Innovation Award honoured the best inventions for the fifth time during the period under review. The Linde Innovators Club now has 110 members

## Gases Division

Last year, Linde invested EUR 68 m (2009: EUR 66 m) in research and development in the Gases Division

Under the umbrella of its "LeadTec" programme, Linde started restructuring its R&D activities targeted at the process (metal, chemistry, food, etc.) and manufacturing industries launched back in 2009. The new structure will enable the Group to continue to raise the efficiency and impact of R&D activities for these strategic target markets by bundling focus areas and concentrating on contribution to earnings. Linde has identified six trends of particular relevance and will be aligning its R&D projects even more closely with these market dynamics in future. They are as follows: reduced environmental impact, industrial process efficiency, clean energy, healthy eating and convenience food, geographic and demographic shifts, and performance materials

Against this framework, Linde effectively streamlined its portfolio of development projects and aligned it with the trends as defined. The Group thus reduced the number of current proj-

ects from over 100 to around 60 in its four R&D focus industries (chemistry & energy, metals & glass, food and drinks and manufacturing)

During the period under review, Linde again expanded its modular CRYOLINE® range of products that cryogenically shock-freeze food using nitrogen or carbon dioxide (CO<sub>2</sub>) for customers in the food industry. New developments here include the energy-efficient CRYOLINE® SI immersion freezer for particularly sensitive products and CRYOLINE® TI for high-capacity freezing

To keep food fresh on its way to the consumer, Linde's application specialists have also developed a new, indirect cooling system called FROSTCRUISE™. This new concept uses liquid nitrogen to maintain quality during transport by truck. This efficient and environmentally sound system was tested under tropical conditions in Malaysia in collaboration with food company McFood. It will also be tested in the temperate climate of the UK in collaboration with retailer Marks & Spencer and Linde's logistics subsidiary Gist. The new product will open up market opportunities in warm and hot climate zones as well as in regions where environmental regulations are comparatively strict, such as Europe and North America

In the performance materials field, Linde is currently developing intelligent glass substrates (IGS) for the interiors and façades of buildings as well as for photovoltaic and solar thermal modules. Here, engineers are using chemical processes to create specific surface properties. A special hardening process in a nitrogen atmosphere, for example, can be used to reduce the thickness of glass by up to 25 percent. Furthermore, enriching glass surfaces with silicon dioxide produces outstanding anti-reflection properties that are ideally suited to the needs of the photovoltaic industry. These glass substrates combine high light transmittance with high resistance to environmental factors such as hail or snow

These new IGS process technologies open up new business opportunities for Linde in the fast-growing regenerative energy market. The Group has already established technical proof of concept and selected suitable project partners from industry and research. The next step involves designing an IGS system and integrating it into a production line. The first reference system is scheduled to be installed at the end of 2011

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For many years now, Linde has been developing innovative products and processes for iron and steelmakers based on its proven oxyfuel technology. Oxyfuel processes increase production capacity by replacing air with oxygen in the combustion chamber. This also raises energy efficiency and reduces harmful CO<sub>2</sub> and NO<sub>x</sub> emissions.

Linde markets its oxyfuel process (see glossary) for continuous and reheat furnaces under the REBOX® brand. During the year under review, the Group won an important contract to install its patented REBOX® HLL oxyfuel system at a plant owned by Swedish steel manufacturer SSAB. The new system will be installed in a plant at SSAB's Borlänge site, where it will be built onto a similar installation that has been in place since 2009. The final unit will be the world's largest combustion system in a reheat furnace. The project is scheduled to be completed at the beginning of 2011.

In the field of metal fabrication, Linde drove a number of development projects in 2010, including an innovation aimed at improving welding processes. Here, the Group joined established industry players such as Bentley Motors, Komatsu and Thyssen-Krupp on the MALCO (Creating Opportunities for the Manufacture of Lightweight Components) collaborative R & D project in the UK. The project is set to run over several years and focuses on reducing stress and eliminating distortion when welding lightweight metal components. The research partners are testing a new welding system that utilises CO<sub>2</sub> cooling technology from Linde.

MALCO promises huge market potential. In the automotive industry for example, the technology significantly cuts production times and costs for robotic welding systems by eliminating process steps typically required to counteract material distortion with conventional welding approaches.

2010 also saw Linde further demonstrate its first-mover role in advancing environmentally sound hydrogen technologies. The Group equipped a number of new H<sub>2</sub> stations with its innovative fuelling technology, delivering solutions for the Clean Energy Partnership (CEP) in Berlin, a public transport bus operator in the Californian city of Emeryville and the internal logistics services of a BMW plant in the US town of Spartanburg, South Carolina.

Linde also provided in-depth data for a Europe-wide study on the future potential of different powertrains in road transport<sup>1</sup>. The study was published in November 2010 and concluded that hydrogen-powered fuel-cell cars will play an important role in creating low-emission personal mobility choices as we move forward.

Special gases and the corresponding process technologies play a key role in the electronics industry, semiconductors included. They are used directly in many fabrication processes and can also help to raise efficiency levels and reduce environmental impact.

During the year under review, Linde's R & D activities in this area centred on developing new solutions for manufacturing electronic components destined for high-quality flexible displays in electronic devices. To advance activities here, the Group has entered into a research collaboration with Shanghai University, one of China's leading technical universities. The aim of the partnership is to improve product quality and cost efficiency during production of these special electronic displays. The partners intend to develop a new generation of materials for flexible organic light-emitting diodes (OLEDs). OLED technology is primarily used in modern screens, for example in flat-screen televisions or computer monitors. It is a fast-growing market, with current estimates for OLED chips predicting that global sales will rise to 227 million units by 2012 (2007: 76 million).

Research and development is also a key priority in the Healthcare GBU (medical gases and gas-enabled therapies). The Group is constantly tapping new markets in this promising industry by continually improving tried-and-tested products and bringing new products and services to market. Research into the medical applications of gases and the development of medical devices to treat chronic respiratory diseases are key areas of interest for Linde.

In order to step up activities here, the Group set up the Linde Healthcare REALfund (REAL = Research, Evolve, Advance, Lead) in the 2010 financial year. This new research fund develops promising ideas in healthcare and is aimed at healthcare practitioners, patient organisations, inventors and scientists. The fund will support innovative projects that investigate new applications for gases, devices for safe and effective delivery of gases, equipment to monitor the effects and success of gas-enabled therapies, and complementary products and services in this field. Grants are awarded in line with the complexity of each project and may be as much as EUR 75,000. Acute pain management, respiratory medicine and gas-enabled wound treatment are the core focus areas. Successful applicants will be chosen by a panel comprising Linde experts and external specialists.

<sup>1</sup> Visit [www.zeroemissionvehicles.eu](http://www.zeroemissionvehicles.eu) to read the complete study

## Engineering Division

The Engineering Division spent a total of EUR 26 m on research and development in the 2010 financial year (2009 EUR 23 m). As in previous years, the Group continued to focus on the development of new and existing technologies in its four product lines – air separation plants, olefin plants, natural gas plants and hydrogen and synthesis gas plants. Here researchers are always looking for ways to continue to improve energy efficiency and the environmental balance of operations.

The central research and development (R & D) department helps the areas responsible for individual plant lines to make continuous improvements to their processes. Linde uses key performance indicators (KPIs, see glossary) to benchmark regularly its own performance in areas such as competitive abilities, resource utilisation, collaboration skills, external and internal communication, innovative power, eco-friendly process technologies, quality, safety and environmental protection. All companies in the Engineering Division have their own suggestion schemes for rewarding exceptional ideas. The Linde Group's central patent department works closely with the Engineering Division and its various companies to ensure that Linde's rights to innovative technical solutions are protected at an early stage.

EU regulations on the reduction of carbon dioxide emissions have opened up interesting new business opportunities for Linde. The Group's carbon capture and storage (CCS) technologies are designed to separate CO<sub>2</sub> from the flue gases released by power plants for further processing. Linde started developing this line of business two years ago and successfully continued its activities here in 2010.

Under the umbrella of its technology partnership with the Vattenfall Energy Group, for instance, the Group carried out further operational tests at the oxyfuel pilot plant at Schwarze Pumpe in the German state of Brandenburg. Work here included a new concept for removing nitrogen (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>) from power plant flue gases. This installation was successfully tested in a pilot facility integrated in the CO<sub>2</sub> system at the Schwarze Pumpe coal-fired pilot plant in summer 2010. Based on an alkaline scrubbing agent, this process is now market-ready under the brand name LICONOX™.

Since 2009, RWE, Linde and BASF have been testing a new technology for capturing CO<sub>2</sub> from flue gases at a pilot facility in an RWE-owned power plant in the German town of Niederaussem, near Cologne. The facility was built by Linde. The results from these real-world tests are now available and show that by using chemical solvents, the new technology cuts the energy bill of conventional CO<sub>2</sub> capture processes by around 22 percent. The solvents are significantly more stable than oxygen, which greatly reduces the solvent volume required. Thanks to this increase in efficiency and the resulting cost savings, RWE, Linde and BASF have thus achieved another milestone on the journey towards

widespread deployment of carbon capture technologies, generally viewed as one of the key developments in the move to reduce the carbon footprint of energy generated from coal.

The Engineering Division is also collaborating with various partners and universities on research projects aimed at developing second-generation CO<sub>2</sub> sequestration processes. Second generation processes focus on reducing efficiency losses associated with CO<sub>2</sub> capture. These projects are supported by Germany's Federal Ministry of Economics and Technology.

Flanking CCS activities, Linde Engineering is also researching CCU (carbon capture and utilisation) possibilities. Various development projects have been kicked off on the basis of an ecological and economic study carried out over the past few years. One such project involves dry reforming, where CO<sub>2</sub> is used to produce a syngas which is then fed to downstream chemical processes. The German Federal Ministry of Education and Science (BMBF) is sponsoring Linde and its industry partners on this dry reforming research project. Beyond dry reforming, Linde is also investigating other concepts that look at utilising CO<sub>2</sub> to produce energy carriers.

The search for a sustainable, climate-friendly source of energy is increasingly throwing the spotlight on renewable raw materials. Linde's work here includes research into generating hydrogen from biogenic raw materials. At its site in Leuna (Saxony-Anhalt, Germany), the Group constructed a pilot plant that produces hydrogen from glycerol. The technology used in this process was developed by Linde and has already been lab tested. Linde built the pilot plant to demonstrate industrial-scale technical feasibility. The pre-commissioning prep work carried out during the period under review proved extremely promising. The pilot plant is set to commence regular operations in the next step.

2010 also saw Linde further develop key components for natural gas plants. In the fourth quarter of 2010, for example, the Group commissioned the first 100 percent stainless steel coil-wound heat exchanger for liquefying natural gas in Stavanger, Norway (see also Engineering Division, page 052). In addition to resistance thermometers, that monitor the temperature of the coolant mixture, the heat exchanger also contains a new temperature measurement system. Based on optical fibres, this unit can measure several thousand temperature points, enabling a three-dimensional temperature profile of the heat exchanger. The collated measurement data gives a complete picture of thermal behaviour for the first time, even under different load conditions. This gives operators valuable insights to help them further evolve and energy-optimize liquefied natural gas (LNG) plants.

Beyond development work on its own product lines, the Engineering Division also actively supports the Gases Division in implementing new process technologies in areas such as healthcare, for example. During the year under review, engineering experts developed prototypes aimed at reducing the

environmental and occupational health impact of medical gases and gas mixtures in hospitals

Oligomerisation of ethylene into linear alpha olefins (LAO, see glossary) has been an important area of research for the Engineering Division for some years. In 2009, Linde, together with its partner SABIC (Saudi Basic Industries Corporation), successfully commissioned the first industrial-scale production plant employ-

ing this process. In 2010, the Group was awarded a feasibility study and engineering contract for the next plant of its kind.

Market analysts predict above-average growth rates for 1-hexene and 1-octene LAO products. Linde Engineering is working closely with SABIC and the Leibniz Institute for Catalysis at the University of Rostock (LIKAT) to develop a selective production process for these particularly promising linear alpha olefins.

## Research and development

|                      | Expenditure (in € million) |      |      |      |      | Number of employees |      |                  |                  |      |
|----------------------|----------------------------|------|------|------|------|---------------------|------|------------------|------------------|------|
|                      | 2010                       | 2009 | 2008 | 2007 | 2006 | 2010                | 2009 | 2008             | 2007             | 2006 |
| Gases Division       | 68                         | 66   | 73   | 68   | 72   | 199                 | 206  | 267              | 238              | 317  |
| Engineering Division | 26                         | 23   | 31   | 29   | 20   | 125                 | 140  | 117 <sup>1</sup> | 109 <sup>1</sup> | 121  |
| Group                | 94                         | 89   | 104  | 97   | 92   | 324                 | 346  | 384              | 347              | 438  |

<sup>1</sup> Adjusted

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## Corporate Responsibility (CR)

Linde is committed to the continuous improvement of its Corporate Responsibility performance and has identified the following five action items to help achieve its goals here: Employees, SHEQ<sup>1</sup>, Corporate Citizenship, Ethics and Compliance, and Socially Responsible Investments (SRI). The Group summarised its progress in these areas in its fifth Corporate Responsibility (CR) Report, published in November 2010.

This report charts the Group's environmental balance, for example, in relation to the three focus areas of water, energy and air, and illustrates how its products and processes help protect the climate and conserve resources. Linde's efforts here focus above all on streamlining operations at its own production sites and offering customers innovative applications and technologies as environmentally sound alternatives to conventional processes. Global talent development programmes also played a key role in the Group's CR agenda last year. In addition, the CR Report 2010 contains non-financial indicators to track performance relative to employees, health, safety and the environment (HSE).

The report is available online at [www.linde.com/cr](http://www.linde.com/cr)

### Guidelines and CR management

Linde's Corporate Responsibility Policy is one of the guidelines that governs the way the Group does business. It reflects the Group's commitment to stakeholders, the development of sustainable technologies and the conservation of natural resources. Shareholders, business partners, employees and the general public are among the company's most important stakeholders.

The CR Council is the highest decision-making body for all sustainability issues. The Council sets targets in line with the commitments mentioned above, which are bundled each year in the company's CR Roadmap and gradually implemented. The CR Council comprises Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG and Dr Aldo Belloni, member of the Executive Board, together with heads of the following Group-wide corporate functions: Corporate Communications & Investor Relations, HR, Internal Audit, Legal and SHEQ.

### CR Roadmap 2010/2011

In the 2010 financial year, Linde achieved an important milestone on its CR journey. For the first time, the company defined and communicated quantitative, Group-wide environmental goals. In the 2010 CR Report, for example, Linde outlines its intention to reduce the energy intensity and associated indirect CO<sub>2</sub> emissions of its air separation plants by 2013. The Group will report on its progress here every year.

Linde also increased reporting transparency in 2010 by flanking key non-financial indicators with an in-depth assessment of its environmental balance in the areas of water, energy and CO<sub>2</sub> emissions. Furthermore, the Group published a detailed report on how it manages data and defines the criteria underlying its key indicators. Linde again obtained an assurance report for selected health, safety and environment metrics from the auditors KPMG Sustainability during the period under review.

The Linde share again improved its credentials as a socially responsible investment (SRI) and was included in further funds and indices in 2010. The Group intends to continue to strengthen its position here through transparent reporting and close communication with stakeholders in 2011.

Linde has defined the following additional CR priorities for the 2011 financial year:

- Once again, have an independent third party verify selected non-financial indicators
- Continuously benchmark the Group's environmental balance against environmental goals and identify additional environmental objectives at Group level
- Identify concrete measures to raise employee satisfaction and the overall performance of the Group as an organisation based on the results of the global employee survey
- Continue to minimise health and safety risks to employees and systematically improve transport safety
- Define best-practice projects by cataloguing and assessing all social projects that the Group and its employees are involved in around the globe

### Key issues

In order to identify key CR issues at global, regional and local level, each year Linde creates a materiality matrix that aligns the ecological and social challenges of its core business with the requirements of its stakeholders. This matrix identifies spotlight topics for each action item. Depending on their relevance to sustainable corporate governance, the Group then assigns priorities to these topics and pursues them accordingly.

<sup>1</sup> Safety, Health, Environment, Quality

In the case of the SHEQ action item, for example, Linde has identified environmental and climate protection, occupational safety and employee health protection as particularly high-priority areas

Under the Employees action item, the focus is on winning and developing talent, responding to demographic trends and balancing work and life

Corporate Citizenship activities concentrate on promoting education, science and research. The Group thus continues to support the Carl von Linde Academy at the Technical University of Munich, the Physics Prize awarded by Bavaria's state universities and the Schloss Hansenberg boarding school

The CR Report 2010 contains further details on these and other spotlights under all five CR action items and reports on the individual measures and goals implemented by the Group in each area. The Corporate Governance Report (see page 016 to 022) outlines the Group's progress under the Ethics and Compliance action item

## Safety, Health, Environment, Quality (SHEQ)

The effective and comprehensive management of SHEQ issues is of high importance for all stakeholders, especially employees and customers. Linde's aim is to make continuous improvements in the quality of its products and services, while at the same time maintaining excellent levels of safety, health and environmental protection

### HSE management

The integrated management systems deployed by the Gases, Engineering and Gist logistics divisions provide the tools to steer HSE (Health, Safety, Environment) activities. They incorporate internal HSE and quality guidelines and describe in detail the associated processes

In 2010, Linde introduced binding minimum standards for health and occupational hygiene following a Group-wide qualitative health assessment. The Group is also continuing to align its health and occupational hygiene standards worldwide and is gradually rolling out appropriate key performance indicators (KPIs). These measures are continually assessed

Looking beyond healthcare, Linde's SHEQ policy also prioritises transport safety. During the period under review, the Group continued to hold safe driving courses for employees and contractors alike to keep the risk of serious road traffic incidents to a minimum

To improve risk assessment at sites and plants, in recent years Linde further evolved its Major Hazard Review Programme (MHRP, see glossary) and hardwired it into everyday operations. To ensure efficient implementation of the MHRP, Linde continued its activities in this area during the year under review, thus underscoring its commitment to building a Group-wide safety-aware culture

For the first time in the 2010 financial year, Linde introduced Group-wide leading indicators for four SHEQ areas, namely MHRP implementation, internal audits, resulting action item management and transport safety training. These indicators are part of the internal SHEQ management system. They define the Group's standards and goals in these areas. Several Regional Business Units have defined their own additional leading indicators that reflect local priorities, thus supporting Linde's proactive HSE management strategy

### Quality management

Consistently high levels of product quality are crucial in the Gases Division. Consequently, over 70 percent of all sites in this division are certified to the international quality management standard ISO 9001

Managing quality to internationally recognised standards is also an integral part of all core processes at Linde Engineering – from tenders through order execution to ongoing customer service. Quality and HSE management are closely linked at all times here. The definition of quality and HSE goals, execution of internal audits and monitoring of customer satisfaction, for example, are an obligatory part of every plant engineering project. Like the Gases Division, the Engineering Division uses external certification to secure quality management standards

### Climate protection

In its Corporate Responsibility and SHEQ Policies, Linde makes a firm commitment to environmental protection, the delivery of safe, environmentally friendly products and services, and the development of sustainable, ecological technologies. The Group has undertaken to measure the impact of its processes that have a particular effect on the environment and climate and to evaluate and publish this information regularly

In the Gases Division, climate protection focuses primarily on air separation units and HyCO plants (see glossary), whose primary products are hydrogen and carbon monoxide. The business of producing industrial gases is energy intensive. As a result, key challenges for Linde include reducing energy consumption, increasing energy efficiency, reducing greenhouse gas emissions and controlling costs. When gases are transported by truck, for



example, the Group optimises transport routes to reduce further fuel consumption

From a customer perspective, industrial gases can help reduce emissions and increase energy efficiency. Across just about all industries, Linde delivers gas applications that can make production processes kinder to the environment. They achieve this in a variety of ways, for instance by replacing harmful substances, raising combustion efficiency levels, cutting emissions and reducing waste.

Climate protection is also integrated into core processes within the Engineering Division. It plays a key role in the preparation of tenders and plant planning. Whenever the Engineering Division has tried-and-tested process technologies that extend beyond the customer's RFQ and/or local environmental regulations, Linde always advises its customers of the benefits of these solutions.

Research and development play an extremely important role in plant construction, also in relation to climate protection. Since 2009, Linde has been benchmarking the Engineering Division's innovative contribution to environmental and climate protection with its innovation performance indicator.

Linde provides further information about climate-friendly gas solutions and technologies online at [www.linde.com/cr](http://www.linde.com/cr).

The Group is making advance preparations to accommodate any requirements that may arise from the European Union emissions trading scheme (ETS) as of 2013.

## Employees

Qualified, motivated employees are crucial to Linde's long-term success. Linde's Group-wide HR strategy focuses on winning and developing the best talent and building long-term loyalty in the face of competition from peers. Ongoing, needs-based talent development at all sites is a cornerstone of Linde's HR management policy. In 2010, the Group expanded its talent development programmes. It is also increasingly addressing the impact that global demographic trends will have on talent management in the future.

Major HR projects include introduction of a Group-wide global HR data management system. Linde continued to roll this system out in the 2010 financial year. This database provides high levels of data security and enables key personnel-related data to be accessed on demand.

## People excellence

People excellence is a key pillar within Linde's holistic concept for lasting process optimisation and productivity gains (High Performance Organisation, HPO). It targets three areas – talent development, corporate culture and performance.

Linde offers a wide range of training and talent development programmes to build employee skills on an ongoing basis and foster a positive attitude to change and learning processes. The various programmes are tailored to the individual needs of different professional profiles across the company and focus on hands-on experience or learning-by-doing.

One example is the Global Talent Circle (GTC). Under the virtual umbrella of Linde University, this programme, which is aimed at middle management, ran twice during the year under review. Linde partners with leading business schools around the world for this initiative.

In 2010, the Group also joined the European Institute for Industrial Leadership (EIL), specialised in coaching managers from companies with a strong scientific/technical focus.

In addition, Linde expanded its Line Manager Development Programme, targeted at top and second-level managers. This programme teaches a number of core skills, including how to effectively steer and actively engage employees.

Within the framework of Linde University, the Group continued its Global Leadership Development Circle (GLDC) in 2010. This programme was developed in collaboration with the Business School at Oxford University. Here various experts ensure the latest research findings and leadership theories are channelled into the learning experience. GLDC is targeted at experienced managers with a high level of staff responsibility.

The Group also involves its most senior managers in its education programmes to create learning experiences of lasting practical value.

At the end of 2010, Linde carried out a voluntary global employee survey. The survey was well received, with over 70 percent of staff taking part. The results will be available to the company towards the end of Q1 2011. Linde expects the survey to provide valuable insights into how to raise employee satisfaction levels even further and optimise operating processes in the long term. The results will also give the Group a solid basis to deepen its understanding of a common corporate culture.

### Demographic trends and lifelong learning

The competition to recruit and retain qualified staff continues to rise due to demographic trends in many industrialised countries, Germany included. The ability to attract highly qualified engineers is crucial to the long-term success of a technology player such as Linde. The Group has established a number of sponsorships with schools in Germany aimed at raising interest in natural sciences among children. Linde is also actively involved in partnerships with universities and the research community outside of Germany.

In response to the changing age structure across the Group, Linde is implementing training programmes for employees of all ages. One example of the company's proactive stance in this area is the active encouragement of learning among older members of staff through the WeGebAu (Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen) programme. Linde is rolling this scheme out in conjunction with the educational institute of industry and commerce in Bavaria (Bildungswerk der bayerischen Wirtschaft).

Last year, Linde and a number of other companies in the chemical industry set up a demographics fund. The company pays EUR 300 each year for each employee with a collective wage agreement into the fund and will use the proceeds for occupational pension plans and to help finance part-time contracts for workers reaching retirement age.

### Employee representation

The relationship between employees, representatives and unions is based on a fair balance between the Group's business interests and the interests of its people worldwide. In 2010, 54.9 percent of the Linde payroll were employed under collective wage agreements (2009: 55.3 percent). In Germany, the Works Constitution Act (BetrVG) regulates cooperation between company management and employee representatives. Employee representation at The Linde Group is two-tiered, consisting of decentralised works councils in the local units and a central works council for the Group as a whole. In addition to this dual co-determination system, Linde has for some years maintained a European Works Council with 28 members. This promotes communication between employee representatives across national borders. Linde intends to intensify communication and cooperation between the European Works Council and company management throughout the course of 2011.

### Pensions

Guided by a strong sense of responsibility towards all employees worldwide, Linde has set up occupational pension plans for its people in many countries. This helps employees provide for the future by building financial reserves for retirement.

The Group currently has defined benefit plans (see glossary) in 30 countries and defined contribution plans (see glossary) in 31 countries.

One of the challenges involved in pensions lies in accommodating demographic change and countering the financing risks inherent in long-term pension benefits. Pension plans must be attractive yet fair for every generation. Which is why new pension funds in the Group are organised as defined contribution plans wherever possible or as a combination of defined benefit and defined contribution schemes (in the form of minimum returns on contributions or premium guarantees, for example). Employees in many countries also make their own contributions or participate exclusively in employee-financed schemes (deferred compensation plans). Pension plans of this kind usually qualify for tax relief and the contributions are often matched by Linde. They are an important and effective tool for Linde employees looking to build personal pension reserves.

Linde's Global Pension Committee is responsible for pension governance within the Group and defines a clear set of rules for managing plans. The committee comprises the Chief Executive Officer and Chief Financial Officer plus representatives from Human Resources, Group Treasury, Group Accounting & Reporting and Global Pensions. One of the aims of Linde's pension governance is to assess the financial implications of new or modified schemes as well as their impact on the balance sheet. It optimises the impact where necessary and ensures plans are appropriately positioned as part of the overall remuneration package in each country.

In 2010, for example, the Group realigned pension plans in several countries including the US. Here, Linde terminated certain plans and, where possible, transferred employees to existing schemes.

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 according to IAS 19) amounts to EUR 4,576 bn, with total plan assets of EUR 4,236 bn.

In 2010, Linde spent a total of EUR 178 m (2009: EUR 186 m) on pensions and support. Linde provided occupational pensions for 28,620 current employees who are active members of schemes, 18,479 former employees have acquired a non-forfeitable entitlement to a company pension (deferred pensions) and 32,584 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 in the past financial year. Their commitment and effort played a key role in the Group's strong performance.

### Key indicators

Linde regularly publishes key HR, health, safety and environment (HSE) indicators. Collecting and reporting non-financial data from across the Group gives Linde a valuable tool to evaluate the environmental and social impact of its business activities, assess its progress and plan subsequent steps. The CR key indicator system is thus a vehicle for Linde to steer sustainability activities and continuously improve its performance here. By regularly publishing key indicators, the Group also allows stakeholders to chart Linde's progress in the CR arena.

Linde is guided by international recommendations when selecting its key indicators. It supplements this information to reflect internal issues, publishing, for example, environmental data on HyCO and air separation plants, the company's most resource-intensive production facilities.

Linde is committed to continuously improving its sustainability performance. Concrete measures here include extending data acquisition, improving data quality and increasing reporting transparency. The new Group-wide standardised reporting system for employee indicators is designed to help Linde improve its sustainability performance. This system will enable Linde to gradually expand, streamline and standardise data collection.

Linde also further improved its collection of HSE indicators in 2010. Again, the Group attached great importance to rigorous data validation and outlined a number of dedicated measures. These measures affect the comparability of data in relation to the figures reported in prior years. The data pool used to determine HSE indicators is sometimes subject to uncertainties.

In the 2010 financial year, for the second year in succession, Linde obtained an assurance report for selected HSE indicators from the auditors KPMG Sustainability.

To further improve the quality and comparability of data, Linde will continue during the current financial year to carry out internal checks on data quality at regional and local levels and provide detailed documentation of these checks.

Linde publishes further key indicators and information on how it manages its data and defines the criteria underlying key indicators online at [www.linde.com/cr](http://www.linde.com/cr) (Facts & Figures).

## Employees

|  | 2010          | 2009          |
|--|---------------|---------------|
| <b>Employees by division (at the balance sheet date)</b>       |               |               |
| Gases Division   | 37,603        | 37,362        |
| Western Europe   | 12,674        | 12,814        |
| Americas   | 6,977         | 6,970         |
| Asia & Eastern Europe  | 11,375        | 10,983        |
| South Pacific & Africa   | 6,577         | 6,595         |
| Engineering Division   | 5,811         | 5,716         |
| Other activities   | 5,016         | 4,653         |
| <b>Group</b>   | <b>48,430</b> | <b>47,731</b> |
| <b>Structure of the workforce</b>                              |               |               |
| Proportion of part time employees in %                         | 1.9           | 1.8           |
| Proportion of fixed-term employees <sup>1</sup> in %           | 4.3           | 1.8           |
| Proportion of staff covered by collective wage agreements in % | 54.9          | 55.3          |
| Proportion of apprentices and trainees in total workforce in % | 1.3           | 1.4           |
| Proportion of apprentices and trainees in Germany in %         | 3.5           | 3.7           |
| <b>Employee retention</b>                                      |               |               |
| Staff turnover rate <sup>2</sup> in %                          | 5.7           | 4.2           |
| Average length of service in years                             | 9.7           | 10.1          |
| <b>Diversity</b>   |               |               |
| Proportion of women in %                                       | 19.3          | 19.9          |
| Proportion of women in senior management positions in %        | 10.3          | 9.3           |
| <b>Age structure of the staff in %</b>                         |               |               |
| Staff under 30 years old                                       | 16.4          | 17.0          |
| Staff between 31 and 50 years old                              | 59.6          | 60.1          |
| Staff over 50 years old  | 24.0          | 22.9          |
| <b>Employee training</b>                                       |               |               |
| Employees who have taken up training opportunities in %        | 59.1          | 53.8          |
| Average number of training days per employee                   | 2.0           | 1.6           |
| Average expenditure on training programmes per employee in €   | 241           | 216           |

<sup>1</sup> In 2010, the definition was adapted. Previously, all contracts concluded for 24 months or longer were reported as unlimited-term contracts. From 2010 on, fixed term shall include all contracts with a specific termination date.

<sup>2</sup> The staff turnover rate relates to employees who have left the Group voluntarily during the financial year.

### Key performance indicators Audit & Training

|  | 2010 | 2009 |
|--|------|------|
| Proportion of sites in which occupational health and safety audits have been conducted (in %) <sup>1</sup> | 53.2 | 55.1 |
| Proportion of sites in which environmental protection audits have been conducted (in %) <sup>1</sup>       | 47.8 | 48.3 |
| Gases Division employees who have undergone HSE training (in %)  | 47.2 | 48.8 |

### Key performance indicators Health & Safety

|  | 2010  | 2009  |
|--|-------|-------|
| Number of workplace accidents per million hours worked (Lost Time Injury Rate, LTIR) | 1.9   | 2.0   |
| Number of workplace accidents with at least one day of absence                       | 198   | 202   |
| Number of working days lost due to industrial accidents                              | 3,813 | 3,768 |
| Number of working days lost per million hours worked                                 | 36.9  | 37.3  |
| Average number of days sick leave per employee                                       | 5.3   | 5.5   |
| Number of fatal industrial accidents involving Linde employees                       | 2     | 3     |

<sup>1</sup> The figures disclosed relate to internal and external audits conducted at production sites worldwide

### Key performance indicators Environment

|   | 2010 | 2009 |
|---|------|------|
| Use of resources  |      |      |
| Consumption of electricity in TWh   | 19.0 | 17.7 |
| Consumption of natural gas in TWh   | 25.2 | 23.6 |
| Consumption of water <sup>2</sup> in million cubic metres                       | 43.0 | 38.9 |
| Emissions into the air  |      |      |
| Direct CO <sub>2</sub> emissions in million tonnes                              | 5.4  | 4.6  |
| Indirect CO <sub>2</sub> emissions in million tonnes                            | 9.5  | 9.0  |
| Environmental data for specific types of plant                                  |      |      |
| Water consumption <sup>2</sup> by air separation plants in million cubic metres | 27.5 | 24.3 |
| Electricity consumption by air separation plants in TWh                         | 16.8 | 16.0 |
| Indirect CO <sub>2</sub> emissions from air separation plants in million tonnes | 8.3  | 8.0  |
| Natural gas consumption by HyCO plants <sup>3</sup> in TWh                      | 21.2 | 21.3 |
| Direct CO <sub>2</sub> emissions from HyCO plants in million tonnes             | 4.3  | 3.9  |

<sup>2</sup> 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

<sup>3</sup> 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 value added for the Group.

For Linde, risk management is a systematic approach which involves recording and evaluating risks, then managing the response to any risks identified. 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 integrated risk management system (Enterprise Risk Management [ERM] system), the basic principles of which are laid down in Group guidelines. Linde has tailored this system to suit its corporate structure. It is a vital component of the Group 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 the occurrence of risks arising in operations by adopting appropriate controls and processes, especially in the areas of 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 controls and processes which are incorporated into business operations so as to monitor those risks which have been identified.

### 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 managers 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 is centralised in The Linde Group. Each large 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 manage them. The Treasury committee, which is chaired by the Chief Financial Officer, receives a monthly report on these risks.
- 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.

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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 accord with the rules and comply with safety requirements, and whether key controls have been implemented and are effective. Internal Audit is responsible for the coordination and evaluation of this process.

In the 2010 financial year, the Linde Group began to outsource some of its operating functions, such as bookkeeping, in various European countries. Where this was the case, the functions were transferred with the existing internal controls intact and additional controls were imposed to ensure the reliability of the accounting records.

#### 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.

This locally recorded information is combined with supplementary information into a Group reporting pack 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.

#### 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 series 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, to transfer risk, to reduce risk and to 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. In the risk registers, for each risk, the measures taken to reduce the risk are documented and an assessment is made of the probability of occurrence of the risk and its loss potential in a clear, summarised form, so that the decision-makers are given an overview of the risk position in their unit.

#### Risk reporting

The reporting system is of particular importance when monitoring and controlling the risks of current business operations. It ensures that the business performance of the individual companies in the Group is portrayed and described in accordance with uniform guidelines.

Under the risk management system, the Group companies report the status of any significant risks and any changes in those risks directly, based on graduated cut-off points for loss potential and probability of occurrence. In addition, any risks which arise unexpectedly or which have repercussions for the whole Group are communicated directly to the appropriate personnel in the Group, 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 an Executive Board meeting. The status reports include not only a presentation of the significant risk positions in the individual 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. Moreover, the operational members of the Executive Board report every six months on the risk situation within their spheres of responsibility. 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 an independent, external auditing company (KPMG AG Wirtschaftsprüfungsgesellschaft), and the interim and half-year financial reports are all subject to a review. Local units are also subject to a review or audited by companies in the KPMG AG Wirtschaftsprüfungsgesellschaft network. In addition to submitting a review report or

auditors' report, the auditors also report on any matters arising from the audit, such as audit focus areas.

In addition to the external auditors, the internal audit department is also involved in the testing of subsystems relevant to the accounting, 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 the processes are improved and amended.

#### Risk areas

The main risk areas which might have an adverse effect on the Group's net assets, the financial position and the 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 potential loss 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. Following the global financial and economic crisis, risk factors such as high levels of public debt in many countries, weakened banks and protectionist measures in world trade have increased uncertainties about future global economic trends. The high level of volatility in the financial markets will continue to make it difficult to make an accurate assessment of the future net assets, financial position and results of operations of The Linde Group. If global growth is not stable, 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. This does not mean that the Group is able to prevent a potential further decline in global demand having a negative impact on its growth targets, but it does mean that it is 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. The experience since the economic crisis has shown that credit ratings can change very rapidly. Despite the Group's monitoring procedures, counterparties might delay their payments 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 for its processes.

The fact that markets are competitive 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 competitive situation. Linde obtains vital information about customers' requirements by maintaining regular contact with customers, which enables it to stay close 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 its exposure to risk and the impact of risk on the net assets, financial position and results of operations of the Group, 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 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.

#### Strategy risk

Linde has developed a long-term growth strategy. 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 steps necessary to adapt the implementation of the strategy to any changes in the international economic situation – for example, by adjusting the timeframe involved or the geographical application of the strategy.

The newly industrialised countries are expected to be the most important drivers of global gross domestic product for the foreseeable future as a result of their structural development potential. Linde is therefore pursuing a strategy of increasing its commitment in these countries.

The greater opportunities for growth offered in these countries, when compared to the established industrial regions such as North America and the eurozone, are nevertheless generally associated with higher country risks. The measures Linde has adopted and the risk management tools it employs to manage these country risks are described in the section of this report entitled "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 member of the Executive Board responsible for finance. This committee usually meets once a month and comprises representatives from Treasury (see glossary) 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. The management of counterparty risk is based on the credit rating of the counterparties. The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps or in the market capitalisation of counterparties. Linde limits the extent and duration of any financial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading entity to ensure compliance with all the limits set. Moreover, at the end of 2009, the Group began to conclude CSAs (Credit Support Annexes) 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.

Even before the onset of the crisis in the financial markets, the management of the liquidity risk was one of the Treasury department's most important tasks. For years, Linde has pursued a prudent and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2010 financial year. Linde also has access to agreed unused financing commitments of EUR 2.5 bn, a syndicated credit facility available until 2015 provided by an international banking group.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. On the one hand, they have an impact on the level of the interest expense borne by The Linde Group, and on the other hand they affect the fair value of financial instruments. Based on the operational business model and using sensitivity and scenario analyses, Group Treasury has determined ranges for the fixed-floating rate 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.

In the case of exchange rate risk, it is important to distinguish 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 currency translation relating to individual companies at different cut-off dates.

Within Treasury, the principle of segregation of duties between the front, middle and back offices is 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. The operations within Treasury are subject to regular internal and external audits, generally once a year.

Financing and hedging decisions are based on the financial information obtained from the treasury management system and from financial and liquidity forecasts. These are embedded in the general financial reporting system, which is also used for Financial Control and Accounting/Reporting.

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 internally apply.

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 the US Dollar (USD), the British Pound (GBP), the Australian Dollar (AUD) and some Eastern European, South American and Asian currencies. Translation risks are hedged within authorised ranges. 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 immediately hedged fully when they arise, generally by entering into forward exchange transactions.

Interest rate risks are also centrally managed. The Group analyses potential interest rate risks, ascertains the interest rate exposure in the major currencies and conducts sensitivity analyses. Based on the range for hedging rates determined by the Treasury committee, Group Treasury concludes the transactions with the banks. Interest rate risks are hedged using long-term fixed-interest bonds, loans and interest rate derivatives. In 2010, on average 60 percent of the exposure of the Group was financed at fixed rates, while at 31 December 2010 the figure was 74 percent.

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, there are risks to the Group arising from unexpected 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. There is therefore an exposure to market risks, especially interest rate, spread and share risks.

The risks relating to the pension obligation on the one hand and the pension assets on the other, and therefore to the net financing position of pensions, are quantified and evaluated on a regular basis by Linde. There is a natural conflict between extensive reduction of the risk and the achievement in the long term of the required return on assets 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 on the net financing 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. This committee assesses the long-term opportunities and risks associated with various classes of investment and makes decisions or recommendations regarding the investment strategy of the major pension schemes. The investment panel is chaired by the Chief Financial Officer and advised by external experts.

## 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. Acquisitions, investments and divestments are also regularly discussed 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 completely 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, pharmaceuticals, food, health and new materials. In the energy sector, for example, the focus of the Group's research and development activities is on hydrogen technology and the carbon capture and storage process (see glossary), 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' sites, intervening directly in the production process. In the food sector and in the pharmaceutical industry, Linde's innovative solutions must meet strict hygiene requirements and comply with the guidelines set out in the pharmacopoeia. 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 and as a result of the additional risks associated with them. The more innovative the project, the greater the uncertainty 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.

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| EXECUTIVE BOARD                         | The Group addresses this risk in a number of different ways. Innovation Management and Clean Energy, the Group-wide Global Support Function, keeps an eye on the markets, checking constantly to see whether the projects within The Linde Group match its overall strategy and have the potential to generate future profits. The increase in scope of this Global Support Function to include clean energy will make even more detailed assessments of the technological risks and opportunities for Linde possible. Appropriate measures will be taken as a result. A systematic evaluation of target areas also takes place, so as to identify early any scenarios which might pose a threat to the Group's own core business and allow it to take the appropriate countermeasures.  | about local markets can be incorporated into the development of the purchasing strategies.   |
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| SUPERVISORY BOARD                       | The Group also bundles together its development activities in the Healthcare Global Business Unit, for example, Linde has incorporated its expertise in medical gases into one strong innovation and development unit.   | Methods of best practice adopted centrally and supplier selection and evaluation tools are used throughout the Group to support the regional purchasing organisations.   |
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| CORPORATE GOVERNANCE                    | 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 monitored on an ongoing basis.  | 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.  |
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| LINDE SHARES                            | 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.   | Product risks<br>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 overall product responsibility (product stewardship). The potential hazards and risks which might arise from a product during its entire life-cycle for human beings and the environment 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, supplies and services are purchased. The Group only chooses 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 operate an integrated management system. |
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| GROUP MANAGEMENT REPORT                 | Purchasing risks<br>A key element in the success of the divisions is the ready availability of the products and services purchased by Linde, which must be of suitable quality, and obtainable in appropriate quantities at prices in line with market conditions.   | 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.  |
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| GROUP FINANCIAL STATEMENTS              | To reduce risk, the central purchasing department pursues a portfolio strategy across the entire Group. This strategy is organised on the basis of defined material groups, which are used to categorise all products and services. Reviews are performed for each material group to ascertain the security of supply, any dependence on suppliers and the supplier portfolio. Based on this analysis, the Group develops purchasing strategies which minimise the purchasing risk and the cost risk. One example of this is single sourcing (see glossary), which Linde reduces by systematically generating alternative sources of supply. The regional purchasing organisations are involved in this process, from the development of the strategy to its implementation in the relevant country, so that the information available | Linde continually updates the safety sections of its product information, such as safety data 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).  |
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If, despite all these precautions, problems arise, for example with a gas cylinder, the Group's emergency teams are on stand-by to provide support

#### Production risks

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

Therefore, Linde places a high priority on measures which will prevent business interruptions. These include, in particular, the monitoring and maintenance of plants so that such incidents may be avoided, and the provision of replacement parts which are 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

One of the Group's main preventive strategies is to maintain and continually update a stringent safety standard for the production and service processes. 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 Hazard Review Programme (see glossary). This programme helps the Group minimise the risk of incidents which might occur if 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 emis-

sions and on making continual improvements to its operations to ensure the efficient use of resources, materials and energy. Linde is currently involved, for instance, in improving the energy efficiency of its production plants and in increasing the efficiency of its transport fleet. For the first time in 2010, Linde has established quantitative targets at Group level to ensure the rigorous implementation of climate and resource protection. The Group's impact on the environment is disclosed in key figures published every year in its Financial Report (see page 077) and Corporate Responsibility Report. Selected key figures published in the 2010 Corporate Responsibility Report were reviewed for validity and reasonableness and certified by the auditing company 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 planning and construction of turnkey plants. Potential risks may arise as a result of the costings of complex projects which are subject to uncertainties. Risks may include unexpected technical problems, 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 the 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 health, safety and environmental (HSE) requirements. In this division, the Group ensures that the relevant aspects are taken into account in the planning process and properly applied through the use of a uniform HSE management system. Linde ensures that occupational safety concerns are addressed on the construction sites, integrating HSE considerations into clearly-structured management standards and procedures for the assembly and commissioning of plants, with planning and monitoring taking place at an early stage

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

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| EXECUTIVE BOARD                         | <p><b>Personnel risks</b></p> <p>An important feature of Linde AG's corporate culture is that it is based on trust. The Group places special emphasis on its employees assuming personal responsibility and thinking and acting in an entrepreneurial way.</p> <p>To develop the strengths of the Group's executives and foster their commitment, Linde will continue to position itself as an attractive employer and will seek to ensure the long-term loyalty of its management team and employees. The Group's rigorous management development programme includes the provision of development opportunities, as well as support and advice to target groups, the early identification and advancement of high achievers and those with potential, and attractive incentive schemes which are tailored to suit the needs of the market.</p> <p>The success of the Group depends on the commitment, motivation and skills of its employees. Linde is addressing the issue of the shortage of skilled personnel in some fields 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 employees, especially in the field of engineering.</p> <p>Linde has also launched various projects which fall under the heading of People Excellence, such as Line Manager Training, Technical Career Paths, Succession Planning and the Global Talent Circle. These projects should 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 a highly competitive labour market. 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.</p> | <p>asserted. The outcome of the litigation to which Linde Group companies are party cannot be readily foreseen, but the Company believes that such litigation should be disposed of without material adverse effect on the Company's financial condition or profitability.</p> <p>During the 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.</p> <p>In the 2010 financial year, two customers of our South African subsidiary filed claims against the company on the grounds of alleged failure to meet supply commitments. Linde is confident that it has strong defences to the claims asserted and intends to defend vigorously such claims.</p> <p>Certain subsidiaries of the Company 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 Company's subsidiaries are typically one of several or many other defendants. The subsidiaries of the Company 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 condition or profitability of the Group. Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict. The Company's subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims.</p> <p>The legal actions described above are those currently considered to involve major risks. They do not necessarily represent an exhaustive list.</p> |
|   | <p><b>Legal risks</b></p> <p>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 current 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 business and earnings of the Group.</p> <p>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 either qualitative or quantitative terms or both.</p> <p>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</p>  | <p><b>IT risks</b></p> <p>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.</p>   |
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| SUPERVISORY BOARD                       |   |   |
| CORPORATE GOVERNANCE                    |   |   |
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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 in reaction 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 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. 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 guidelines, as well as on industry-specific standards.

To ensure that security measures are implemented with a high level 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, as well as 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, outdated systems which are no longer supported and are therefore high-risk are identified and updated or replaced by 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 services and these are reduced, if necessary, by implementing organisational or technical measures.

#### Risk transfer

The Linde Group has taken out appropriate insurance for 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 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 2010 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.

## Disclosures in accordance with § 315 (4) of the German Commercial Code (HGB) and commentary

EXECUTIVE BOARD

### Capital subscribed

The company has capital subscribed at the balance sheet date of EUR 435,960,168.96 which is fully paid up. This is divided into 170,296,941 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.

SUPERVISORY BOARD

### 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. Under this share option scheme, options have been issued in 2007, 2008, 2009 and 2010.

CORPORATE GOVERNANCE

### 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.

LINDE SHARES

### 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. Accord-

ing 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. 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

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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 5,043,717.12, divided into 1,970,202 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 8,655,746.56 by the issue of up to 3,381,151 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 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, subject to the approval of the Supervisory Board.

The authorisation given to the Executive Board to purchase own shares based on the resolution passed at the Annual General Meeting on 15 May 2009 was revoked when the new authorisation became effective on 4 May 2010.

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 the 2007, 2008, 2009 and 2010 financial years, Linde issued benchmark bonds under its Debt Issuance Programme via Linde Finance B.V. In accordance with § 5 (4) of the terms and conditions of the issue, in the event of a change of control, the bond debtor has the option of demanding immediate repayment if the change of control leads to a withdrawal of the rating or a reduction in the rating to or below certain rating levels for unsubordinated unsecured liabilities

Significant financing agreements also exist which each include specific rules 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

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 2007, 2008, 2009 and 2010 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 affecting members of the Executive Board which apply to a change of control can be found in the Remuneration report

## Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 1 March 2011

## Dividends

The unappropriated profit for the year ended 31 December 2010 of Linde AG was EUR 431,927,035.57 (2009: EUR 887,319,283.44). The Executive Board proposes to the Supervisory Board that, at its meeting on 9 March 2011 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting on 12 May 2011 that the profits be appropriated as follows:

- by distributing a dividend of EUR 2.20 (2009: EUR 1.80) per share entitled to dividend, a total amount of EUR 374,653,270.20 (2009: EUR 304,032,772.80) and
- by transferring an amount of EUR 57,273,765.37 (2009: EUR 583,286,510.64) to other retained earnings

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.

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# Outlook

## Macroeconomic trends

Economic experts predict that the general economic recovery will continue into 2011, albeit at a slower pace. Research institute Global Insight expects global GDP to grow by 3.7 percent in 2011, compared with 4.1 percent in 2010. Global industrial production (IP) is predicted to rise by 5.0 percent in 2011. In 2010, this figure was 8.0 percent.

Thus far, the upturn has primarily been driven by national economic recovery packages. Turning this momentum into sustainable growth is a major challenge. Government deficits across the globe and volatile currency markets are all potential threats to long-term recovery.

In 2011, the macroeconomic climate continues to show significant variations from one region to another throughout the world. Economic output in Western Europe and the eurozone is again expected to rise moderately overall, although this is set to be dampened by restrictive financial policies in particular. Economists predict GDP growth of 1.4 percent in the eurozone, 1.6 percent in Western Europe and 2.5 percent in Germany.

Despite ongoing structural problems, the US is again on a growth path. Global Insight expects economic output to rise by 3.2 percent here during the current year. Experts predict that industrial production will rise by just 3.1 percent, compared with a 5.4 percent increase in 2010.

The South American region should continue its dynamic upturn during the current financial year. Experts are predicting a 4.9 percent rise in GDP, following on a 6.2 percent increase in 2010.

Asia will again experience the strongest growth rates this year. Global Insight expects GDP in China to increase by 9.2 percent, compared with a 10.1 percent rise in 2010. This figure reflects the continued downscaling of government economic recovery packages. Economists expect industrial production in China to increase by 12.4 percent.

The pace of economic recovery is expected to pick up slightly in Eastern Europe, with Global Insight predicting 3.6 percent growth for this region (2010: 3.4 percent).

Experts anticipate a 3.2 percent rise in GDP and a 1.8 percent increase in industrial production for the South Pacific and Africa region. The pace of economic recovery will also vary within this region. Moderate GDP growth of 2.5 percent is anticipated in the South Pacific. However, industrial production is set to expand by 1.2 percent only (2010: 3.6 percent). South Africa should experience a 3.3 percent upturn in GDP, accompanied by a 3.2 percent

rise in industrial production according to economic experts. This figure was 5.4 percent in 2010.

## Industry sector outlook

### Gases industry

The global gases market is set to grow again in 2011, fuelled by the projected continued general economic recovery. Demand is expected to pick up again in most customer segments, although not all industry sectors or regions will return to the high figures of 2008.

Whereas economic growth remains strong across all sectors in Asia, for instance, North America will still need quite some time before the steel industry fully emerges from the financial and economic crisis.

### Engineering business

The international market for large-scale plant construction is expected to improve in 2011, continuing a trend that started to emerge during the second half of last year. Investments in new olefin projects are envisaged in the Arabian peninsula, India, central Asia and Russia.

Long-term growth trends such as rising global energy requirements, increased demand for environmentally friendly technologies plus dynamic growth in emerging economies will continue to shape developments throughout the current financial year.

## Group outlook

The last months have seen increasing signs that the general economic upswing is gaining momentum. Leading economic research institutes expect global GDP and industrial production to rise during the 2011 financial year. According to current projections, the global economy is set to continue on an upward path beyond 2011. Yet despite this trend, there is still a degree of uncertainty about the pace and sustainability of the recovery. Government deficits across the globe, volatile currency markets and comparatively high unemployment levels in the US and in some European countries are all factors that could potentially dampen global growth.

The Group has set itself new medium-term targets based on current economic forecasts and prevailing exchange rates. Linde is aiming for a Group operating profit of at least EUR 4 bn in the

2014 financial year and, in the same year, a 14 percent or more return on capital employed (ROCE), the Group's core performance indicator

In line with these targets, Linde expects Group sales and operating profit to rise continuously during the 2011 and 2012 financial years

Linde anticipates that the business momentum necessary for this increase will be driven by megatrends such as energy, the environment and healthcare as well as dynamic developments in emerging markets. The Group will continue to optimise business processes over the coming years and remains committed to the systematic implementation of its holistic concept for lasting productivity gains (High Performance Organisation, HPO). Under the umbrella of HPO, Linde expects – as announced – to bring gross costs down by EUR 650 m to EUR 800 m over the four-year period from 2009 to 2012.

#### Gases Division outlook

Recent economic forecasts predict that market conditions in the global gases industry will continue to develop positively. Demand is set to rise in the most important end customer segments. Linde remains committed to its original target of outgrowing the market and further increasing productivity in its gases business.

The Group has a healthy project pipeline in its on-site contracts. These contracts will contribute significantly to sales and profit in 2011. Linde's liquefied and cylinder gases business is set to profit from the continued overall economic recovery. The Group expects business in its Healthcare unit to continue to develop positively, with sales growing faster than in the prior year.

Based on these assumptions and targets as outlined, Linde anticipates that sales generated by the Gases Division in the 2011 financial year will be up on the prior year and operating profit will grow at a faster pace than sales. For the 2012 financial year, Linde is aiming to continue to increase sales generated by the Gases Division, and to grow operating profit at a faster rate than sales. This projection is contingent on the stable development of the global economy beyond 2011.

#### Engineering Division outlook

Investment activity in the international large-scale plant construction business has continued to stabilise in recent months.

At almost EUR 4 bn, the order book in Linde's Engineering Division remains at a very high level, creating a good basis for a solid business performance over the next two years. The Group expects sales from the engineering business in financial years 2011 and 2012 to remain at the same level as 2010 and has set an 8 percent minimum target for the operating margin for 2011 and 2012.

Linde remains in a strong global position in the olefin, natural gas, air separation, hydrogen and synthesis plant market. The Group stands to gain long-term from infrastructural investments in the energy and environment growth markets.

#### Capital expenditure

Linde's investment strategy targets opportunities offering above-average growth prospects. In 2011, the Group will follow the same strategy. Relative to the 2010 financial year, a further rise in capital expenditure is to be expected during the present financial year. In 2011, as in the past few years, the vast majority of these resources will be devoted to strengthening the global gases business, and in particular to the continued expansion of the on-site business.

Large-scale projects, particularly in the promising energy sector, may result in capital expenditure expressed as a percentage of sales for the Gases Division exceeding the average target of 13 percent in certain years. However, this target value remains the mid-term capital expenditure guideline for the Gases Division.

#### Financing

In the 2011 financial year, the Group will continue to apply its strategy of safeguarding liquidity and maintaining long-term financing. Financial debt repayable within one year is matched by cash and cash equivalents of EUR 1.2 bn and a EUR 2.5 bn syndicated credit facility available until 2015.

The dynamic indebtedness factor (net financial debt to operating profit) improved from 2.6 in 2009 to 1.9 in the 2010 financial year. The Group thus reached the bottom of its target corridor between 2.0 and 3.0.

The profitable growth defined as one of the Group's mid-term goals should be mainly financed with cash flow from operating activities. Linde intends to use the cash flow remaining after investments have been deducted to cover financing costs and the rise in dividend payments expected at this point in time. Any surplus funds should be used for debt repayment – depending on other growth opportunities.

## 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 dividend for the 2011 financial year on the basis of the operating profit figures, at the same time taking wider macroeconomic trends into account.

## Research and development

In the area of research and development, 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 current financial year, Linde plans to spend around EUR 100 m on research and development activities, approximately the same amount as in 2010.

In close collaboration with customers, the Group will develop and improve gases applications and processes. The LeadTec restructuring project in the Gases Division will increasingly focus R&D activities on the six main trends that Linde has identified for its business. In addition to updating its existing portfolio, the Group will concentrate above all on innovations in the fields of high-performance materials and clean energy. R&D efforts will also focus on supplying gas innovations that enable technical advances in the photovoltaic and semiconductor sectors of the electronics industry.

Looking at the healthcare business, in 2011 Linde will again be mainly supporting research into medical applications for gases and the development of medical devices to care for patients with chronic respiratory disorders.

In the Engineering Division, Linde will continue to evolve its various plant technologies, concentrating above all on improving energy efficiency and reducing environmental impact.

In addition, the Group plans to consolidate its pioneering role in the development of environmentally friendly hydrogen technologies.

## Purchasing

### Gases Division

In the 2011 financial year, Linde anticipates a rise in demand in the procurement markets relevant to the Gases Division. The Group thus expects a stable supply of goods and services with slight price increases in some areas.

### Engineering Division

It can be assumed that shortages in raw materials will place upward pressure on prices for production supplies during the current financial year and beyond. In addition, speculation on raw material markets makes it difficult to project long-term pricing.

Linde is countering this challenge through the systematic execution of its Global Procurement strategy. Under this strategy, the Group will be signing standard agreements with suppliers. These will further improve the Group's competitive positioning by streamlining costs.

# Group Financial Statements

Linde AG has prepared its Group financial statements for the year ended 31 December 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Some items in the balance sheet and income statement 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 income statement

| Group income statement                                |      |        |        |
|---|------|--------|--------|
| in € million  | Note | 2010   | 2009   |
| Sales   | [8]  | 12,868 | 11,211 |
| Cost of sales   |      | 8,347  | 7,441  |
| Gross profit on sales                                 |      | 4,521  | 3,770  |
| Marketing and selling expenses                        |      | 1,859  | 1,572  |
| Research and development costs                        |      | 94     | 89     |
| Administration expenses                               |      | 1,074  | 994    |
| Other operating income                                | [9]  | 286    | 233    |
| Other operating expenses                              | [9]  | 169    | 241    |
| Income from associates and joint ventures (at equity) |      | 68     | 60     |
| Financial income                                      | [11] | 396    | 314    |
| Financial expenses                                    | [11] | 676    | 643    |
| Earnings before taxes on income                       |      | 1,399  | 838    |
| Taxes on income                                       | [12] | 335    | 185    |
| Earnings after taxes                                  |      | 1,064  | 653    |
| Attributable to non-controlling interests             |      | 59     | 62     |
| Attributable to Linde AG shareholders                 |      | 1,005  | 591    |
| Earnings per share in € – undiluted                   | [13] | 5.94   | 3.51   |
| Earnings per share in € – diluted                     | [13] | 5.86   | 3.48   |

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### Statement of recognised income and expense

|  |       |       |
|--|-------|-------|
| in € million<br>See Note [22]  | 2010  | 2009  |
| Unrealised gains/losses on available-for-sale financial assets                           | -5    | -1    |
| Unrealised gains/losses on derivative financial instruments                              | -166  | 8     |
| Currency translation differences   | 1,390 | 794   |
| Actuarial gains/losses on pension provisions   | 160   | -197  |
| Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19 58) | -4    | -7    |
| Gains and losses recognised directly in equity   | 1,375 | 597   |
| Earnings after taxes on income   | 1,064 | 653   |
| Total gains and losses recognised  | 2,439 | 1,250 |
| Of which attributable to   |       |       |
| Linde AG shareholders  | 2,319 | 1,171 |
| Non-controlling interests  | 120   | 79    |

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## Group balance sheet

### Group balance sheet

| in € million   | Note | 31 12 2010    | 31 12 2009    |
|--|------|---------------|---------------|
| <b>Assets</b>  |      |               |               |
| Goodwill   | [14] | 7,799         | 7,297         |
| Other intangible assets  | [14] | 3,506         | 3,318         |
| Tangible assets  | [15] | 8,723         | 7,566         |
| Investments in associates and joint ventures (at equity)           | [16] | 678           | 559           |
| Other financial assets   | [16] | 338           | 375           |
| Receivables from financial services                                | [18] | 344           | 570           |
| Other receivables and other assets                                 | [18] | 566           | 447           |
| Deferred tax assets  | [12] | 306           | 251           |
| <b>Non-current assets</b>  |      | <b>22,260</b> | <b>20,383</b> |
| Inventories  | [17] | 956           | 966           |
| Receivables from financial services                                | [18] | 48            | 75            |
| Trade receivables  | [18] | 1,855         | 1,607         |
| Other receivables and other assets                                 | [18] | 483           | 404           |
| Income tax receivables   | [18] | 105           | 98            |
| Securities   | [19] | 17            | 17            |
| Cash and cash equivalents  | [20] | 1,159         | 831           |
| Non-current assets classified as held for sale and disposal groups | [21] | 5             | –             |
| <b>Current assets</b>  |      | <b>4,628</b>  | <b>3,998</b>  |
| <b>Total assets</b>  |      | <b>26,888</b> | <b>24,381</b> |

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## Group balance sheet

| in € million   | Note | 31 12 2010 | 31 12 2009 |
|--|------|------------|------------|
| <b>Equity and liabilities</b>  |      |            |            |
| Capital subscribed   |      | 436        | 432        |
| Conditionally authorised capital € 99 million (2009 € 152 million)       |      |            |            |
| Capital reserve  |      | 5,205      | 5,103      |
| Revenue reserves   |      | 5,108      | 4,259      |
| Cumulative changes in equity not recognised through the income statement |      | 99         | -1,058     |
| <b>Total equity attributable to shareholders of Linde AG</b>             | [22] | 10,848     | 8,736      |
| Non-controlling interests  | [22] | 514        | 451        |
| <b>Total equity</b>  | [22] | 11,362     | 9,187      |
| <b>Liabilities</b>   |      |            |            |
| Provisions for pensions and similar obligations                          | [23] | 884        | 1,098      |
| Other non-current provisions   | [24] | 487        | 443        |
| Deferred tax liabilities   | [12] | 1,990      | 1,780      |
| Financial debt   | [25] | 6,214      | 6,586      |
| Liabilities from financial services                                      | [26] | 39         | 17         |
| Trade payables   | [27] | 5          | 2          |
| Other non-current liabilities  | [27] | 187        | 152        |
| Liabilities from income taxes  | [27] | 88         | 104        |
| <b>Non-current liabilities</b>   |      | 9,894      | 10,182     |
| <b>Current liabilities</b>   |      |            |            |
| Other current provisions   | [24] | 1,515      | 1,468      |
| Financial debt   | [25] | 459        | 381        |
| Liabilities from financial services                                      | [26] | 10         | 11         |
| Trade payables   | [27] | 2,564      | 2,133      |
| Other current liabilities  | [27] | 950        | 886        |
| Liabilities from income taxes  | [27] | 134        | 133        |
| <b>Current liabilities</b>   |      | 5,632      | 5,012      |
| <b>Total equity and liabilities</b>                                      |      | 26,888     | 24,381     |

## Group cash flow statement

### Group cash flow statement

| in € million<br>See Note [30]  | 2010   | 2009   |
|--|--------|--------|
| Earnings before tax  | 1,399  | 838    |
| Adjustments to earnings before tax to calculate cash flow from operating activities  |        |        |
| Amortisation of intangible assets/depreciation of tangible assets  | 1,246  | 1,218  |
| Impairments of financial assets  | 7      | 7      |
| Profit/loss on disposal of non-current assets  | -24    | -12    |
| Net interest   | 254    | 276    |
| Finance income arising from finance leases in accordance with IFRIC 4/IAS 17   | 43     | 45     |
| Income from associates and joint ventures (at equity)  | -68    | -60    |
| Distributions/dividends received from associates and joint ventures  | 45     | 46     |
| Income taxes paid  | -305   | -306   |
| Changes in assets and liabilities  |        |        |
| Change in inventories  | -7     | 93     |
| Change in trade receivables  | -145   | 108    |
| Change in provisions   | -205   | -145   |
| Change in trade payables   | 236    | -41    |
| Change in other assets and liabilities   | -54    | 75     |
| Cash flow from operating activities  | 2,422  | 2,142  |
| Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17                                       | -1,192 | -1,104 |
| Payments for investments in consolidated companies   | -37    | -60    |
| Payments for investments in financial assets   | -31    | -26    |
| Payments for investments in current financial assets   | -24    | -88    |
| Proceeds on disposal of tangible and intangible assets and amortisation of receivables from financial services in accordance with IFRIC 4/IAS 17 | 139    | 165    |
| Proceeds on disposal of consolidated companies   | -      | 7      |
| Proceeds on disposal of non-current assets held for sale and disposal groups   | 13     | 2      |
| Proceeds on disposal of financial assets   | 43     | 23     |
| Proceeds on disposal of current financial assets   | 24     | 91     |
| Cash flow from investing activities  | -1,065 | -990   |

## Group cash flow statement

|  |        |        |
|--|--------|--------|
| in € million   |        |        |
| See Note [30]  | 2010   | 2009   |
| Dividend payments to Linde AG shareholders and non-controlling interests | -349   | -343   |
| Cash outflows for purchase of non-controlling interests                  | -9     | -      |
| Interest received  | 212    | 274    |
| Interest paid  | -510   | -575   |
| Proceeds of loans and capital market debt                                | 588    | 1,437  |
| Proceeds from issue of employee shares                                   | 81     | 20     |
| Cash outflows for the repayment of loans and capital market debt         | -1,088 | -2,138 |
| Change in liabilities from financial services                            | -3     | -6     |
| Cash flow from financing activities                                      | -1,078 | -1,331 |
| Net cash inflow/outflow  | 279    | -179   |
| Opening balance of cash and cash equivalents                             | 831    | 1,002  |
| Effects of currency translation  | 49     | 8      |
| Closing balance of cash and cash equivalents                             | 1,159  | 831    |

## Statement of changes in Group equity

### Statement of changes in Group equity

|  | Capital<br>subscribed | Capital<br>reserve | Revenue reserves          |                      |
|--|-----------------------|--------------------|---------------------------|----------------------|
|  |                       |                    | Actuarial<br>gains/losses | Retained<br>earnings |
| in € million<br>See Note [22]              |                       |                    |                           |                      |
| At 1 Jan 2009                              | 431                   | 5,074              | -153                      | 4,362                |
| Total gains and losses recognised          | -                     | -                  | -204                      | 591                  |
| Dividend payments                          | -                     | -                  | -                         | -303                 |
| Changes as a result of share option scheme | 1                     | 29                 | -                         | -                    |
| Other changes                              | -                     | -                  | -                         | -34                  |
| At 31 Dec 2009/1 Jan 2010                  | 432                   | 5,103              | -357                      | 4,616                |
| Total gains and losses recognised          | -                     | -                  | 157                       | 1,005                |
| Dividend payments                          | -                     | -                  | -                         | -304                 |
| Changes as a result of share option scheme | 4                     | 102                | -                         | -                    |
| Other changes                              | -                     | -                  | -                         | -9                   |
| At 31 Dec 2010                             | 436                   | 5,205              | -200                      | 5,308                |



|  | Cumulative changes in equity<br>not recognised through the income statement |  |  | Total equity<br>attributable to<br>shareholders of<br>Linde AG | Non-controlling<br>interests | Total equity |
|--|---|--|--|--|------------------------------|--------------|
|  | Currency<br>translation<br>differences                                      | Available-<br>for-sale<br>financial assets | Derivative<br>financial<br>instruments |  |                              |              |
|  | -1,983  | 5  | 136                                    | 7,872  | 377                          | 8,249        |
|  | 777   | -1   | 8                                      | 1,171  | 79                           | 1,250        |
|  | -   | -  | -                                      | -303   | -40                          | -343         |
|  | -   | -  | -                                      | 30   | -                            | 30           |
|  | -   | -  | -                                      | -34  | 35                           | 1            |
|  | -1,206  | 4  | 144                                    | 8,736  | 451                          | 9,187        |
|  | 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       |

## Segment information

(Part of the Notes to the Group financial statements)

### Segment information

| in € million<br>See Note [31]   | Reportable segments  |       |                      |       |
|---|----------------------|-------|----------------------|-------|
|   | Total Gases Division |       | Engineering Division |       |
|   | 2010                 | 2009  | 2010                 | 2009  |
| Sales to third parties  | 10,221               | 8,924 | 2,101                | 1,827 |
| Sales to other segments   | 7                    | 8     | 360                  | 484   |
| Segment sales   | 10,228               | 8,932 | 2,461                | 2,311 |
| Operating profit  | 2,766                | 2,378 | 271                  | 210   |
| Of which share of profit/loss from associates/joint ventures (at equity)                              | 85                   | 68    | -                    | -     |
| Amortisation of intangible assets and depreciation of tangible assets                                 | 1,177                | 1,155 | 36                   | 36    |
| Of which amortisation of fair value adjustments identified in the course of purchase price allocation | 232                  | 278   | 8                    | 8     |
| EBIT (Earnings before interest and tax)   | 1,589                | 1,223 | 235                  | 174   |
| Capital expenditure (excluding financial investments)   | 1,326                | 1,029 | 23                   | 32    |

| in € million  | Reportable segments |       |          |       |
|---|---------------------|-------|----------|-------|
|   | Gases Division      |       |          |       |
|   | Western Europe      |       | Americas |       |
|   | 2010                | 2009  | 2010     | 2009  |
| Sales to third parties  | 4,000               | 3,750 | 2,216    | 1,936 |
| Sales to other segments   | 21                  | 15    | 63       | 45    |
| Segment sales   | 4,021               | 3,765 | 2,279    | 1,981 |
| Operating profit  | 1,184               | 1,051 | 499      | 429   |
| Of which share of profit/loss from associates/joint ventures (at equity)                              | 2                   | 1     | 27       | 26    |
| Amortisation of intangible assets and depreciation of tangible assets                                 | 391                 | 405   | 273      | 292   |
| Of which amortisation of fair value adjustments identified in the course of purchase price allocation | 47                  | 56    | 67       | 106   |
| EBIT (Earnings before interest and tax)   | 793                 | 646   | 226      | 137   |
| Capital expenditure (excluding financial investments)   | 439                 | 347   | 218      | 244   |

| Reportable segments |      |                |                   |             |        |
|---------------------|------|----------------|-------------------|-------------|--------|
| Other activities    |      | Reconciliation |                   | Total Group |        |
| 2010                | 2009 | 2010           | 2009              | 2010        | 2009   |
| 546                 | 460  | -              | -                 | 12,868      | 11,211 |
| 3                   | 5    | -370           | -497              | -           | -      |
| 549                 | 465  | -370           | -497              | 12,868      | 11,211 |
| 57                  | 52   | -169           | -255 <sup>1</sup> | 2,925       | 2,385  |
| -                   | -    | -17            | -8                | 68          | 60     |
| 36                  | 28   | -3             | -1                | 1,246       | 1,218  |
| 14                  | 7    | -              | -                 | 254         | 293    |
| 21                  | 24   | -166           | -254              | 1,679       | 1,167  |
| 15                  | 10   | -62            | 66                | 1,302       | 1,137  |

<sup>1</sup> Includes restructuring costs of EUR 83 m

| Reportable segments   |       |                        |       |                      |       |
|-----------------------|-------|------------------------|-------|----------------------|-------|
| Gases Division        |       |                        |       |                      |       |
| Asia & Eastern Europe |       | South Pacific & Africa |       | Total Gases Division |       |
| 2010                  | 2009  | 2010                   | 2009  | 2010                 | 2009  |
| 2,229                 | 1,824 | 1,776                  | 1,414 | 10,221               | 8,924 |
| 10                    | 12    | 8                      | 4     | 7                    | 8     |
| 2,239                 | 1,836 | 1,784                  | 1,418 | 10,228               | 8,932 |
| 667                   | 557   | 416                    | 341   | 2,766                | 2,378 |
| 55                    | 39    | 1                      | 2     | 85                   | 68    |
| 285                   | 267   | 228                    | 191   | 1,177                | 1,155 |
| 46                    | 46    | 72                     | 70    | 232                  | 278   |
| 382                   | 290   | 188                    | 150   | 1,589                | 1,223 |
| 504                   | 327   | 165                    | 111   | 1,326                | 1,029 |

### Entity-wide disclosures about geographical regions

| in € million                         | 2010          | 2009          |
|--------------------------------------|---------------|---------------|
| <b>Sales by location of customer</b> |               |               |
| Germany                              | 1,217         | 1,211         |
| Other Europe                         | 4,489         | 4,049         |
| North America                        | 1,679         | 1,543         |
| South America                        | 712           | 618           |
| Africa                               | 666           | 525           |
| Asia/Australia                       | 4,105         | 3,265         |
| <b>Sales by location of customer</b> | <b>12,868</b> | <b>11,211</b> |

### Non-current segment assets by location of company

| in € million                      | 2010          | 2009          |
|-----------------------------------|---------------|---------------|
| Germany                           | 1,782         | 1,739         |
| Other Europe                      | 7,706         | 7,544         |
| North America                     | 2,566         | 2,342         |
| South America                     | 867           | 725           |
| Africa                            | 1,027         | 880           |
| Asia/Australia                    | 6,080         | 4,951         |
| <b>Non-current segment assets</b> | <b>20,028</b> | <b>18,181</b> |



# Notes to the Group financial statements

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NOTES TO THE GROUP FINANCIAL STATEMENTS

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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 2010 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 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 income statement 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 Wirtschaftsprüfungsgesellschaft. 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. Assets, liabilities and contingent liabilities are identified and recognised at their fair values at the date of acquisition. 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. Costs associated with the acquisition 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, which is disclosed as a liability at the date of acquisition, are recognised in profit or loss. Non-controlling interests are measured at fair value (full goodwill method) or at their share of the fair value (partial goodwill method) of the assets, liabilities and contingent liabilities acquired.

Where non-controlling interests are acquired, any remaining balance between the cost of the investment and the share of net assets acquired is offset immediately in equity if The Linde Group previously exercised control over the company.

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

The main acquisition in the course of the financial year was

|                                  | Group holding<br>in percent | Cost<br>in € million | Acquisition<br>date |
|----------------------------------|-----------------------------|----------------------|---------------------|
| Ceylon Oxygen Limited, Sri Lanka | 96.3                        | 23                   | 15.10.2010          |

#### Ceylon Oxygen Limited, Colombo, Sri Lanka

On 15 October 2010, The Linde Group acquired 95.5 percent of the shares – the majority interest – in Ceylon Oxygen Limited. In the course of this transaction, a public purchase offer resulted in the acquisition of a further 0.8 percent of the outstanding shares of the company. The company, which was founded in 1936, is the leading producer of medical and industrial gases in Sri Lanka. The purchase price for the majority interest in Ceylon Oxygen Limited was paid in cash.

Since 15 October 2010, the company has been included as a subsidiary in the consolidated financial statements of The Linde Group and has been allocated to the Asia & Eastern Europe operating segment. The principal components of the goodwill arising on acquisition are expected synergies, assets which cannot be included in other categories and other factors. 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. Due to the proximity of the date of the acquisition to the balance sheet date, the purchase price allocation should be regarded as provisional.

#### 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 companies in the gases field and have been allocated to the Western Europe, Asia & Eastern Europe and South Pacific & Africa operating segments.

In each case, the purchase consideration was in cash. In the case of one transaction, contingent purchase price payments of EUR 4 m were recognised as the cost of the investment. These payments are conditional in respect of earn-out clauses agreed with the previous owners and in respect of purchase price retentions for guarantees. The earn-out clauses result in cash outflows which depend on the future earnings situation of the company (EBITDA). The expected payment in relation to the conditional purchase price components of this transaction may be any amount between EUR 0 m and EUR 4 m.

The principal components of the goodwill arising on acquisition are expected synergies, assets which cannot be included in other categories and other factors. 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.



#### Differences arising on acquisitions

| in € million                                | Ceylon Oxygen | Other | Total |
|---|---------------|-------|-------|
| Acquisition cost according to IFRS 3        | 23            | 16    | 39    |
| Share of net assets at book value           | 4             | 3     | 7     |
| Difference before purchase price allocation | 19            | 13    | 32    |
| Customer relationships                      | 20            | 1     | 21    |
| Air separation plants                       | 2             | -     | 2     |
| Land and buildings                          | -             | -     | -     |
| Other tangible assets                       | 1             | -     | 1     |
| Inventories                                 | -             | 2     | 2     |
| Deferred taxes                              | -8            | -1    | -9    |
| Non-controlling interests                   | -             | -     | -     |
| Goodwill at acquisition date                | 4             | 11    | 15    |

#### Impact of acquisition of Ceylon Oxygen on net assets

Opening balance at 15 October 2010

| in € million   | Book value | Adjustment | Fair value |
|--|------------|------------|------------|
| Non-current assets                                   | 4          | 23         | 27         |
| Inventories  | 1          | -          | 1          |
| Cash and cash equivalents                            | 2          | -          | 2          |
| Non-current assets held for sale and disposal groups | -          | -          | -          |
| Other current assets                                 | 2          | -          | 2          |
| Equity   | 4          | 15         | 19         |
| Non-controlling interests                            | -          | -          | -          |
| Current liabilities                                  | 5          | 8          | 13         |

**Impact of acquisitions on results of operations of The Linde Group from the date of acquisition**

| in € million                              | Ceylon Oxygen | Other | Total |
|---|---------------|-------|-------|
| Sales                                     | 2             | 18    | 20    |
| Cost of sales                             | -1            | -17   | -18   |
| Gross profit on sales                     | 1             | 1     | 2     |
| Other operating income and other expenses | -             | -1    | -1    |
| Operating profit                          | 1             | -     | 1     |
| Financial result                          | -             | -     | -     |
| Earnings before taxes on income           | 1             | -     | 1     |
| Taxes on income                           | -1            | -     | -1    |
| Earnings after taxes on income            | -             | -     | -     |
| Attributable to non-controlling interests | -             | -     | -     |
| Attributable to Linde AG shareholders     | -             | -     | -     |

**Impact of acquisitions on results of operations of The Linde Group from 01 01 2010 to 31 12 2010**

| in € million                              | Ceylon Oxygen | Other | Total |
|---|---------------|-------|-------|
| Sales                                     | 9             | 27    | 36    |
| Cost of sales                             | -4            | -25   | -29   |
| Gross profit on sales                     | 5             | 2     | 7     |
| Other operating income and other expenses | -2            | -     | -2    |
| Operating profit                          | 3             | 2     | 5     |
| Financial result                          | -             | -     | -     |
| Earnings before taxes on income           | 3             | 2     | 5     |
| Taxes on income                           | -1            | -     | -1    |
| Earnings after taxes on income            | 2             | 2     | 4     |
| Attributable to non-controlling interests | -             | -     | -     |
| Attributable to Linde AG shareholders     | 2             | 2     | 4     |

**Acquisitions in the 2009 financial year**

On 13 May 2008, The Linde Group acquired 51 percent of the shares in the Saudi Arabian industrial gases company SIGAS (Saudi Industrial Gas Co. Ltd). The transaction was completed on 17 January 2009 following receipt of approval from the relevant Saudi Arabian regulatory authorities. The company SIGAS is the second largest industrial gases company in Saudi Arabia. The acquisition cost in accordance with IFRS was EUR 68 m. The company has been included as a subsidiary in the consolidated financial statements of The Linde Group since 17 January 2009 and was allocated to the Asia & Eastern Europe operating segment.

In the 2009 financial year, Linde acquired various other entities. These are all immaterial, both individually and cumulatively.

#### [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 minority rights (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<br>31 12 2009 | Additions | Disposals | As at<br>31 12 2010 |
|--|---------------------|-----------|-----------|---------------------|
| <b>Consolidated subsidiaries</b>                           | <b>507</b>          | <b>26</b> | <b>37</b> | <b>496</b>          |
| Of which within Germany                                    | 26                  | 1         | 4         | 23                  |
| Of which outside Germany                                   | 481                 | 25        | 33        | 473                 |
| <b>Companies accounted for using<br/>the equity method</b> | <b>57</b>           | <b>4</b>  | <b>12</b> | <b>49</b>           |
| Of which within Germany                                    | -                   | -         | -         | -                   |
| Of which outside Germany                                   | 57                  | 4         | 12        | 49                  |

Most of the additions to the companies included in the consolidation are newly-formed subsidiaries. Where the additions relate to acquisitions, 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 individual companies through liquidations and mergers.

During the reporting period, further shares in the Linde subsidiary, Abelló Linde S A, Barcelona, Spain, were acquired from the non-controlling shareholders. This increased Linde's shareholding by 5.1 percent to 79.9 percent, for which a purchase price of EUR 9 m was paid. The difference of EUR 3 m between the non-controlling interests recognised in equity and the purchase price was offset against revenue reserves.

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 Gas Produktionsgesellschaft mbH & Co KG                          | Pullach           |
| Linde Gas Therapeutics GmbH  | Unterschleissheim |
| Linde-KCA-Dresden GmbH   | Dresden           |
| Linde Welding GmbH   | Pullach           |
| Martens Schweißtechnik GmbH  | Rastede           |
| Unterbichler Gase GmbH (formerly Rommenholler Handelsgesellschaft mbH) | Munich            |
| Selas-Linde GmbH   | Pullach           |
| SMR GmbH Schweißservice Martens  | Rastede           |
| Tega – Technische Gase und Gasetechnik GmbH                            | Wurzburg          |

A list of the shareholdings of The Linde Group is given in Note [41]

## [5] Foreign currency translation

Transactions in foreign currency have been translated into the relevant functional currency of the individual business unit on the transaction date. 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 income statement 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 under the heading "Cumulative changes in equity not recognised through the income statement".

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 Índice 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 2010                     | 31 12 2009   | 2010                      | 2009         |
| Argentina          | ARS      | 5 311300                       | 5 442500     | 5 190050                  | 5 208020     |
| Australia          | AUD      | 1 307500                       | 1 595600     | 1 444180                  | 1 773390     |
| Brazil             | BRL      | 2 220300                       | 2 495800     | 2 335030                  | 2 770270     |
| Canada             | CAD      | 1 334500                       | 1 505700     | 1 367270                  | 1 585660     |
| China              | CNY      | 8 817300                       | 9 775200     | 8 984870                  | 9 526750     |
| Czech Republic     | CZK      | 25 042000                      | 26 388000    | 25 284830                 | 26 438350    |
| Hungary            | HUF      | 278 390000                     | 270 570000   | 275 393410                | 280 260220   |
| Malaysia           | MYR      | 4 125200                       | 4 902500     | 4 275000                  | 4 907750     |
| Norway             | NOK      | 7 792000                       | 8 298000     | 8 010020                  | 8 733500     |
| Poland             | PLN      | 3 966500                       | 4 105400     | 3 994090                  | 4 325250     |
| South Africa       | ZAR      | 8 855900                       | 10 610400    | 9 707840                  | 11 660010    |
| South Korea        | KRW      | 1,500 060000                   | 1,669 710000 | 1,533 445920              | 1,772 145070 |
| Sweden             | SEK      | 8 983400                       | 10 247500    | 9 545750                  | 10 617120    |
| Switzerland        | CHF      | 1 249500                       | 1 482700     | 1 382170                  | 1 509900     |
| Turkey             | TRY      | 2 062800                       | 2 148100     | 1 998750                  | 2 162110     |
| UK                 | GBP      | 0 857500                       | 0 886200     | 0 858450                  | 0 891100     |
| USA                | USD      | 1 337900                       | 1 431800     | 1 327470                  | 1 394670     |

## [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 the IFRS Interpretations Committee have revised numerous standards and issued many new ones in the course of their projects to develop IFRS and in their efforts to achieve convergence with US GAAP. Of these, the following standards are mandatory in the Group financial statements for the year ended 31 December 2010

- *Improvements to International Financial Reporting Standards (2009)*,
- *Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions*,
- *IFRIC 17 Distribution of Non-Cash Assets to Owners*,
- *IFRIC 18 Transfer of Assets from Customers*

The provisions of IFRIC 18 *Transfer of Assets from Customers* are applied to situations in which the Group receives assets from customers in the form of a subsidy and must use the assets to supply the customer. The application of this rule could lead to the recognition by Linde of additional non-current assets and to the recognition of revenue and depreciation associated with those assets. In the 2010 financial year, the application of IFRIC 18 *Transfer of Assets from Customers* had no impact on the net assets, financial position and results of operations of the Group.

The changes set out in the *Improvements to International Financial Reporting Standards (2009)* resulted in the recognition for the first time in the 2010 financial year of land which had previously been accounted for as operating leases. The recognition of this land did not have a significant impact on the net assets, financial position and results of operations of the Group. In addition, with effect from the 2010 financial year, segment assets and segment liabilities have no longer been included in the segment information. This change is also a result of the *Improvements to International Financial Reporting Standards (2009)* project.

The remaining standards had only an insignificant effect on the net assets, financial position and results of operations of The Linde Group.

The Amendment to IAS 32 *Financial Instruments: Presentation, Classification of Rights Issues* issued by the IASB in October 2009 was early-adopted in the 2010 financial year. The application of this amendment had no significant impact on the Group financial statements for the year ended 31 December 2010.

Recently issued accounting standards which have not yet been applied

In addition, the following standards have been issued by the IASB or IFRS Interpretations Committee, but have not been applied in the Group financial statements for the year ended 31 December 2010, as they are not yet effective or have not yet been adopted by the European Union.

- IFRS 9 *Financial Instruments*,
- Amendment to IFRS 7 *Financial Instruments: Disclosures*,
- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*,
- Revised IAS 24 *Related Party Disclosures*,
- *Improvements to International Financial Reporting Standards (2010)*,
- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

These standards will not be applied by The Linde Group until the 2011 financial year or later. With the exception of IFRS 9, the impact of these standards on the Group financial statements is not expected to be significant. It is probable that IFRS 9 will become effective from the 2013 financial year and it may result in changes in the classification and measurement of financial assets in the Group financial statements.

#### 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 IAS 11 Construction Contracts*, based on the stage of completion of the contract (percentage of completion method, or PoC). 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 *percentage of completion (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 contract payments, 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 shown 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 in the income statement when they are incurred.

#### Financial result

The financial result includes the interest charge 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 charges 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 which 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. 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 (CGU), the lowest level at which goodwill is monitored for internal management purposes, and tested for impairment at least once a year at this level. This is the level of the Regional Business Units (RBUs), which are the equivalent of the operating segments before their aggregation into reportable operating 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 income statement 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 in functional costs. Customer relationships are stated at acquisition cost and amortised on a straight-line basis over their estimated useful life of between 5 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 acquisition 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 functional costs. 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 at 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 2010 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 of time 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 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 or if there is objective evidence that the asset is impaired at their fair value, if lower.

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 2010 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 net 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 under "Cumulative changes in equity not recognised through the income statement". A transfer is made to the income statement 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 part of "Cumulative changes in equity not recognised through the income statement" 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 income statement. 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 included 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, which relate mainly to 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 above-mentioned 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 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 financial services. Finance income is spread over the reporting periods based on 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 financial services. Depreciation charged on this tangible asset and the reduction of the lease liability are recorded over the lease term. The difference between the total lease obligation and the fair value of the leased property is the finance charge, which is allocated to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 income on a straight-line basis.

Rental and lease payments made by Linde under operating leases are recognised in functional costs in the income statement 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 financial services 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 2010, almost all the ECOVAR® gas supply contracts, which had previously been accounted for as embedded finance leases, were reclassified. This reclassification took place as a result of the development of the ECOVAR® business model, due to the introduction of supra-regional plant management, control over the plants in regional networks and increased standardisation of the plants.

### 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 balance sheet and income statement. 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 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 333 m or EUR 351 m respectively. An increase or reduction in the inflation assumption of 0.5 percent would lead to an increase or reduction in pension obligations of EUR 288 m or EUR 277 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 income statement

## [8] Sales

Sales are analysed by activity in the segment information

Sales are derived from the following activities

| in € million                                  | 2010          | 2009          |
|---|---------------|---------------|
| Revenue from the sale of goods and services   | 11,048        | 9,651         |
| Revenue from long-term construction contracts | 1,820         | 1,560         |
| <b>Group</b>                                  | <b>12,868</b> | <b>11,211</b> |

## [9] Other operating income and expenses

| <b>Other operating income</b>                          |            |            |
|--|------------|------------|
| in € million   | 2010       | 2009       |
| Income from exchange rate differences                  | 55         | 31         |
| Profit on disposal of non-current assets               | 37         | 29         |
| Negative past service cost on pensions                 | 29         | -          |
| Ancillary revenue                                      | 26         | 28         |
| Income from release of provisions                      | 23         | 21         |
| Financial income from long-term construction contracts | 22         | 30         |
| Income from freestanding foreign currency hedges       | 9          | 19         |
| Miscellaneous operating income                         | 85         | 75         |
| <b>Group</b>   | <b>286</b> | <b>233</b> |

The income from a reduction in the past service cost has arisen due to changes in the legal regulations in the UK governing future increases in pensions. See Note [23] for further information about the Group's pension schemes.

| <b>Other operating expenses</b>                           |            |            |
|---|------------|------------|
| in € million  | 2010       | 2009       |
| Income from exchange rate differences                     | 58         | 37         |
| Expenses from freestanding foreign currency hedges        | 12         | 20         |
| Loss on disposal of non-current assets                    | 12         | 17         |
| Expenses related to pre-retirement part-time work schemes | 2          | 6          |
| Miscellaneous operating expenses                          | 85         | 161        |
| <b>Group</b>  | <b>169</b> | <b>241</b> |

In 2009, miscellaneous operating expenses included restructuring costs of EUR 83 m.

## [10] Other information on the Group income statement

During the 2010 financial year, personnel costs of EUR 2 527 bn (2009 EUR 2 319 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  | 2010       | 2009       |
|---|------------|------------|
| Expected return on plan assets (See Note [23])                                | 246        | 195        |
| Finance income from embedded finance leases in accordance with IFRIC 4/IAS 17 | 43         | 45         |
| Income from reversal of allowance on financial receivables                    | 29         | –          |
| Income from investments   | 18         | 1          |
| Other interest and similar income   | 60         | 73         |
| <b>Group</b>  | <b>396</b> | <b>314</b> |

The expected return on plan assets rose in 2010. This was partly due to the higher fair values of the plan assets and increased forecasts of the expected return on plan assets.

The income of EUR 29 m arising from the reversal of an allowance for financial receivables relates to financial receivables from the disposal of BOC Edwards in the 2007 financial year. The full amount of the loan of EUR 59 m was repaid early, in February 2011, and the difference between the total amount of the loan and the reversal of the impairment loss in the 2010 financial year will be recognised in profit or loss in the first quarter of 2011.

### Financial expenses

| in € million   | 2010       | 2009       |
|--|------------|------------|
| Interest cost of pension obligations (See Note [23]) | 265        | 238        |
| Impairment of financial assets                       | 10         | 19         |
| Other interest and similar charges                   | 401        | 386        |
| <b>Group</b>   | <b>676</b> | <b>643</b> |

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

| <b>Taxes on income</b>                           |            |            |
|--|------------|------------|
| in € million                                     | 2010       | 2009       |
| Current tax expense and income                   | 365        | 324        |
| Tax expense and income relating to prior periods | 43         | ~15        |
| Deferred tax expense and deferred tax income     | ~73        | ~124       |
| <b>Group</b>                                     | <b>335</b> | <b>185</b> |

Included under the "Tax expense and income relating to prior periods" heading in the 2010 financial year is a current tax expense of EUR 48 m (2009 EUR 6 m) and deferred tax income of EUR 5 m (2009 EUR 21 m). Of the total amount of deferred tax income, EUR 69 m (2009 EUR 173 m) relates to the change in temporary differences.

The income tax expense disclosed for the 2010 financial year of EUR 335 m is EUR 48 m lower than the expected income tax expense of EUR 383 m, a theoretical figure arrived at by applying the German tax rate of 27.4 percent (2009 28.1 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   | 2010        | 2009        |
|--|-------------|-------------|
| Earnings before taxes on income                          | 1,399       | 838         |
| Income tax rate of Linde AG (including trade tax) (in %) | 27.4        | 28.1        |
| <b>Expected income tax expense</b>                       | <b>383</b>  | <b>235</b>  |
| Foreign tax rate differential                            | -25         | -41         |
| Effect of associates                                     | -14         | -12         |
| Reduction in tax due to tax-free income                  | -40         | -27         |
| Increase in tax due to non-tax-deductible expenses       | 21          | 33          |
| Tax expense and income relating to prior periods         | -28         | -15         |
| Effect of changes in tax rate                            | -32         | -31         |
| Change in other permanent differences                    | 72          | 24          |
| Other  | -2          | 19          |
| <b>Income tax expense disclosed</b>                      | <b>335</b>  | <b>185</b>  |
| <b>Effective tax rate (in %)</b>                         | <b>23.9</b> | <b>22.1</b> |

In the 2010 financial year, the corporate income tax rate in Germany was 15.0 percent (2009 15.0 percent). Taking into account an average rate for trade earnings tax of 11.6 percent (2009 12.3 percent) and the solidarity surcharge (0.8 percent in both 2010 and 2009), this gives a tax rate for German companies of 27.4 percent (2009 28.1 percent). The rate used to calculate deferred tax for German companies was 27.4 percent (2009 28.1 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 consist of 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. In the 2009 financial year, there was an expense arising from the change in the valuation allowance of EUR 13 m.

#### Deferred tax assets and liabilities

| in € million                           | 2010                |                          | 2009                |                          |
|--|---------------------|--------------------------|---------------------|--------------------------|
|  | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets                      | 8                   | 982                      | 13                  | 950                      |
| Tangible assets                        | 193                 | 828                      | 131                 | 672                      |
| Financial assets                       | 87                  | 128                      | 85                  | 110                      |
| Current assets                         | 439                 | 442                      | 322                 | 533                      |
| Provisions                             | 219                 | 231                      | 305                 | 182                      |
| Liabilities                            | 704                 | 781                      | 693                 | 696                      |
| Tax loss carryforwards and tax credits | 105                 | -                        | 89                  | -                        |
| Valuation allowance                    | -47                 | -                        | -24                 | -                        |
| Amounts offset                         | -1,402              | -1,402                   | -1,363              | -1,363                   |
|  | 306                 | 1,990                    | 251                 | 1,780                    |

The tax credits in the 2010 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 199 m (2009: EUR 94 m) was therefore reduced by EUR 47 m (2009: EUR 24 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 169 m (2009: EUR 75 m) and deductible temporary differences of EUR 30 m (2009: EUR 19 m) will be utilised. Of the revised figure for total potential reductions in the tax base of EUR 169 m (2009: EUR 75 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 62 m (2009: EUR 72 m) may be carried forward for up to ten years and EUR 107 m (2009: EUR 3 m) may be carried forward for longer than ten years.

#### Tax loss carryforwards

| in € million                                    | 2010 | 2009 |
|---|------|------|
| May be carried forward for up to 10 years       | 67   | 65   |
| May be carried forward for longer than 10 years | -    | -    |
| May be carried forward indefinitely             | 145  | 51   |
|   | 212  | 116  |

The increase in tax loss carryforwards is mainly due to losses arising in Austria, Saudi Arabia and Brazil. There are also tax loss carryforwards relating to US state tax of EUR 23 m (2009: EUR 52 m).

### [13] Earnings per share

| in € million  | 2010        | 2009        |
|---|-------------|-------------|
| Earnings after taxes on income attributable to shareholders of Linde AG | 1,005       | 591         |
| Shares in thousands   |             |             |
| Weighted average number of shares outstanding                           | 169,328     | 168,579     |
| Dilution as a result of share option schemes                            | 2,303       | 1,250       |
| Weighted average number of shares outstanding – diluted                 | 171,631     | 169,829     |
| <b>Earnings per share in € – undiluted</b>                              | <b>5 94</b> | <b>3 51</b> |
| <b>Earnings per share in € – diluted</b>                                | <b>5 86</b> | <b>3 48</b> |

Included in the figure for diluted earnings per share is the issue of shares relating to the employee 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 balance sheet

### [14] Goodwill/Other intangible assets

Movements in the intangible assets of The Linde Group during the 2010 financial year were as follows

|  | Goodwill | Customer relationships | Other intangible assets | Total  |
|--|----------|------------------------|-------------------------|--------|
| Acquisition cost in € million            |          |                        |                         |        |
| At 1 Jan 2009                            | 6,898    | 2,653                  | 1,103                   | 10,654 |
| Currency adjustments                     | 357      | 225                    | 110                     | 692    |
| Additions due to acquisitions            | 37       | 33                     | -                       | 70     |
| Additions                                | 10       | -                      | 38                      | 48     |
| Disposals                                | -        | -                      | 10                      | 10     |
| Transfers                                | -        | 36                     | -30                     | 6      |
| Reclassification as assets held for sale | -        | -                      | -                       | -      |
| At 31 Dec 2009/1 Jan 2010                | 7,302    | 2,947                  | 1,211                   | 11,460 |
| Currency adjustments                     | 491      | 348                    | 107                     | 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                           | 7,806    | 3,317                  | 1,356                   | 12,479 |

|  | Goodwill | Customer relationships | Other intangible assets | Total  |
|--|----------|------------------------|-------------------------|--------|
| Accumulated amortisation in € million    |          |                        |                         |        |
| At 1 Jan 2009                            | 5        | 233                    | 346                     | 584    |
| Currency adjustments                     | -        | 30                     | 16                      | 46     |
| Additions due to acquisitions            | -        | -                      | -                       | -      |
| Amortisation                             | -        | 118                    | 104                     | 222    |
| Impairments                              | -        | -                      | 1                       | 1      |
| Reversal of impairments                  | -        | -                      | -                       | -      |
| Disposals                                | -        | -                      | 9                       | 9      |
| Transfers                                | -        | 1                      | -                       | 1      |
| Reclassification as assets held for sale | -        | -                      | -                       | -      |
| At 31 Dec 2009/1 Jan 2010                | 5        | 382                    | 458                     | 845    |
| Currency adjustments                     | 2        | 57                     | 30                      | 89     |
| Additions due to acquisitions            | -        | -                      | 1                       | 1      |
| Amortisation                             | -        | 140                    | 110                     | 250    |
| Impairments                              | -        | -                      | -                       | -      |
| Reversal of impairments                  | -        | -                      | -                       | -      |
| Disposals                                | -        | -                      | 11                      | 11     |
| Transfers                                | -        | -                      | -                       | -      |
| Reclassification as assets held for sale | -        | -                      | -                       | -      |
| At 31 Dec 2010                           | 7        | 579                    | 588                     | 1,174  |
| Net book value at 31 Dec 2010            | 7,799    | 2,738                  | 768                     | 11,305 |
| Net book value at 31 Dec 2009            | 7,297    | 2,565                  | 753                     | 10,615 |

In the balance sheet at 31 December 2010, the total figure for goodwill is EUR 7 799 bn (2009 EUR 7 297 bn). Of this amount, EUR 4 772 bn relates to the acquisition of The BOC Group in the 2006 financial year, EUR 862 m relates to other acquisitions in previous financial years and EUR 15 m to sundry acquisitions in the 2010 financial year. The goodwill arising from the acquisition of the AGA Group in 1999 was EUR 2 150 bn at the balance sheet date.

An impairment test of goodwill was carried out at 30 September 2010. No impairment losses were recognised as a result.

For the purpose of the impairment test, goodwill was allocated to the Regional Business Units (RBUs). The RBUs are the lowest level at which goodwill is monitored for internal management purposes and are the equivalent of the operating segments before their aggregation into reportable operating segments.

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 taken into account in the alternative scenarios are changes in WACC (+ 50 basis-points), changes in growth rates in the perpetual annuity (– 10 percent), and changes in operating results (– 5 percent in all periods including the perpetual annuity). Even if these changes in parameters were to be adopted, there would be no need to recognise impairment losses in respect of goodwill.

The following table provides a summary of the allocated goodwill and the parameters used.

| Assumptions for the impairment test of goodwill |                                     |   |  |   |
|---|-------------------------------------|---|--|---|
|   | Book value of<br>allocated goodwill | Book value of<br>intangible assets<br>with indefinite<br>useful lives as of | Pre-tax WACC<br>based on region-<br>specific premiums<br>and discounts<br>30 09 2010<br>(in percent) | Post-tax WACC<br>based on region-<br>specific premiums<br>and discounts<br>30 09 2010<br>(in percent) |
|   | 31 12 2010                          | 31 12 2010  |  |   |
| <b>Western Europe</b>                           |                                     |   |  |   |
| RBU Continental & Northern Europe               | 2,729                               | –   | 7.1  | 5.3   |
| RBU UK & Ireland                                | 906                                 | 109   | 7.1  | 5.2   |
| <b>Americas</b>                                 |                                     |   |  |   |
| RBU North America                               | 883                                 | –   | 7.5  | 5.2   |
| RBU South America                               | 136                                 | 8   | 11.7   | 9.1   |
| <b>Asia &amp; Eastern Europe</b>                |                                     |   |  |   |
| RBU Greater China                               | 199                                 | –   | 6.4  | 6.3   |
| RBU South & East Asia                           | 353                                 | 43  | 8.5  | 7.3   |
| RBU Eastern Europe & Middle East                | 425                                 | –   | 7.4  | 7.0   |
| <b>South Pacific &amp; Africa</b>               |                                     |   |  |   |
| RBU South Pacific                               | 1,301                               | 103   | 7.1  | 5.3   |
| RBU Africa                                      | 306                                 | 61  | 8.2  | 7.0   |
| Engineering Division                            | 269                                 | 6   | 17.8   | 9.3   |
| Other activities                                | 292                                 | –   | 9.9  | 7.2   |
| <b>Total</b>                                    | <b>7,799</b>                        | <b>330</b>  |  |   |

The carrying amount of intangible assets with indefinite useful lives consists principally of corporate brands acquired as a result of the BOC acquisition and other acquisitions of EUR 330 m (2009: EUR 294 m). As management intends to continue to use the BOC brand name and other local brand names derived from The BOC Group and it is not possible to determine the useful life of the brand, the asset is included in intangible assets with an indefinite useful life for those countries in which the intention is that the brand will continue to be used. An impairment test of the brand names was performed. No impairment losses were identified. In countries where the BOC brand name will no longer be used, the portion of the intangible asset which relates to those countries will be amortised on a straight-line basis over five years.

During the financial year, no impairment losses (2009 EUR 1 m of impairment losses) were recognised in respect of other intangible assets. The impairment losses in 2009 were allocated to the Engineering Division in the segment report and recognised in functional costs.

No development costs have been capitalised in the 2010 financial year, as the conditions which apply to the recognition of development costs as assets were not met, as in 2009.

## [15] Tangible assets

Movements in the tangible assets of The Linde Group in the 2010 financial year were as follows:

|  | Land, land rights and buildings | Technical equipment and machinery | Fixtures, furniture and equipment | Plants under construction | Total  |
|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------|--------|
| Acquisition cost in € million            |                                 |                                   |                                   |                           |        |
| At 1 Jan 2009                            | 2,189                           | 13,142                            | 1,171                             | 759                       | 17,261 |
| Currency adjustments                     | 61                              | 583                               | 53                                | 28                        | 725    |
| Additions due to acquisitions            | 5                               | 21                                | 2                                 | 2                         | 30     |
| Additions                                | 30                              | 236                               | 41                                | 711                       | 1,018  |
| Disposals                                | 44                              | 197                               | 73                                | 4                         | 318    |
| Transfers                                | 90                              | 659                               | 18                                | -640                      | 127    |
| Reclassification as assets held for sale | -                               | -                                 | -                                 | -                         | -      |
| At 31 Dec 2009/1 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                           | 2,573                           | 17,000                            | 1,271                             | 1,020                     | 21,864 |

| Accumulated depreciation<br>in € million    | Land, land<br>rights and<br>buildings | Technical<br>equipment<br>and machinery | Fixtures,<br>furniture and<br>equipment | Plants under<br>construction | Total  |
|---|---------------------------------------|---|---|------------------------------|--------|
| At 1 Jan 2009                               | 956                                   | 8,292                                   | 845                                     | 6                            | 10,099 |
| Currency adjustments                        | 13                                    | 345                                     | 39                                      | 3                            | 400    |
| Additions due to acquisitions               | -                                     | 1                                       | 1                                       | -                            | 2      |
| Depreciation                                | 68                                    | 803                                     | 84                                      | -                            | 955    |
| Impairments                                 | 4                                     | 31                                      | 3                                       | 3                            | 41     |
| Reversal of impairments                     | -                                     | 1                                       | -                                       | -                            | 1      |
| Disposals                                   | 35                                    | 158                                     | 61                                      | 1                            | 255    |
| Transfers                                   | 5                                     | 44                                      | -8                                      | -5                           | 36     |
| Reclassification as assets held<br>for sale | -                                     | -                                       | -                                       | -                            | -      |
| At 31 Dec 2009/1 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<br>for sale | -7                                    | -11                                     | -                                       | -                            | -18    |
| At 31 Dec 2010                              | 1,136                                 | 11,017                                  | 979                                     | 9                            | 13,141 |
| Net book value at 31 Dec 2010               | 1,437                                 | 5,983                                   | 292                                     | 1,011                        | 8,723  |
| Net book value at 31 Dec 2009               | 1,320                                 | 5,087                                   | 309                                     | 850                          | 7,566  |

Tangible assets include leased land, land rights and buildings, technical equipment and machinery and fixtures with a carrying amount totalling EUR 51 m (2009 EUR 25 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 (see also Note [18]). Of the total of EUR 51 m, EUR 30 m (2009 EUR 5 m) relates to land, land rights and buildings, EUR 19 m (2009 EUR 18 m) to technical equipment and machinery and EUR 2 m (2009 EUR 2 m) to fixtures, furniture and equipment.

Impairment losses of EUR 22 m were recognised in respect of tangible assets in 2010 (2009 EUR 41 m), while reversals of impairment losses totalled EUR 1 m (2009 EUR 1 m). The impairment losses are mainly the result of lower profit expectations. The impairment losses related principally to production plants and were allocated to the following operating segments of The Linde Group: Western Europe EUR 2 m (2009 EUR 16 m), the Americas EUR 4 m (2009 EUR 14 m), Asia & Eastern Europe EUR 2 m (2009 EUR 8 m), South Pacific & Africa EUR 11 m (2009 EUR 1 m) and other activities EUR 3 m (2009 EUR 1 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. The impairment losses were recognised in functional costs.

Borrowing costs for construction periods over one year of EUR 33 m (2009: EUR 20 m) were capitalised, based on an interest rate of 3.0 to 4.5 percent (2009: 3.0 to 5.0 percent).

The acquisition or manufacturing cost of tangible assets was reduced in the financial year by government grants for air separation plants of EUR 1 m (2009: EUR 7 m).

Land, land rights and buildings of EUR 75 m (2009: EUR 95 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 <sup>1</sup> | Total |
|--|--|-------------------|--------------------------------|-------|
| At 1 Jan. 2009                           | 553  | 107               | 285                            | 945   |
| Currency adjustments                     | -6   | 1                 | -7                             | -12   |
| Additions due to acquisitions            | -  | -                 | -                              | -     |
| Additions                                | 61   | 10                | 29                             | 100   |
| Disposals                                | 31   | 1                 | 40                             | 72    |
| Transfers                                | -6   | -5                | 8                              | -3    |
| Reclassification as assets held for sale | -  | -                 | -                              | -     |
| At 31 Dec. 2009/1 Jan. 2010              | 571  | 112               | 275                            | 958   |
| Currency adjustments                     | 64   | 7                 | 19                             | 90    |
| Additions due to acquisitions            | -  | -                 | -                              | -     |
| Additions                                | 79   | 10                | 27                             | 116   |
| Disposals                                | 28   | 10                | 61                             | 99    |
| Transfers                                | 2  | -18               | -2                             | -18   |
| Reclassification as assets held for sale | -  | -                 | -                              | -     |
| At 31 Dec. 2010                          | 688  | 101               | 258                            | 1,047 |

<sup>1</sup> EUR 247 m (2009: EUR 263 m) of the non-current loans relates to loans to associates and joint ventures.

|  | Investments in<br>associates and<br>joint ventures<br>(at equity) | Other<br>investments | Non-current<br>loans | Total |
|--|---|----------------------|----------------------|-------|
| Accumulated impairments in € million     |   |                      |                      |       |
| At 1 Jan 2009                            | 18  | 4                    | –                    | 22    |
| Currency adjustments                     | –1  | –                    | –                    | –1    |
| Additions due to acquisitions            | –   | –                    | –                    | –     |
| Impairments                              | –   | 7                    | –                    | 7     |
| Disposals                                | –   | –                    | –                    | –     |
| Transfers                                | –5  | 1                    | –                    | –4    |
| Reclassification as assets held for sale | –   | –                    | –                    | –     |
| At 31 Dec 2009/1 Jan 2010                | 12  | 12                   | –                    | 24    |
| Currency adjustments                     | –   | –1                   | –                    | –1    |
| Additions due to acquisitions            | –   | –                    | –                    | –     |
| Impairments                              | –   | 7                    | –                    | 7     |
| Disposals                                | –   | 1                    | –                    | 1     |
| Transfers                                | –2  | 4                    | –                    | 2     |
| Reclassification as assets held for sale | –   | –                    | –                    | –     |
| At 31 Dec 2010                           | 10  | 21                   | –                    | 31    |
| Net book value at 31 Dec 2010            | 678   | 80                   | 258                  | 1,016 |
| Net book value at 31 Dec 2009            | 559   | 100                  | 275                  | 934   |

There were unrecognised losses of EUR 5 m at 31 December 2010 relating to investments in associates and joint ventures (2009 EUR 6 m). 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 totalling EUR 31 m (2009 EUR 35 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

### Balance sheet

| in € million                               | Investments in associates and joint ventures (at equity) |            |
|--|--|------------|
|  | 31 12 2010   | 31 12 2009 |
| Non-current assets                         | 1,180  | 796        |
| Inventories                                | 6  | 6          |
| Other current assets                       | 98   | 69         |
| Cash and cash equivalents                  | 62   | 58         |
| <b>Total assets</b>                        | <b>1,346</b>   | <b>929</b> |
| Equity excluding non-controlling interests | 389  | 231        |
| Non-current liabilities                    | 833  | 619        |
| Current liabilities                        | 124  | 79         |
| <b>Total equity and liabilities</b>        | <b>1,346</b>   | <b>929</b> |

### Income statement

| in € million                              | Investments in associates and joint ventures (at equity) |            |
|---|--|------------|
|   | 2010   | 2009       |
| Sales                                     | 358  | 308        |
| Cost of sales                             | 286  | 227        |
| <b>Gross profit on sales</b>              | <b>72</b>  | <b>81</b>  |
| Other operating income and other expenses | 3  | 1          |
| <b>Profit from operations</b>             | <b>75</b>  | <b>82</b>  |
| Financial result                          | 26   | 19         |
| <b>Earnings before taxes on income</b>    | <b>101</b>   | <b>101</b> |
| Taxes on income                           | 22   | 36         |
| <b>Earnings after taxes on income</b>     | <b>79</b>  | <b>65</b>  |

## [17] Inventories

| in € million                                    | 31 12 2010 | 31 12 2009 |
|---|------------|------------|
| Raw materials and supplies                      | 87         | 93         |
| Work in progress, unfinished goods and services | 233        | 305        |
| Finished goods                                  | 422        | 328        |
| Merchandise                                     | 136        | 123        |
| Payments in advance to suppliers                | 78         | 117        |
| <b>Group</b>                                    | <b>956</b> | <b>966</b> |

At 31 December 2010, an aggregate amount of EUR 84 m (2009 EUR 69 m) was recognised as an inventory allowance

## [18] Receivables from financial services, Trade receivables, Other receivables and other assets and Income tax receivables

| in € million  | Current      |              | Non-current |            | Total        |              |
|---|--------------|--------------|-------------|------------|--------------|--------------|
|   | 31 12 2010   | 31 12 2009   | 31 12 2010  | 31 12 2009 | 31 12 2010   | 31 12 2009   |
| <b>Receivables from financial services</b>          | <b>48</b>    | <b>75</b>    | <b>344</b>  | <b>570</b> | <b>392</b>   | <b>645</b>   |
| Receivables from percentage-of-completion contracts | 52           | 79           | -           | -          | 52           | 79           |
| Other trade receivables                             | 1,803        | 1,528        | -           | -          | 1,803        | 1,528        |
| <b>Trade receivables</b>                            | <b>1,855</b> | <b>1,607</b> | <b>-</b>    | <b>-</b>   | <b>1,855</b> | <b>1,607</b> |
| Other tax receivables                               | 100          | 77           | 26          | 33         | 126          | 110          |
| Derivatives with positive fair values               | 92           | 60           | 127         | 135        | 219          | 195          |
| Prepaid pension costs                               | -            | -            | 332         | 211        | 332          | 211          |
| Miscellaneous receivables and assets                | 291          | 267          | 81          | 68         | 372          | 335          |
| <b>Other receivables and other assets</b>           | <b>483</b>   | <b>404</b>   | <b>566</b>  | <b>447</b> | <b>1,049</b> | <b>851</b>   |
| <b>Income tax receivables</b>                       | <b>105</b>   | <b>98</b>    | <b>-</b>    | <b>-</b>   | <b>105</b>   | <b>98</b>    |

### Receivables from financial services

Almost all the receivables from financial services relate to agreements which are classified as embedded finance leases according to IFRIC 4/IAS 17. The counterparty risk arising from receivables from financial services is covered by the air separation plants and other plants underlying the contracts.

In 2010, almost all the ECOVAR® gas supply contracts which had previously been accounted for as embedded finance leases were reclassified. As a result, an amount of EUR 237 m was deducted from receivables from financial services and the plants were recognised in tangible assets at their fair values.

The reclassification of the ECOVAR® plants, which had previously been recognised as finance leases, took place as a result of the development of the ECOVAR® business model due to the introduction of supra-regional plant management, control over the plants in regional networks and increased standardisation of the plants.

The data relating to receivables from financial services is as follows

| in € million  | 31 12 2010 | 31 12 2009 |
|---|------------|------------|
| <b>Total minimum lease payments (gross investment)</b>                | <b>506</b> | <b>853</b> |
| Due within one year   | 72         | 112        |
| Due within one to five years  | 258        | 395        |
| Due in more than five years   | 176        | 346        |
| <b>Present value of minimum lease payments</b>                        | <b>392</b> | <b>645</b> |
| Due within one year   | 48         | 75         |
| Due within one to five years  | 192        | 279        |
| Due in more than five years   | 152        | 291        |
| <b>Unearned finance income included in the minimum lease payments</b> | <b>114</b> | <b>208</b> |

#### 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 2 125 bn (2009 EUR 2 665 bn), offset against advance payments received of EUR 2 660 bn (2009 EUR 3 193 bn), giving rise to receivables of EUR 52 m (2009 EUR 79 m) and liabilities of EUR 587 m (2009 EUR 607 m)

#### Other trade receivables

Other trade receivables are due from a large number of customers in a wide variety of industry sectors and a large number of 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 2010, in € million             | 30–60 days        | 60–90 days        | 90–180 days        | > 180 days           |
|--------------------------------------|-------------------|-------------------|--------------------|----------------------|
| Trade receivables                    | 54                | 26                | 3                  | 1                    |
| Miscellaneous receivables and assets | -                 | -                 | -                  | -                    |
| <b>31 12 2009, in € million</b>      | <b>30–60 days</b> | <b>60–90 days</b> | <b>90–180 days</b> | <b>&gt; 180 days</b> |
| Trade receivables                    | 54                | 22                | 9                  | 17                   |
| Miscellaneous receivables and assets | 2                 | -                 | -                  | 1                    |

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.

### 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 it has any significant exposure to counterparty 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 counterparty risk from derivative financial instruments is limited due to the fact that the counterparties are banks with good credit ratings from international rating agencies. In addition, an early warning and monitoring system has been introduced and Credit Support Annexes (CSAs) have been concluded with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. 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.

### [19] Securities

Securities comprise available-for-sale securities of EUR 8 m (2009: EUR 8 m) and held-to-maturity securities of EUR 9 m (2009: 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 1,159 m (2009: EUR 831 m) comprise mainly cash at banks and money market funds. The cash at banks and the money market fund receivables have maturities of three months or less.

#### Cash and cash equivalents

| in € million       | 31.12.2010   | 31.12.2009 |
|--------------------|--------------|------------|
| Bank balances      | 546          | 466        |
| Money market funds | 518          | 309        |
| Cheques            | 2            | 2          |
| Cash               | 4            | 2          |
| Cash equivalents   | 89           | 52         |
| <b>Group</b>       | <b>1,159</b> | <b>831</b> |

Since the 2009 financial year, Linde has begun to conclude Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The amount disclosed in cash equivalents as a result of these agreements was EUR 53 m (2009: EUR 0 m).

## [21] Non-current assets classified as held for sale and disposal groups

At 31 December 2010, land and buildings from the Western Europe operating segment have been disclosed in "Non-current assets classified as held for sale and disposal groups", as it is highly probable that these assets will be sold in their current condition within the next twelve months. No impairment losses were recognised when the assets were reclassified under this heading.

## [22] Equity

| in €                                     | 31 12 2010     | 31 12 2009     |
|--|----------------|----------------|
| Capital subscribed                       | 435,960,168 96 | 432,402,165 76 |
| Authorised capital (total)               | 100,000,000 00 | 105,106,534 40 |
| Authorised Capital I                     | 20,000,000 00  | 25,106,534 40  |
| Authorised Capital II                    | 80,000,000 00  | 80,000,000 00  |
| Conditionally authorised capital (total) | 98,699,463 68  | 152,257,466 88 |
| 2002 Conditionally authorised capital    | 5,043,717 12   | 8,257,466 88   |
| 2005 Conditionally authorised capital    | -              | 50,000,000 00  |
| 2007 Conditionally authorised capital    | 8,655,746 56   | 9,000,000 00   |
| 2008 Conditionally authorised capital    | -              | 85,000,000 00  |
| 2010 Conditionally authorised capital    | 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 435,960,168 96 and is fully paid up. It is divided into 170,296,941 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 2010 financial year, 1,255,371 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 3,213,749 76. As a result of the issue of 134,474 new shares out of 2007 conditionally authorised capital to service the Long Term Incentive Plan, share capital increased by EUR 344,253 44. Overall, share capital in the 2010 financial year increased by EUR 3,558,003 20, from EUR 432,402,165 76 to EUR 435,960,168 96, divided into 170,296,941 shares.

|   | 2010        | 2009        |
|---|-------------|-------------|
| Number of shares at 1 Jan                             | 168,907,096 | 168,492,496 |
| Exercise of management incentive programme (MIP 2002) | 1,255,371   | 414,600     |
| Exercise of long term incentive programme (LTIP 2007) | 134,474     | -           |
| Number of shares at 31 Dec                            | 170,296,941 | 168,907,096 |

|   |  |
|---|--|
| EXECUTIVE BOARD                         | <p><b>Authorised capital</b></p> <p>At 31 December 2010, the authorised capital comprised the following</p>  |
|   | <p><b>Authorised Capital I</b></p> <p>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.</p> <p>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. 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 and investments, or 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).</p> |
| SUPERVISORY BOARD                       |  |
| CORPORATE GOVERNANCE                    |  |
| LINDE SHARES                            |  |
| GROUP MANAGEMENT REPORT                 |  |
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| FURTHER INFORMATION                     | <p><b>Authorised Capital II</b></p> <p>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 per share. 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.</p>   |



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 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 and investments, or 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 2010 comprised the following

##### 2002 conditionally authorised capital

The issued share capital can be increased by up to EUR 5,043,717.12, divided into 1,970,202 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, 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.

In the 2010 financial year, options under the Management Incentive Programme were exercised. As a result, 2002 conditionally authorised capital was reduced by EUR 3,213,749.76 from EUR 8,257,466.88 to EUR 5,043,717.12, divided into 1,970,202 shares. The issued share capital increased in 2010 as a result

##### 2005 conditionally authorised capital

The 2005 conditionally authorised capital, whereby the issued share capital of the company could be increased by up to EUR 50,000,000.00 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56, was abolished by a resolution passed at the Annual General Meeting on 4 May 2010.

#### 2007 conditionally authorised capital

The issued share capital can be increased by up to EUR 8,655,746 56 by the issue of up to 3,381,151 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 2010 financial year, options from the Long Term Incentive Plan were exercised. As a result, the 2007 conditionally authorised capital was reduced by EUR 344,253 44 from EUR 9,000,000 00 to EUR 8,655,746 56, divided into 3,381,151 shares. The issued share capital increased in 2010 as a result.

#### 2008 conditionally authorised capital

The 2008 conditionally authorised capital, whereby the issued share capital could 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, was abolished by a resolution passed at the Annual General Meeting on 4 May 2010.

#### 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 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,
- 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 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, subject to the approval of the Supervisory Board

The authorisation given to the Executive Board to purchase own shares based on the resolution passed at the Annual General Meeting on 15 May 2009 was revoked when the new authorisation became effective on 4 May 2010

#### 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 8 December 2008 that it was revising its notification of voting rights dated 2 October 2008. Allianz SE informed us in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Allianz SE fell below the 5 percent threshold on 30 September 2008 and was now 4.41 percent (7,423,081 voting rights). These voting rights are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 1 WpHG and are held by Allianz SE via the following companies controlled by Allianz SE, which each have voting rights in Linde AG of 3 percent or more: Allianz Deutschland AG, Munich, Jota-Vermögensverwaltungsgesellschaft mbH, Munich, Allianz Lebensversicherungs-AG, Stuttgart, and AZL-Alico Vermögensverwaltungsgesellschaft mbH, 80802 Munich (which merged with Allianz Lebensversicherungs-AG with effect from 31 October 2008).

In addition, Allianz SE informed us in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG that the share of voting rights in Linde AG held by Allianz Deutschland AG, Munich, Germany, fell below the 5 percent threshold on 30 September 2008 and was now 4.30 percent (7,246,635 voting rights). These voting rights are attributable to Allianz Deutschland AG in accordance with § 22 (1), sentence 1, No. 1 WpHG and are held by Allianz Deutschland AG via the following companies controlled by Allianz Deutschland AG, which each have voting rights in Linde AG of 3 percent or more: Jota-Vermögensverwaltungsgesellschaft mbH, Munich, Allianz Lebensversicherungs-AG, Stuttgart, and AZL-Alico Vermögensverwaltungsgesellschaft mbH, Munich (which merged with Allianz Lebensversicherungs-AG with effect from 31 October 2008).

|   |  |
|---|--|
| EXECUTIVE BOARD                         | 2 BlackRock, Inc , New York, USA<br>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 was now 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 was now 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  |
|   | BlackRock, 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, Inc exceeded the 3 percent threshold on 1 December 2009 and was now 3 23 percent (5,448,338 voting rights) All the voting rights are attributable to BlackRock, Inc in accordance with § 22 (1), sentence 1, No 6 in conjunction with sentence 2 WpHG  |
| SUPERVISORY BOARD                       |  |
| CORPORATE GOVERNANCE                    |  |
| LINDE SHARES                            | 3 Capital Research and Management Company<br>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 the 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<br>The Capital World Growth and Income Fund, Inc , Los Angeles, USA, informed us in writing on 12 May 2010 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Capital World Growth and Income Fund, Inc fell below the 3 percent threshold on 7 May 2010 and was now 2 94 percent (4,972,830 voting rights)<br>Europacific Growth Fund informed us in writing on 31 May 2010 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Europacific Growth Fund fell below the 3 percent threshold on 26 May 2010 and stood at 2 95 percent (4,986,537 voting rights) at that date |
| GROUP MANAGEMENT REPORT                 |  |
| GROUP FINANCIAL STATEMENTS              | 4 The Capital Group of Companies<br>The Capital Group of Companies Inc , Los Angeles, USA, informed us in writing on 6 December 2010 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by The Capital Group of Companies, Inc fell below the 5 percent and 3 percent thresholds on 27 September 2007 and was now 0 percent (no voting rights) The reduction in the voting rights in Linde AG held by The Capital Group of Companies, Inc is based on the submission of a declaration of independence in accordance with § 29a (3) WpHG and is not the result of a sale of shares to Linde AG Notifications of voting rights held by Capital Research and Management Company are not affected by this notification  |
| NOTES TO THE GROUP FINANCIAL STATEMENTS | 5 Sun Life Financial Inc<br>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 was now 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<br>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  |
| FURTHER INFORMATION                     |  |

exceeded the 5 percent threshold on 26 January 2009 and was now 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 was now 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 was now 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 was now 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 threshold on 26 January 2009 and was now 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 was now 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 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

#### 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 in future periods these amounts will not be transferred to profit or loss

In the 2010 financial year, a total amount of EUR 3 m was offset against revenue reserves This was the result of the Group increasing its stake in its subsidiary Abelló Linde, Barcelona, Spain An additional 5 1 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

### Cumulative changes in equity not recognised through the income statement

The heading comprises the differences arising on the translation of the financial statements of foreign subsidiaries and the impact of the remeasurement of securities and derivative financial instruments being accounted for in equity rather than being recognised in the income statement

Movements in Cumulative changes in equity not recognised through the income statement were as follows

| in € million   | 2010       |            |       | 2009       |            |     |
|--|------------|------------|-------|------------|------------|-----|
|  | Before tax | Tax effect | Net   | Before tax | Tax effect | Net |
| Movement in currency translation differences                               | 1,390      | -          | 1,390 | 794        | -          | 794 |
| Movement in unrealised gains/losses on available-for-sale financial assets |            |            |       |            |            |     |
| Movement in accumulated unrealised gains/losses                            | -7         | 2          | -5    | -2         | -          | -2  |
| Realised gains/losses  | -          | -          | -     | 1          | -          | 1   |
| Unrealised gains/losses on available-for-sale financial assets             | -7         | 2          | -5    | -1         | -          | -1  |
| Movement in unrealised gains/losses on derivative financial instruments    |            |            |       |            |            |     |
| Movement in accumulated unrealised gains/losses                            | -182       | 2          | -180  | -33        | 12         | -21 |
| Realised gains/losses  | 19         | -5         | 14    | 41         | -12        | 29  |
| Unrealised gains/losses on derivative financial instruments                | -163       | -3         | -166  | 8          | -          | 8   |

In addition, deferred tax liabilities of EUR 60 m (2009: a deferred tax asset of 64 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)

### Non-controlling interests

The interests of the non-controlling shareholders in equity relate mainly to the following Group companies

| in € million                                       | 31 12 2010 | 31 12 2009 |
|--|------------|------------|
| BOC Lienhwa Industrial Gases Co Ltd, Taiwan        | 205        | 175        |
| African Oxygen Limited, South Africa               | 124        | 107        |
| Saudi Industrial Gas Co Ltd, Saudi Arabia          | 32         | 31         |
| MIG Production Co Ltd, Thailand                    | 32         | 26         |
| Abelló Linde S A, Spain                            | 24         | 29         |
| Linde Gas Algérie S p A, Algeria                   | 20         | 18         |
| BOC India Ltd, India                               | 19         | 17         |
| Linde Engineering Dalian Co Ltd, China             | 16         | 14         |
| BOC Bangladesh Ltd, Bangladesh                     | 8          | 7          |
| Asia Union Electronic Chemical Corporation, Taiwan | 7          | -          |
| Various other companies                            | 27         | 27         |
|  | 514        | 451        |

### Capital employed

To ensure the medium-term and long-term success of the Group, return on capital employed (ROCE) is used as a key 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 financial services   |
|                  | +                                     |
|                  | Net pension obligations               |
|                  | -                                     |
|                  | Cash, cash equivalents and securities |
|                  | -                                     |
|                  | Receivables from financial services   |

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 2010 | 31 12 2009   |
|------------------------------------|------------|--------------|
| Provisions for pensions            | 860        | 1,079        |
| Provisions for similar obligations | 24         | 19           |
| <b>Total provisions</b>            | <b>884</b> | <b>1,098</b> |
| Pension assets                     | 332        | 211          |

Pension provisions are recognised in accordance with IAS 19 *Employee Benefits* for obligations relating to future benefits and current benefits payable to eligible current and former employees of The Linde Group and their surviving dependants

Different countries have different pension systems, due to the variety of legal, economic and tax conditions applicable in each country. These are generally based on the length of service and the remuneration of the employees.

The provisions for similar obligations include bridging benefit 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 2010 was EUR 114 m (2009: EUR 109 m). Contributions to state pension schemes in 2010 totalled EUR 59 m (2009: EUR 62 m).

In the case of defined benefit plans, 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, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, 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 & Canada |      | Other countries |      |
|--------------------------------|---------|------|------|------|--------------|------|--------------|------|-----------------|------|
| in percent                     | 2010    | 2009 | 2010 | 2009 | 2010         | 2009 | 2010         | 2009 | 2010            | 2009 |
| Discount rate                  | 4.80    | 5.10 | 5.60 | 5.70 | 3.90         | 4.54 | 5.27         | 5.88 | 7.10            | 7.82 |
| Expected return on plan assets | 5.00    | 5.70 | 6.00 | 6.10 | 4.99         | 4.95 | 5.63         | 5.81 | 7.61            | 8.42 |
| Growth in future benefits      | 2.50    | 2.50 | 3.62 | 3.81 | 2.81         | 3.14 | 3.00         | 3.62 | 5.08            | 5.69 |
| Growth in pensions             | 2.00    | 2.00 | 3.30 | 3.75 | 0.87         | 1.20 | 2.05         | 2.40 | 3.77            | 4.16 |



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. 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                         |             |
|--|----------------------------|-------------|----------------------------|-------------|
|  | Defined benefit obligation | Plan assets | Defined benefit obligation | Plan assets |
| in € million                             |                            |             |                            |             |
| At 1 Jan 2009                            | 754                        | 249         | 2,034                      | 1,943       |
| Current service cost                     | 13                         | -           | 28                         | -           |
| Interest cost                            | 43                         | -           | 128                        | -           |
| Expected return on plan assets           | -                          | 15          | -                          | 107         |
| Employers' contributions                 | -                          | 1           | -                          | 103         |
| Employees' contributions                 | 5                          | 5           | 4                          | 4           |
| Actuarial gains/losses                   | 91                         | 38          | 390                        | 129         |
| Effects of changes in exchange rates     | -                          | -           | 163                        | 154         |
| Pension payments made                    | -45                        | -           | -113                       | -113        |
| Past service cost                        | -                          | -           | 3                          | -           |
| Changes in Group structure/other changes | -1                         | -           | -                          | -           |
| Plan curtailments                        | -2                         | -           | -                          | -           |
| At 31 Dec 2009/01 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                        | -                          | -           | -                          | -           |
| At 31 Dec 2010                           | 915                        | 325         | 2,586                      | 2,683       |

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|  | 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 |
|  | 524                        | 393         | 399                        | 443         | 386                        | 425         | 4,097                      | 3,453       |
|  | 12                         | -           | 16                         | -           | 8                          | -           | 77                         | -           |
|  | 24                         | -           | 25                         | -           | 18                         | -           | 238                        | -           |
|  | -                          | 20          | -                          | 30          | -                          | 23          | -                          | 195         |
|  | -                          | 14          | -                          | 3           | -                          | 6           | -                          | 127         |
|  | 5                          | 5           | -                          | -           | 1                          | 1           | 15                         | 15          |
|  | 9                          | 23          | 19                         | 53          | 5                          | 10          | 514                        | 253         |
|  | 13                         | 6           | -5                         | -8          | 64                         | 76          | 235                        | 228         |
|  | -26                        | -20         | -26                        | -24         | -32                        | -30         | -242                       | -187        |
|  | -                          | -           | -                          | -           | -                          | -           | 3                          | -           |
|  | -                          | -           | -                          | -           | -188                       | -188        | -189                       | -188        |
|  | -1                         | -           | -1                         | -           | -                          | -           | -4                         | -           |
|  | 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       |

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### Funding status of the defined benefit obligations

| in € million  | Germany |      | UK    |       |
|---|---------|------|-------|-------|
|   | 2010    | 2009 | 2010  | 2009  |
| Actuarial present value of pension obligations (defined benefit obligation) | 915     | 858  | 2,586 | 2,637 |
| Of which unfunded pension obligations                                       | 334     | 318  | -     | -     |
| Of which funded pension obligations   | 581     | 540  | 2,586 | 2,637 |
| Fair value of plan assets   | 325     | 308  | 2,683 | 2,327 |
| Net obligation  | 590     | 550  | -97   | 310   |
| Cumulative effect of asset ceiling  | -       | -    | -     | -     |
| Past service cost   | -       | -    | -     | -     |
| At 31 December  | 590     | 550  | -97   | 310   |
| Of which pension provision (+)  | 590     | 550  | -     | 310   |
| Of which pension asset (-)  | -       | -    | -97   | -     |

### Portfolio structure of pension assets

| in percent                | 31 12 2010 | 31 12 2009 |
|---------------------------|------------|------------|
| Shares                    | 25         | 27         |
| Fixed-interest securities | 57         | 60         |
| Property                  | 5          | 5          |
| Insurance                 | 1          | 1          |
| Other                     | 12         | 7          |
|                           | 100        | 100        |

The pension expense relating to defined benefit plans can be analysed as follows

| in € million                      | Germany |      | UK   |      |
|-----------------------------------|---------|------|------|------|
|                                   | 2010    | 2009 | 2010 | 2009 |
| Current service cost              | 15      | 13   | 38   | 28   |
| Interest cost                     | 43      | 43   | 148  | 128  |
| Expected return on plan assets    | -17     | -15  | -147 | -107 |
| Amortisation of past service cost | -       | -    | -29  | 3    |
| Plan curtailments                 | -       | -2   | -    | -    |
|                                   | 41      | 39   | 10   | 52   |

|  | Other Europe |      | USA & Canada |      | Other countries |      | Total |       |
|--|--------------|------|--------------|------|-----------------|------|-------|-------|
|  | 2010         | 2009 | 2010         | 2009 | 2010            | 2009 | 2010  | 2009  |
|  | 652          | 560  | 492          | 427  | 326             | 262  | 4,971 | 4,744 |
|  | 121          | 97   | 75           | 67   | 20              | 29   | 550   | 511   |
|  | 531          | 463  | 417          | 360  | 306             | 233  | 4,421 | 4,233 |
|  | 496          | 441  | 575          | 497  | 388             | 323  | 4,467 | 3,896 |
|  | 156          | 119  | -83          | -70  | -62             | -61  | 504   | 848   |
|  | 20           | 18   | 2            | 2    | 2               | -    | 24    | 20    |
|  | -            | -    | -            | -    | -               | -    | -     | -     |
|  | 176          | 137  | -81          | -68  | -60             | -61  | 528   | 868   |
|  | 176          | 137  | 80           | 72   | 14              | 10   | 860   | 1,079 |
|  | -            | -    | -161         | -140 | -74             | -71  | -332  | -211  |

|  | Other Europe |      | USA & Canada |      | Other countries |      | Total |      |
|--|--------------|------|--------------|------|-----------------|------|-------|------|
|  | 2010         | 2009 | 2010         | 2009 | 2010            | 2009 | 2010  | 2009 |
|  | 14           | 12   | 17           | 16   | 9               | 8    | 93    | 77   |
|  | 25           | 24   | 26           | 25   | 23              | 18   | 265   | 238  |
|  | -22          | -20  | -31          | -30  | -29             | -23  | -246  | -195 |
|  | -            | -    | -            | -    | -               | -    | -29   | 3    |
|  | -            | -1   | -            | -1   | -               | -    | -     | -4   |
|  | 17           | 15   | 12           | 10   | 3               | 3    | 83    | 119  |

Following a legal change in the UK, increases in pension payments will be derived in future from the Consumer Price Index rather than the Retail Price Index. As a result, an amount of EUR 29 m has been disclosed in 2010 as income from the reduction in past service cost.

Actual income from plan assets in external pension funds was EUR 387 m (2009: actual income of EUR 448 m). The result from plan assets was significantly higher than expected return on plan assets of EUR 246 m (2009: EUR 195 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                      | 2010  | 2009  | 2008  | 2007  | 2006  |
|-----------------------------------|-------|-------|-------|-------|-------|
| Pension obligation (as at 31.12.) | 4,971 | 4,744 | 4,097 | 5,152 | 5,672 |
| Experience adjustment             | -54   | 29    | -40   | -40   | -6    |
| Plan assets (as at 31.12.)        | 4,467 | 3,896 | 3,453 | 4,813 | 4,721 |
| Experience adjustment             | 141   | 253   | -947  | -45   | -197  |
| Net obligation                    | 504   | 848   | 644   | 339   | 951   |

Payments to increase plan assets in external pension funds in the 2011 financial year were expected to amount to EUR 132 m (2010: EUR 152 m). Of this amount, around EUR 78 m (2010: EUR 78 m) relates to special payments to the UK pension fund which Linde agreed to make as part of the BOC acquisition agreement. 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 during the year 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        |              |
|--|--------------|--------------|-------------|------------|--------------|--------------|
|  | 2010         | 2009         | 2010        | 2009       | 2010         | 2009         |
| Provisions for taxes   | 571          | 425          | -           | -          | 571          | 425          |
| Obligations from delivery transactions                                   | 133          | 134          | 98          | 101        | 231          | 235          |
| Warranty obligations and risks from transactions in course of completion | 114          | 119          | 97          | 62         | 211          | 181          |
| Obligations relating to personnel  | 393          | 349          | 81          | 71         | 474          | 420          |
| Insurance obligations  | -            | -            | 13          | 18         | 13           | 18           |
| Dismantling obligations  | 6            | 4            | 103         | 101        | 109          | 105          |
| Other obligations  | 298          | 437          | 95          | 90         | 393          | 527          |
| Miscellaneous provisions   | 944          | 1,043        | 487         | 443        | 1,431        | 1,486        |
| <b>Total other provisions</b>  | <b>1,515</b> | <b>1,468</b> | <b>487</b>  | <b>443</b> | <b>2,002</b> | <b>1,911</b> |

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 insurance obligations comprise the insurance risks arising from reinsurance by the subsidiaries Linde-RE S A, Luxembourg, and Priestley Dublin Reinsurance Company Limited, Ireland. In the 2010 financial year, the reinsurance obligations of the Group related solely to Priestley Dublin Reinsurance Company Limited.

In the 2010 financial year, the interest rate used to discount non-current provisions was adjusted from 3.0–5.0 percent to 3.0–3.3 percent. The cumulative effect of this change was EUR 2 m, which was included in the financial result.

| in € million   | At<br>01.01.2010 | Changes<br>in Group<br>structure <sup>1</sup> | Utilisation | Release    | Addition   | Transfer | At<br>31.12.2010 |
|--|------------------|---|-------------|------------|------------|----------|------------------|
| Provisions for taxes   | 425              | 12  | 45          | 2          | 181        | -        | 571              |
| Obligations from delivery transactions                                   | 235              | 6   | 43          | 2          | 35         | -        | 231              |
| Warranty obligations and risks from transactions in course of completion | 181              | 5   | 57          | 28         | 107        | 3        | 211              |
| Obligations relating to personnel  | 420              | 26  | 192         | 23         | 244        | -1       | 474              |
| Insurance obligations  | 18               | 1   | -           | 6          | -          | -        | 13               |
| Dismantling obligations  | 105              | 5   | 2           | 3          | 11         | -7       | 109              |
| Other obligations  | 527              | -   | 114         | 176        | 151        | 5        | 393              |
| Miscellaneous provisions   | 1,486            | 43  | 408         | 238        | 548        | -        | 1,431            |
| <b>Other provisions</b>  | <b>1,911</b>     | <b>55</b>                                     | <b>453</b>  | <b>240</b> | <b>729</b> | <b>-</b> | <b>2,002</b>     |

<sup>1</sup> 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              | 2010                | 2009 | 2010                     | 2009  | 2010                        | 2009  | 2010  | 2009  |
| Subordinated bonds        | -                   | -    | -                        | -     | 1,450                       | 1,435 | 1,450 | 1,435 |
| Other bonds               | 11                  | 9    | 2,738                    | 1,988 | 1,778                       | 2,362 | 4,527 | 4,359 |
| Commercial papers (CP)    | 62                  | 177  | -                        | -     | -                           | -     | 62    | 177   |
| Bank loans and overdrafts | 386                 | 195  | 234                      | 782   | 14                          | 19    | 634   | 996   |
|                           | 459                 | 381  | 2,972                    | 2,770 | 3,242                       | 3,816 | 6,673 | 6,967 |

Of the subordinated bonds and other bonds at 31 December 2010, EUR 432 m and EUR 1,852 m respectively (2009 EUR 765 m and EUR 2,356 m 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 1,450 m would have been EUR 69 m lower and the other bonds of EUR 4,527 m would have been EUR 119 m lower. In total, financial debt has increased by a total of EUR 188 m (2009 EUR 172 m) as a result of fair value hedging relationships.

Of the other bonds, EUR 76 m were in a cash flow hedging relationship at 31 December 2010 (2009 EUR 0 m). At 31 December 2010, there were no bank loans and overdrafts in a cash flow hedging relationship (2009 EUR 153 m).

Since the 2009 financial year, The Linde Group has begun to conclude Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The relevant amount arising from these agreements disclosed in bank loans and overdrafts within financial debt is EUR 156 m (2009 EUR 0 m), while the amount disclosed in Cash equivalents is EUR 53 m (2009 EUR 0 m).

In the 2010 and 2009 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 <sup>1</sup> | Weighted average residual term (in years) <sup>2</sup> | Weighted average effective interest rate (in percent) <sup>2,3</sup> |
| Linde Finance B.V., Amsterdam        | EUR 4,327 m                                    | 4,408                  | 3.97   | 5.6  |
| Linde Finance B.V., Amsterdam        | GBP 850 m                                      | 1,062                  | 7.97   | 7.1  |
| Linde Finance B.V., Amsterdam        | USD 400 m                                      | 299                    | 3.87   | 3.7  |
| African Oxygen Limited, Johannesburg | ZAR 390 m                                      | 44                     | 1.52   | 11.9   |
|                                      |  | 5,813                  |  |  |

<sup>1</sup> Includes adjustments relating to hedging transactions.

<sup>2</sup> 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.

<sup>3</sup> Effective interest rate in the relevant currency.



**Variable-interest bonds**

| Issuer                       | Nominal volume<br>in relevant currency<br>(ISO code) | € million | Weighted average<br>residual term<br>(in years) | Weighted average<br>coupon<br>(in percent) <sup>1</sup> |
|------------------------------|--|-----------|---|---|
| Linde Finance B V, Amsterdam | AUD 150 m  | 114       | 4.64  | 5.8   |
| Linde Finance B V, Amsterdam | EUR 50 m   | 50        | 7.40  | 1.6   |
|                              |  | 164       |   |   |

<sup>1</sup> 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 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 (3 month Euribor + 4.125 percent for the euro bond and 3 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 (3 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 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 the 2010 financial year, Linde Finance B V issued a new AUD 150 m Australian dollar bond as part of the EUR 10 bn Debt Issuance Programme. The five-year bond is guaranteed by Linde AG and has a variable coupon rate (3 month Australian Bank Short-Term Rate + 0.85 percent). The issue was made to increase the diversification of Linde's financing currencies and to hedge against currency fluctuations relating to assets in the Group balance sheet.

**Euro commercial papers programme**

Since 2001, Linde has used 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 was increased in 2010 from EUR 1 bn to EUR 2 bn, to ensure sufficient financial headroom in the future as well.

**Bank loans and overdrafts**

Linde currently has an agreed unused syndicated revolving credit facility of EUR 2.5 bn, which also serves as back-up for Linde's EUR 2 bn Commercial Paper Programme. At 31 December 2010, there were no outstanding commercial papers under the programme.

The five-year revolving credit line was agreed in May 2010. It replaced the EUR 2 bn credit facility set up in 2006 for the BOC acquisition, which was originally due to run until March 2011 and has been terminated early, and the EUR 1.6 bn forward start facility available from 2011 to 2013 set up in 2009. The new facility was agreed with a consortium consisting of 25 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 of the sub-group, preferential creditors of the sub-group and any exceptional disposal of the sub-group. All the covenants of The BOC Group Ltd were observed in the 2010 and 2009 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 2010 and 2009 financial years

#### [26] Liabilities from financial services

Liabilities from financial services are repaid over the lease term. They have the following residual lease terms at the balance sheet date

| Liabilities from financial services                    |            |            |
|--|------------|------------|
| in € million   | 31.12.2010 | 31.12.2009 |
| Total minimum lease payments (gross investment)        | 93         | 31         |
| Due within one year                                    | 13         | 12         |
| Due in one to five years                               | 23         | 18         |
| Due in more than five years                            | 57         | 1          |
| Present value of minimum lease payments                | 49         | 28         |
| Due within one year                                    | 10         | 11         |
| Due in one to five years                               | 16         | 16         |
| Due in more than five years                            | 23         | 1          |
| Finance expense included in the minimum lease payments | 44         | 3          |

The book values of assets held under finance leases are disclosed principally under tangible assets (see also 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

| in € million                             | Current |       | Non-current |      | Total |       |
|--|---------|-------|-------------|------|-------|-------|
|  | 2010    | 2009  | 2010        | 2009 | 2010  | 2009  |
| Percentage of completion (PoC)           | 587     | 607   | -           | -    | 587   | 607   |
| Other                                    | 1,977   | 1,526 | 5           | 2    | 1,982 | 1,528 |
| Trade payables                           | 2,564   | 2,133 | 5           | 2    | 2,569 | 2,135 |
| Advance payments received from customers | 174     | 176   | 10          | 19   | 184   | 195   |
| Other taxes                              | 119     | 118   | -           | -    | 119   | 118   |
| Social security                          | 54      | 47    | -           | -    | 54    | 47    |
| Derivatives with negative fair values    | 126     | 97    | 96          | 45   | 222   | 142   |
| Sundry liabilities                       | 477     | 448   | 81          | 88   | 558   | 536   |
| Other liabilities                        | 950     | 886   | 187         | 152  | 1 137 | 1 038 |
| Income tax payables                      | 134     | 133   | 88          | 104  | 222   | 237   |
|  | 3,648   | 3,152 | 280         | 258  | 3,928 | 3,410 |

Percentage of completion trade payables of EUR 587 m (2009 EUR 607 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 our 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 any time, at its own discretion, 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 will be made in each case by the appropriate executive bodies of the company. The company plans to meet option entitlements in future by issuing new shares, as in 2010.

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 this vesting period, the options can 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 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 share (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 (in the capital reserve).

Movements in the options issued under the Long Term Incentive Plan 2007 were as follows

#### Options – Linde Performance Share Programme 2007

|                                    | LTIP – Number<br>of options |
|------------------------------------|-----------------------------|
| At 01.01.2009                      | 971,433                     |
| Options granted                    | 737,480                     |
| Exercised                          | -                           |
| Forfeited                          | 11,671                      |
| Expired                            | -                           |
| At 31.12.2009/01.01.2010           | 1,697,242                   |
| Of which exercisable at 31.12.2009 | -                           |
| Options granted                    | 520,340                     |
| Exercised                          | 134,474                     |
| Forfeited                          | 102,717                     |
| Expired                            | 330,873                     |
| At 31.12.2010                      | 1,649,518                   |
| Of which exercisable at 31.12.2010 | -                           |

In 2010, 134,474 options in the 2007 tranche were exercised, which increased capital subscribed by EUR 1 m (2009: EUR 0 m)

The average remaining period in the LTIP 2007 is 18 months (2009: 19 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 92.63.

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<br>2007 | 2nd tranche<br>2008 | 3rd tranche<br>2009 | 4th tranche<br>2010 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Date of valuation             | 02.08.2007          | 05.06.2008          | 20.05.2009          | 01.06.2010          |
| Expected share volatility (%) | 20.26               | 22.58               | 34.60               | 35.27               |
| Risk-free interest rate (%)   | 4.31                | 4.28                | 1.88                | 0.85                |
| Expected dividend yield (%)   | 1.90                | 1.90                | 3.10                | 2.50                |
| Initial value of Linde share  | 88.45               | 96.10               | 59.75               | 84.54               |
| Exercise price in €           | 2.56                | 2.56                | 2.56                | 2.56                |
| Number of participants        | 840                 | 871                 | 862                 | 868                 |

#### Options per exercise hurdle

|                                   | Option price  | Weighting  | Total value  | Probability | Value on allocation |
|-----------------------------------|---------------|------------|--------------|-------------|---------------------|
|                                   | in EUR        | in percent | in EUR       | in percent  | in EUR              |
| <b>1st tranche 2007</b>           |               |            |              |             |                     |
| Earnings per share                | 81 30         | 40         | 32 52        | ~           | 0 00                |
| Absolute total shareholder return | 36 34         | 30         | 10 90        |             | 10 90               |
| Relative total shareholder return | 43 69         | 30         | 13 11        |             | 13 11               |
| <b>Total</b>                      | <b>161 33</b> | <b>100</b> | <b>56 53</b> |             | <b>24 01</b>        |
| <b>2nd tranche 2008</b>           |               |            |              |             |                     |
| 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               |
| <b>Total</b>                      | <b>176 64</b> | <b>100</b> | <b>61 85</b> |             | <b>59 87</b>        |
| <b>3rd tranche 2009</b>           |               |            |              |             |                     |
| Earnings per share                | 52 10         | 40         | 20 84        | 40          | 8 34                |
| Absolute total shareholder return | 26 38         | 30         | 7 91         |             | 7 91                |
| Relative total shareholder return | 30 93         | 30         | 9 28         |             | 9 28                |
| <b>Total</b>                      | <b>109 41</b> | <b>100</b> | <b>38 03</b> |             | <b>25 53</b>        |
| <b>4th tranche 2010</b>           |               |            |              |             |                     |
| Earnings per share                | 79 64         | 40         | 31 86        | 40          | 12 74               |
| Absolute total shareholder return | 38 85         | 30         | 11 66        |             | 11 66               |
| Relative total shareholder return | 46 78         | 30         | 14 03        |             | 14 03               |
| <b>Total</b>                      | <b>165 27</b> | <b>100</b> | <b>57 55</b> |             | <b>38 43</b>        |

In 2010, the probability that the adjusted earnings per share performance target would be reached in respect of the second tranche (allocated in the 2008 financial year) 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 2010 financial year of EUR 4 m, which was recognised in functional costs.

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of these share options into account. 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 income statement of The Linde Group was as follows

| Personnel expenses – Linde Performance Share Programme 2007 |           |           |
|---|-----------|-----------|
| € million   | 2010      | 2009      |
| <b>Total</b>  | <b>25</b> | <b>10</b> |

#### 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), 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 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 of the company. As in previous years, the company plans to meet the 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 2010 and 2009 financial years.

Participation in the Linde Management Incentive Programme 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 were as follows

**Options – Linde Management Incentive Programme 2002**

|                                    | Number of options | Average exercise price in € |
|------------------------------------|-------------------|-----------------------------|
| At 01 01 2009                      | 2,985,973         | 66.37                       |
| Options granted                    | -                 | -                           |
| Exercised                          | 414,600           | 47.23                       |
| Forfeited                          | 1,000             | 81.76                       |
| Expired                            | 140,650           | 56.90                       |
| At 31 12 2009/01 01 2010           | 2,429,723         | 70.18                       |
| Of which exercisable at 31 12 2009 | 2,429,723         | -                           |
| Options granted                    | -                 | -                           |
| Exercised                          | 1,255,371         | 64.24                       |
| Forfeited                          | -                 | -                           |
| Expired                            | 1,302             | 32.38                       |
| At 31 12 2010                      | 1,173,050         | 76.58                       |
| Of which exercisable at 31 12 2010 | 1,173,050         | -                           |

As a result of the exercise of 1,255,371 options (2009: 414,600), capital subscribed increased in 2010 by EUR 3 m (2009: EUR 1 m) and the capital reserve rose by EUR 77 m (2009: EUR 19 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 98.92 (2009: EUR 74.41). The range of exercise prices of options exercisable at the balance sheet date was between EUR 47.91 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 2009, the Linde Management Incentive Programme 2002 had no effect on earnings in 2010.

## [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 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 financial services   | 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                     | -                     | -                                 |
| <b>Total</b>                          | <b>4,380</b>          | <b>1,159</b>              | <b>2,129</b>          | <b>12</b>                         |

## Financial liabilities

|                                       | Financial instruments |
|---------------------------------------|-----------------------|
|                                       | Fair value            |
| 31 December 2010, in € million        |                       |
| Financial debt                        | 7,025                 |
| Liabilities from financial services   | 49                    |
| Trade payables                        | 1,982                 |
| Derivatives with negative fair values | 222                   |
| Sundry liabilities                    | 558                   |
| <b>Total</b>                          | <b>9,836</b>          |

| 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 |

## Financial assets

|                                       | Financial instruments |                           |                       |                                   |
|---------------------------------------|-----------------------|---------------------------|-----------------------|-----------------------------------|
|                                       | Fair value            | Carrying amount           |                       |                                   |
|                                       |                       | Cash and cash equivalents | Loans and receivables | Held-to-maturity financial assets |
| 31 December 2009, in € million        |                       |                           |                       |                                   |
| Investments and securities            | 80                    | -                         | 10                    | 11                                |
| Receivables from financial services   | 620                   | -                         | -                     | -                                 |
| Trade receivables                     | 1,607                 | -                         | 1,607                 | -                                 |
| Derivatives with positive fair values | 195                   | -                         | -                     | -                                 |
| Miscellaneous receivables and assets  | 546                   | -                         | 251                   | -                                 |
| Cash and cash equivalents             | 831                   | 831                       | -                     | -                                 |
| <b>Total</b>                          | <b>3,879</b>          | <b>831</b>                | <b>1,868</b>          | <b>11</b>                         |

## Financial liabilities

|                                       | Financial instruments |
|---------------------------------------|-----------------------|
|                                       | Fair value            |
| 31 December 2009, in € million        |                       |
| Financial debt                        | 7,127                 |
| Liabilities from financial services   | 28                    |
| Trade payables                        | 1,528                 |
| Derivatives with negative fair values | 142                   |
| Sundry liabilities                    | 536                   |
| <b>Total</b>                          | <b>9,361</b>          |

| 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 |
| -                        | -   | 59                                  | 80    | -   | 80    |
| -                        | -   | -                                   | -     | 645   | 645   |
| -                        | -   | -                                   | 1,607 | -   | 1,607 |
| 66                       | 129   | -                                   | 195   | -   | 195   |
| -                        | -   | -                                   | 251   | 295   | 546   |
| -                        | -   | -                                   | 831   | -   | 831   |
| 66                       | 129   | 59                                  | 2,964 | 940   | 3,904 |

| 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 |
| 6,967                                   | -                        | -   | 6,967 | -   | 6,967 |
| -                                       | -                        | -   | -     | 28  | 28    |
| 1,528                                   | -                        | -   | 1,528 | -   | 1,528 |
| -                                       | 43                       | 99  | 142   | -   | 142   |
| 439                                     | -                        | -   | 439   | 97  | 536   |
| 8,934                                   | 43                       | 99  | 9,076 | 125   | 9,201 |

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 on 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  |
| <b>2010</b>             |      |      |      |      |      |      |      |      |
| 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 |
| <b>2009</b>             |      |      |      |      |      |      |      |      |
| Interest for six months | 0.99 | 0.37 | 0.78 | 0.42 | 4.42 | 0.64 | 7.75 | 1.64 |
| Interest for one year   | 1.28 | 0.64 | 1.02 | 0.47 | 4.67 | 0.77 | 7.38 | 1.88 |
| Interest for five years | 2.77 | 2.92 | 3.43 | 0.70 | 5.82 | 2.81 | 7.95 | 3.16 |
| Interest for ten years  | 3.54 | 3.92 | 4.15 | 1.41 | 6.21 | 3.53 | 7.95 | 3.81 |

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 rating and other market circumstances in the form of credit and liquidity spreads generally applied in the market.

In the 2010 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 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     | -       |

#### Financial assets and liabilities measured at fair value

| 31 December 2009, in € million  | Level 1 | Level 2 | Level 3 |
|---|---------|---------|---------|
| Investments and securities  | 8       | -       | 49      |
| Freestanding derivatives with positive fair values                      | -       | 66      | -       |
| Derivatives designated as hedging instruments with positive fair values | -       | 129     | -       |
| Freestanding derivatives with negative fair values                      | -       | 43      | -       |
| Derivatives designated as hedging instruments with negative fair values | -       | 99      | -       |

During the reporting period, there were no transfers of the fair value calculations between Level 1 and Level 2 and no transfers of the fair value calculations out of or into Level 3

The main items included in the Level 3 valuation category are investments and securities for which no observable market prices are available and for which the valuation is made on the basis of a discounted cash flow method. During the reporting period, a reduction in fair value in this category of EUR 7 m (2009: EUR 0 m) was recognised in equity. All the items in this category are available-for-sale financial assets. No disposals took place during the reporting period.

The principal value drivers of the discounted cash flow method in respect of the valuation of investments and securities in the Level 3 valuation category are the discount rate (WACC) and the imputed free cash flow of these companies. If the WACC had been 0.5 percent higher, the fair value would have been EUR 7 m (2009: EUR 7 m) lower, and if the free cash flows had been 5 percent lower, the fair value would have been EUR 5 m (2009: 5 m) lower. These effects would have been fully recognised in equity.

Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 3 m (2009: EUR 2 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. It is not currently intended to sell these assets.

In the 2010 financial year, net financial gains/losses arose on financial instruments as follows

| in € million  | 2010       | 2009       |
|---|------------|------------|
| From freestanding derivatives                       | -92        | -63        |
| From held-to-maturity investments                   | -2         | -1         |
| From loans and receivables                          | 198        | 79         |
| From available-for sale financial assets            | -7         | -2         |
| Of which: transfers to profit or loss               | -          | -1         |
| Of which: transfers to cumulative changes in equity | -7         | -1         |
| From financial liabilities at amortised cost        | -163       | -77        |
| <b>Total</b>  | <b>-66</b> | <b>-64</b> |

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

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 income statement

The financial result includes fees and other costs of capital of EUR 18 m (2009: EUR 8 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

|                                      | Carrying amount before impairment | Cumulative impairment loss | Carrying amount after impairment | Of which impairment loss for 2010 financial year |
|--------------------------------------|-----------------------------------|----------------------------|----------------------------------|--|
| 31 December 2010, in € million       |                                   |                            |                                  |  |
| Investments and securities           | 79                                | 4                          | 75                               | 1  |
| Receivables from financial services  | 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                            | -  |



|                                      | Carrying<br>amount before<br>impairment | Cumulative<br>impairment<br>loss | Carrying<br>amount after<br>impairment | Of which<br>impairment<br>loss for 2009<br>financial year |
|--------------------------------------|---|----------------------------------|--|---|
| 31 December 2009, in € million       |   |                                  |  |   |
| Investments and securities           | 84                                      | 4                                | 80                                     | 1   |
| Receivables from financial services  | 652                                     | 7                                | 645                                    | 7   |
| Trade receivables                    | 1,767                                   | 160                              | 1,607                                  | 34  |
| Derivatives                          | 195                                     | -                                | 195                                    | -   |
| Miscellaneous receivables and assets | 576                                     | 30 <sup>1</sup>                  | 546                                    | 5   |
| Cash and cash equivalents            | 831                                     | -                                | 831                                    | -   |

<sup>1</sup> Adjusted

The reduction in the cumulative impairment loss relating to Miscellaneous receivables and assets arises from the reversal of the impairment on financial receivables resulting from the disposal of BOC Edwards in the 2007 financial year

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  | 2010 | 2009 |
| Interest income   | 75   | 76   |
| Interest expense  | 332  | 357  |
| Total   | -257 | -281 |

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 basic risk strategies for interest rate, currency and liquidity management, and the objectives and principles governing the financing of The Linde Group are determined by the Treasury committee, led by the member of the Executive Board responsible for finance. This committee usually meets once a month and comprises representatives from Treasury and from Accounting/Reporting

Within Treasury, the principle of segregation of duties between the front, middle and back offices must be 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. We use a treasury management system to implement, record and evaluate our transactions. The operations within Treasury are subject to regular internal and external audits, generally once a year.

We make financing and hedging decisions on the basis of the financial information which we receive from the treasury management system and from our financial and liquidity forecasts.

Due to its global operations, The Linde Group 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.

The management of counterparty risk is based on 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. By the end of the 2010 financial year, credit support annexes (CSAs) had been concluded 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 counterparty 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 53 m (2009: EUR 0 m) was pledged as collateral by The Linde Group for derivatives with negative fair values, and EUR 156 m (2009: EUR 0 m) was pledged as collateral for derivatives with positive fair values. These are described in more detail in Notes [20] and [25]. The Linde Group also has financial assets with a carrying amount of EUR 2 m (2009: EUR 2 m) which are pledged as collateral for liabilities or contingent liabilities. In the 2010 and 2009 financial years, no additional significant collateral was held by The Linde Group apart from the CSA's described above.

Even before the onset of the crisis in the financial markets, the management of liquidity risk was one of the Treasury department's most important tasks. For years, Linde has pursued a prudent and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2010 financial year. The Group also has the backing of a major international banking group which provides it with financing commitments, most of which are still unutilised (see also the "Financing and measures to safeguard liquidity" and "Risk report" sections in the Group management report). The diversification Linde has achieved in its sources of financing means that the Group is able to avoid a concentration of risk in the area of liquidity.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. On the one hand, they have an impact on the level of interest expense borne by The Linde Group, and on the other hand they affect the fair values of financial instruments. Based on the operational business model and using sensitivity and scenario analyses, Group Treasury has determined ranges for the fixed-floating ratio of the financial liabilities in the main currencies: EUR, GBP, USD and AUD. Group Treasury manages the ratios centrally within the agreed ranges and submits regular reports to the Treasury committee about the measures implemented. Exposure to interest rate risks is hedged by the use of long-term fixed-interest bonds, loans and interest rate derivatives.

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

Business and financing activities which are not in the local currency inevitably lead to foreign currency cash flows. The Group guideline states that the 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 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 and foreign currency loans are all used here. The main currencies are USD, GBP, and AUD and some Eastern European, South American and Asian currencies.

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 immediately hedged fully when they arise, generally by entering into forward exchange transactions.

In the Gases Division, Linde also uses financial instruments to hedge against exposure to changes in the price of electricity, natural gas and propane gas.

For additional information about risk management in The Linde Group, see the risk report section of the management report.

## Liquidity risks

Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below

| 2010, in € million                                       | Due within<br>1 year | Due in<br>1 to 5 years | Due in more<br>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                          |
| 2009, in € million                                       | Due within<br>1 year | Due in<br>1 to 5 years | Due in more<br>than 5 years |
| Cash outflows from non-derivative financial liabilities  | 2,747 <sup>1</sup>   | 4,471                  | 3,743                       |
| Cash outflows from derivatives with negative fair values | 80                   | 196                    | 58                          |
| Of which settled gross                                   | 80                   | 196                    | 58                          |
| Related cash inflows as a result of gross settlement     | 67                   | 145                    | 53                          |

<sup>1</sup> Adjusted

In the case of derivative financial instruments, only those with negative fair values are included, in accordance with IFRS 7 39 (b). In the case of derivatives settled gross, both the cash outflow and the cash inflow on the liquidation of the derivative are included in the analysis to avoid distortions in the presentation.

## Interest rate risks

As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2010, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 5,414 m (2009 EUR 6,035 m). Of these, EUR 1,399 m (2009 EUR 3,136 m) related to instruments bearing interest at variable rates and EUR 4,015 m (2009 EUR 2,899 m) to instruments bearing interest at fixed rates. This is equivalent to a fixed-rate ratio of 74 percent (2009 48 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 198 m (2009 GBP 571 m) [fixed-rate ratio 100 percent (2009 53 percent)], in Euro of EUR 3,608 m (2009 EUR 3,950 m) [fixed-rate ratio 65 percent (2009 44 percent)], in Australian Dollars of AUD 613 m (2009 AUD 572 m) [fixed-rate ratio 56 percent (2009 36 percent)] and in US Dollars of USD 1,268 m (2009 USD 1,491 m) [fixed-rate ratio 50 percent (2009 44 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 the same)

| 2010, in € million | Change                | Income statement | Recognised in equity |
|--------------------|-----------------------|------------------|----------------------|
| <b>Currency</b>    |                       |                  |                      |
| EUR                | + 100 bp              | - 11             | - 12                 |
|                    | - 100 bp <sup>1</sup> | 11               | 13                   |
| GBP                | + 100 bp              | 2                | -                    |
|                    | - 100 bp <sup>1</sup> | - 2              | -                    |
| USD                | + 100 bp              | - 4              | 8                    |
|                    | - 100 bp <sup>1</sup> | 1                | - 9                  |
| AUD                | + 100 bp              | -                | 8                    |
|                    | - 100 bp              | -                | - 8                  |
| Other currencies   | + 100 bp              | 3                | 8                    |
|                    | - 100 bp              | - 3              | - 8                  |

<sup>1</sup> 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.

Due to higher volumes in currencies such as Brazilian reals and Indian rupees during the financial year, the sensitivity to changes in interest rates is disclosed in 2010 not only for the main currencies (EUR, GBP, USD and AUD), but also for other currencies

| 2009, in € million | Change                | Income statement | Recognised in equity |
|--------------------|-----------------------|------------------|----------------------|
| <b>Currency</b>    |                       |                  |                      |
| EUR                | + 100 bp              | - 22             | - 2                  |
|                    | - 100 bp <sup>1</sup> | 20               | 2                    |
| GBP                | + 100 bp              | - 4              | -                    |
|                    | - 100 bp              | 4                | -                    |
| USD                | + 100 bp              | - 5              | 4                    |
|                    | - 100 bp <sup>1</sup> | 1                | - 4                  |
| AUD                | + 100 bp              | -                | 1                    |
|                    | - 100 bp              | -                | - 1                  |

<sup>1</sup> 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

As a result of its Group activities, The Linde Group is exposed to exchange rate risks in around 100 countries. This broad spread of activities over many different currency areas and the local business model of an industrial gases group 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. The gross exchange rate risk is reduced by around 90 percent (2009: 86 percent) as a result of hedging operations. In its earnings at the balance sheet date, The Linde Group is exposed to a net exchange rate risk of 10 percent of the total of all operating activities involving foreign currency (2009: 14 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 on the basis of 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 2010, the value-at-risk was EUR 14 m (2009: EUR 17 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.

#### 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 underlined the importance of sufficient liquidity procurement for companies.

Our external financial headroom is maintained primarily by a major international banking group and the capital markets. 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 2010 mainly by the Dutch finance company Linde Finance B.V. and by Linde AG. Centralised financing makes it possible for Group companies to act as a single customer on the capital market. This strengthens their negotiating position with the banks and other market participants and ensures that the subsidiaries are financed in a cost-efficient manner.

The Group companies are financed either by the cash surpluses of other business units in cash pools (in Germany, the UK, Scandinavia and the Baltic states, the United States, the Benelux countries, Australia, China and other Asian countries), or by Group loans from Linde Finance B.V. or Linde AG, 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 specific projects or for subsidiaries quoted on the stock exchange.

## 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 instruments being hedged is recognised directly in equity and released to the income statement when the hedged cash flows are also recognised in the income statement 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 electricity, natural gas and propane gas derivatives to a minor extent. 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                          | 2010 | 2009 |
|---------------------------------------|------|------|
| At 1 January                          | -28  | -46  |
| Additions                             | -22  | -17  |
| Transfers to the income statement     | 19   | 35   |
| Of which relating to sales            | -7   | -9   |
| Of which relating to cost of sales    | 24   | 40   |
| Of which relating to financial income | 2    | 4    |
| At 31 December                        | -31  | -28  |

In the 2010 financial year, an amount of EUR 1 m was debited to cost of sales as a result of forecast transactions which did not take place (2009: EUR 0 m). This relates to foreign currency hedges in respect of proposed investments in tangible assets.

No amounts were recognised in 2010 or in 2009 as a result of ineffectiveness in cash flow hedges.

Cash flows from such hedging instruments and the gains and losses on those hedging instruments are expected to be as follows

| 2010, in € million                  | Within one year | Between one and 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   |

| 2009, in € million                  | Within one year  | Between one and five years | In more than five years | Total |
|-------------------------------------|------------------|----------------------------|-------------------------|-------|
| Cash flows from hedged transactions | -96 <sup>1</sup> | -248 <sup>1</sup>          | -                       | -344  |
| Cash flows from hedging instruments | -30              | -28                        | -1                      | -59   |
| Gain/loss                           | -19              | -4                         | -5                      | -28   |

<sup>1</sup> Adjusted

#### 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             | 2010 | 2009 |
|--------------------------|------|------|
| From hedged transactions | -22  | -23  |
| From hedging instruments | 25   | 25   |
| Ineffectiveness          | 3    | 2    |

#### Hedges of a net investment in a foreign operation

The Linde Group hedges its exposure to translation risk, which increased as a result of the BOC acquisition, 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 income statement.

No amounts were recognised in 2010 or 2009 as a result of ineffectiveness in net investment hedges.

#### Fair value of financial instruments designated as hedges

| in € million                                | 2010       | 2009         |
|---|------------|--------------|
| <b>Cash flow hedges</b>                     |            |              |
| Forward exchange transactions               | -21        | -10          |
| Interest rate swaps                         | -40        | -9           |
| Commodities                                 | 2          | -27          |
| Financial liabilities                       | 15         | 11           |
| <b>Fair value hedges</b>                    |            |              |
| Interest rate swaps                         | 90         | 91           |
| <b>Net investment hedges</b>                |            |              |
| Forward exchange transactions               | 2          | -15          |
| Financial liabilities in foreign currencies | 667        | 1,096        |
| <b>Total</b>                                | <b>715</b> | <b>1,137</b> |

#### [30] Group cash flow statement

The cash flow statement shows the source and application of funds. In accordance with IAS 7 *Cash Flow Statements*, cash flows from operating activities are distinguished from cash flows from investing and financing activities.

The cash and cash equivalents disclosed in the cash flow statement 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 net income 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 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 received 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. All purchase price payments for additions and disposals of consolidated companies were made in cash.

The total increase in cash and cash equivalents as a result of acquisitions was EUR 2 m (2009: EUR 9 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 segments to be defined primarily on the basis of the internal management of an entity. In the Gases Division, the organisational structure is based on management at a regional level. In contrast, the Engineering Division and Other activities (Gist and Fred Butler®) are managed at a global level. Included in the reconciliation column are not only corporate activities, but also adjustments to arrive at the consolidated figure.

In accordance with IFRS 8, The Linde Group comprises a total of six operating segments, which are briefly described below:

**Gases Division** 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 Gases Division comprises four operating segments based on the regional structure of The Linde Group:

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

**Engineering Division** Design and realisation of turnkey olefin plants for the production of hydrogen and synthesis gases and the treatment 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.

**Other activities** Other activities includes Group activities which cannot be allocated to any other operating segment. In particular, it includes Gist, a leading supplier of logistics and supply chain solutions with substantial business operations in the UK, and Fred Butler®, a provider of environmentally friendly cleaning services for the end consumer. As none of these activities have exceeded the quantitative thresholds which apply for separate disclosure, they are disclosed together under Other activities.

## Segment accounting policies

For the operating segments, the same accounting policies apply as those set out in Note [7]. Exceptions relate to Group financing which is allocated to Corporate. Pension obligations are generally allocated to the segment in which the relevant employees work. The entire provision for pension obligations outstanding in the UK has been allocated to the Western Europe operating segment, with only the service cost charged to Western Europe, Other activities and Corporate. Transactions between the operating segments 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 operating segments in the Gases Division, consolidation adjustments of EUR 95 m (2009: EUR 68 m) have been applied to sales. Therefore, it is not possible to arrive at the figures for the Gases Division as a whole by merely adding together the operating 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, segment operating profit to Group earnings before taxes on income are all shown below.

| Reconciliations of segment sales and of the segment result                                |               |               |
|---|---------------|---------------|
| in € million  | 2010          | 2009          |
| <b>Segment sales</b>  |               |               |
| Sales of the reportable segments  | 13,238        | 11,708        |
| Consolidation   | -370          | -497          |
| <b>Group sales</b>  | <b>12,868</b> | <b>11,211</b> |
| <b>Operating profit</b>   |               |               |
| Operating profit from the reportable segments   | 3,094         | 2,640         |
| Operating profit from Corporate activities  | -72           | -202          |
| Amortisation and depreciation   | 1,246         | 1,218         |
| Of which fair value adjustments identified in the course of the purchase price allocation | 254           | 293           |
| Financial income  | 396           | 314           |
| Financial expenses  | 676           | 643           |
| Consolidation   | -97           | -53           |
| <b>Earnings before taxes on income</b>  | <b>1,399</b>  | <b>838</b>    |

The operating loss from Corporate activities improved from EUR 202 m in 2009 to EUR 72 m in 2010. It should be noted here that the prior-year figure included restructuring costs of EUR 83 m and that the figure for 2010 includes EUR 29 m of income in respect of the adjustment to past service cost in the UK pension scheme.

## [32] Employees

The average number of employees (including part-time employees pro-rata) analysed by region is as follows

|   | 2010          | 2009          |
|---|---------------|---------------|
| <b>Employees by division</b>                |               |               |
| Gases Division                              | 37,398        | 38,676        |
| Engineering Division                        | 5,678         | 5,813         |
| Other/Corporate                             | 4,787         | 4,604         |
| <b>Group</b>                                | <b>47,863</b> | <b>49,093</b> |
|   |               |               |
|   | 2010          | 2009          |
| <b>Gases Division – Employees by region</b> |               |               |
| Western Europe                              | 12,690        | 13,086        |
| Americas                                    | 6,935         | 7,271         |
| Asia & Eastern Europe                       | 11,158        | 11,322        |
| South Pacific & Africa                      | 6,615         | 6,997         |
| <b>Total</b>                                | <b>37,398</b> | <b>38,676</b> |

### [33] Recommendation for the approval of the annual financial statements and appropriation of the profit of Linde AG

The unappropriated profit of Linde AG was EUR 431,927,035 57 (2009 EUR 887,319,283 44)

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 2010    | 31 12 2009    |
|---|---------------|---------------|
| Intangible assets                             | 51            | 49            |
| Tangible assets                               | 331           | 360           |
| Financial assets                              | 12,965        | 12,972        |
| <b>Non-current assets</b>                     | <b>13,347</b> | <b>13,381</b> |
| Inventories                                   | 1,896         | 2,298         |
| Less advance payments received from customers | -1,896        | -2,298        |
| Receivables and other assets                  | 719           | 520           |
| Liquid funds                                  | 580           | 320           |
| <b>Current assets</b>                         | <b>1,299</b>  | <b>840</b>    |
| Prepaid expenses and deferred charges         | 8             | 11            |
| <b>Total assets</b>                           | <b>14,654</b> | <b>14,232</b> |

#### Balance sheet of Linde AG – Equity and liabilities

| in € million  | 31 12 2010    | 31 12 2009    |
|---|---------------|---------------|
| Capital subscribed  | 436           | 432           |
| Conditionally authorised capital of € 99 million (2009 € 152 million) |               |               |
| Capital reserve   | 5,112         | 5,035         |
| Revenue reserves  | 1,917         | 1,328         |
| Net retained profit   | 432           | 887           |
| <b>Equity</b>   | <b>7,897</b>  | <b>7,682</b>  |
| Provisions for pensions and similar obligations                       | 487           | 804           |
| Other provisions  | 949           | 884           |
| <b>Provisions</b>   | <b>1,436</b>  | <b>1,688</b>  |
| <b>Liabilities</b>  | <b>5,321</b>  | <b>4,862</b>  |
| <b>Total equity and liabilities</b>                                   | <b>14,654</b> | <b>14,232</b> |

# Income statement of Linde AG

| in € million  | 2010         | 2009         |
|---|--------------|--------------|
| <b>Sales</b>  | <b>2,809</b> | <b>2,439</b> |
| Cost of sales   | 1,995        | 1,741        |
| <b>Gross profit on sales</b>  | <b>814</b>   | <b>698</b>   |
| Marketing and selling expenses  | 290          | 288          |
| Research and development costs  | 122          | 128          |
| General administration expenses                                       | 336          | 376          |
| Other operating income  | 287          | 399          |
| Other operating expenses  | 132          | 229          |
| Investment income   | 323          | 375          |
| Other interest and similar income                                     | 177          | 151          |
| Of which from affiliated companies € 156 million (2009 € 133 million) |              |              |
| Write-down of financial assets and securities held as current assets  | 36           | 49           |
| Interest and similar charges  | 242          | 219          |
| Of which to affiliated companies € 196 million (2009 € 191 million)   |              |              |
| <b>Profit on ordinary activities</b>                                  | <b>443</b>   | <b>334</b>   |
| Extraordinary income  | 37           | –            |
| Taxes on income   | 48           | 29           |
| <b>Net income</b>   | <b>432</b>   | <b>305</b>   |
| Transfer to revenue reserves from prior periods                       | –            | 582          |
| <b>Net retained profit</b>  | <b>432</b>   | <b>887</b>   |

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 9 March 2011, the appropriation of profit of EUR 431,927,035 57 (2009 EUR 887,319,283 44 ) be voted on at the Annual General Meeting on 12 May 2011 the distribution of a dividend of EUR 2 20 per share entitled to dividend (2009 EUR 1 80)

The amount to be distributed will therefore be EUR 374,653,270 20 (2009 EUR 304,032,772 80), based on 170,296,941 (2009 168,907,096) shares entitled to dividend The remaining amount of EUR 57,273,765 37 (2009 EUR 583,286,510 64) will be transferred to other retained earnings

### [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 a large number of affiliated but not 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 has been filed in the electronic German Federal Gazette (Bundesanzeiger) and is disclosed in Note [41]. 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

|   | 2010                               |                                   |                            |       | 2009                               |                                   |                            |       |
|---|------------------------------------|-----------------------------------|----------------------------|-------|------------------------------------|-----------------------------------|----------------------------|-------|
|   | 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 |
| in € million  |                                    |                                   |                            |       |                                    |                                   |                            |       |
| Sale of engineering services  | -                                  | 356                               | -                          | 356   | 3                                  | 138                               | -                          | 141   |
| Revenue from the sale of industrial gases                               | -                                  | 10                                | -                          | 10    | -                                  | 6                                 | -                          | 6     |
| Other revenue from the sale of finished or unfinished goods or services | -                                  | 30                                | -                          | 30    | -                                  | 30                                | -                          | 30    |

#### Services provided by related parties to the Group

|   | 2010                               |                                   |                            |       | 2009                               |                                   |                            |       |
|---|------------------------------------|-----------------------------------|----------------------------|-------|------------------------------------|-----------------------------------|----------------------------|-------|
|   | 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 |
| in € million  |                                    |                                   |                            |       |                                    |                                   |                            |       |
| Industrial gases purchased from related parties                         | -                                  | 5                                 | -                          | 5     | -                                  | 25                                | 4                          | 29    |
| Finished or unfinished goods or services purchased from related parties | -                                  | 118                               | -                          | 118   | -                                  | 79                                | -                          | 79    |

Some members of the Supervisory Board and the 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 2010                         |                                   |                            |       | 31 12 2009                         |                                   |                            |       |
|----------------------------------|------------------------------------|-----------------------------------|----------------------------|-------|------------------------------------|-----------------------------------|----------------------------|-------|
|                                  | 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                                  | 291                               | -                          | 294   | 6                                  | 290                               | -                          | 296   |
| Liabilities to related parties   | 1                                  | 25                                | -                          | 26    | 5                                  | 39                                | -                          | 44    |

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 totalling EUR 31 m (2009: EUR 35 m). These are disclosed as contingent liabilities in Note [38].

## [35] Additional information about the Supervisory Board and Executive Board

### Supervisory Board

In the 2010 financial year, the total emoluments of members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, was EUR 2,504,950 (2009: EUR 2,070,362). Of this amount, EUR 1,023,400 (2009: EUR 999,600) related to fixed emoluments and EUR 1,442,280 (2009: EUR 1,033,872) to variable emoluments.

At 31 December 2010, as at the end of 2009, 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 €                  | 2010       | 2009       |
|-----------------------|------------|------------|
| Fixed emoluments      | 4,080,077  | 4,030,437  |
| Variable emoluments   | 7,821,055  | 6,431,873  |
| Total cash emoluments | 11,901,132 | 10,462,310 |

In the 2010 financial year, under the 2007 Performance Share Programme approved at the Annual General Meeting, a total of 78,065 subscription rights (2009: 117,509 subscription rights) were granted to members of the Executive Board as part of their total emoluments. These had a value on the grant date of EUR 38.43 (2009: EUR 25.53) per subscription right, which gives a total of EUR 3,000,039 (EUR 3,000,005).

In 2010 and 2009, 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 2,579,839 (2009: EUR 2,667,115).

A provision of EUR 36,147,574 (2009: EUR 35,054,097) 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 34,899,136 (2009: EUR 36,836,129) 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 23 to 31 of the 2010 annual report.

### [36] Declaration of Compliance with the Corporate Governance Code and Declaration on Corporate Governance in accordance with § 289 a 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](http://www.linde.com/declarationofcompliance). The Declaration on Corporate Governance can be found on the Internet at [www.linde.com/corporategovernance](http://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 2010 )

#### 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

Dr Gerhard Beiten  
Lawyer

→ External offices  
Bayer AG (Chairman)  
Daimler AG  
RWE AG (Chairman)  
TUI AG

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

→ External offices  
Bayer AG  
Daimler AG  
Deutsche Bank AG (Chairman)

Hans-Dieter Katte  
Deputy Chairman of the Supervisory Board  
of Linde AG,  
Chairman of the Pullach Works Council,  
Engineering Division, Linde AG

→ External offices  
Emerson Electric Company  
(Member of the Board of Directors)

Michael Diekmann  
Second Deputy Chairman of the Supervisory Board  
of Linde AG,  
Chairman of the Board of Management of Allianz SE

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

→ External offices  
BASF SE  
Siemens AG

Thilo Kammerer  
Trade Union Secretary, IG Metall

→ Group offices  
Allianz Deutschland AG  
Allianz Global Investors AG (Chairman)

→ External offices  
KION GROUP GmbH  
KION Holding 1 GmbH

→ Group offices  
Allianz S p A  
Allianz France S A  
(Vice-President of the Administrative Board)

Matthew F C Miao  
Chairman of MitAC-SYNNEX-Group, Taiwan

→ External offices  
BOC Lianhwa Industrial Gases Co Ltd  
(Member of the Board of Directors)  
Winbond Electronics Corp  
(Member of the Board of Directors)

→ Group offices  
Mitac 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

|   |  |  |
|---|--|--|
| EXECUTIVE BOARD                         | <b>Supervisory Board</b>   |  |
|   | Klaus-Peter Muller<br>Chairman of the Supervisory Board<br>of Commerzbank AG   | Jens Riedel<br>Chairman of the Leuna Works Council,<br>Gases Division, Linde AG                            |
| SUPERVISORY BOARD                       | → External offices<br>Commerzbank AG (Chairman)<br>Fraport AG (retired on 31 December 2010)<br>Fresenius SE<br>Fresenius Management SE<br>MaschmeyerRurup AG   | Xaver Schmidt<br>Secretary to the Executive Board of IG Bergbau,<br>Chemie, Energie Hanover                |
| CORPORATE GOVERNANCE                    | → External offices<br>Landwirtschaftliche Rentenbank<br>(Member of the Administrative Board)<br>Parker Hannifin Corporation<br>(Member of the Board of Directors)  | Josef Schregle<br>Manager responsible for finance and<br>financial control, Engineering Division, Linde AG |
| LINDE SHARES                            | <b>Executive Board</b>   |  |
|   | 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 |  |
| GROUP MANAGEMENT REPORT                 | Professor Dr Wolfgang Reitzle<br>Chief Executive Officer   | J Kent Masters<br>Member of the Executive Board  |
|   | → External offices<br>Continental AG (Chairman)  | → External offices<br>Rockwood Holdings, Inc , USA<br>(Member of the Board of Directors)                   |
| GROUP FINANCIAL STATEMENTS              | Dr Aldo Belloni<br>Member of the Executive Board   | → Group offices<br>African Oxygen Limited, South Africa<br>(Chairman of the Board of Directors)            |
| NOTES TO THE GROUP FINANCIAL STATEMENTS | Georg Denoke<br>Member of the Executive Board  |  |
| FURTHER INFORMATION                     | → Membership of other German supervisory boards<br>→ Membership of comparable German and foreign boards  |  |

### [38] Contingent liabilities/Other financial commitments

| Contingent liabilities |            |            |
|------------------------|------------|------------|
| in € million           | 31 12 2010 | 31 12 2009 |
| Guarantees             | 4          | 3          |
| Warranties             | 61         | 38         |
|                        | 65         | 41         |

#### 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. Appropriate provisions have been made in the relevant Group companies for contingent financial commitments from other legal or arbitration proceedings.

During the 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 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.

In the 2010 financial year, two customers of Linde's South African subsidiary filed claims against this company for EUR 22 m and EUR 21 m respectively, on the grounds of alleged failure to meet supply commitments. Linde is confident that it has strong defences to the claims asserted and intends to defend vigorously such claims.

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 2010 | 31 12 2009 |
| Obligations under non-cancellable operating leases     | 563        | 526        |
| Capital expenditure commitment (tangible fixed assets) | 320        | 220        |
| Capital expenditure commitment (intangible assets)     | 1          | 1          |
|  | 884        | 747        |

Total future minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

| Procurement leases                              |            |            |
|---|------------|------------|
| in € million                                    | 31 12 2010 | 31 12 2009 |
| Total minimum lease payments (gross investment) |            |            |
| Due within one year                             | 132        | 119        |
| Due in one to five years                        | 260        | 237        |
| Due in more than five years                     | 171        | 170        |
|   | 563        | 526        |

The future 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 2010 financial year, costs arising from operating leases of EUR 276 m (2009: EUR 284 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 904 m (2009: EUR 1,260 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:

| in € million               | 2010  |                                 | 2009  |                                 |
|----------------------------|-------|---------------------------------|-------|---------------------------------|
|                            | Group | Thereof<br>KPMG AG <sup>1</sup> | Group | Thereof<br>KPMG AG <sup>1</sup> |
| Audit (including expenses) | 8     | 4                               | 9     | 3                               |
| Other attestation services | 3     | 1                               | 2     | 1                               |
| Tax consultancy            | 2     | –                               | 2     | 1                               |
| Other services             | 1     | 1                               | –     | –                               |
|                            | 14    | 6                               | 13    | 5                               |

<sup>1</sup> 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, analyses of transfer pricing, advising employees who work outside their home country, and tax advice relating to current or proposed business transactions.

## [40] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation in accordance with IFRS 3 on the acquisition of BOC and the acquisitions directly related to the BOC transaction

### Adjusted financial figures

| in € million   | 31 12 2010  |                      |                       | 31 12 2009  |                      |                       |
|--|-------------|----------------------|-----------------------|-------------|----------------------|-----------------------|
|  | As reported | Non-GAAP adjustments | Key financial figures | As reported | Non-GAAP adjustments | Key financial figures |
| Sales  | 12,868      | -                    | 12,868                | 11,211      | -                    | 11,211                |
| Cost of sales  | -8,347      | 83                   | -8,264                | -7,441      | 141                  | -7,300                |
| Gross profit on sales  | 4,521       | 83                   | 4,604                 | 3,770       | 141                  | 3,911                 |
| Research and development costs, marketing, selling and administration expenses | -3,027      | 171                  | -2,856                | -2,655      | 152                  | -2,503                |
| Other operating income and expenses  | 117         | -                    | 117                   | -8          | -                    | -8                    |
| Income from associates and joint ventures (at equity)                          | 68          | -                    | 68                    | 60          | -                    | 60                    |
| EBIT   | 1,679       | 254                  | 1,933                 | 1,167       | 293                  | 1,460                 |
| Financial result   | -280        | -                    | -280                  | -329        | -                    | -329                  |
| Taxes on income  | -335        | -92                  | -427                  | -185        | -112                 | -297                  |
| Earnings after taxes   | 1,064       | 162                  | 1,226                 | 653         | 181                  | 834                   |
| Attributable to non-controlling interests                                      | 59          | -                    | 59                    | 62          | -                    | 62                    |
| Attributable to Linde AG shareholders  | 1,005       | 162                  | 1,167                 | 591         | 181                  | 772                   |
| Equity including non-controlling interests                                     | 11,362      | -790                 | 10,572                | 9,187       | -952                 | 8,235                 |
| Plus Financial debt  | 6,673       | -                    | 6,673                 | 6,967       | -                    | 6,967                 |
| Plus Liabilities from financial services                                       | 49          | -                    | 49                    | 28          | -                    | 28                    |
| Less Receivables from financial services                                       | 392         | -                    | 392                   | 645         | -                    | 645                   |
| Less Cash and cash equivalents   | 1,176       | -                    | 1,176                 | 848         | -                    | 848                   |
| Plus Net pension obligations   | 552         | -                    | 552                   | 887         | -                    | 887                   |
| Capital employed   | 17,068      | -790                 | 16,278                | 15,576      | -952                 | 14,624                |
| Earnings per share in € - undiluted  | 5.94        | -                    | 6.89                  | 3.51        | -                    | 4.58                  |
| Earnings per share in € - diluted  | 5.86        | -                    | 6.80                  | 3.48        | -                    | 4.55                  |
| Return on capital employed (ROCE) in %   | 10.3        | -                    | 12.5                  | 7.7         | -                    | 10.4                  |

[41] List of shareholdings of The Linde Group and Linde AG at 31 December 2010 in accordance with the provisions of § 313 (2) No. 4 of the German Commercial Code (HGB)

The results of companies acquired in 2010 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 2010 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 |
|--|--------------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| <b>Gases Division</b>  |                          |         |                                   |                             |                     |                                       |      |
| <b>Western Europe</b>  |                          |         |                                   |                             |                     |                                       |      |
| Linde Electronics GmbH   | Stadl-Paura              | AUT     | 100                               |                             | 6.9                 | 0.9                                   |      |
| Linde Gas GmbH   | Stadl-Paura              | AUT     | 100                               | 49                          | 438.6               | 104.0                                 |      |
| PROVISIS Gase & Service GmbH   | Bad Wimsbach-Neydharting | AUT     | 100                               |                             | 0.1                 | 0.0                                   |      |
| Chemogas N.V.  | Grimbergen               | BEL     | 100                               |                             | 5.1                 | 0.2                                   |      |
| Linde Gas Belgium NV   | Niel                     | BEL     | 100                               |                             | 4.8                 | -0.5                                  |      |
| PanGas AG  | Dagmersellen             | CHE     | 100                               |                             | 120.8               | 37.7                                  |      |
| AGA Holding GmbH   | Munich                   | DEU     | 100                               | 100                         | 90.3                | -2.2                                  |      |
| Eibl Homecare GmbH   | Mahlow                   | DEU     | 100                               |                             | 4.1                 | -                                     | a    |
| Heins & Co. GmbH   | Bremen                   | DEU     | 100                               |                             | 0.0                 | -                                     | a    |
| Hydromotive GmbH & Co. KG  | Leuna                    | DEU     | 100                               | 100                         | 1.6                 | 0.3                                   |      |
| Hydromotive Verwaltungs-GmbH   | Leuna                    | DEU     | 100                               | 100                         | 0.0                 | 0.0                                   |      |
| Linde Electronics GmbH & Co. KG  | Pullach                  | DEU     | 100                               | 100                         | 25.7                | 0.5                                   |      |
| Linde Electronics Verwaltungs GmbH   | Pullach                  | DEU     | 100                               | 100                         | 3.2                 | -0.3                                  |      |
| Linde Gas Produktionsgesellschaft mbH & Co. KG                             | Pullach                  | DEU     | 100                               | 100                         | 346.9               | -1.4                                  |      |
| Linde Gas Therapeutics GmbH  | Unterschleissheim        | DEU     | 100                               |                             | 25.7                | -                                     | a    |
| Linde Gas Verwaltungs GmbH   | Pullach                  | DEU     | 100                               | 100                         | 0.1                 | 0.0                                   |      |
| Linde Welding GmbH   | Pullach                  | DEU     | 100                               |                             | 0.3                 | -                                     | a    |
| Martens Schweissttechnik GmbH  | Rastede                  | DEU     | 100                               |                             | 0.9                 | -                                     | a    |
| MTA GmbH Medizin-Technischer Anlagenbau                                    | Sailauf                  | DEU     | 100                               |                             | 1.2                 | -0.1                                  |      |
| SMR GmbH Schweisservice Martens  | Rastede                  | DEU     | 100                               |                             | 0.4                 | -                                     | a    |
| Spectra Gases (Germany) GmbH   | Babenhausen              | DEU     | 100                               |                             | 4.7                 | 1.0                                   |      |
| Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung | Würzburg                 | DEU     | 100                               | 100                         | 3.9                 | -                                     | a    |
| TGF GmbH   | Norderstedt              | DEU     | 100                               | 100                         | 0.6                 | 0.1                                   |      |
| Unterbichler Gase GmbH   | Munich                   | DEU     | 100                               |                             | 0.0                 | -                                     | a    |
| Wahle I Vermögensverwaltungs GmbH I L                                      | Bad Vilbel               | DEU     | 97                                |                             | 0.8                 | -                                     | a    |
| AGA A/S  | Copenhagen               | DNK     | 100                               |                             | 10.1                | 3.4                                   |      |
| Linde Gas Algerie S.p.A.   | Algiers                  | DZA     | 66                                | 66                          | 54.9                | 9.2                                   |      |
| Abelló Linde, S.A.   | Barcelona                | ESP     | 80                                | 80                          | 120.8               | 8.7                                   |      |

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| LINDE ELECTRONICS, S L                                      | Barcelona         | ESP     | 100                               |                             | -0.5                | -0.1                                 |      |
| LINDE MEDICINAL, S L  | Cordoba           | ESP     | 100                               |                             | 6.7                 | -0.3                                 |      |
| AS Eesti AGA  | Tallinn           | EST     | 100                               |                             | 9.8                 | 3.1                                  |      |
| Kiinteistö Oy Karakaasu                                     | Espoo             | FIN     | 100                               |                             | -2.1                | 0.0                                  | c    |
| Kiinteistö Oy Karaportti                                    | Espoo             | FIN     | 100                               |                             | -3.4                | 0.0                                  | c    |
| Oy AGA ab   | Espoo             | FIN     | 100                               |                             | 34.7                | 36.7                                 | c    |
| Teollisuuskasut Suomi Oy                                    | Espoo             | FIN     | 100                               |                             | 2.3                 | 0.0                                  | c    |
| TK Teollisuuskasut Oy                                       | Espoo             | FIN     | 100                               |                             | -0.1                | -0.1                                 | c    |
| LINDE ELECTRONICS SAS                                       | Saint Priest      | FRA     | 100                               |                             | 2.3                 | 0.1                                  |      |
| Linde France S A  | Saint Priest      | FRA     | 100                               |                             | 0.0                 | 24.5                                 | d    |
| Linde Médical Domicile S A                                  | Amiens            | FRA     | 100                               |                             | 0.4                 | 0.2                                  |      |
| ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED             | Nottingham        | GBR     | 100                               |                             | 0.0                 | 0.0                                  | c, d |
| BOC HEALTHCARE LIMITED                                      | Guildford         | GBR     | 100                               |                             | 0.3                 | 0.0                                  |      |
| BOC HELEX   | Guildford         | GBR     | 100                               |                             | 1,721.0             | 82.8                                 |      |
| COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED              | Nottingham        | GBR     | 100                               |                             | 0.1                 | -0.1                                 | 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                 | 0.1                                  | c, d |
| GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD                   | Nottingham        | GBR     | 80                                |                             | 1.0                 | 0.0                                  | 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 |
| GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED             | Nottingham        | GBR     | 100                               |                             | 0.0                 | 0.0                                  | c, d |
| INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED          | Nottingham        | GBR     | 100                               |                             | -1.7                | -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                 | -0.1                                 | c, d |
| INDUSTRIAL SUPPLIES & SERVICES LIMITED                      | Nottingham        | GBR     | 100                               |                             | 3.1                 | -0.3                                 | c, d |
| LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED  | Nottingham        | GBR     | 75                                |                             | 1.1                 | 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                               |                             | -0.8                | -0.1                                 | c, d |
| LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED    | Nottingham        | GBR     | 90                                |                             | 0.2                 | 0.0                                  | c, d |
| LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED | Nottingham        | GBR     | 88                                |                             | 1.5                 | 0.1                                  | c, d |

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| LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED | Nottingham        | GBR     | 100                               |                             | 0.2                 | -0.1                                  | c, d |
| LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED              | Nottingham        | GBR     | 90                                |                             | 0.2                 | 0.0                                   | c, d |
| LEENGATE VALVES LIMITED                                     | Nottingham        | GBR     | 94                                |                             | 1.0                 | 0.3                                   | c, d |
| LEENGATE WELDING LIMITED                                    | Nottingham        | GBR     | 100                               |                             | 0.0                 | 0.0                                   | c, d |
| LINDE CANADA HOLDINGS LIMITED                               | Guildford         | GBR     | 100                               |                             | 340.8               | 4.4                                   |      |
| 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 |
| Spectra Gases Limited                                       | Cambridge         | GBR     | 100                               |                             | 0.6                 | 0.2                                   |      |
| W & G SUPPLIES LIMITED                                      | Nottingham        | GBR     | 100                               |                             | 0.3                 | 0.0                                   | c, d |
| WELDER EQUIPMENT SERVICES LIMITED                           | Nottingham        | GBR     | 75                                |                             | 0.0                 | -0.1                                  | c, d |
| WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED                | Nottingham        | GBR     | 100                               |                             | -0.2                | -0.1                                  | c, d |
| BOC (TRADING) LIMITED                                       | Dublin            | IRL     | 100                               |                             | 25.3                | 6.4                                   | c, d |
| BOC GASES IRELAND HOLDINGS LIMITED                          | Dublin            | IRL     | 100                               |                             | 7.1                 | 60.0                                  |      |
| BOC Gases Ireland Limited                                   | Dublin            | IRL     | 100                               |                             | 60.0                | 13.9                                  | c, d |
| COOPER CRYOSERVICE LIMITED                                  | Dublin            | IRL     | 100                               |                             | 1.7                 | 0.0                                   |      |
| ISAGA ehf   | Reykjavik         | ISL     | 100                               |                             | 3.8                 | 1.3                                   |      |
| Linde Gas Italia S r l                                      | Arluno            | ITA     | 100                               |                             | 148.3               | 9.2                                   |      |
| LINDE MEDICALE Srl  | Arluno            | ITA     | 100                               |                             | 34.2                | 5.0                                   |      |
| AGA UAB   | Vilnius           | LTU     | 100                               |                             | 4.2                 | -0.7                                  |      |
| AGA SIA   | Riga              | LVA     | 100                               |                             | 11.2                | 0.8                                   |      |
| AGA International B V                                       | Schiedam          | NLD     | 100                               |                             | 212.9               | 9.9                                   |      |
| Beheermaatschappij De Econoom B V                           | Schiedam          | NLD     | 100                               |                             | 2.1                 | -0.3                                  |      |
| Linde Electronics B V                                       | Schiedam          | NLD     | 100                               |                             | 3.6                 | 0.8                                   |      |
| Linde Gas Benelux B V                                       | Schiedam          | NLD     | 100                               |                             | 171.5               | 30.8                                  |      |
| Linde Gas Cryoservices B V                                  | Hedel             | NLD     | 100                               |                             | 3.2                 | 1.3                                   |      |
| Linde Gas Therapeutics Benelux B V                          | Eindhoven         | NLD     | 100                               |                             | 43.2                | 7.5                                   |      |
| Linde Homecare Benelux B V                                  | Nuland            | NLD     | 100                               |                             | 12.9                | 0.4                                   |      |
| Mecomfa SPC B V   | Schiedam          | NLD     | 100                               |                             | -4.9                | 0.2                                   |      |
| Mecomfa SPC2 B V  | Schiedam          | NLD     | 100                               |                             | 1.0                 | 0.0                                   |      |
| Naamloze Venootschap Linde Gas Benelux                      | Schiedam          | NLD     | 100                               |                             | 272.5               | 1.5                                   |      |
| AGA AS  | Oslo              | NOR     | 100                               |                             | 41.3                | 27.1                                  |      |
| LINDE SOGÁS, LDA  | Lisbon            | PRT     | 100                               |                             | 34.7                | 5.2                                   |      |



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|---|-------------------|---------|--------------------------------------|--------------------------------|---------------------------|--|------|
| AB Dissousgas                                     | Lidingö           | SWE     | 100                                  |                                | 0.2                       | 0.0  |      |
| AB Held   | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| AGA Fastighet Gothenburg AB                       | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 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 Innovation AB                                 | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| AGA International Investment Aktiebolag           | Lidingö           | 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  |      |
| AGA Specialgas AB                                 | Lidingö           | SWE     | 100                                  |                                | 0.1                       | 0.0  |      |
| Agatronic AB                                      | Lidingö           | SWE     | 100                                  |                                | 0.1                       | 0.0  |      |
| CRYO Aktiebolag                                   | Gothenburg        | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| Ferronova AB                                      | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| Flaskgascentralen i Malmö Aktiebolag              | Svedala           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| Industri Gas AB                                   | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| Svenska Aktiebolaget Gasaccumulator               | Lidingö           | SWE     | 100                                  |                                | 0.1                       | 0.0  |      |
| Svets Gas Aktiebolag                              | Lidingö           | SWE     | 100                                  |                                | 0.0                       | 0.0  |      |
| Toolvac AB  | Lidingö           | SWE     | 100                                  |                                | 0.1                       | 0.0  |      |
| Linde Gas Tunisie S A                             | Tunis             | TUN     | 60                                   | 60                             | 6.1                       | 0.1  |      |
| <b>Americas</b>                                   |                   |         |                                      |                                |                           |  |      |
| BOC GASES ARUBA N V                               | Santa Cruz        | ABW     | 100                                  |                                | 2.7                       | 0.2  |      |
| Grupo Linde Gas Argentina S A                     | Buenos Aires      | ARG     | 100                                  | 65                             | 33.6                      | 4.7  |      |
| The Hydrogen Company of Paraguana Ltd             | Hamilton          | BMU     | 100                                  |                                | 56.8                      | 1.2  |      |
| Linde Gases Ltda                                  | Barueri           | BRA     | 100                                  |                                | 132.3                     | -16.6  |      |
| LINDE-BOC GASES LIMITADA                          | São Paulo         | BRA     | 100                                  |                                | 12.5                      | 1.0  |      |
| AGA S A   | Santiago          | CHL     | 100                                  |                                | 99.8                      | 9.0  |      |
| BOC de Chile S A                                  | Las Condes        | CHL     | 100                                  |                                | 7.4                       | -0.1   |      |
| Spectra Gases (Shanghai) Trading Co., LTD         | Shanghai          | CHN     | 100                                  |                                | 1.3                       | 1.0  |      |
| Linde Colombia S A                                | Bogotá            | COL     | 100                                  |                                | 87.0                      | 8.8  |      |
| Linde Gas Curaçao N V                             | Willemstad        | CUW     | 100                                  |                                | 2.0                       | 0.3  |      |
| AGA Quinsa, S A                                   | Santo Domingo     | DOM     | 100                                  |                                | 4.6                       | 0.6  |      |
| AGA S A   | Quito             | ECU     | 100                                  |                                | 28.1                      | 4.4  |      |
| Aqua y Gas de Sillunchi S A                       | Quito             | ECU     | 100                                  |                                | 0.9                       | 0.0  |      |
| 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                                  |                                | 6.6                       | 2.2  | c    |
| SERVICIOS DE OPERACIONES DE NITROGENO, S A DE C V | Santa Fe          | MEX     | 100                                  |                                | 0.9                       | 0.1  | c    |

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| AGA S A   | Callao            | PER     | 100                               |                             | 9 0                 | 0 5                                  |      |
| AGA Linde Healthcare Puerto Rico, Inc                     | Cataño            | PRI     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Linde Gas Puerto Rico, Inc                                | Cataño            | PRI     | 100                               |                             | 4 1                 | 0 2                                  |      |
| AGA S A   | Montevideo        | URY     | 100                               |                             | 9 7                 | 2 7                                  |      |
| ECO-SNOW SYSTEMS LLC                                      | Wilmington        | USA     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Holox Inc   | Norcross          | USA     | 100                               |                             | 0 0                 | 0 0                                  | c    |
| LAG Methanol LLC  | Wilmington        | USA     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Linde Canada Investments LLC                              | Wilmington        | USA     | 100                               |                             | 14 9                | 0 0                                  |      |
| Linde Delaware Investments Inc                            | Wilmington        | USA     | 100                               |                             | 122 1               | 0 0                                  |      |
| Linde Energy Services, Inc                                | Wilmington        | USA     | 100                               |                             | -0 2                | 0 0                                  |      |
| Linde Gas North America LLC                               | Wilmington        | USA     | 100                               |                             | 655 9               | 88 2                                 |      |
| Linde Merchant Production, Inc                            | Wilmington        | USA     | 100                               |                             | 21 3                | -1 2                                 |      |
| Linde North America, Inc                                  | Wilmington        | USA     | 100                               | <0 1                        | 213 9               | -146 0                               |      |
| Linde RSS LLC   | Wilmington        | USA     | 100                               |                             | -0 1                | 0 4                                  |      |
| Linde Transport, Inc                                      | Nashville         | USA     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Spectra Gases Delaware Inc                                | Wilmington        | USA     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Spectra Investors, LLC                                    | Branchburg        | USA     | 49                                |                             | 3 6                 | -1 2                                 | e    |
| TMG Co LLC  | Wilmington        | USA     | 100                               |                             | 15 6                | 1 7                                  |      |
| AGA Gas C A   | Santa Fe Norte    | VEN     | 100                               |                             | 57 7                | 10 7                                 |      |
| BOC GASES DE VENEZUELA, C A                               | Caracas           | VEN     | 100                               |                             | 2 1                 | 0 1                                  |      |
| PRODUCTORA DE GAS CARBONICO SA                            | Caracas           | VEN     | 100                               |                             | -0 6                | -0 2                                 |      |
| Spectra Gases (BVI) Inc                                   | Tortola           | VGB     | 100                               |                             | N/A                 | N/A                                  |      |
| BOC Gases Virgin Islands, Inc                             | St Thomas         | VIR     | 100                               |                             | 0 1                 | 0 0                                  | d    |
| General Gases of the Virgin Islands, Inc                  | Saint Croix       | VIR     | 100                               |                             | 0 0                 | 0 0                                  |      |
| Asia & Eastern Europe                                     |                   |         |                                   |                             |                     |                                      |      |
| BOC HELIUM m E FZCO                                       | Jebel Ali         | ARE     | 100                               |                             | 1 2                 | 0 2                                  |      |
| LINDE GAS MIDDLE EAST LLC                                 | Abu Dhabi         | ARE     | 100                               | 49                          | -1 2                | -2 5                                 |      |
| BOC Bangladesh Limited                                    | Dhaka             | BGD     | 60                                |                             | 21 1                | 7 2                                  |      |
| Bossot Trade EOOD   | Stara Zagora      | BGR     | 100                               | 100                         | -0 1                | 0 0                                  |      |
| Linde Gas Bulgaria EOOD                                   | Stara Zagora      | BGR     | 100                               | 100                         | 2 4                 | -0 9                                 |      |
| Linde Gas BH d o o  | Zenica            | BIH     | 85                                | 85                          | 11 4                | -0 2                                 |      |
| "Linde Gaz Bel" LLC                                       | Telmy             | BLR     | 100                               | 99                          | 1 5                 | 0 0                                  |      |
| ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED | Shanghai          | CHN     | 100                               |                             | 3 5                 | 0 4                                  |      |
| BOC (China) Holdings Co , Ltd                             | Shanghai          | CHN     | 100                               |                             | 115 9               | 18 9                                 |      |
| BOC Gases (Nanjing) Company Limited                       | Nanjing           | CHN     | 100                               |                             | 7 5                 | 0 6                                  |      |
| BOC Gases (North) Company Limited                         | Fushun            | CHN     | 100                               |                             | 5 3                 | 0 2                                  |      |
| BOC Gases (Suzhou) Co , Ltd                               | Suzhou            | CHN     | 100                               |                             | 29 9                | 7 2                                  |      |

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| BOC Gases (Tianjin) Company Limited                   | Tianjin           | CHN     | 100                               |                             | 14.7                | 0.3                                  |      |
| BOC Gases (Wuhan) Co., Ltd                            | Wuhan             | CHN     | 100                               |                             | 5.7                 | 0.2                                  |      |
| BOCLH Industrial Gases (Chengdu) Co., Ltd             | Chengdu           | CHN     | 100                               |                             | 12.9                | -0.2                                 |      |
| BOCLH Industrial Gases (Dalian) Co., Ltd              | Dalian            | CHN     | 100                               |                             | 8.3                 | -0.7                                 |      |
| BOCLH Industrial Gases (Shanghai) Co., Ltd            | Shanghai          | CHN     | 100                               |                             | 6.3                 | -0.2                                 |      |
| BOCLH Industrial Gases (Songjiang) Co., Ltd           | Shanghai          | CHN     | 100                               |                             | -1.3                | 1.3                                  |      |
| BOCLH Industrial Gases (Suzhou) Co., Ltd              | Suzhou            | CHN     | 100                               |                             | 12.5                | 0.3                                  |      |
| BOCLH Industrial Gases (Wangaoqiao) Co., Ltd          | Shanghai          | CHN     | 100                               |                             | -0.7                | -0.6                                 |      |
| BOCLH Industrial Gases (Xiamen) Co., Ltd              | Xiamen            | CHN     | 100                               |                             | 2.8                 | 0.0                                  |      |
| Linde Carbonic (Shanghai) Company Ltd                 | Shanghai          | CHN     | 60                                | 46                          | 8.6                 | 0.7                                  |      |
| Linde Electronics & Specialty Gases (Suzhou) Co Ltd   | Suzhou            | CHN     | 100                               | 100                         | 8.7                 | -1.0                                 |      |
| Linde Gas Ningbo Ltd                                  | Ningbo            | CHN     | 100                               |                             | 91.3                | 3.9                                  |      |
| Linde Gas Shenzhen Ltd                                | Shenzhen          | CHN     | 100                               |                             | 3.0                 | 0.3                                  |      |
| Linde Gas Southeast (Xiamen) Ltd                      | Xiamen            | CHN     | 100                               |                             | 3.8                 | 0.9                                  |      |
| Linde Gas Xiamen Ltd                                  | Xiamen            | CHN     | 100                               | 100                         | 31.3                | 3.7                                  |      |
| Linde Gas Zhenhai Ltd                                 | Ningbo            | CHN     | 100                               |                             | 4.2                 | 0.0                                  |      |
| Linde Gases (Changzhou) Company Limited               | Changzhou         | CHN     | 100                               |                             | 7.0                 | -0.7                                 |      |
| Linde Gases (Chengdu) Company Limited                 | Chengdu           | CHN     | 100                               |                             | 2.1                 | -0.1                                 |      |
| Linde Gases (Nanjing) Company Limited                 | Nanjing           | CHN     | 100                               |                             | -0.3                | -0.9                                 |      |
| LINDE GASES (SHANGHAI) CO., LTD                       | Shanghai          | CHN     | 100                               |                             | 10.0                | 1.3                                  |      |
| Linde Gases (Suzhou) Company Limited                  | Suzhou            | CHN     | 100                               |                             | 7.6                 | 0.0                                  |      |
| Linde Gases (Xuzhou) Company Limited                  | Xuzhou            | CHN     | 100                               |                             | 7.9                 | 0.1                                  |      |
| Linde Gases Daxie Company Limited                     | Ningbo            | CHN     | 100                               |                             | 3.8                 | 0.0                                  |      |
| Linde Huachang (Zhangjiagang) Gas Co. Ltd             | Zhangjiagang      | CHN     | 75                                |                             | 5.0                 | 0.7                                  |      |
| Linde Lianhwa Gases (Beijing) Co., Ltd                | Beijing           | CHN     | 100                               |                             | 12.8                | 0.0                                  |      |
| Linde Nanjing Chemical Industrial Park Gases Co., Ltd | Nanjing           | CHN     | 100                               |                             | 3.9                 | 0.0                                  |      |
| Shanghai BOC Huayang Carbon Dioxide Co., Ltd          | Shanghai          | CHN     | 80                                |                             | 1.3                 | 0.1                                  |      |
| Shanghai BOC Industrial Gases Company Limited         | Shanghai          | CHN     | 100                               |                             | 8.4                 | -1.1                                 |      |
| Shanghai Huayi Microelectronic Material Co. Ltd       | Shanghai          | CHN     | 100                               |                             | 3.5                 | 0.4                                  |      |
| Shanghai Linhua Gas Transportation Co., Ltd           | Shanghai          | CHN     | 100                               |                             | 0.6                 | 0.2                                  |      |
| Shenzhen Feiyang Industrial Gases Company Limited     | Shenzhen          | CHN     | 90                                |                             | 1.3                 | -0.1                                 |      |
| Wuxi Boc Gases Co., Limited                           | Wuxi              | CHN     | 100                               |                             | 1.0                 | 0.0                                  |      |
| LINDE HADJIKYRIAKOS GAS LIMITED                       | Nicosia           | CYP     | 51                                | 51                          | 7.3                 | 1.5                                  |      |
| Linde Gas a.s.  | Prague            | CZE     | 100                               |                             | 216.1               | 64.0                                 |      |
| Linde Sokolovská s.r.o.                               | Prague            | CZE     | 100                               |                             | 74.8                | 8.4                                  |      |
| OXYS, s.r.o. v likvidaci                              | Prague            | CZE     | 100                               |                             | 0.0                 | 0.0                                  |      |

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|---|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| AEROSCOPIO HELLAS S A                         | Piraeus           | GRC     | 71                                | 71                          | 0.1                 | 0.0                                   |      |
| ELVIA A B E E                                 | Schimatari        | GRC     | 100                               | 100                         | 1.9                 | -0.1                                  |      |
| Linde Hellas E P E                            | Athens            | GRC     | 100                               | 100                         | 36.9                | 1.9                                   |      |
| HKO DEVELOPMENT COMPANY LIMITED               | Kowloon           | HKG     | 100                               |                             | 0.0                 | 0.0                                   |      |
| Hong Kong Oxygen & Acetylene Company Limited  | Kowloon           | HKG     | 100                               |                             | 19.8                | 9.6                                   |      |
| LIEN HWA INDUSTRIAL GASES (HK) LIMITED        | Wanchai           | HKG     | 100                               |                             | -1.0                | 0.0                                   | c    |
| Linde Gas (H K ) Limited                      | Hong Kong         | HKG     | 100                               | 100                         | 122.8               | -5.3                                  |      |
| NEW SINO GASES COMPANY LIMITED                | Tai Po            | HKG     | 100                               |                             | 0.9                 | 0.5                                   |      |
| LINDE PLIN d o o                              | Karlovac          | HRV     | 100                               | 100                         | 4.0                 | 0.2                                   |      |
| Linde Gáz Magyarország Zrt                    | Répcelak          | HUN     | 100                               | 100                         | 208.6               | 38.9                                  |      |
| PT Gresik Gases Indonesia                     | Jakarta           | IDN     | 97                                |                             | 15.5                | 4.8                                   |      |
| PT Gresik Power Indonesia                     | Jakarta           | IDN     | 97                                |                             | 8.9                 | -0.4                                  |      |
| PT LINDE INDONESIA                            | Jakarta           | IDN     | 100                               |                             | 17.2                | 1.0                                   |      |
| BOC INDIA LIMITED                             | Kolkata           | IND     | 89                                |                             | 179.1               | 14.3                                  |      |
| Linde Japan Ltd                               | Yokohama          | JPN     | 100                               | 100                         | 0.4                 | 0.1                                   |      |
| TOO Linde Gaz Kazakhstan                      | Almaty            | KAZ     | 100                               | 100                         | 12.0                | -0.4                                  |      |
| Linde Korea Co., Ltd                          | Pohang            | KOR     | 100                               |                             | 180.2               | 14.6                                  |      |
| Ceylon Oxygen Ltd                             | Colombo           | LKA     | 96                                | 96                          | 18.8                | 0.2                                   |      |
| LINDE GAS BITOLA DOOEL Skopje                 | Skopje            | MKD     | 100                               |                             | 0.7                 | -                                     | a    |
| DAYAMOX SDN BHD                               | Selangor          | MYS     | 100                               |                             | -2.8                | 0.1                                   |      |
| Malaysian Oxygen Berhad                       | Selangor          | MYS     | 100                               |                             | 77.3                | 13.3                                  |      |
| MOX GASES (JB) SDN BHD                        | Selangor          | MYS     | 100                               |                             | -0.3                | 0.0                                   |      |
| MOX-Linde Gas Products Malaysia Sdn Bhd       | Petaling Jaya     | MYS     | 100                               | 100                         | 15.3                | 3.1                                   |      |
| MOX-LINDE GASES SDN BHD                       | Selangor          | MYS     | 100                               |                             | 130.3               | 30.4                                  |      |
| MOX-Linde Industrial Gases (Malaysia) Sdn Bhd | Petaling Jaya     | MYS     | 100                               | 80                          | 9.1                 | -0.1                                  |      |
| MOX-LINDE WELDING PRODUCTS SDN BHD            | Selangor          | MYS     | 100                               |                             | 0.7                 | 0.2                                   |      |
| BOC Pakistan Limited                          | Karachi           | PAK     | 60                                |                             | 13.0                | 2.2                                   |      |
| BATAAN INDUSTRIAL GASES INC                   | Pasig City        | PHL     | 100                               |                             | 0.2                 | 0.3                                   |      |
| BOC (PHILS ) HOLDINGS, INC                    | Pasig City        | PHL     | 100                               |                             | 20.8                | 0.0                                   |      |
| CHATSWOOD INC                                 | Makati City       | PHL     | 62                                |                             | 0.0                 | 0.0                                   |      |
| CIGC CORPORATION                              | Pasig City        | PHL     | 100                               |                             | 0.7                 | 0.0                                   |      |
| CRYO INDUSTRIAL GASES, INC                    | Pasig City        | PHL     | 100                               |                             | 0.2                 | 0.1                                   |      |
| GRANDPLAINS PROPERTIES, INC                   | Pasig City        | PHL     | 40                                |                             | 1.5                 | 0.1                                   | e    |
| LINDE PHILIPPINES (SOUTH), INC                | Mandaue City      | PHL     | 100                               |                             | 14.7                | 1.0                                   |      |
| LINDE PHILIPPINES, INC                        | Pasig City        | PHL     | 100                               |                             | 20.0                | 1.6                                   |      |
| ROYAL SOUTHMEADOWS, INC                       | Mandaue City      | PHL     | 40                                |                             | 0.6                 | 0.1                                   | e    |
| Eurogaz-Gdynia Sp z o o                       | Gdynia            | POL     | 99                                |                             | 5.1                 | 0.4                                   |      |

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|---|-------------------|---------|--------------------------------------|--------------------------------|---------------------------|--|------|
| LINDE GAZ POLSKA Spółka z o.o.                | Krakow            | POL     | 100                                  | 100                            | 110.0                     | 11.0   |      |
| Carbid Acetilena S R L                        | Bucharest         | ROU     | 100                                  |                                | 0.0                       | 0.0  |      |
| LINDE GAZ ROMANIA S R L                       | Timis             | ROU     | 100                                  | 100                            | 99.1                      | 14.9   |      |
| OJSC "Linde Gas Rus"                          | Balashikha        | RUS     | 100                                  | 100                            | 43.3                      | 1.1  |      |
| OOO "Linde Gas Plants Rus"                    | Balashikha        | RUS     | 100                                  | 100                            | 10.1                      | 0.1  |      |
| OOO "Linde Gas Production Rus"                | Balashikha        | RUS     | 100                                  | 100                            | 19.4                      | -1.0   |      |
| ZAO "Samara Oxygen Plant"                     | Samara            | RUS     | 100                                  |                                | 0.2                       | -0.2   |      |
| Saudi Industrial Gas Co. Ltd                  | Al-Khobar         | SAU     | 51                                   |                                | 65.5                      | 7.1  |      |
| Linde Gas Asia Pte Ltd                        | Singapore         | SGP     | 100                                  |                                | -3.8                      | -2.8   |      |
| Linde Gas Singapore Pte Ltd                   | Singapore         | SGP     | 100                                  | 100                            | 99.9                      | 29.1   |      |
| LINDE GAS SRBIJA Industrija gasova a.d. Bečej | Becej             | SRB     | 82                                   | 82                             | 9.3                       | -0.3   |      |
| Anes 94 s r o                                 | Bratislava        | SVK     | 100                                  |                                | 1.7                       | 0.5  |      |
| Linde Gas k s                                 | Bratislava        | SVK     | 100                                  |                                | 20.1                      | 5.4  |      |
| LINDE PLIN d o o                              | Celje             | SVN     | 100                                  | 100                            | 6.2                       | 1.0  |      |
| KTPV (THAILAND) LIMITED                       | Bangkok           | THA     | 100                                  |                                | 12.9                      | 5.9  |      |
| Linde Carbonic Ltd                            | Samut Prakan      | THA     | 100                                  | 100                            | 10.4                      | 0.1  |      |
| Linde Gas (Thailand) Ltd                      | Samut Prakan      | THA     | 100                                  | 100                            | 4.2                       | 0.0  |      |
| MIG Production Company Limited                | Samut Prakan      | THA     | 54                                   |                                | 64.8                      | 10.1   |      |
| RAYONG ACETYLENE LIMITED                      | Samut Prakan      | THA     | 87                                   |                                | 2.3                       | 0.0  |      |
| SKTY (Thailand) Limited                       | Bangkok           | THA     | 100                                  |                                | 44.7                      | 11.6   |      |
| Thai Industrial Gases Public Company Limited  | Samut Prakan      | THA     | 100                                  |                                | 125.7                     | 15.4   |      |
| TIG Air Chemicals Limited                     | Samut Prakan      | THA     | 99                                   |                                | 30.0                      | 3.2  |      |
| TIG HyCO Limited                              | Samut Prakan      | THA     | 100                                  |                                | 40.9                      | -0.9   |      |
| TIG TRADING LIMITED                           | Samut Prakan      | THA     | 100                                  |                                | 5.7                       | 0.1  |      |
| Linde Gaz A. S.                               | Istanbul          | TUR     | 100                                  | 100                            | 67.2                      | -2.1   |      |
| ASIA UNION ELECTRONIC CHEMICAL CORPORATION    | Taipei            | TWN     | 100                                  |                                | 21.5                      | 3.1  | c    |
| BOC LIENHWA INDUSTRIAL GASES CO., LTD         | Taipei            | TWN     | 50                                   |                                | 166.6                     | 34.4   | c, e |
| CONFEDERATE TECHNOLOGY COMPANY LIMITED        | Wuchi Town        | TWN     | 89                                   |                                | 20.8                      | 0.3  | c    |
| FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED  | Kaohsiung         | TWN     | 55                                   |                                | 8.2                       | 1.0  | c    |
| LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED    | Chia Yi           | TWN     | 100                                  |                                | 0.1                       | 0.1  | c    |
| LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED   | Ho Chi Minh City  | TWN     | 100                                  |                                | 0.3                       | 0.2  | c    |
| LIEN FENG INDUSTRIAL GASES COMPANY LIMITED    | Taichung Hsien    | TWN     | 100                                  |                                | 1.4                       | 1.2  | c    |
| LIEN HWA COMMONWEALTH CORPORATION             | Taipei            | TWN     | 100                                  |                                | 2.4                       | 1.3  | c    |
| LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION  | Taipei            | TWN     | 89                                   |                                | 2.3                       | 0.2  | c, d |
| LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED   | Hsinchu           | TWN     | 100                                  |                                | 0.2                       | 0.1  | c    |
| LIEN TONG GASES COMPANY LIMITED               | Kaohsiung         | TWN     | 100                                  |                                | 0.2                       | 0.0  | c    |

EXECUTIVE BOARD

SUPERVISORY BOARD

CORPORATE GOVERNANCE

LINDE SHARES

GROUP MANAGEMENT

GROUP FINANCIAL

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| LIEN YANG INDUSTRIAL GASES COMPANY LIMITED                | Yi Lan            | TWN     | 100                               |                             | 0.4                 | 0.3                                   | c    |
| LIEN YI LPG COMPANY LIMITED                               | Tao Yuan          | TWN     | 60                                |                             | 1.7                 | 0.0                                   | c, d |
| LIENHWA UNITED LPG COMPANY LIMITED                        | Taipei            | TWN     | 56                                |                             | 7.6                 | 0.5                                   | c    |
| UNITED INDUSTRIAL GASES COMPANY LIMITED                   | Hsinchu           | TWN     | 55                                |                             | 84.6                | 15.6                                  | c    |
| YUAN RONG INDUSTRIAL GASES COMPANY LIMITED                | Taipei            | TWN     | 60                                |                             | 10.5                | 1.1                                   | c, d |
| PJSC "Linde Gaz Ukraine"                                  | Oniupetrovsk      | UKR     | 100                               | 96                          | 27.9                | -2.3                                  |      |
| AUECC (BVI) HOLDINGS LIMITED                              | Tortola           | VGB     | 100                               |                             | 6.8                 | -0.2                                  | c    |
| BOC LIENHWA (BVI) HOLDING Co., Ltd                        | Tortola           | VGB     | 100                               |                             | 83.3                | 0.4                                   |      |
| PURE QUALITY TECHNOLOGY LIMITED                           | Tortola           | VGB     | 100                               |                             | 0.0                 | 0.0                                   | c    |
| SHINE SKY INTERNATIONAL COMPANY LIMITED                   | Tortola           | VGB     | 100                               |                             | 6.8                 | -0.2                                  | c    |
| SKY WALKER GROUP LIMITED                                  | Tortola           | VGB     | 100                               |                             | 0.2                 | 0.0                                   | c    |
| Linde Gas Vietnam Limited                                 | Ba Ria            | VNM     | 100                               | 100                         | 2.2                 | -0.8                                  |      |
| South Pacific & Africa                                    |                   |         |                                   |                             |                     |                                       |      |
| AFROX ANGOLA LDA  | Luanda            | AGO     | 100                               |                             | -0.1                | 0.3                                   | c    |
| AUSCOM HOLDINGS PTY LIMITED                               | North Ryde        | AUS     | 100                               |                             | 98.2                | 0.0                                   |      |
| BOC CUSTOMER ENGINEERING PTY LTD                          | North Ryde        | AUS     | 100                               |                             | 7.0                 | 0.4                                   |      |
| BOC GASES FINANCE LIMITED                                 | North Ryde        | AUS     | 100                               |                             | 5.0                 | 6.3                                   |      |
| BOC GROUP PTY LIMITED                                     | North Ryde        | AUS     | 100                               |                             | -2.6                | 6.3                                   |      |
| BOC Limited (Australia)                                   | North Ryde        | AUS     | 100                               |                             | 299.9               | 207.5                                 |      |
| BOGGY CREEK PTY LIMITED                                   | North Ryde        | AUS     | 100                               |                             | 2.3                 | 0.4                                   |      |
| 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                               |                             | 88.2                | 35.8                                  |      |
| ELGAS RETICULATION PTY LIMITED                            | North Ryde        | AUS     | 100                               |                             | 2.6                 | 0.1                                   |      |
| FLEXIHIRE PTY LIMITED                                     | Rockhampton       | AUS     | 100                               |                             | 14.6                | 2.6                                   |      |
| PACIFIC ENGINEERING SUPPLIES PTY LIMITED                  | North Ryde        | AUS     | 100                               |                             | -1.6                | 0.0                                   |      |
| PACIFIC INDUSTRIAL SUPPLIES PTY LIMITED                   | North Ryde        | AUS     | 100                               |                             | 4.3                 | 1.6                                   |      |
| PROJECT APPLE PTY LTD                                     | North Ryde        | AUS     | 100                               |                             | 0.7                 | 0.4                                   | d    |
| SOUTH PACIFIC WELDING GROUP PTY LIMITED                   | North Ryde        | AUS     | 100                               |                             | 12.4                | 2.9                                   |      |
| THE COMMONWEALTH INDUSTRIAL GASES PTY LIMITED             | North Ryde        | AUS     | 100                               |                             | 0.0                 | 0.0                                   |      |
| TIAMONT PTY LIMITED                                       | North Ryde        | AUS     | 100                               |                             | 2.4                 | 0.5                                   |      |
| UNIGAS JOINT VENTURE PARTNERSHIP                          | Mulgrave          | AUS     | 100                               |                             | 17.2                | 1.3                                   |      |
| UNIGAS TRANSPORT FUELS PTY LTD                            | North Ryde        | AUS     | 100                               |                             | 7.7                 | 0.0                                   |      |
| AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED | Gaborone          | BWA     | 100                               |                             | 0.0                 | 0.0                                   | c    |
| BOTSWANA OXYGEN COMPANY (PTY) LIMITED                     | Gaborone          | BWA     | 100                               |                             | 3.5                 | 0.1                                   | c    |

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| BOTSWANA STEEL ENGINEERING (PTY) LIMITED     | Gaborone          | BWA     | 100                                  |                                | 0 0                    | 0 0   | c    |
| HANDIGAS (BOTSWANA) (PTY) LIMITED            | Gaborone          | BWA     | 100                                  |                                | 0 0                    | 0 0   | c    |
| HEAT GAS (PTY) LIMITED                       | Gaborone          | BWA     | 74                                   |                                | 0 0                    | 0 0   | c    |
| KIDDO INVESTMENTS (PTY) LIMITED              | Gaborone          | BWA     | 100                                  |                                | 0 4                    | 0 1   | c    |
| REPTILE INVESTMENT NINE (PTY) LIMITED        | Windhoek          | BWA     | 100                                  |                                | -0 1                   | 0 0   | c    |
| REPTILE INVESTMENT TEN (PTY) LIMITED         | Windhoek          | BWA     | 100                                  |                                | 0 0                    | 0 0   | c    |
| RDC GASES & WELDING (DRL) LIMITED            | Lubumbashi        | COD     | 100                                  |                                | 0 0                    | 0 0   | c    |
| BOC FIJI LIMITED                             | Lami Suva         | FJI     | 90                                   |                                | 3 7                    | 1 0   |      |
| P T Townsville Welding Supplies              | Jakarta Selatan   | IDN     | 100                                  |                                | -0 4                   | -0 7  |      |
| BOC Kenya Limited                            | Nairobi           | KEN     | 65                                   |                                | 12 3                   | 0 0   |      |
| AFROX LESOTHO (PTY) LIMITED                  | Maseru            | LSO     | 100                                  |                                | 1 7                    | 0 7   | c    |
| LESOTHO OXYGEN COMPANY (PTY) LIMITED         | Maseru            | LSO     | 100                                  |                                | 0 0                    | 0 0   | c    |
| BOC GASES MOZAMBIQUE LIMITED                 | Maputo            | MOZ     | 100                                  |                                | 1 0                    | 0 0   | c    |
| PETROGAS LIMITADA                            | Maputo            | MOZ     | 100                                  |                                | 0 4                    | 0 6   | c    |
| AFROX INTERNATIONAL LIMITED                  | Port Louis        | MUS     | 100                                  |                                | 0 0                    | 0 0   | c, d |
| Afrox Malawi Limited                         | Blantyre          | MWI     | 77                                   |                                | 3 9                    | 0 6   | c    |
| GAS & WELDING PRODUCTS (PTY) LTD             | Windhoek          | NAM     | 100                                  |                                | 0 0                    | 0 0   | c, d |
| IGL (PTY) LIMITED                            | Windhoek          | NAM     | 100                                  |                                | 7 2                    | -0 1  | c    |
| IGL PROPERTIES (PTY) LIMITED                 | Windhoek          | NAM     | 100                                  |                                | 0 3                    | 0 1   | c    |
| NAMOX (PTY) LIMITED                          | Windhoek          | NAM     | 100                                  |                                | 0 6                    | 0 0   | c    |
| BOC Gases Nigeria Plc                        | Lagos             | NGA     | 60                                   |                                | 5 6                    | 1 6   |      |
| BOC LIMITED (New Zealand)                    | Auckland          | NZL     | 100                                  |                                | 41 3                   | 14 1  |      |
| BOC NEW ZEALAND HOLDINGS LIMITED             | Auckland          | NZL     | 100                                  |                                | 35 9                   | 21 7  |      |
| ELGAS LIMITED                                | Auckland          | NZL     | 100                                  |                                | 1 5                    | 0 7   |      |
| SOUTH PACIFIC WELDING GROUP (NZ) LIMITED     | Auckland          | NZL     | 100                                  |                                | 0 3                    | 0 0   |      |
| BOC Papua New Guinea Limited                 | Lae               | PNG     | 74                                   |                                | 11 1                   | 5 3   |      |
| BOC GASES SOLOMON ISLANDS LIMITED            | Honiara           | SLB     | 100                                  |                                | 0 6                    | 0 9   |      |
| HANDIGAS SWAZILAND (PTY) LIMITED             | Mbabane           | SWZ     | 100                                  |                                | 0 0                    | 0 0   | c    |
| SWAZI OXYGEN (PTY) LIMITED                   | Mbabane           | SWZ     | 100                                  |                                | 1 3                    | -0 9  | c    |
| BOC (TONGA) LIMITED                          | Nuku'Alofa        | TON     | 100                                  |                                | 0 1                    | 0 0   |      |
| BOC Tanzania Limited                         | Dar es Salaam     | TZA     | 100                                  |                                | 0 6                    | 0 0   |      |
| BOC Uganda Limited                           | Kampala           | UGA     | 100                                  |                                | 0 7                    | 0 1   |      |
| BOC Samoa Limited                            | Apia              | WSM     | 96                                   |                                | 1 2                    | 0 1   |      |
| African Oxygen Limited                       | Johannesburg      | ZAF     | 56                                   |                                | 331 4                  | 9 0   | c    |
| AFROX (PROPRIETARY) LIMITED                  | Johannesburg      | ZAF     | 95                                   |                                | 0 0                    | 0 0   | c    |
| AFROX AFRICAN INVESTMENTS (PTY) LIMITED      | Johannesburg      | ZAF     | 100                                  |                                | 3 1                    | 1 3   | c    |
| AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD | Johannesburg      | ZAF     | 100                                  |                                | 0 0                    | 0 0   | c    |

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| AFROX FINANCE (PTY) LIMITED                                    | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| AFROX PROPERTIES (PTY) LIMITED                                 | Johannesburg      | ZAF     | 100                               |                             | 3 4                 | -0 1                                  | c    |
| AFROX SAFETY (PTY) LIMITED                                     | Johannesburg      | ZAF     | 100                               |                             | 4 3                 | -0 2                                  | c    |
| AMALGAMATED GAS AND WELDING (PTY) LIMITED                      | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED          | Kempton Park      | ZAF     | 100                               |                             | 0 0                 | -0 1                                  | c    |
| AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED | Johannesburg      | ZAF     | 100                               |                             | 0 3                 | -1 4                                  | c    |
| AWCE (PROPRIETARY) LIMITED                                     | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| ENERGY MEDICAL SUPPLIES (PTY) LIMITED                          | Johannesburg      | ZAF     | 100                               |                             | -0 2                | 0 0                                   | c    |
| HARRIS GAS EQUIPMENT (PTY) LIMITED                             | Boksburg          | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED                        | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED              | Johannesburg      | ZAF     | 100                               |                             | 0 7                 | 0 0                                   | c    |
| ISAS TRUST   | Johannesburg      | ZAF     | 100                               |                             | 4 1                 | -2 2                                  | c    |
| Linde Process Plants (Pty) Ltd                                 | Johannesburg      | ZAF     | 100                               | 100                         | 2 4                 | 1 0                                   |      |
| MEDISPEED (NATAL) (PROPRIETARY) LIMITED                        | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| NASIONALE SWEISWARE (PTY) LTD                                  | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| NICOWELD (PTY) LIMITED   | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| PPE-ISIZO (PTY) LIMITED  | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| SAFETY GAS (PROPRIETARY) LIMITED                               | Johannesburg      | ZAF     | 100                               |                             | 0 0                 | 0 0                                   | c    |
| AFROX ZAMBIA LIMITED   | Ndola             | ZMB     | 70                                |                             | 9 9                 | 2 6                                   | c    |
| BOC Zimbabwe (Private) Limited                                 | Harare            | ZWE     | 100                               |                             | 18 2                | 2 6                                   |      |
| 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                               |                             | 0 0                 | 0 0                                   |      |
| Engineering Division   |                   |         |                                   |                             |                     |                                       |      |
| Linde Engineering Middle East LLC                              | Abu Dhabi         | ARE     | 49                                | 29                          | 6 0                 | 13 2                                  | e    |
| Linde (Australia) Pty Ltd                                      | North Ryde        | AUS     | 100                               | 100                         | 1 0                 | 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                               |                             | 11 0                | 1 8                                   |      |
| BOC AG   | Basle             | CHE     | 98                                |                             | 1 9                 | -0 1                                  |      |
| Linde Kryotechnik AG   | Pfungen           | CHE     | 100                               |                             | 13 0                | 2 6                                   |      |
| Cryostar Cryogenic Equipments (Hangzhou) Co Ltd                | Hangzhou          | CHN     | 100                               | 100                         | 2 6                 | 0 7                                   |      |



# 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 |
|---|--------------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| Hangzhou Linde International Trading Co., Ltd | Hangzhou                 | CHN     | 100                               |                             | 0.2                 | 0.0                                   |      |
| Linde Engineering (Dalian) Co. Ltd            | Dalian                   | CHN     | 56                                | 56                          | 36.8                | 6.4                                   |      |
| Linde Engineering (Hangzhou) Co. Ltd          | Hangzhou                 | CHN     | 75                                | 75                          | 9.6                 | 4.7                                   |      |
| Linde-KCA-Dresden GmbH                        | Dresden                  | DEU     | 100                               | 6                           | 47.5                | -                                     | a    |
| Selas-Linde GmbH                              | Pullach                  | DEU     | 100                               | 100                         | 16.5                | -                                     | a    |
| LINDE INGENIERIA Y TECNOLOGIA, S. A. U.       | Madrid                   | ESP     | 100                               | 100                         | 1.5                 | 0.0                                   |      |
| CRYOSTAR SAS                                  | Hesingue                 | FRA     | 100                               |                             | 38.6                | 3.0                                   |      |
| LINDE CRYOPLANTS LIMITED                      | Guildford                | GBR     | 100                               |                             | 1.2                 | 0.0                                   |      |
| Linde Engineering India Private Limited       | New Delhi                | IND     | 100                               | 100                         | 6.2                 | 0.7                                   |      |
| Linde Impianti Italia S.p.A.                  | Fiumicino                | ITA     | 100                               | 90                          | 3.8                 | 1.6                                   |      |
| LPM, S. A. de C. V.                           | Mexico City              | MEX     | 100                               | 90                          | 7.2                 | -0.1                                  |      |
| Linde Engineering (Malaysia) Sdn. Bhd         | Petaling Jaya            | MYS     | 100                               | 100                         | 0.2                 | 0.0                                   |      |
| Linde Arabian Contracting Company Ltd         | Riyadh                   | SAU     | 100                               | 90                          | 16.6                | 7.4                                   |      |
| Cryostar Singapore Pte Ltd                    | Singapore                | SGP     | 100                               | 100                         | 11.5                | 4.3                                   |      |
| Linde Process Plants, Inc                     | Tulsa                    | USA     | 100                               |                             | 32.1                | 15.3                                  |      |
| Selas Fluid Processing Corporation            | Wilmington               | USA     | 100                               |                             | 8.7                 | 59.5                                  |      |
| VN Corporation                                | Wilmington               | USA     | 100                               |                             | 29.8                | 3.5                                   |      |
| Linde Process Plants (Pty) Ltd                | Johannesburg             | ZAF     | 100                               | 100                         | 2.4                 | 1.0                                   |      |
| Other activities                              |                          |         |                                   |                             |                     |                                       |      |
| BOC AIP Limited Partnership                   | North Ryde               | AUS     | 100                               |                             | 895.1               | 208.8                                 |      |
| BOC Australia Pty Limited                     | North Ryde               | AUS     | 100                               |                             | 66.0                | 40.2                                  |      |
| 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                               |                             | 23.0                | 0.0                                   |      |
| Linde Canada Limited                          | Mississauga              | CAN     | 100                               |                             | 152.9               | 14.6                                  |      |
| Linde Holding AG                              | Lucerne                  | CHE     | 100                               | 100                         | 24.6                | 4.6                                   |      |
| GISTRANS Czech Republic s.r.o.                | Olomouc                  | CZE     | 100                               |                             | 2.2                 | 0.3                                   |      |
| Cleaning Enterprises GmbH                     | Munich                   | DEU     | 100                               |                             | 3.9                 | -                                     | a    |
| Commercium Immobilien- und Beteiligungs-GmbH  | Munich                   | DEU     | 100                               | 100                         | 1,622.8             | -                                     | a    |
| Fred Butler Denmark ApS                       | Copenhagen               | DNK     | 100                               |                             | -1.8                | 0.0                                   |      |
| LOGISTICA DOTRA, SL                           | Seville                  | ESP     | 100                               |                             | 0.2                 | 0.0                                   | c    |
| LOGISTICA VAN TRANS S.L.                      | Burgos                   | ESP     | 100                               |                             | 0.8                 | 0.1                                   | c    |
| BOC Finland Oy                                | Espoo                    | FIN     | 100                               |                             | 0.9                 | 0.0                                   |      |
| Linde Holdings SAS                            | Saint-Priest             | FRA     | 100                               |                             | 132.6               | 20.4                                  |      |
| The Boc Group S.A.S.                          | Hesingue                 | FRA     | 100                               |                             | 75.5                | 15.2                                  |      |
| AIRCO COATING TECHNOLOGY LIMITED              | Guildford                | GBR     | 100                               |                             | 1,100.9             | 13.5                                  |      |

EXECUTIVE BOARD

SUPERVISORY BOARD

CORPORATE GOVERNANCE

LINDE SHARES

GROUP MANAGEMENT

GROUP FINANCIAL

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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 |
|--------------------------------------|-------------------|---------|-----------------------------------|-----------------------------|---------------------|--------------------------------------|------|
| APPLIED VISION LIMITED               | Guildford         | GBR     | 100                               |                             | 2.6                 | 0.0                                  |      |
| BOC AMERICA HOLDINGS                 | Guildford         | GBR     | 100                               |                             | 212.8               | 6.9                                  |      |
| BOC CHILE HOLDINGS LIMITED           | Guildford         | GBR     | 100                               |                             | 98.4                | 0.9                                  |      |
| BOC DISTRIBUTION SERVICES LIMITED    | Guildford         | GBR     | 100                               |                             | 0.1                 | 0.0                                  |      |
| BOC DUTCH FINANCE                    | Guildford         | GBR     | 100                               |                             | 276.4               | 6.6                                  |      |
| BOC HOLDINGS                         | Guildford         | GBR     | 100                               |                             | 4,044.0             | 583.5                                |      |
| BOC HOLLAND FINANCE                  | Guildford         | GBR     | 100                               |                             | 64.9                | 0.0                                  |      |
| BOC INVESTMENT HOLDINGS LIMITED      | Guildford         | GBR     | 100                               |                             | 778.7               | 169.5                                |      |
| BOC INVESTMENTS (LUXEMBOURG) LIMITED | Guildford         | GBR     | 100                               |                             | 179.7               | 2.9                                  |      |
| BOC INVESTMENTS NO 1 LIMITED         | Guildford         | GBR     | 100                               |                             | 191.8               | 42.8                                 |      |
| BOC INVESTMENTS NO 2 LIMITED         | Guildford         | GBR     | 100                               |                             | 0.0                 | 0.0                                  |      |
| BOC INVESTMENTS NO 5                 | Guildford         | GBR     | 100                               |                             | 363.3               | 20.9                                 |      |
| BOC INVESTMENTS NO 7                 | Guildford         | GBR     | 100                               |                             | 312.0               | 4.0                                  |      |
| BOC IRELAND FINANCE                  | Guildford         | GBR     | 100                               |                             | 355.3               | 11.5                                 |      |
| BOC JAPAN                            | Guildford         | GBR     | 100                               |                             | 43.1                | 2.3                                  |      |
| BOC JAPAN FINANCE                    | Guildford         | GBR     | 100                               |                             | 0.0                 | 0.0                                  |      |
| BOC JAPAN HOLDINGS LIMITED           | Guildford         | GBR     | 100                               |                             | 258.7               | 17.2                                 |      |
| BOC KOREA HOLDINGS LIMITED           | Guildford         | GBR     | 100                               |                             | 105.4               | 10.8                                 |      |
| BOC LIMITED                          | Guildford         | GBR     | 100                               |                             | 604.3               | 203.8                                |      |
| BOC LUXEMBOURG FINANCE               | Guildford         | GBR     | 100                               |                             | 18.6                | 0.5                                  |      |
| BOC NETHERLANDS FINANCE              | Guildford         | GBR     | 100                               |                             | 113.1               | 0.0                                  |      |
| BOC NETHERLANDS HOLDINGS LIMITED     | Guildford         | GBR     | 100                               |                             | 531.8               | -0.2                                 |      |
| 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                               |                             | 6.4                 | 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 TRANSHIELD 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                               |                             | 1.2                 | 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                               |                             | 251.8               | 4.0                                  | c, d |
| GIST LIMITED                         | Guildford         | GBR     | 100                               |                             | 181.9               | 44.0                                 |      |
| GIST PEOPLE SERVICES LIMITED         | Guildford         | GBR     | 100                               |                             | 1.4                 | 0.8                                  |      |

# 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 |
|--|-------------------|---------|-----------------------------------|-----------------------------|---------------------|--------------------------------------|------|
| HANDIGAS LIMITED                                 | Guildford         | GBR     | 100                               |                             | 42.3                | 0.2                                  |      |
| HICK, HARGREAVES AND COMPANY LIMITED             | Guildford         | GBR     | 100                               |                             | 0.0                 | 0.0                                  |      |
| INDONESIA POWER HOLDINGS LIMITED                 | Guildford         | GBR     | 100                               |                             | 35.5                | 0.2                                  |      |
| LANSING GROUP LIMITED                            | Guildford         | GBR     | 100                               | 100                         | 10.3                | 0.0                                  |      |
| LINDE CRYOGENICS LIMITED                         | Guildford         | GBR     | 100                               |                             | 283.0               | 0.0                                  |      |
| LINDE UK HOLDINGS LIMITED                        | Guildford         | GBR     | 100                               | 85                          | 9,212.2             | 54.5                                 |      |
| MEDISHIELD                                       | Guildford         | GBR     | 100                               |                             | 0.4                 | 0.0                                  |      |
| MEDISPEED  | Guildford         | GBR     | 100                               |                             | 358.3               | 16.3                                 |      |
| RRS (FEBRUARY 2004) LIMITED                      | Guildford         | GBR     | 100                               |                             | -0.4                | 0.1                                  |      |
| SPALDING HAULAGE LIMITED                         | Guildford         | GBR     | 100                               |                             | 330.7               | 8.7                                  |      |
| STORESHIELD LIMITED                              | Guildford         | GBR     | 100                               |                             | 332.8               | 0.5                                  |      |
| THE BOC GROUP LIMITED                            | Guildford         | GBR     | 100                               |                             | 2,459.6             | 50.7                                 | c, d |
| THE BRITISH OXYGEN COMPANY LIMITED               | Guildford         | GBR     | 100                               |                             | 0.1                 | 0.0                                  |      |
| TRANSHIELD                                       | Guildford         | GBR     | 100                               |                             | 15.1                | 0.3                                  |      |
| WELDING PRODUCTS HOLDINGS LIMITED                | Guildford         | GBR     | 100                               |                             | 10.2                | 0.1                                  |      |
| BOC NO. 1 LIMITED                                | St Peter Port     | GGY     | 100                               |                             | 13.9                | 3.8                                  |      |
| BOC NO. 2 LIMITED                                | St Peter Port     | GGY     | 100                               |                             | 4.2                 | 0.1                                  |      |
| BRITISH OXYGEN (HONG KONG) LIMITED               | Hong Kong         | HKG     | 100                               |                             | 7.7                 | 0.0                                  |      |
| Linde Global Support Services Private Limited    | Kolkata           | IND     | 100                               |                             | 2.5                 | 0.7                                  |      |
| BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED | Dublin            | IRL     | 100                               |                             | 14.2                | 0.0                                  |      |
| BOC Investments Ireland                          | Dublin            | IRL     | 100                               |                             | 309.9               | 0.0                                  |      |
| Gist Distribution Limited                        | Dublin            | IRL     | 100                               |                             | 3.0                 | 2.4                                  |      |
| PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED     | Dublin            | IRL     | 100                               |                             | 18.6                | 3.7                                  |      |
| ALBOC (JERSEY) LIMITED                           | St Helier         | JEY     | 100                               |                             | 1.6                 | 5.5                                  |      |
| BOC AUSTRALIAN FINANCE LIMITED                   | St Helier         | JEY     | 100                               |                             | 335.0               | 0.0                                  |      |
| BOC PREFERENCE LIMITED                           | St Helier         | JEY     | 100                               |                             | 64.7                | 0.0                                  |      |
| BOC EUROPE HOLDINGS BV                           | Amsterdam         | NLD     | 100                               |                             | 553.6               | 0.0                                  |      |
| BOC INVESTMENTS BV                               | Amsterdam         | NLD     | 100                               |                             | 9.6                 | 0.0                                  |      |
| Fred Butler Netherlands B.V.                     | Amsterdam         | NLD     | 100                               |                             | -8.4                | 0.0                                  |      |
| G. VAN DONGEN HOLDING B.V.                       | Dirksland         | NLD     | 100                               |                             | 1.7                 | 0.2                                  |      |
| G. VAN DONGEN TRANSPORTBEDRIJF DIRKSLAND B.V.    | Dirksland         | NLD     | 100                               |                             | 2.1                 | -0.7                                 |      |
| GIST BV  | Bleiswijk         | NLD     | 100                               |                             | 2.6                 | 0.4                                  |      |
| Linde Finance B.V.                               | Amsterdam         | NLD     | 100                               |                             | 169.0               | 9.3                                  |      |
| Linde Holdings Netherlands B.V.                  | Schiedam          | NLD     | 100                               | 100                         | 1,726.6             | 63.5                                 |      |
| PEEMAN TRANSPORT B.V.                            | Dirksland         | NLD     | 100                               |                             | 1.1                 | -0.1                                 |      |

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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 |
|------------------------------------|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| The BOC Group B V                  | Amsterdam         | NLD     | 100                               |                             | 1,172.3             | 40.6                                  |      |
| VAN DONGEN & VAN BERGEIJK B V      | Dirksland         | NLD     | 100                               |                             | 0.3                 | 0.3                                   |      |
| VAN DONGEN AALSMEER B V            | Dirksland         | NLD     | 100                               |                             | 0.8                 | 0.0                                   |      |
| VAN DONGEN CHARTERING B V          | Dirksland         | NLD     | 100                               |                             | 0.1                 | -0.1                                  |      |
| VAN DONGEN EN MOSTERT B V          | Dirksland         | NLD     | 100                               |                             | 0.2                 | 0.0                                   |      |
| VAN DONGEN MATERIEEL B V           | Dirksland         | NLD     | 100                               |                             | 3.0                 | 0.5                                   |      |
| Van Dongen Repair B V              | Dirksland         | NLD     | 100                               |                             | -0.1                | 0.1                                   |      |
| VAN DONGEN WESTLAND B V            | Dirksland         | NLD     | 100                               |                             | -0.2                | -0.5                                  |      |
| Linde Holdings New Zealand Limited | Auckland          | NZL     | 100                               |                             | 2.2                 | 21.7                                  |      |
| BOC GIST INC                       | Mkati City        | PHL     | 100                               |                             | 0.1                 | 0.0                                   |      |
| AGA Aktiebolag                     | Lidingö           | SWE     | 100                               |                             | 933.5               | 540.5                                 |      |
| BOC Intressenter AB                | Helsingborg       | SWE     | 100                               |                             | 34.6                | 0.0                                   |      |
| Fred Butler Sweden Aktiebolag      | Lidingö           | SWE     | 100                               |                             | 1.9                 | 0.0                                   |      |
| INO Therapeutics AB                | Lidingö           | SWE     | 100                               |                             | 249.1               | 50.2                                  |      |
| LindeGas Holding Sweden AB         | Lidingö           | SWE     | 100                               | 100                         | 1,880.5             | 495.0                                 |      |
| Linde Cleaning US, LLC             | Wilmington        | USA     | 100                               |                             | -1.2                | -0.2                                  |      |
| Linde Holdings, LLC                | Wilmington        | USA     | 100                               |                             | 227.6               | 104.4                                 |      |
| Linde LLC                          | Wilmington        | USA     | 100                               |                             | 496.0               | 141.8                                 |      |

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

|   | Registered office       | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/ net loss (-) in € million | Note       |
|---|-------------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------------|
| Gases Division                                    |                         |         |                                   |                             |                     |                                       |            |
| Western Europe                                    |                         |         |                                   |                             |                     |                                       |            |
| CRYOTEC Tief- und Tieftemperatur-Technik GmbH i L | Pullach                 | DEU     | 50                                | 50                          | 0.1                 | -                                     | a, b, c, d |
| HELISON PRODUCTION S p A                          | Skikda                  | DZA     | 51                                | 51                          | 22.6                | 0.7                                   | b, e       |
| Messer Algeria SPA                                | Algiers                 | DZA     | 40                                |                             | 2.1                 | 1.8                                   | b, c, d    |
| Oxígeno de Sagunto, S L                           | Barcelona               | ESP     | 50                                |                             | 4.1                 | 0.0                                   | b, c, d    |
| Oy Innogas Ab                                     | Kulloo                  | FIN     | 50                                |                             | 1.4                 | 0.0                                   | b, c       |
| Parhaat Yhdessä Association                       | Vantaa                  | FIN     | 25                                |                             | 0.2                 | 0.0                                   | c          |
| LIDA S A S  | Saint Quentin Fallavier | FRA     | 22                                |                             | 0.0                 | 0.0                                   | b, c, d    |
| LIMES SAS   | Saint Herblain          | FRA     | 50                                |                             | 3.6                 | 0.0                                   | b, c       |
| Helison Marketing Limited                         | St Helier               | GBR     | 51                                |                             | 4.4                 | 1.2                                   | b, e       |

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

|  | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/net loss (-) in € million | Note       |
|--|-------------------|---------|-----------------------------------|-----------------------------|---------------------|--------------------------------------|------------|
| 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          |
| OCAP CO2 Transport B V                                 | Schiedam          | NLD     | 50                                |                             | 3 0                 | 0 0                                  | b          |
| OCAP CO2 v o f   | Schiedam          | NLD     | 50                                |                             | -9 4                | -0 2                                 | b          |
| Tjeldbergødden Luftgassfabrikk DA                      | Aure              | NOR     | 38                                |                             | 27 6                | 3 3                                  | b, c       |
| <b>Americas</b>  |                   |         |                                   |                             |                     |                                      |            |
| Compania de Nitrogeno de Cantarell, S A de C V         | Santa Fe          | MEX     | 65                                |                             | 12 0                | -6 4                                 | b, c, e    |
| CLIFFSIDE HELIUM, L L C                                | Wilmington        | USA     | 26                                |                             | 0 2                 | 0 0                                  | b          |
| Cliffside Refiners, L P                                | Wilmington        | USA     | 27                                |                             | 11 6                | 2 5                                  | b          |
| East Coast Oxygen Company                              | Bethlehem         | USA     | 50                                |                             | 21 3                | -3 2                                 | b          |
| High Mountain Fuels, LLC                               | Wilmington        | USA     | 50                                |                             | 8 7                 | -1 2                                 | b          |
| <b>Asia &amp; Eastern Europe</b>                       |                   |         |                                   |                             |                     |                                      |            |
| Adnoc Linde Industrial Gases Co. Limited (Elixier)     | Abu Dhabi         | ARE     | 49                                | 49                          | 127 4               | 0 9                                  | b          |
| Beijing Fudong Gas Products Co., Ltd                   | Beijing           | CHN     | 60                                |                             | 4 5                 | 0 7                                  | b, c, d, e |
| BOC-SPC Gases Co., Ltd                                 | Shanghai          | CHN     | 50                                |                             | 36 6                | 10 4                                 | b          |
| BOC-TISCO GASES CO., Ltd                               | Taiyuan City      | CHN     | 50                                |                             | 125 5               | 20 5                                 | b          |
| Chongqing Linde-SVW Gas Co., Ltd                       | Chongqing         | CHN     | 50                                |                             | 17 2                | -0 9                                 | b          |
| Dalian BOC Carbon Dioxide Co. Ltd                      | Dalian            | CHN     | 50                                |                             | 2 4                 | 0 0                                  | b          |
| Fujian Linde-FPCL Gases Co., Ltd                       | Quanzhou City     | CHN     | 50                                |                             | 30 0                | 0 5                                  | b          |
| Guangkong Industrial Gases Company Limited             | Guangzhou         | CHN     | 50                                |                             | 24 9                | 4 0                                  | b          |
| Guangzhou Linde GISE Gases Company Limited             | Guangzhou         | CHN     | 50                                |                             | 0 2                 | -0 1                                 | b, c, d    |
| Guangzhou Pearl River Industrial Gases Company Limited | Guangzhou         | CHN     | 50                                |                             | 21 9                | 3 1                                  | b          |
| Linde Carbonic Co. Ltd., Tangshan                      | Qian An City      | CHN     | 80                                |                             | 1 6                 | -0 1                                 | b, e       |
| Ma'anshan BOC-Ma Steel Gases Company Limited           | City of Ma'anshan | CHN     | 50                                |                             | 78 0                | 22 4                                 | b          |
| Maoming Coolants Carbon Dioxide Company Limited        | Maoming City      | CHN     | 50                                |                             | 0 6                 | -0 4                                 | b          |
| Nanjing BOC YPC Gases CO., LTD                         | Nanjing           | CHN     | 50                                |                             | 57 0                | 11 9                                 | b          |
| Shanghai HuaLin Industrial Gases Co. Ltd               | Shanghai          | CHN     | 50                                |                             | 54 7                | 12 1                                 | b          |
| Shenzhen South China Industrial Gases Company Limited  | Shenzhen          | CHN     | 50                                |                             | 4 9                 | 1 0                                  | b          |
| YANGJIANG SOUTHERN INDUSTRIAL GASES COMPANY LIMITED    | Yangjiang         | CHN     | 30                                |                             | 0 0                 | 0 0                                  | b, c, d    |
| Zibo BOC-QILU Gases Co., Ltd                           | Zibo              | CHN     | 50                                |                             | 39 5                | 14 4                                 | b          |
| Krakovská s r o s v á r e c í t e c h n i k a          | Nový Malín        | CZE     | 37                                |                             | 0 6                 | 0 0                                  | c          |
| Plyny jehlár s r o                                     | Brno              | CZE     | 34                                |                             | 0 1                 | 0 0                                  | c          |
| BELLARY OXYGEN COMPANY PRIVATE LIMITED                 | Bangalore         | IND     | 50                                |                             | 9 7                 | 1 5                                  | b          |
| SHINIL CRYOGENIC MATERIALS LTD                         | Dangjin           | KOR     | 49                                |                             | 0 2                 | -0 3                                 | b, c, d    |

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Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

|  | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/ net loss (-) in € million | Note    |
|--|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|---------|
| Company for Production of Carbon Dioxide Geli DOO Skopje | Skopje            | MKD     | 50                                | 50                          | 0.8                 | 0.0                                   | b       |
| EASTERN OXYGEN INDUSTRIES SDN BHD                        | Kuching           | MYS     | 49                                |                             | 14.0                | 1.6                                   | c, d    |
| INDUSTRIAL GASES SOLUTIONS SDN BHD                       | Selangor          | MYS     | 50                                |                             | 1.0                 | 0.5                                   | b       |
| Kulim Industrial Gases Sdn Bhd                           | Selangor          | MYS     | 50                                |                             | 22.9                | 2.1                                   | b, c, d |
| BACNOTAN AIR GASES, INCORPORATED                         | Taguig            | PHL     | 50                                |                             | -0.2                | 0.0                                   | b, c, d |
| GAO "URALSKY ZAVOD TECHNICHESKIKH GAZOV"                 | Yekaterinburg     | RUS     | 50                                | 50                          | 0.0                 | 0.0                                   | b, c, d |
| Map Ta Phut Industrial Gases Company Limited             | Bangkok           | THA     | 40                                |                             | 7.2                 | 0.8                                   | b       |
| Blue Ocean Industrial Gases Co., Ltd                     | Taipei            | TWN     | 50                                |                             | 20.2                | 0.0                                   | b, c, d |
| South Pacific & Africa                                   |                   |         |                                   |                             |                     |                                       |         |
| LES GAZ INDUSTRIELS LIMITED                              | Port Louis        | MUS     | 38                                |                             | 3.9                 | 1.0                                   | c, d    |
| ENERGY SOLUTIONS (PTY) LIMITED                           | Windhoek          | NAM     | 26                                |                             | 0.0                 | 0.0                                   | c, d    |
| LINDE ELECTRONICS SOUTH AFRICA (PROPRIETARY) LIMITED     | Johannesburg      | ZAF     | 50                                |                             | -0.5                | -1.0                                  | b, e    |
| Other activities   |                   |         |                                   |                             |                     |                                       |         |
| Caravell Kühlgerätevertriebs GmbH i. L.                  | Ratingen          | DEU     | 50                                | 50                          | 0.1                 | 0.0                                   | b, c, d |
| LOGI-FRANCE SARL   | Antony            | FRA     | 50                                |                             | -0.1                | -0.1                                  | b       |
| VAN DONGEN & VAN DER KWAAK B.V.                          | Dirksland         | NLD     | 50                                |                             | 0.0                 | -0.2                                  | b       |

Non-consolidated subsidiaries

|                                 | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/ net loss (-) in € million | Note |
|---------------------------------|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| Gases Division                  |                   |         |                                   |                             |                     |                                       |      |
| Western Europe                  |                   |         |                                   |                             |                     |                                       |      |
| Progas AG                       | Dagmersellen      | CHE     | 100                               |                             | 0.1                 | 0.0                                   | c    |
| GI/LINDE ALGERIE                | Algiers           | DZA     | 100                               | 40                          | 6.2                 | 2.1                                   | 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 |
| GAS AND EQUIPMENT GROUP LIMITED | Guildford         | GBR     | 100                               | 100                         | 0.3                 | 0.0                                   | c, d |
| HYDROGEN SUPPLIES LIMITED       | Guildford         | GBR     | 100                               | 100                         | 0.9                 | 0.0                                   | c, d |
| INTELLEMETRICS LIMITED          | Glasgow           | GBR     | 100                               |                             | 0.1                 | 0.0                                   | c, d |
| KINGSTON MEDICAL GASES LIMITED  | Guildford         | GBR     | 100                               |                             | 0.2                 | 0.0                                   | c, d |
| Cryo Clean B.V.                 | Schiedam          | NLD     | 100                               |                             | 0.1                 | 0.0                                   | c    |
| Hoek Loos Emmen B.V.            | Emmen             | NLD     | 100                               |                             | 0.0                 | 0.0                                   | c    |

# Non-consolidated subsidiaries

|  | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/net loss (-) in € million | Note |
|--|-------------------|---------|-----------------------------------|-----------------------------|---------------------|--------------------------------------|------|
| KS Luftgassproduksjon  | Oslo              | NOR     | 100                               |                             | 0 0                 | 0 0                                  | c, d |
| Norgas AS  | Oslo              | NOR     | 100                               |                             | 0 1                 | 0 0                                  | c, d |
| Nynashamns Gastterminal AB                                   | Lidingö           | SWE     | 100                               |                             | 0 0                 | 0 0                                  | c, d |
| <b>Americas</b>  |                   |         |                                   |                             |                     |                                      |      |
| 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 |
| GAS & EQUIPMENT WILLEMSTAD N.V.                              | Willemstad        | CUW     | 100                               |                             | 0 0                 | 0 0                                  | c, d |
| <b>Asia &amp; Eastern Europe</b>                             |                   |         |                                   |                             |                     |                                      |      |
| BANGLADESH OXYGEN LIMITED                                    | Dhaka             | BGD     | 100                               |                             | 0 0                 | 0 0                                  | c, d |
| LINDE PLIN d o o Sarajevo                                    | Sarajevo          | BIH     | 100                               | 100                         | 0 0                 | 0 0                                  | c    |
| Guangzhou GNIG Industrial Gases Company Limited              | Guangzhou         | CHN     | 60                                |                             | N/A                 | N/A                                  |      |
| Linde Gas Pars PJS Co  | Tehran            | IRN     | 100                               | 100                         | -1 2                | 0 0                                  | c, d |
| 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                | 0 4                                  | 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 |
| 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 Plyný spol. s r.o.                           | Bratislava        | SVK     | 100                               |                             | 0 1                 | 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 8                 | 0 8                                  | c, d |
| <b>South Pacific &amp; Africa</b>                            |                   |         |                                   |                             |                     |                                      |      |
| ELGAS SUPERANNUATION PTY LTD                                 | North Ryde        | AUS     | 100                               |                             | 0 0                 | 0 0                                  | d    |
| CUULSTICK VENTURES (PTY) LIMITED                             | Gaborone          | BWA     | 100                               |                             | N/A                 | N/A                                  |      |
| EAST AFRICAN OXYGEN LIMITED                                  | Nairobi           | KEN     | 100                               |                             | 0 0                 | 0 0                                  | d    |
| Handigas Kenya Limited                                       | Nairobi           | KEN     | 100                               |                             | 0 0                 | 0 0                                  | c, d |
| Kivuli Limited   | Nairobi           | KEN     | 100                               |                             | 0 9                 | 0 1                                  | d    |
| BOC NOUVELLE-CALÉDONIE SAS                                   | Noumea            | NCL     | 100                               |                             | 0 0                 | 0 0                                  | d    |
| THE GAS COMPANY LIMITED                                      | Auckland          | NZL     | 100                               |                             | 0 0                 | 1 7                                  | d    |
| <b>Engineering Division</b>                                  |                   |         |                                   |                             |                     |                                      |      |
| Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda | São Paulo         | BRA     | 100                               | 90                          | -0 1                | -0 1                                 | c, d |

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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 |
|------------------------------------|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|------|
| Linde Engenharia Do Brasil Ltda    | Barueri           | BRA     | 100                               | 90                          | 1.3                 | 0.0                                   | c, d |
| Linde Engineering Far East, Ltd    | Seoul             | KOR     | 100                               | 100                         | 0.4                 | 0.0                                   | c, d |
| Linde Engineering Taiwan Ltd       | Taipei            | TWN     | 100                               |                             | 0.1                 | 0.0                                   |      |
| Other activities                   |                   |         |                                   |                             |                     |                                       |      |
| Linde Australia Holdings Pty Ltd   | North Ryde        | AUS     | 100                               | 100                         | 0.0                 | 0.0                                   | d    |
| Cunducan 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 |
| 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, d |
| CHIEF SIAM Co. Ltd                 | Bangkok           | THA     | 100                               | 100                         | 0.0                 | 0.0                                   | c, d |
| AIRCO PROPERTIES INC               | Wilmington        | USA     | 100                               |                             | N/A                 | N/A                                   |      |
| Baker I Investment Corporation     | Wilmington        | USA     | 100                               |                             | 0.0                 | 0.0                                   | c, d |
| SELOX, INC                         | Knoxville         | USA     | 100                               |                             | N/A                 | N/A                                   |      |

### Other participations (not consolidated)

|  | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/ net loss (-) in € million | Note    |
|--|-------------------|---------|-----------------------------------|-----------------------------|---------------------|---------------------------------------|---------|
| Gases Division   |                   |         |                                   |                             |                     |                                       |         |
| Western Europe   |                   |         |                                   |                             |                     |                                       |         |
| TKD TrockenEis und Kohlensäure Distribution GmbH         | Fraunberg         | DEU     | 50                                | 50                          | 0.3                 | 0.1                                   | c, d    |
| Vermögensverwaltung der Gewerkschaft Pattberg GmbH i. L. | Koblenz           | DEU     | 45                                |                             | 0.0                 | 0.0                                   | c, d    |
| AGA F&Sroyer Sp/f  | Torshavn          | DNK     | 50                                |                             | 0.4                 | 0.1                                   | c, d    |
| AGA HiQ Center Aps                                       | Hillerød          | DNK     | 50                                |                             | 0.2                 | 0.0                                   | c, d    |
| Carburol del Cinca S A                                   | Monzón            | ESP     | 20                                |                             | 4.5                 | 0.7                                   | c, d    |
| Ibérica de Gases, S A                                    | Alzira            | ESP     | 50                                |                             | 0.5                 | 0.0                                   | c, d    |
| Oxígeno de Andalucía, S L                                | San Roque         | ESP     | 49                                |                             | 0.1                 | 0.0                                   | c, d    |
| QUÍMICA BÁSICA, S A                                      | Barcelona         | ESP     | 33                                |                             | 1.4                 | 0.0                                   | b, c, d |
| Bio Supply B V   | Papendrecht       | NLD     | 50                                |                             | 0.0                 | 0.0                                   | c       |
| Bio Supply C V   | Papendrecht       | NLD     | 45                                |                             | 0.0                 | 0.0                                   | c       |
| Fuel Cell Boat B V                                       | Amsterdam         | NLD     | 20                                |                             | 0.0                 | 0.0                                   | c       |



# Other participations (not consolidated)

|   | Registered office | Country | Participating interest in percent | Thereof Linde AG in percent | Equity in € million | Net income/net loss (-) in € million | Note    |
|---|-------------------|---------|-----------------------------------|-----------------------------|---------------------|--------------------------------------|---------|
| <b>Americas</b>                                   |                   |         |                                   |                             |                     |                                      |         |
| HERA, HYDROGEN STORAGE SYSTEMS INC                | Longueuil         | CAN     | 20                                |                             | 0 0                 | 0 0                                  | c, d    |
| RECUPERADORA INTEGRAL DE NITROGENO, SAPI DE C V   | Mexico City       | MEX     | 50                                |                             | 0 0                 | 0 0                                  | b       |
| TOMOE TRANSTECH SPECIALTY GASES PTE LTD           | Singapore         | SGP     | 25                                |                             | 1 7                 | 0 3                                  | b, c, d |
| Hydrochlor LLC                                    | Wilmington        | USA     | 50                                |                             | 0 0                 | 0 0                                  |         |
| <b>Asia &amp; Eastern Europe</b>                  |                   |         |                                   |                             |                     |                                      |         |
| Guangzhou GNC Carbon Dioxide Company Ltd          | Guangzhou         | CHN     | 50                                |                             | N/A                 | N/A                                  |         |
| Linde Vítkovice a s                               | Ostrava           | CZE     | 50                                |                             | 16 4                | -0 5                                 | c, d    |
| LLC TCHOP "Sokol E"                               | Yekaterinburg     | RUS     | 20                                |                             | 0 0                 | 0 0                                  | d       |
| HON CHEN Enterprise Co., Ltd                      | Kaohsiung         | TWN     | 50                                |                             | 0 6                 | 0 1                                  | c, d    |
| SUN HSIN LPG COMPANY LIMITED                      | Yun Lin           | TWN     | 50                                |                             | 0 3                 | 0 0                                  | c, d    |
| <b>South Pacific &amp; Africa</b>                 |                   |         |                                   |                             |                     |                                      |         |
| NAMGAS (PTY) LIMITED                              | Windhoek          | NAM     | 44                                |                             | 0 0                 | 0 0                                  | d       |
| TASCO ESTATES LIMITED                             | Dar es Salaam     | TZA     | 20                                |                             | N/A                 | N/A                                  |         |
| INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED | Johannesburg      | ZAF     | 26                                |                             | -0 1                | 0 0                                  | c, d    |
| <b>Other activities</b>                           |                   |         |                                   |                             |                     |                                      |         |
| 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 2010
  - e Consolidation method differs from percentage of shares held due to a contractual agreement
- N/A = No financial data available

## [42] Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 1 March 2011

On 1 March 2011, 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 Group 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 held on 9 March 2011.

## 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 Wirtschaftsprüfungsgesellschaft 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 thereon.

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 2011

Professor Dr Wolfgang Reitzle  
Chief Executive Officer  
of Linde AG

Georg Denoke  
Member of the Executive Board  
of Linde AG

Dr Aldo Belloni  
Member of the Executive Board  
of Linde AG

J Kent Masters  
Member of the Executive Board  
of Linde AG

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## Auditors' report

We have audited the accompanying consolidated financial statements of Linde AG and its subsidiaries, which comprise the group income statement, statement of recognised income and expense, group balance sheet, group cash flow statement, statement of changes in group equity and notes to the group financial statements for the business year from 1 January to 31 December 2010

### 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 Wirtschaftsprüfer (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 judgment. 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 IFRSs as adopted by 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 2010 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 2010. 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 Wirtschaftsprüfer (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 2011

KPMG AG  
 Wirtschaftsprüfungsgesellschaft

Harald v. Heynitz  
 Wirtschaftsprüfer

Gunter Nunnenkamp  
 Wirtschaftsprüfer

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# 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 2011

Professor Dr Wolfgang Reitzle  
 Chief Executive Officer  
 of Linde AG

Georg Denoke  
 Member of the Executive Board  
 of Linde AG

Dr Aldo Belloni  
 Member of the Executive Board  
 of Linde AG

J Kent Masters  
 Member of the Executive Board  
 of Linde AG

## Management organisation

(As at 31 December 2010)

| EXECUTIVE BOARD   | EXECUTIVE BOARD | Regional/operational responsibilities   | Global and central functions  |
|---|-----------------|---|---|
| Professor Dr Wolfgang Reitzle,<br>Chief Executive Officer |                 | Gist, non-core businesses   | Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal, Innovation Management, Internal Audit, SHEQ (Safety, Health, Environment, Quality) |
| Dr Aldo Belloni   |                 | Operating segments Western Europe and Asia & Eastern Europe, Global Business Unit Tonnage (on-site), Business Area Electronics (electronic gases), Engineering Division |   |
| J Kent Masters  |                 | Operating segments Americas and South Pacific & Africa, Global Business Unit Healthcare, Business Area Merchant & Packaged Gases (liquefied and cylinder gases)         |   |
| Georg Denoke  |                 |   | Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Mergers & Acquisitions, Procurement, Risk Management, Tax                                       |

### Divisions

| Gases Division                     | Engineering Division          | Gist         |
|------------------------------------|-------------------------------|--------------|
| See diagram below for organisation | Werner Schwarzmeier, Chairman | Martin Gwynn |
|                                    | Dr Bruno Ziegler              |              |
|                                    | Dr Samir Serhan               |              |

### Gases Division

| Operating segment Western Europe                               | Operating segment Americas       | Operating segment Asia & Eastern Europe                    | Operating segment South Pacific & Africa |
|--|----------------------------------|--|--|
| RBU <sup>1</sup> Continental & Northern Europe<br>Peter Stocks | RBU North America<br>Pat Murphy  | RBU Greater China<br>Steven Fang                           | RBU South Pacific<br>Colin Isaac         |
| RBU UK & Ireland<br>Mike Huggon                                | RBU South America<br>Clemis Miki | RBU South & East Asia<br>Sanjiv Lamba                      | RBU Africa<br>Tjaart Kruger              |
|  |                                  | RBU Eastern Europe & Middle East<br>Dr Hans-Hermann Kremer |  |
|  |                                  | Asia Joint Venture Management<br>Peter Owen                |  |

### Global Business Units (GBUs) and Business Areas (BAs)

| GBU Tonnage (On-site)<br>Dr Rainer Schlicher | GBU Healthcare<br>Dr Walter Koppensteiner | BA Electronic<br>Peter Owen | BA Merchant & Packaged Gases<br>Steve Penn |
|--|---|-----------------------------|--|
|--|---|-----------------------------|--|

<sup>1</sup> Regional Business Unit



## Global and central functions

|   |                        |
|---|------------------------|
| Procurement   | Christoph Clausen      |
| Group Accounting & Reporting                                    | Björn Schneider        |
| Financial Control, Capital Expenditure,<br>Growth & Performance | Jürgen Nowicki         |
| Group Treasury  | Erhard Wehlen          |
| Innovation Management   | Dr Andreas Opfermann   |
| Communications & Investor Relations                             | Dr Harry Roegner       |
| Mergers & Acquisitions  | Jens Lühring           |
| Group Information Services                                      | Ronald Geiger          |
| Group Human Resources   | Werner Boekels         |
| Group Legal   | Dr Christian Rau       |
| Internal Audit  | Thomas Müller          |
| Risk Management   | Peter Petz             |
| SHEQ (Safety, Health, Environment, Quality)                     | Phil Graham            |
| Tax   | Michael Weißberg       |
| Corporate Strategy  | Dr Christian Wojcowski |

## Review of the year

### JANUARY

↳ Linde establishes a sponsored Level 1 American Depositary Receipt (ADR) programme in the US. ADRs are certificates representing a specified number of shares in a foreign stock. They are traded over the counter (OTC) in the US. Ten ADRs correspond to one Linde share.

↳ BOC Healthcare, a member of The Linde Group, concludes a contract with the National Health Service (NHS) in Scotland to supply medical gases to ambulance services throughout the country. The agreement covers the provision of medical oxygen, the analgesic gas mixture ENTONOX® and gas delivery systems. The company will be supplying over 160 ambulance stations across the whole of Scotland.

### FEBRUARY

↳ Linde is awarded a contract by Xinjiang Ji Munai Guanghui Liquefied Natural Gas Development Co. Ltd in China for an LNG plant with a capacity of 400,000 tonnes per year. In 2004, Linde successfully started operations at a similar LNG facility commissioned by the same customer. The new plant in the north-west province of Xinjiang is scheduled to go on stream at the end of 2011.

↳ Linde and Bosch Solar Energy AG expand their collaboration at Bosch's crystalline silicon solar cell manufacturing site in Arnstadt, Germany. Under the new agreement, Linde will supply silane and ammonia gas, both critical materials in the fabrication of PV cells. Bosch currently operates three manufacturing facilities in the Erfurt/Arnstadt area that produce both thin-film and crystalline silicon solar cells. At peak performance, the crystalline facilities alone have an overall capacity of 630 MWp (megawatt peak), making the Erfurt/Arnstadt area a strong European 'solar cluster'. Linde is the main gas supplier to all of the production lines here.

### MARCH

↳ Linde opens the southern hemisphere's first helium plant in Darwin, Northern Territory, Australia. The plant has an annual capacity of 4.3 million cubic metres of helium – enough to cover Australia's needs and cover exports to New Zealand and other Asian markets. This valuable noble gas has a variety of applications including the production of semiconductors, LCD screens and fibre optic cables. It is also used in medicine and for filling balloons and airships.

↳ Linde starts construction on Pakistan's largest air separation plant in Lahore. The company will be investing around EUR 17 m in the plant. With a 150 tonne-per-day (tpd) capacity, the facility will primarily supply the growing regional market in northern Pakistan with liquid and gaseous products (oxygen, nitrogen and argon). The plant is scheduled to be completed in the first half of 2012. It will mainly serve customers in the steel, glass, food, chemical, oil, gas and medical industries.

### APRIL

↳ Linde announces that, from 2010 onwards, customers in the electronics industry will be able to reduce CO<sub>2</sub> emissions from production processes by a quarter of a million tonnes by replacing nitrogen trifluoride (NF<sub>3</sub>) with fluorine (F<sub>2</sub>) produced on site. This is the same amount of CO<sub>2</sub> as that emitted each year by 125,000 large family cars. The move underscores Linde's commitment to providing semiconductor and solar cell manufacturers with cost-effective and – above all – sustainable production solutions.

↳ In the UK, Linde unveils a new 150 watt mobile generator powered by hydrogen fuel cells. The Hymera generator is both quiet and ecologically sound. It harnesses the chemical reaction between gaseous hydrogen and oxygen to produce electricity and its only "emission" is water.

↳ The leading international rating agencies Standard & Poor's (S&P) and Moody's increased Linde's rating by one notch, S&P from BBB+ to A- and Moody's from Baa1 to A3.

### MAY

↳ The world's largest steel company, ArcelorMittal, awards Linde a contract to build a large, state-of-the-art air separation plant at the steel-maker's site in Temirtau, Kazakhstan. The on-site facility will be the first major air separation plant in Kazakhstan and have a capacity of 2,000 tpd. It is scheduled to go on stream in mid-2012. This is Linde's first engineering and operating win for an air separation plant in Kazakhstan. The investment volume for the new plant is around EUR 95 m. It marks Linde's entry into the emerging Kazakhstan market.

↳ Linde agrees to expand its supply infrastructure for steel manufacturer ThyssenKrupp Steel Europe at its largest production site in Duisburg (Germany). The agreement will see Linde construct a further major air separation plant in Duisburg-Ruhrort. The on-site facility will be the eleventh air separation plant that Linde has built for this customer at this location. It will have an oxygen capacity of 1,500 tpd and is scheduled to go on stream in the third quarter of 2012. Investments in the new plant 11 and existing facilities at Duisburg-Ruhrort will total around EUR 75 m.

↳ For even greater financing flexibility, Linde agreed a new EUR 2.5 bn five-year revolver credit line. This facility replaces the EUR 2 bn credit line from 2006, which was originally due to run until May 2011, and the EUR 1.6 bn forward start credit line agreed in June 2009.

### JUNE

↳ RWE Power and Linde sign an umbrella agreement to pre-dry lignite with a technology developed by RWE Power. Linde-KCA-Dresden GmbH is now a provider and supplier of RWE Power's technology for fluidised-bed drying with internal waste-heat utilisation (WTA). In future, the procedure will be used in lignite power plants and coal liquefaction and gasification projects in order to raise energy efficiency levels and cut CO<sub>2</sub> emissions during power generation and synthesis gas production.

↳ Californian transport operator AC Transit contracts Linde to build two hydrogen fuelling stations in Emeryville and Oakland and to supply the hydrogen and necessary fuelling technology. The bus operator transports customers between thirteen cities in the San Francisco Bay Area. The stations will supply enough hydrogen to power twelve buses and up to twenty fuel-cell cars.

## JULY

↳ Linde secures two new gas supply contracts for Yangtze Petrochemical Company Limited (YPC) and Dynamic Chemical Company Limited at the Nanjing chemical industrial park in the Chinese province of Jiangsu. To secure future supplies, Linde will invest around EUR 24m in the expansion of its existing gases infrastructure here. Projects include construction of a new air separation plant that will supply customers in the industrial park and the regional market with liquefied products.

## AUGUST

↳ Linde agrees to expand its carbon dioxide (CO<sub>2</sub>) supply infrastructure at various locations in Malaysia and the US. The company is investing around EUR 15m in the construction of a new CO<sub>2</sub> plant in Terengganu, for example. The facility is scheduled to go on stream at the end of 2011 with a capacity of 200 tpd, making it Malaysia's largest producer of high-purity CO<sub>2</sub>. The investment strengthens Linde's position as the country's leading provider of industrial gases and CO<sub>2</sub>.

↳ Linde commences operations at a new 600 tpd CO<sub>2</sub> purification and liquefaction plant in Fulton, New York (US). The raw CO<sub>2</sub> feedstock is a by-product of ethanol production and sourced from a neighbouring chemical company. The majority of the high purity CO<sub>2</sub> is destined for the food and beverage industry and has to meet strict quality standards.

↳ A CO<sub>2</sub> purification plant also starts production at Linde's electronic gases site in Medford, Oregon (US). The plant produces ultra-pure carbon dioxide (above 99.9997 percent) for various applications in the semiconductor and electronics industries.

## SEPTEMBER

↳ Linde officially opens a new major air separation plant in Scunthorpe, UK. The on-site facility has an oxygen capacity of 1,600 tpd and is part of a long-term deal to supply Tata Steel's steelworks with gaseous oxygen by pipeline. Tata also awarded Linde a contract to modernise an existing air separation plant at the same site.

↳ Since 2009, RWE, Linde and BASF have been testing a new technology for capturing carbon dioxide (CO<sub>2</sub>) from flue gases emitted by a pilot facility at an RWE power plant in the German town of Niederaussem, near Cologne. The results from the practical tests are now available and show that, in combination with chemical solvents, the new technology uses around 20 percent less energy to capture CO<sub>2</sub> than current conventional processes.

## OCTOBER

↳ Linde wins a contract from steel manufacturer Taiyuan Iron & Steel Company Limited (TISCO) to construct two new major air separation plants at its production site in Taiyuan, in the north Chinese province of Shanxi. The contract entails an investment of around EUR 100m. The project will be managed by BOC-TISCO Gases, the 50/50 gases joint venture set up by Linde and TISCO. The two new air separation plants will be built for BOC-TISCO Gases by Linde's Engineering Division. With each plant having a 2,000 tpd capacity for gaseous oxygen, these facilities are among the largest and most modern air separation facilities in China.

↳ Linde supplies BMW's forklift fleet at its Spartanburg, South Carolina, plant with hydrogen. Over 85 of the forklift trucks that keep the assembly lines supplied with vehicle components are gradually being converted from battery to fuel-cell technology. The hydrogen conversion will make this part of BMW's internal logistics entirely emissions-free. It is one of the largest hydrogen projects of its kind and highlights the potential value of hydrogen in intralogistics.

## NOVEMBER

↳ A study reveals that hydrogen-powered fuel-cell vehicles are set to play an important role in creating low emission road transport choices as we move forward. This is the conclusion reached by the most extensive European study investigating different powertrains in passenger cars. The results of the study were presented in Brussels on 8 November<sup>1</sup>. Linde and 29 other companies and organisations from the automobile, oil and gas, energy and utility and industrial gases sectors provided extensive data for the project. The study addresses the EU and G8's goal of achieving an 80 percent cut in overall CO<sub>2</sub> emissions by 2050, which will also involve decarbonising the road transport sector by as much as 95 percent.

↳ Linde undertakes to expand its gas supply infrastructure for GCL Poly Energy Holdings, China's leading manufacturer of polycrystalline silicon (polysilicon). The investment volume for this project is around EUR 15m. Polysilicon is primarily used in the solar industry. The new agreement includes the construction of new production and supply facilities for ultra-pure hydrogen (H<sub>2</sub>) in the Xuzhou industrial park. Two new production plants, set to go on stream mid-2011, will double current hydrogen capacity.

## DECEMBER

↳ The one hundredth tanker is successfully loaded with LNG at Hammerfest LNG, Europe's largest natural gas liquefaction plant, located on the island of Melkøya, 800 kilometres north of the Arctic Circle. The large scale plant commenced operations at the start of 2008 and now runs at up to 104 percent of its design capacity. A performance test will be carried out after the regular check in Q2 2011 in order to verify plant performance. With the successful development and realisation of this LNG technology on such a large industrial scale, Linde has established this versatile, European technology as a strong contender in the LNG market. Melkøya is a valuable reference project for the company both from a technical and strategic perspective.

<sup>1</sup> Source: A portfolio of power-trains for Europe – a fact based analysis, McKinsey & Company, 2010

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