Linde AG.

Financial Statements for the year ended 31 December 2011.

Leading.

THE LINDE GROUP

Contents

Executive Board

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

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

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

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

Changes in the composition of the Executive Board

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

Supervisory Board

Members of the Supervisory Board

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

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

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

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

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

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

Thilo Kämmerer[1]
Trade Union Secretary of IG Metall

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

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

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

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

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

[1] Employee representative.

Memberships of other German supervisory boards and comparable German and foreign boards are shown in Note [29] of the Notes to the financial statements.

Supervisory Board committees

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

Dr Manfred Schneider
(Chairman)

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

Standing Committee

Dr Manfred Schneider
(Chairman)

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

Audit Committee

Dr Clemens Börsig
(Chairman)

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

Nomination Committee

Dr Manfred Schneider
(Chairman)

Michael Diekmann
Klaus-Peter Müller

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

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

[1] Employee representative.

Memberships of other German supervisory boards and comparable German and foreign boards are shown in Note [29] of the Notes to the financial statements.

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Report of the Supervisory Board

Dear shareholders,

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

Meetings and resolutions of the Supervisory Board

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

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

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

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

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

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

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

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Furthermore, the Supervisory Board appointed Mr Thomas Blades to the Executive Board and agreed the terms of his employment with regard to his remuneration package.

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

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and permanently verify that the provisions are being properly implemented. Linde AG complies with all the recommendations of the German Corporate Governance Code as amended on 26 May 2010. In March 2012, the Executive Board and Supervisory Board issued an updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Law (AktG) and made it permanently available to shareholders on the company's website (www.linde.com). Further information on corporate governance at Linde can be found in the corporate governance report on pages 012 to 018.

Committees and committee meetings

The Supervisory Board continues to have four committees: the Mediation Committee, formed under Section 27 (3) of the German Codetermination Law (MitbestG), the Standing Committee, the Audit Committee and the Nomination Committee. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee. The current members of each committee are listed on page 004. Information about the responsibilities of each committee is given in the corporate governance report on pages 012 to 018.

The Standing Committee of the Supervisory Board held four meetings during the reporting year. In addition, three resolutions were passed in writing. The Standing Committee mainly dealt with matters relating to the Executive Board, particularly the preparation of decisions to be made by the full Supervisory Board on Executive Board remuneration and appointments to the Executive Board, as well as dealing with approval of the early retirement of one of the Executive Board members. The Standing Committee carried out a thorough review of the design of the remuneration system for the

Executive Board in terms of amount, structure and individual remuneration components. It made changes to the existing system in cooperation with an independent external expert on executive pay. Furthermore, the Standing Committee made the amendments to the articles of association required as a result of issuing shares to fulfil share options. It stipulated the issue date for options under the Linde Performance Share Programme for the 2011 tranche and gave its consent to an Executive Board member who wished to take up a secondary occupation.

The Audit Committee met on five occasions during the year under review. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the report on the audit focus and the presentation by the auditors of the main results of the audit. The Audit Committee raised no objections on the basis of its reviews. The auditors did not report any significant weaknesses in the internal control and management systems relating to the accounting process. The Audit Committee also discussed the interim and half-year financial reports prior to their publication based on reports presented by the Executive Board and the auditors. In addition, this committee prepared the proposal from the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the audit focus and agreed the audit fees. Moreover, the Audit Committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit itself. The Audit Committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provisions of services not related to the audit, and the auditors informed the committee at each of its meetings about the fees it had charged in relation to such services. Furthermore, it remained up to date on evolutions in the risk management system and compliance structures, compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The Audit Committee paid particular attention to the regular reports on the investigations being carried out by Munich public prosecutors on the grounds of suspected bribes in international transactions. Following intensive internal and external consultation, the Audit Committee did not raise any objections to the settlement proposal put forward by the Executive Board under the terms of which Linde would waive any right to appeal against the decision of the public prosecutors on the compensation due. The Audit Committee also reviewed the evolution of internal control systems within the Group based on a presentation by the Executive Board. It received a report on the structure of the internal audit department, its roles and responsibilities and audit work, and its 2011 audit plan. The Audit Committee was briefed on the efficiency of the internal control system, risk management system and internal audit system; it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question. The Executive Board also briefed the Audit Committee on a regular basis with regard to the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity. Topics of discussion also included projects relevant to the accounting and reporting process. For selected agenda items, department/unit heads and external advisors also attended meetings of the Audit Committee, submitting reports and answering questions. In addition, the Chairman of the Audit Committee held talks on issues of significance between committee meetings, particularly with the Chief Executive Officer, Chief Financial Officer, the auditors and the Head of Group Legal. The Audit Committee and, where necessary, the Supervisory Board were regularly appraised of the outcome of these discussions.

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

The Mediation Committee had no cause to meet during the year.

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

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

Annual financial statements and Group financial statements

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

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

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

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

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

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

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

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

Munich, 8 March 2012

On behalf of the Supervisory Board

Dr Manfred Schneider
Chairman

Corporate Governance

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

CORPORATE GOVERNANCE

Corporate governance declaration and corporate governance report

Compliance with the German Corporate Governance Code and declarations of compliance

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

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

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

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

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

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

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

Corporate governance practices

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

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

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

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

Executive Board and Supervisory Board procedures

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

Executive Board

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

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

No conflicts of interest arose for any member of the Executive Board during the reporting period. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No member of the Executive Board is a member of more than three supervisory boards of listed companies outside The Linde Group or of comparable supervisory bodies of other business entities. Information about memberships held by members of the Executive Board on other German supervisory boards or comparable German and foreign boards of business entities is given in Note [29] of the Notes to the financial statements.

The Executive Board has no committees.

The international composition of the Executive Board reflects The Linde Group's global footprint and its intercultural diversity. Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on page 002 or on the Linde website. The CVs of Executive Board members are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the number of members specified as the minimum number in the relevant regulations. Currently, the minimum number of Supervisory Board members specified is twelve. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations. In accordance with the recommendations of the German Corporate Governance Code, the shareholder representatives were elected individually at the last election to the Supervisory Board at the Annual General Meeting on 3 June 2008. The current term of office of the members of the Supervisory Board ends with the completion of the Annual General Meeting in 2013. The composition of the Supervisory Board is balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All Supervisory Board members must ensure that they have sufficient time to perform those duties. Supervisory Board members who also sit on the executive board of a listed company must not hold more than three supervisory board offices in listed companies or in comparable supervisory bodies of other business entities which do not belong to the same group as the company for which they perform their executive board duties. Linde AG undertakes to support Supervisory Board members as appropriate in the pursuit of any training or professional development necessary for the performance of their duties.

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

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

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

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

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

Information about the members of the Supervisory Board and their memberships of other German supervisory boards and/or comparable German or foreign boards of business entities is given in Note [29] of the Notes to the financial statements. The CVs of Supervisory Board members are available on the Linde website.

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

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

Supervisory Board committees

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

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

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

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

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

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

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the financial statements were being prepared are given on pages 003 and 004 of this Report or can be viewed at any time on the Linde website at www.linde.com/supervisoryboard.

Information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2011 financial year is given in the Report of the Supervisory Board on pages 006 to 011.

Additional corporate governance information

Annual General Meeting

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

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

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

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

Consequential loss and liability insurance

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

Directors' dealings

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

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. On 31 December 2011, Executive Board members held a total of 420,000 shares and share options in Linde AG (0.245 percent of shares issued), while Supervisory Board members held a total of 4,500 shares and share options in Linde AG (0.003 percent of shares issued).

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share-based emoluments, is on pages 019 to 031 of the management report.

Communications and stakeholder relations

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

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

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

Accounting, audit and risk management

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

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

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The effectiveness of these systems is reviewed by the auditors both in Germany and abroad. The Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues. It receives regular reports from the Executive Board about risk management, the risk position, and the identification and monitoring of risks. In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the committee any significant weaknesses they might identify in the internal control and risk management systems relating to the accounting process. More details about risk management in The Linde Group are given in the Risk report on pages 045 to 055. This includes the report on the accounting-related internal control system and the risk management system.

Remuneration report

(Part of the Management Report)

The remuneration report sets out the structure, basic features and amount of the remuneration payable to members of the Executive Board and Supervisory Board. It forms part of the 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 financial statements.

1. Remuneration of the Executive Board

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

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

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

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

Fixed emoluments (excluding pension commitments)

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

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

Variable emoluments

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

Variable cash emoluments

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

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

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

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

Share-based emoluments

Linde Management Incentive Programme 2002

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

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

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

Options – Linde Management Incentive Programme 2002

		At 1 January		Exercised in the financial year			At 31 December			
			Weighted average exercise price		Weighted average exercise price	Weighted average share price at exercise date		Range of exercise prices	Weighted average exercise price	Weighted average remaining life
		in units	in €	in units	in €	in €	in units	in €	in €	in years
Professor Dr Wolfgang Reitzle (Chairman)	2011	130,000	81.76	65,000	81.76	125.93	65,000	81.76	81.76	1.3
	2010	390,000	64.85	260,000	56.40	96.37	130,000	81.76	81.76	2.3
Professor Dr Aldo Belloni	2011	40,000	81.76	–	–	–	40,000	81.76	81.76	1.3
	2010	120,000	64.85	80,000	56.40	99.69	40,000	81.76	81.76	2.3
Georg Denoke	2011	25,000	75.01	10,000	64.88	110.41	15,000	81.76	81.76	1.3
	2010	25,000	75.01	–	–	–	25,000	64.88–81.76	75.01	2.0
Total	2011	195,000		75,000			120,000			
	2010	535,000		340,000			195,000			

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

Further information about the Linde Management Incentive Programme 2002 is given in Note [25] of the Notes to the financial statements.

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting on 5 June 2007 to introduce a new long-term incentive scheme (Linde Performance Share Programme 2007) which would cover a five-year period. Participants in the scheme were to include not only members of the Executive Board, but also selected executives (members of the management boards of Linde AG group companies, as well as selected executives of Linde AG and its group companies). The options may be issued in five annual tranches, in each case within a period of twelve weeks following the company's Annual General Meeting. The Supervisory Board determines the allocation of options to members of the Executive Board, while the Executive Board determines the allocation for lower tiers of management. Options are granted to members of the Executive Board for a particular value. The number of options to be issued to a member of the Executive Board is determined on the basis of the fair value per option according to an actuarial report at the grant date. The term of the options is calculated as three years, two months and two weeks from the issue date. The options in a tranche are exercisable once a vesting period of three years from the date of issue has expired, over a period of four weeks, if and to the extent that certain performance targets are met. Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56.

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

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

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

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

Options – Linde Performance Share Programme 2007

		At 1 January	Granted in the financial year	Exercised in the financial year		Forfeited in the financial year	At 31 December	
					Weighted average share price at exercise date			Weighted average remaining life
		in units	in units	in units	in EUR	in units	in units	in years
Professor Dr Wolfgang Reitzle (Chairman)	2011	134,732	29,389	32,512	115.85	4,434	127,175	1.2
	2010	137,564	39,032	12,559	93.67	29,305	134,732	1.5
Professor Dr Aldo Belloni	2011	44,911	9,796	10,837	115.85	1,478	42,392	1.2
	2010	45,854	13,011	4,186	93.67	9,768	44,911	1.5
Georg Denoke	2011	44,911	9,796	10,837	115.85	1,478	42,392	1.2
	2010	45,854	13,011	4,186	89.07	9,768	44,911	1.5
Sanjiv Lamba (from 09.03.2011)	2011	–	9,796	1,942[1]	115.03	265[1]	14,685[2]	1.9
	2010	–	–	–	–	–	–	–
J. Kent Masters (until 30.09.2011)	2011	44,911	9,796	10,837	114.90	43,870	–	–
	2010	45,854	13,011	4,186	93.67	9,768	44,911	1.5
Total	**2011**	**269,465**	**68,573**	**66,965**		**51,525**	**226,644**[2]	
	2010	**275,126**	**78,065**	**25,117**		**58,609**	**269,465**	

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

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

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

All the options held at 31 December 2011 were not yet exercisable. The exercise price of all the options is currently EUR 2.56 each.

Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme is given in Note [25] of the Notes to the financial statements. Information about the rules which apply in the event of a change of control is given on pages 056 to 058 in the Group management report (Disclosures in accordance with § 289 (4) of the German Commercial Code).

Total cost of share-based emoluments

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

Cost of share-based payments

in €	2011	2010
Professor Dr Wolfgang Reitzle (Chairman)	2,627,017	2,086,583
Professor Dr Aldo Belloni	875,680	695,520
Georg Denoke	875,680	695,520
Sanjiv Lamba (from 09.03.2011)	216,949[1]	–
J. Kent Masters (until 30.09.2011)	102,953[2]	695,520
Total	4,698,279	4,173,143

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

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

In the annual financial statements of Linde AG, the company opted not to recognise share-based remuneration systems as personnel expenses, in accordance with legal regulations.

Pension commitments

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

Emoluments of the Executive Board for 2011

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in 2011 was EUR 11,785,161 (2010: EUR 11,901,132). The total remuneration was EUR 14,785,140 (2010: EUR 14,901,171), which includes options granted to members of the Executive Board under the Linde Performance Share Programme 2007 at their value on allocation. In the 2011 financial year, a total of 68,573 options (2010: 78,065 options) were granted to members of the Executive Board. The value on allocation of these options was EUR 51.04 (2010: EUR 38.43) per option. No expense was incurred by the company or the Group in respect of options granted during the 2011 financial year to J. Kent Masters, a member of the Executive Board until 30 September 2011. All the options which had been granted to him but had not yet been exercised were forfeited when he retired from the Board on 30 September 2011.

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

		Cash emoluments				Share options		Pensions	
in €		Fixed emoluments	Benefits in kind/Other benefits	Variable emoluments	Total cash emoluments	Value on the grant date	Total emoluments	Annual amount if pension were paid on balance sheet date	Allocated to pension provision in financial year
Professor Dr Wolfgang Reitzle (Chairman)	2011	1,960,000	111,191	3,281,250	5,352,441	1,500,015	6,852,456	556,800	1,150,524
	2010	1,960,000	58,933	3,435,000	5,453,933	1,500,000	6,953,933	537,600	1,178,074
Professor Dr Aldo Belloni	2011	720,000	41,630	1,656,050	2,417,680	499,988	2,917,668	288,000	250,911
	2010	720,000	40,339	1,782,080	2,542,419	500,013	3,042,432	288,000	286,775
Georg Denoke	2011	564,000	22,503	1,226,500	1,813,003	499,988	2,312,991	138,720	165,920
	2010	564,000	19,828	1,174,000	1,757,828	500,013	2,257,841	130,560	169,169
Sanjiv Lamba (from 09.03.2011)	2011	321,391	452	456,154	777,997	499,988	1,277,984	55,200	61,770
	2010	–	–	–	–	–	–	–	–
J. Kent Masters (until 30.09.2011)	2011	504,000	21,478	898,562	1,424,040	–[1]	1,424,040	66,600[2]	–159,492[2]
	2010	672,000	44,977	1,429,975	2,146,952	500,013	2,646,965	195,360	247,367
Total 2011		4,069,391	197,254	7,518,516	11,785,161	2,999,979	14,785,140		1,469,633
(%)		28	1	51	80	20	100		
Total 2010		3,916,000	164,077	7,821,055	11,901,132	3,000,039	14,901,171		1,881,385
(%)		26	1	53	80	20	100		

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

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

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

During the financial year, the Supervisory Board appointed Mr Thomas Blades as a new member of the Executive Board and paid him compensation of EUR 1.6 m for the detriment he suffered as a result of the lapse of share options and pension commitments from his previous employer due to his move to Linde AG. Thomas Blades will assume his post in March 2012.

Benefits in the event of termination of a contract

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

In 2009, when the Supervisory Board reappointed Professor Dr Aldo Belloni, Georg Denoke and J. Kent Masters to the Executive Board, it incorporated the recommendations set out in Section 4.2.3 of the German Corporate Governance Code relating to severance pay caps into their new employment contracts. In compliance with the Code, all contracts with members of the Executive Board concluded or renewed as of 2009 and new contracts which are concluded or renewed in the future (new contracts) will include the following provision. In the event of the early termination of the employment contract of a member of the Executive Board without due cause for that termination, his or her severance pay will be capped at twice the annual cash emoluments (fixed monthly emoluments, dividend-related bonus and performance-related bonus). The calculation is based on the annual cash emoluments for the last full financial year prior to the removal of the member from the Executive Board. If the annual cash emoluments of the member of the Executive Board for the financial year in which his or her employment is terminated are likely to be significantly higher or lower than the annual cash emoluments for the last full financial year, the Supervisory Board may at its discretion decide to make an adjustment to the calculation of the annual cash emoluments. If the original remaining term of the employment contract was less than two years, the severance pay would be calculated pro rata. For the period on the basis of which the severance pay is determined, the members of the Executive Board receive no pension payments. Prior to 2009, contracts of employment did not include a clause to this effect. Under these contracts, early termination of an Executive Board position does not affect the remuneration entitlement of that Board member for the remaining term of the contract.

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

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

When the contracts of Executive Board members Professor Dr Aldo Belloni, Georg Denoke and J. Kent Masters were renewed in the 2009 financial year, the recommendation set out in Section 4.2.3 of the German Corporate Governance Code relating to severance caps in the event of a change of control was adopted. In accordance with the Code, all Executive Board contracts which have been concluded or renewed as of 2009 and contracts concluded or renewed in future provide for severance pay in the event of a member retiring early from the Board due to a change of control equivalent to the amount payable in the event of early retirement from the Board without cause under any other circumstances. Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual cash emoluments (fixed monthly emoluments, dividend-related bonus and performance-related bonus). The additional compensation would not be payable if the member of the Executive Board had served on the Board for less than three years or if he or she had not yet reached the age of 52 or had already reached the age of 63 when the employment contract ended.

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

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

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

Loans and advances

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

Total emoluments of former members of the Executive Board

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

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

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

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

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

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

Total emoluments

The modified remuneration system comprises the following components:

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

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

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

- → 25 percent fixed cash emoluments
- → 30 percent one-year variable cash emoluments
- → 45 percent multi-year variable emoluments, of which:
  - → around 50 percent virtual shares required to be held for several years after the conversion of portions of the variable cash emoluments
  - → around 50 percent share-based remuneration components from the Long Term Incentive Plan, of which:
    - – 80 percent performance shares
    - – 20 percent matching shares.

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

Fixed cash emoluments

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

Benefits in kind / Other benefits

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

Variable cash emoluments

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

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

Measurement factors for variable cash emoluments

Group ROCE

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

Operating margin

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

Individual performance component

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

Deferral

40 percent of the variable cash remuneration is deferred. This portion of the remuneration is converted into virtual shares for a period of at least three years. The virtual dividend entitlements arising from the virtual shares during the qualifying period are included in the conversion into cash once the qualifying period has elapsed. Once the three-year qualifying period has expired,

the virtual shares may be converted into a cash amount at any time during the following two years, with the exception of certain blocked periods. The conversion into virtual shares of the amount to be deferred and the conversion from virtual shares into the amount to be paid are based on the average closing price of Linde shares on the last 60 stock exchange trading days before the relevant conversion date. If there are exceptional circumstances, the Supervisory Board may limit wholly or in part the actual payment at a later date of the deferred amount.

Cap

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

Regular reviews

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

Linde Long Term Incentive Plan 2012

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

Options for performance shares

Each participant in the plan will be allocated a certain number of options in each annual tranche. The Supervisory Board determines the allocation of options to members of the Executive Board. Each option confers the right to subscribe to one share in Linde AG (performance shares) if certain targets are met, at the lowest issue price in each case, currently EUR 2.56. The options in a tranche have a five-year term. If the exercise conditions are met, the options may first be exercised on completion of a qualifying period of four years from the issue date (the performance period). A requirement for the exercise of the options is the achievement of certain performance targets, which are linked to movements in earnings per share and in relative total shareholder return. A 50 percent weighting is attached to each of the performance targets in relation to the total number of options allocated. Within these two performance targets, there is a minimum target, which must be reached if options in the relevant tranche are to be exercisable, and a stretch target. If the stretch target is reached, all the options in the relevant tranche become exercisable, based on the weighting of the relevant performance target. If the minimum target within a performance target is reached, 12.5 percent of the total options granted in the relevant tranche become exercisable and the scheme participant receives a corresponding number of performance shares on payment of the lowest issue price. If the relevant stretch target is reached, 50 percent of the total options to performance shares granted in the relevant tranche become exercisable. If the minimum target is exceeded, but the stretch target is not reached, a percentage of options corresponding to the extent the minimum target is exceeded becomes exercisable.

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

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

Personal investment and matching shares

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

Pension commitments

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

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

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

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

Other remuneration-related arrangements

The Supervisory Board may, at its discretion, award a special payment to an Executive Board member for exceptional performance.

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

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

3. Remuneration of the Supervisory Board

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

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

Fixed emoluments

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

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0.50 per share with full dividend entitlement distributed to the shareholders. The second part of the variable remuneration is EUR 450 for each 0.1 percent by which the return on capital employed (ROCE) of The Linde Group exceeds the rate of 7 percent in the relevant financial year. ROCE is determined on the basis of information in the relevant audited Group financial statements in accordance with IFRS and the articles of association. In 2011, ROCE calculated in this way was 13.0 percent (2010: 12.5 percent).

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

Emoluments of the Chairmen, Deputy Chairmen and committee members

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

Attendance fees

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

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2011

Based on a dividend of EUR 2.50 (2010: EUR 2.20) per share entitled to dividend and ROCE for The Linde Group of 13.0 percent (2010: 12.5 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,294,493 (2010: EUR 2,105,000) plus VAT of EUR 435,954 (2010: EUR 399,950). Of the total emoluments, EUR 859,754 (2010: EUR 860,000) related to fixed emoluments and EUR 1,392,239 (2010: EUR 1,212,000) to variable emoluments. The total expenditure on attendance fees was EUR 42,500 (2010: EUR 33,000).

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

EXECUTIVE BOARD
SUPERVISORY BOARD
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FURTHER INFORMATION

in €		Fixed emoluments	Variable emoluments	Emoluments for sitting on Audit Committee	Attendance fees	Total emoluments[1]
Dr Manfred Schneider (Chairman)	2011	150,000	261,000	–	6,000	417,000
	2010	150,000	227,250	–	4,000	381,250
Hans-Dieter Katte[3] (Deputy Chairman)	2011	75,000	130,500	–	6,000	211,500
	2010	75,000	113,625	–	4,000	192,625
Michael Diekmann (Second Deputy Chairman)	2011	75,000	130,500	–	3,000	208,500
	2010	75,000	113,625	–	2,000	190,625
Professor Dr Ann-Kristin Achleitner (from 12.05.2011)	2011	32,055	55,776	12,384[2]	2,500	102,715
	2010	–	–	–	–	–
Dr Gerhard Beiten (until 12.05.2011)	2011	18,082	31,463	7,233	2,000	58,778
	2010	50,000	75,750	20,000	4,000	149,750
Dr Clemens Börsig	2011	50,000	87,000	40,000	4,500	181,500
	2010	50,000	75,750	40,000	4,000	169,750
Gernot Hahl[3]	2011	75,000	130,500	–	6,000	211,500
	2010	75,000	113,625	–	3,000	191,625
Thilo Kämmerer[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Matthew F.C. Miau	2011	50,000	87,000	–	1,500	138,500
	2010	50,000	75,750	–	2,000	127,750
Klaus-Peter Müller	2011	75,000	130,500	–	3,000	208,500
	2010	75,000	113,625	–	2,000	190,625
Jens Riedel[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Xaver Schmidt[3]	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Josef Schregle	2011	50,000	87,000	–	2,000	139,000
	2010	50,000	75,750	–	2,000	127,750
Total 2011		800,137	1,392,239	59,617	42,500	2,294,493
(%)		34	61	3	2	100
Total 2010		800,000	1,212,000	60,000	33,000	2,105,000
(%)		38	57	3	2	100

[1] Amounts excluding VAT.

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

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

Loans and advances

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

Management Report

MANAGEMENT REPORT

Corporate organisation

Linde AG, which comprises the Linde Gas and Linde Engineering Divisions and the Corporate Centre, is the holding company and management company of The Linde Group.

Macroeconomic environment

Overview of global economic trends

The economic recovery continued in the course of 2011, albeit at a slower rate than in 2010. Based on data from the international forecasting institute IHS Global Insight, global gross domestic product (GDP) increased by 2.7 percent in 2011, compared with growth of 4.1 percent in 2010. Global industrial production (IP) rose by 3.8 percent in 2011, whereas in 2010 it grew by 8.1 percent.

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

Germany

Following an increase of 3.6 percent in 2010, GDP rose by 3.0 percent in 2011, continuing the trend of steady growth. During the reporting period, the German economy performed at levels far above the eurozone average. In 2011, most of this growth was generated by the domestic economy. There was also a significant increase in exports, but imports grew at a comparable rate. Similar positive trends were to be seen in the figures for industrial production. After strong growth of 11.2 percent in 2010, industrial production increased again in 2011, by 7.8 percent.

Sales and order intake

In the 2011 financial year, sales in Linde AG were EUR 2.028 bn, 27.8 percent below the prior-year figure of EUR 2.809 bn. The Linde Gas Division achieved 4.9 percent growth in sales to EUR 1.252 bn (2010: EUR 1.194 bn). In the Linde Engineering Division, sales fell by 51.1 percent to EUR 800 m (2010: EUR 1.636 bn). In the 2010 financial year, a major project was billed which contributed EUR 664 m to the sales figure. During the reporting year, only small and medium-sized projects were completed and billed, while at the same time the billing for a major project was postponed until 2012. In the 2011 financial year, contract revenue recognised was generated mainly from Norway, Romania, Australia, Russia and China.

50 percent of the sales of Linde AG were to customers in Germany. Exports accounted for 50 percent, with 50 percent (2010: 25 percent) of exports relating to Europe, 33 percent (2010: 69 percent) to the Asia/Pacific region and 12 percent (2010: 5 percent) to the Americas. Sales to Africa accounted for 5 percent of exports in 2011 (2010: 1 percent). The vast majority of the export business relates to the Linde Engineering Division. As the international plant construction business is project business, there are always fluctuations in the regional figures year by year.

Order intake in the Linde Engineering Division was EUR 914 m, 25.2 percent below the prior-year figure of EUR 1.222 bn. The main reason for this was the continuing international expansion of the engineering business. In this context, many contracts are executed at least partially by the company's subsidiaries. The order backlog rose to EUR 4.178 bn, 1.8 percent above the 2010 figure of EUR 4.104 bn. The average duration of a contract is around three years.

Results of operations

Linde has made the most of the current positive environment in Germany and has continued to work on the implementation of its HPO programme. HPO (High Performance Organisation) is Linde's holistic concept for sustainable process optimisation and efficiency gains.

Sales fell by 27.8 percent in the reporting period to EUR 2.028 bn. At the same time, the gross margin rose from 27.9 percent to 40.6 percent. One reason for this increase was the decline in the proportion of sales relating to the Linde Engineering Division compared with the prior year, as the engineering business has a lower gross margin than the gases business. Moreover, earnings in the Linde Engineering Division in 2011 were not adversely affected by the loss-free valuation of major projects, as was the case in 2010.

Functional costs were 9 percent higher than in 2010. This increase has a number of causes. Some of the costs arise from an expansion in the holding company activities of Linde AG. These include the provision of services relating to know-how transfer, research and development for new application technology and IT services. Moreover, a global SAP system is currently being developed. Costs have also arisen which relate to internally generated intangible assets. Linde does not avail itself of the option set out in § 248 (2) of the German Commercial Code (HGB) to recognise the cost of internally generated intangible assets as an asset. In addition, following the introduction of the German Accounting Law Modernisation Act (BilMoG), personnel costs of EUR 11 m relating to additions to pension provisions were recognised for the first time. In 2010, no additions were made, as Linde opted to retain the pension provisions measured under the old rules in accordance with the transitional arrangements set out in the German Accounting Law Modernisation Act (BilMoG).

The increase in Other income was due mainly to an increase in income from the release of provisions in the Linde Engineering Division. In plant construction, it is often the case that there is a change in the evaluation of risk for the execution of major projects. The provisions established are reviewed and adjusted to take account of the most recent information available. Included in Other expenses is a payment of EUR 35 m made by order of the Munich public prosecutor in compensation for the economic advantage which, according to the Munich public prosecutor's findings, had arisen for the Engineering Division as a result of possible legal breaches committed by external business partners.

Operating profit in the 2011 financial year fell to EUR 198 m, EUR 23 m below the prior-year figure of EUR 221 m.

Profit before taxes on income rose by 17.6 percent from EUR 443 m to EUR 521 m. The main reason for this was the increase in investment income, whereas the financial result remained virtually unchanged. Investment income includes dividends of EUR 216 m (2010: EUR 155 m) and income from profit-sharing agreements of EUR 206 m (2010: EUR 168 m). Linde AG has concluded direct or indirect profit-sharing agreements with most of its German subsidiaries. For the dividend payments, which relate principally to subsidiaries outside Germany, distributions are voted on in the individual companies.

After deducting tax, net income for the year rose by 9.0 percent from EUR 432 m in 2010 to EUR 471 m in the 2011 financial year.

Results of operations (summary)

in € million	2011	2010
Sales	2,028	2,809
Cost of sales	1,204	2,026 [1]
Gross profit on sales	**824**	**783**
Functional costs	756	693 [1]
Other income	328	287
Other expenses	198	156 [1]
Operating profit	**198**	**221**
Investment income	422	323
Other financial result	–99	–101
Profit before taxes on income	**521**	**443**
Extraordinary result	–	37
Taxes on income	50	48
Net income	**471**	**432**
Transfer to revenue reserves	–43	–
Unappropriated profit	**428**	**432**

[1] Prior-year figures have been restated for comparability.

Net assets and financial position

Total assets increased in 2011 by EUR 1.996 bn to EUR 16.650 bn.

Non-current assets rose by EUR 725 m to EUR 14.072 bn. The percentage of total assets comprised by non-current assets was 85 percent (2010: 91 percent). The main component of non-current assets is financial assets, due to the function of Linde AG as the holding company of The Linde Group. Financial assets increased in 2011 by EUR 696 m. The main reason for this was the acquisition of units in a EUR 600 m special fund. This fund serves as a liquidity reserve. The share capital of various companies was also increased: for example, that of Linde Gas (H.K.) Limited and TOO Linde Gaz Kazakhstan.

Receivables and other assets rose from EUR 719 m to EUR 1.018 bn. The main contributory factor here was the increase in financial receivables from affiliated companies. Securities held as current assets include the short-term portion of the special fund acquired during the financial year. Linde AG also enters into Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG are collateralised with cash on a regular basis. The corresponding amounts due from banks are disclosed under this heading.

Equity (before the appropriation of profit) rose by EUR 127 m to EUR 8.024 bn. This increase was due to the exercise of share options and the net income for the year. The equity figure was reduced, on the other hand, by the prior-year dividend paid. The equity ratio, based on total equity and liabilities, fell to 48 percent. The main reason for this was the increase in total equity and liabilities as a result of the acquisition of units in the special fund of EUR 1.650 bn. The units in the special fund were financed within The Linde Group.

Provisions totalled EUR 1.341 bn, EUR 95 m below the prior-year figure. Liabilities rose by EUR 1.964 bn to EUR 7.285 bn. The principal reason for this was the increase in financial liabilities to affiliated companies arising from the financing function of Linde AG on behalf of the Group.

Liquid assets fell by EUR 81 m to EUR 499 m.

Balance sheet structure as a percentage of total assets

	2011		2010	
	in € million	in percent	in € million	in percent
Assets				
Financial assets	13,661	82	12,965	88
Other non-current assets	411	3	382	3
Receivables and other assets	1,018	6	719	5
Securities	1,050	6	–	–
Liquid assets	499	3	580	4
Other assets	11	–	8	–
Total assets	16,650	100	14,654	100
Equity and liabilities				
Equity	8,024	48	7,897	55
Provisions for pensions	455	3	487	3
Other provisions	886	5	949	6
Liabilities	7,285	44	5,321	36
Total equity and liabilties	16,650	100	14,654	100

Net financial debt (securities held as non-current assets, securities held as current assets, financial liabilities, financial receivables, liquid assets) increased in 2011 by EUR 84 m from EUR 3.392 bn to EUR 3.476 bn. The main reasons for this were the financing of capital increases and grants of loans in the subsidiaries.

Research and development

In the 2011 financial year, a total of EUR 135 m (2010: EUR 122 m) was invested by Linde AG in research and development.

In the Linde Gas Division, EUR 119 m was spent on R & D (2010: EUR 102 m). The focus here was on the development of new gases applications. Linde is also working on the introduction of a global SAP system.

In the Linde Engineering Division, EUR 16 m was spent in 2011 (compared with EUR 20 m in 2010) on innovations and the development of technologies for all the main types of plant, especially for hydrogen, olefin and natural gas plants.

At 31 December 2011, 182 employees were working in research and development (2010: 165 employees). Of these, 105 (2010: 91) employees were in the Linde Gas Division and 77 (2010: 74) employees in the Linde Engineering Division.

Financing and measures to safeguard liquidity

Financing principles and objectives

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

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

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

Moreover, in 2011 Linde significantly increased its liquidity position in reaction to the international financial crisis. In addition to cash and cash equivalents, Linde also holds units in a special fund totalling EUR 1.650 bn. These units are German government bonds with maturities of up to two years.

Syndicated credit facility

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

Capital market activities

In 2011, the Group also made successful use of the capital markets via its subsidiary Linde Finance B.V. to improve the maturity profile of its financial debt, thereby ensuring the long-term financing of the Group. In June 2011, Linde Finance B.V. issued a new EUR 600 m bond under the EUR 10 bn Debt Issuance Programme. The ten-year bond has a fixed-interest coupon of 3.875 percent and is guaranteed by Linde AG. The proceeds of the transaction were primarily used to finance the tender offer published in May 2011 for the EUR 1 bn bond with a 4.375 percent coupon due in 2012 and the EUR 300 m bond with a 5.375 percent coupon due in 2013. The remaining funds are being used for general corporate purposes. Under the terms of the redemption, Linde Finance B.V. repurchased EUR 276 m of the nominal volume of the EUR 1 bn bond due in 2012 at a price of 102.444 and EUR 84 m of the nominal volume of the EUR 300 m bond due in 2013 at a price of 107.013.

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

These two transactions have enabled Linde to secure long-term funds at attractive interest rates and to extend the maturity profile of its financial debt.

In addition, five-year bonds totalling USD 120 m have been placed through Linde Finance B.V.

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

Rating

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

Rating 2011

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

Corporate responsibility

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

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

Strategy and management

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

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

Opportunities and risks

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

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

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

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

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

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

Sustainability indicators

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

Environmental protection and safety

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

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

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

Climate protection

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

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

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

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

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

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

Safety measures

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

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

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

Employees

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

People Excellence

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

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

An attractive employer

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

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

By providing its staff with flexible working options and by offering childcare support and support for family members who require special care, Linde helps its employees to achieve a better work/life balance. During the period under review, for example, the Group increased the number of daycare places made available to employees in and around Munich from 20 to 37 to take account of the rise in demand for childcare. In addition to flexitime and teleworking, the Group also offers its staff part-time working options. In 2011, the proportion of part-time employees working at Linde AG was 4.0 percent.

Occupational safety and health protection

Through its targeted occupational safety and health protection measures, Linde helps its employees stay healthy and protects them from risks that might arise from the work they perform for the Group. The Linde Group uses the SHEQ management system to identify sources of workplace risk worldwide and to introduce measures to monitor such risks. Linde measures and reviews its performance in the area of occupational safety and health protection against fixed performance indicators. These include statistics relating to workplace accidents and to safety training. The results of the audits help Linde to make continual improvements in its performance in the area of safety and health protection. In 2011, audits of this type were conducted worldwide by Linde or by third parties at over 54.5 percent of its operating sites (2010: 53.2 percent). Linde also involves contractors in the application of its occupational safety and health protection measures.

The number of workplace accidents per million hours worked (known as the Lost Time Injury Rate or LTI rate) fell again in 2011 to 1.4 (2010: 1.9). Linde has set itself a target of keeping the LTI rate as low as possible. To meet this target, the Group constantly reviews its safety management procedures.

SHEQ management activities during the reporting period focused on measures designed to strengthen the safety culture.

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

Winning and promoting talent

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

Through a range of programmes, Linde seeks to ensure that its employees are engaging in continuing professional development, encouraging them to embrace learning and change. Linde also provides international training and development in the fields of personnel management and business management under the auspices of Linde University. The university has recently been extended, with the addition of Campus Asia, which provides various professional development opportunities for all employees in this growth region. The reporting year also saw Linde expand its line manager development programmes for senior and middle management. The focus here is on the core skills needed to manage employees effectively and to motivate them. By the end of 2011, all the managers in the target group had completed this training. In mid-2011, the second phase of the programme was launched, which builds on the outcome of the first phase. New topics which had emerged, for example, from the results of the global employee survey were also addressed. The aim is to ensure consistent delivery of the training content. Overall, 64.4 percent of Linde Group employees participated in continuing professional development programmes during 2011 (2010: 59.1 percent).

Diversity

Diverse and international teams have long been valued at Linde and form an integral component of the Group's corporate culture. Diversity is crucial to the Group's success. At 31 December 2011, Linde's worldwide workforce comprised people from around 90 different countries. More than 60 nationalities are represented in Linde's German companies alone. The proportion of senior managers from countries other than Germany in The Linde Group exceeded 70 percent during the year under review, with more than 40 countries represented at this level. By means of diversity management, Linde develops new opportunities from the diverse makeup of its workforce. The targeted promotion of female executives is one of the priorities identified by the Group for 2011 and 2012 in this area. During the reporting year, there was an increase in the proportion of women represented in the major Linde development programmes. With regard to the Global Leadership Development Circle, the proportion of female employees rose from 6.5 percent in 2010 to 15.2 percent in 2011, with an increase to 26.8 percent in the case of the Global Talent Circle (2010: 16.9 percent).

Employee representation

Linde works with employee representatives and trade unions on the basis of partnership. In 2011, 73.5 percent of Linde AG personnel were employed on the basis of collective wage agreements (2010: 74.2 percent).

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

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

Pensions

Occupational pension schemes are an important part of the overall remuneration package offered by Linde AG. Employer-funded pension schemes are structured as defined benefit plans.

Currently, Linde provides 6,366 employees in Germany (5,640 in Linde AG) with company-funded occupational pension schemes, 1,637 former employees (1,482 in Linde AG) have acquired a non-forfeitable entitlement to a company pension and 9,154 pensioners (8,256 in Linde AG) are drawing a company pension from Linde.

In addition to employer-funded pension schemes, Linde AG also offers the option of a salary conversion scheme (deferred compensation) within the Linde Pension Plan ("Linde Vorsorgeplan"). This plan is externally funded via a contractual trust arrangement with a guaranteed minimum return. At present, 3,598 current employees (2,911 in Linde AG) contribute to the Linde Pension Plan. This corresponds to a participation rate of around 49.5 percent.

Employee participation in the deferred compensation scheme is supported through additional employer contributions under collective agreements, for example, or through matching contributions, where the employer makes an additional contribution on top of the employee's own contribution.

Pension commitments are financed in part (in the case of employer-funded pension commitments) or in full (in the case of deferred compensation through the Linde Pension Plan) via an external contractual trust arrangement (CTA) and have additional legal protection under private law from Pensionssicherungs-Verein (PSVaG) in addition to the statutory insolvency insurance.

Thank you to employees

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

Social commitment

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

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

Main focuses

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

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

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

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

Commitment by employees

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

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

Employees in Linde AG

	2011	2010
Employees by division (as at the balance sheet date)		
Linde Gas Division	2,679	2,566
Linde Engineering Division	2,674	2,630
Corporate Centre	254	237
Linde AG	5,607	5,433
Structure of the workforce		
Proportion of part-time employees (in %)	4.0	3.8
Proportion of fixed-term employees (in %)	2.6	2.8
Proportion of staff covered by collective wage agreements (in %)	73.5	74.2
Proportion of apprentices and trainees in total workforce (in %)	3.9	4.0
Number of apprentices and trainees	216	215
Employee retention		
Staff turnover rate[1] (in %)	1.7	1.4
Diversity		
Proportion of women (in %)	20.9	20.4
Age structure of permanent staff (in %)		
Staff under 30 years old	15.8	17.2
Staff between 31 and 50 years old	57.0	57.6
Staff over 50 years old	27.2	25.2
Employee training		
Average number of training days per employee	1.0	1.0
Average expenditure on training programmes per employee (in €)	194	207

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

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Risk report

The following report applies to both the parent company Linde AG and to The Linde Group. Due to its role as the holding company of The Linde Group, all the opportunities and risks which affect the Group also have an impact on Linde AG. Therefore, the commentary on the risk areas which is set out below is identical to that included in the Group financial statements for the year ended 31 December 2011.

Risk management

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

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

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

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

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

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

Organisation, responsibilities and risk management tools

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

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

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

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

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

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

has supplemented its employee code of conduct with a purchasing guideline which applies equally to all Group personnel. In these rules, Linde sets out principles relating to business conduct and the avoidance of conflicts of interest.

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

Accounting-related internal control system

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

Uniform accounting and reporting guidelines define the minimum requirements for the Linde AG divisions and ensure compliance with legal regulations and the provisions of the articles of association.

Accounting transactions are recorded by the divisions of Linde AG.

In the 2010 financial year, Linde started to concentrate some bookkeeping functions, in Europe, for example, in a shared service centre in order to centralise and standardise its processes. The existing controls were transferred at the same time as the functions, while additional controls to ensure proper accounting were also implemented.

The accounting systems of the Linde AG divisions are fully integrated ERP systems which are tailored to the specific requirements of an industrial gases and plant construction company. These systems not only collect data for the preparation of the annual financial statements in accordance with the provisions of the German Commercial Code (HGB) and the rules set out in the articles of association, but also provide all the data for the Group management accounts prepared on a monthly basis in accordance with IFRS. Supplementary information is added to the data recorded in the divisions to form a reporting pack and the Linde AG divisions submit this on a standard set of forms.

This data provides the basis for the management of the entire Group and is available to the financial control department and to other central departments. The divisions are aggregated centrally to produce the annual financial statements of Linde AG. In particular cases, for example 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 accounting records, ensure that business transactions are recorded on a timely basis in accordance with legal regulations and the provisions of the articles of association and that the records of these transactions are complete. They also ensure that inventories are properly drawn up, and that assets and liabilities are appropriately recognised, measured and disclosed. The separation of administration, implementation, execution and authorisation functions reduces the chance of fraud.

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

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

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

Risk recognition, evaluation and management

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

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

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

Risk reporting

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

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

Audit

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

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

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

Continuous improvement

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

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

Risk areas

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

Risks arising from the economic environment

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

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

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

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

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

In its capacity as the holding company of The Linde Group, Linde AG holds investments in Group companies. The carrying amounts of these investments are exposed to the risk of impairment if the economic situation of these Group companies changes for the worse. In this case, it is possible that there might be a negative impact on the unappropriated profit of Linde AG.

Risks in politically unstable countries

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

External risks

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

Strategic risk

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

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

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

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

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

Financial risks

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

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

One of the main criteria for the management of counterparty risk is the credit ratings of the counterparties. The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps or in the market capitalisation of counterparties. Trading and position limits have been defined on this basis. Regular reviews of these limits are performed by a supervisory unit which is independent of the trading entity. The Group also concludes Credit Support Annexes (or CSAs) with its major banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B. V. are collateralised with cash on a regular basis. This significantly reduces counterparty risk.

With regard to the management of liquidity risk, Linde has for years pursued a prudent and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2011 financial year. Linde also has access to agreed unutilised financing commitments of EUR 2.5 bn, a syndicated credit facility available until 2015 provided by an international banking group. This diversification of financing sources ensures that a concentration of risk in the area of liquidity is avoided.

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

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

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

Translation risks are hedged within authorised ranges.

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

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

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

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

For further information, see Note [26] of the Notes to the financial statements.

Pension risks

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

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

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

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

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

Risks arising from acquisitions and investments

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

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

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

Risks associated with innovation

The capacity to innovate is key to the success of a technology group such as Linde. The Group's research and development activities focus not only on improvements in existing customer processes, but also on brand-new technologies and gases applications which may form the basis for future business success. Linde is concentrating in particular on the following growth areas: energy and the environment, metallurgy, food, health and new materials. In the energy and environment sector, for example, the focus of the Group's research and development activities is on hydrogen technology and the carbon capture and storage process, fields with a high level of innovation.

In the case of steel production and metal recycling, where reducing emissions of carbon dioxide and nitrogen oxides is a key issue, development work often takes place on-site at customers' plants, intervening directly in the production process. In the food sector and in the pharmaceutical industry, Linde's innovative solutions must meet strict legal and sector-specific requirements. In the area of new materials, investigations are being conducted into the fields of application of materials research such as nanotechnology in the sectors in which Linde operates.

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

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

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

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

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

Purchasing risks

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

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

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

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

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

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

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Product risks

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

Customers are also involved in product stewardship. In the Gases Division, Linde conducts customer screenings for critical products. These investigations aim to minimise the risks which might arise from improper handling of the Group's gases or chemicals. Linde only supplies these products to its customers if they can demonstrate beforehand that they are able to guarantee proper use of the gases and that they are able to meet all the necessary safety standards.

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

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

Production risks

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

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

Environmental and safety risks

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

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

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

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

Project risks

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

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

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

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

Personnel risks

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

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

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

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

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

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

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

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Legal risks

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

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

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

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

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

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

IT risks

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

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

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

The IT security process is structured and defined by a number of policies, standards and recommendations. These are based for the most part on internationally recognised security standards such as ISO 27001/27002 or ISO 27005. Industry-specific standards are also used to enhance IT security: for example, protecting patient data in the course of the Group's healthcare activities.

The measures taken by Linde to create an efficient and secure IT environment always take account of the need for data processing, data storage and data transmission to comply with legal requirements (data protection). The focus here is on the relevant regional and national laws and regulations, as well as on industry standards.

To ensure that security measures are implemented with a high degree of efficiency, analyses of threats, weaknesses and risks are conducted. These include a review of the appropriateness of the IT systems and corresponding control mechanisms used. The relevance, stage of maturity and current state of the security measures adopted are monitored via self-assessments and reviewed by the IT internal audit department and external IT auditors. This ongoing process makes it possible to make any amendments or improvements that might be required, contributing to a sustainable increase in the effectiveness of the security measures.

In addition, measures are continually being adopted to keep the current IT landscape technically up to date. Linde pays particular attention to business-critical resources which are being updated in a long-term programme of consolidation.

So, for example, high-risk systems are identified, and updated or replaced with new systems. Targeted outsourcing activities during the reporting period have enabled Linde to achieve significant improvements in its capacity for data recovery and data production. Therefore, the Group is better equipped to deal with any outages or attacks. Working parties regularly analyse process risks which might arise from the outsourcing of IT resources and these are reduced, if necessary, by implementing organisational or technical measures.

New challenges are arising in the areas of IT security and IT risk management as a result of the increasing virtualisation of server, storage and network components, the ever broader applications of cloud computing services, and above all from the rapid rise in mobile solutions. Consequently, Linde is analysing appropriate security concepts and implementation opportunities and integrating these into current or proposed risk minimisation strategies.

The Linde Template is a major initiative under the HPO programme. The aim of the project is to achieve synergies in The Linde Group as a result of worldwide standardisation of business processes and related SAP applications. Due to the size of the project and the fact that some of the applications are business-critical and will be affected when the project is implemented, the realisation of the project is associated not only with project risks, but also with specific IT security risks and IT downtime risks. Appropriate measures will therefore be included in the project management so that any risks may be more promptly identified and limited.

Risk transfer

The Linde Group has taken out appropriate insurance against potential losses and liability risks to ensure that the potential financial consequences of any risks which have arisen are eliminated or limited. The Group constantly ensures that its insurance is at the optimum level, based on the specific requirements of the divisions.

Evaluation of the overall risk situation of The Linde Group

Based on the risks and future prospects of the Group which have been outlined in this report, no risks have been identified in the 2011 financial year which might have a lasting or significant negative impact on the net assets, financial position and results of operations of The Linde Group.

The total amount which relates to individual risks within the risk fields will not adversely affect the viability of The Linde Group as a going concern. If there is a change in external circumstances, risks which are currently unknown or deemed to be immaterial might have a negative impact on business operations.

The Group has made all the necessary organisational arrangements to ensure that it becomes aware at an early stage of any apparent changes in risk situations and makes an appropriate response to those changes.

Disclosures in accordance with § 289 (4) of the German Commercial Code (HGB) and commentary

Capital subscribed

The company has capital subscribed at the balance sheet date of EUR 437,917,186.56 which is fully paid up. This is divided into 171,061,401 shares at a par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend.

Restrictions affecting voting rights or the transfer of shares

In the 2007 financial year, it was resolved at the Annual General Meeting to introduce a share option scheme (Linde Performance Share Programme 2007) for management boards and lower-ranking executives under which up to 3.5 million subscription rights can be issued. If members of the management board or certain lower-ranking executives subscribe for or acquire shares as a result of exercising options, 25 percent of those shares or, under certain conditions, shares equivalent to 25 percent of the total number of options exercised, are subject to a two-year lock-up period. To date, under this share option scheme, shares have been issued in each of the years from 2007 to 2011.

Shareholdings exceeding 10 percent of the voting rights

Linde AG is not aware of any direct or indirect shareholdings which reach or exceed 10 percent of the voting rights.

Shares with special rights

There are no shares with special rights which confer powers of control on the holder.

Method of controlling voting rights if employees own shares and do not exercise their control rights directly

Employees who hold shares in Linde AG exercise their control rights directly like other shareholders in accordance with legal regulations and the rules set out in the articles of association.

Legal regulations and rules set out in the articles of association governing the appointment and removal of members of the Executive Board and changes to the articles of association

The members of the Executive Board are appointed and removed by the Supervisory Board in accordance with §§ 84 and 85 of the German Stock Corporation Law (AktG) and § 31 of the German Codetermination Law (MitbestG). Appointments are for a maximum term of five years. It is permissible for members of the Executive Board to be reappointed or for their term of office to be extended, although in each case for a maximum period of five years. Pursuant to § 31 of the German Codetermination Law (MitbestG), the appointment of a member of the Executive Board requires at least a two-thirds majority of the members of the Supervisory Board.

According to Article 5.1 of the articles of association, the Executive Board consists of several members. The Supervisory Board determines the number of Executive Board members. According to Article 5.2 of the articles of association, the Supervisory Board can nominate one of the members of the Executive Board as Chairman of the Executive Board and one as Deputy Chairman. The Supervisory Board may revoke the appointment of a member of the Executive Board or the nomination of one of the members of the Executive Board as Chairman of the Executive Board if there is good cause to do so pursuant to § 84 (3) of the German Stock Corporation Law (AktG).

Changes to the articles of association require a resolution at the Annual General Meeting in accordance with § 119 (1) No. 5 and § 179 AktG. Resolutions at the Annual General Meeting require a simple majority of the votes cast, as set out in Article 13.2 of the articles of association and, if a majority of shares is required, a simple majority of the share capital represented at the vote, as long as mandatory legal rules do not require a different majority. According to Article 9.5 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association concerning only the form of words to be used.

Powers of the Executive Board to issue and repurchase shares

The Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 20,000,000.00 until 3 May 2015 against cash or non-cash contributions by issuing, on one or more occasions, up to 7,812,500 new bearer shares at a par value of EUR 2.56 (Authorised Capital I).

The Executive Board was further authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 80,000,000.00 until 4 June 2012 against cash or non-cash contributions by issuing, on one or more occasions, up to 31,250,000 new bearer shares at a par value of EUR 2.56 (Authorised Capital II).

The issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares at a par value of EUR 2.56, if certain conditions are met (2010 conditionally authorised share capital). The increase in share capital will only take place (i) if the holders and obligors of the convertible bonds or warrant-linked bonds, to which were added convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders or obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are not used for this purpose.

The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

The issued share capital can be increased by up to EUR 3,988,958.72, divided into 1,558,187 new shares, if certain conditions are met (2002 conditionally authorised share capital). The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board by a resolution passed at the Annual General Meeting on 14 May 2002, use their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

The issued share capital can be increased by up to EUR 7,753,487.36 by the issue of up to 3,028,706 new bearer shares with a par value of EUR 2.56, if certain conditions are met (2007 conditionally authorised share capital). The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other senior management in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies (individuals with subscription rights) in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007. The conditionally authorised capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares. The new shares will participate in profit from the beginning of the financial year in which they are issued. If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year.

The Executive Board is authorised until 3 May 2015 by a resolution passed at the Annual General Meeting on 4 May 2010 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers. The own shares acquired under this authorisation may:

→ be sold via the stock exchange or by an offer to all shareholders,
→ subject to the approval of the Supervisory Board, also be sold otherwise,
→ subject to the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies and in the course of corporate mergers,
→ be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
→ be granted, in the case of a sales of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of conversion obligations,
→ be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
→ be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7) or be redeemed, subject to the approval of the Supervisory Board.

Significant agreements relating to change of control subsequent to a takeover bid

If there is a change of control, the hybrid bonds issued in 2006 may be called in and repaid early.

In each of the financial years from 2007 to 2011, Linde issued benchmark bonds under its Debt Issuance Programme via Linde Finance B. V. Under the terms and conditions of the issue, in the event of a change of control, the bond debtor may demand immediate repayment if the change of control leads to a withdrawal of the rating or to a reduction in the rating to or below certain rating levels for unsubordinated unsecured liabilities.

There are also other significant financing agreements in place, each of which includes specific rules which apply in the event of a change of control.

These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party.

There are customer contracts with clauses which grant the customer special cancellation rights in the event of a change of control. If these special cancellation rights are exercised, the contracts provide in principle for appropriate compensation.

Under the terms and conditions of the Linde Performance Share Programme 2007 for management boards and lower-ranking executives, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in the years 2007 to 2011 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined.

Compensation arrangements made by the company with members of the Executive Board or with employees which will apply in the event of a takeover bid

If there is a takeover of Linde AG and their employment contracts are terminated, members of the Executive Board may be entitled to certain compensation payments based on their contractual emoluments. These compensation payments have an upper limit. A more detailed description of the rules on change of control as they affect the members of the Executive Board can be found in the Remuneration report.

Events after the balance sheet date

On 9 January 2012, The Linde Group signed an agreement for the acquisition of the Continental European homecare business of the gases company Air Products at an enterprise value of EUR 590 m. Under the agreement, Linde AG guaranteed the obligations of its purchasing subsidiaries.

The completion of the transaction is subject to approval by the antitrust authorities, consultation with relevant works councils and the fulfilment of the usual closing conditions.

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Dividends

The unappropriated profit for the year ended 31 December 2011 of Linde AG was EUR 427,653,502.50 (2010: EUR 431,927,035.57). The Executive Board proposes to the Supervisory Board that, at its meeting on 8 March 2012 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting on 4 May 2012 that the profits be appropriated as follows:

→ by distributing a dividend of EUR 2.50 (2010: EUR 2.20) per share entitled to dividend, a total amount of EUR 427,653,502.50 (2010: EUR 374,653,270.20).

The financial statements of Linde AG, which have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG), and the management report are published in the electronic version of the German Federal Gazette.

Outlook

Macroeconomic trends

Global economy

Economic experts predict that macroeconomic growth will be slower in 2012 than in 2011. In their view, the principal risk to macroeconomic trends is the European debt crisis. International research institute IHS Global Insight expects global gross domestic product (GDP) to grow by 2.4 percent in 2012, compared with an increase of 2.7 percent in 2011. Global industrial production (IP) is predicted to rise in 2012 by 3.5 percent, compared with 3.8 percent in 2011.

In 2012, the pace of economic growth is expected to continue to show significant variations in different regions of the world. Economists predict that output in the eurozone will shrink by 0.7 percent in light of the sustained sovereign debt crisis. In Germany, on the other hand, GDP is expected to rise slightly, by 0.2 percent. In the EMEA region (Europe, Middle East, Africa), IHS Global Insight is predicting an overall rise of 0.3 percent. Economists see nothing but negative portents for industrial production in this part of the world: They are assuming a decline in IP of 0.4 percent in the EMEA region and a reduction in IP in the eurozone of 1.4 percent, with Germany able to limit the fall in IP to 0.8 percent.

In the US, IHS Global Insight is predicting relatively steady if modest growth for 2012. The economic experts expect GDP here to rise by 1.8 percent (2011: 1.7 percent). Industrial production, however, is due to rise in 2012 by only 2.6 percent (2011: 3.9 percent).

It is expected that the economy in South America will continue to show robust growth, with a predicted rise in GDP of 3.4 percent, although here too it was not possible to match the increase achieved in 2011 of 4.2 percent. Economists are predicting a rise in industrial production in South America of 3.3 percent (2011: 3.4 percent).

As in previous years, the strongest growth rates in 2012 are expected to be seen in the Asia/Pacific region. IHS Global Insight is predicting that economic output will rise here by 6.0 percent (2011: 6.5 percent). An increase in industrial production of 6.4 percent is expected, compared with a 7.9 percent rise in 2011. Within the Asia/Pacific region, it is anticipated that China will have the fastest rate of growth. Economists are predicting that economic output here will be up 7.8 percent (2011: 9.2 percent). IHS Global Insight is forecasting an increase in Chinese industrial production of 10.8 percent in 2012 (2011: 13.4 percent).

Outlook for Linde AG

Leading economic research institutes are forecasting an economic downturn in 2012. They expect smaller increases in both global gross domestic product (GDP) and global industrial production (IP) in 2012 than in 2011. The economic experts are projecting that trends will improve somewhat again in 2013 and 2014. Uncertainty remains, however, as to the sustainability and pace of economic growth. The main factors which might impede robust global economic growth include high levels of public debt worldwide, monetary instability and continuing relatively high levels of unemployment in the US and in some European countries, as well as the prevailing uncertain political situation in some countries in the Arab world.

Despite the difficult market climate, Linde assumes that it will be able to achieve sales growth in 2012. Earnings are also expected to rise in 2012 and 2013. Investment income development is a major component of this forecast.

Gases industry

In the Linde Gas Division, growth in sales and earnings is only expected to be slight in 2012 due to the uncertain market climate.

Engineering business

The order backlog in the Linde Engineering Division remains high. The billing of a major project was postponed from 2011 to 2012. Against this background, higher sales and earnings are expected in 2012 than in 2011.

Capital expenditure

In Germany too, Linde AG will continue to pursue its investment strategy which is geared towards continuity and sustainability. The company will invest in areas that offer above-average growth prospects and will enhance the company’s profitability and competitiveness. Capital expenditure is expected to increase in 2012 compared with 2011. As in previous years, most of this investment will focus on increasing the capacity in its gases business.

Dividends

The dividend policy of Linde AG is earnings-based and the company will continue to align payments with earnings trends in The Linde Group.

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Balance sheet of Linde AG

Balance sheet of Linde AG – Assets

in € million	Notes	31.12.2011	31.12.2010
Intangible assets		76	51
Tangible assets		335	331
Financial assets		13,661	12,965
Non-current assets	[1]	**14,072**	**13,347**
Inventories	[2]	2,232	1,896
Less advance payments received from customers		−2,232	−1,896
		–	–
Receivables and other assets	[3]	1,018	719
Securities	[4]	1,050	–
Liquid assets	[5]	499	580
Current assets		**2,567**	**1,299**
Prepaid expenses and deferred charges	[6]	**11**	**8**
Total assets		**16,650**	**14,654**

Balance sheet of Linde AG – Equity and liabilities

in € million	Notes	31.12.2011	31.12.2010
Capital subscribed		438	436
Conditionally authorised capital of € 97 million (2010: € 99 milion)			
Capital reserve		5,141	5,112
Revenue reserves		2,017	1,917
Unappropriated profit		428	432
Equity	[7]	**8,024**	**7,897**
Provisions for pensions and similar obligations	[8]	455	487
Other provisions	[9]	886	949
Provisions		**1,341**	**1,436**
Liabilities	[10]	**7,285**	**5,321**
Total equity and liabilities		**16,650**	**14,654**

Income statement of Linde AG

Income statement of Linde AG

in € million	Note	2011	2010
Sales	[11]	**2,028**	**2,809**
Cost of sales		1,204	2,026[1]
Gross profit on sales		**824**	**783**
Marketing and selling expenses		292	290
Research and development costs		135	122
General administration expenses		329	281[1]
Other operating income	[12]	328	287
Other operating expenses	[13]	198	156[1]
Investment income	[14]	422	323
Other interest and similar income	[15]	201	177
of which from affiliated companies € 170 million (2010: € 156 million)			
Amortisation of financial assets and securities held as current assets		3	36
Interest and similar charges	[15]	297	242
of which to affiliated companies € 247 million (2010: € 196 million)			
Profit on ordinary activities		**521**	**443**
Extraordinary result	[16]	–	37
Taxes on income	[17]	50	48
Net income		**471**	**432**
Transfer to revenue reserves		–43	–
Unappropriated profit		**428**	**432**

[1] Prior-year figures have been restated to ensure comparability.

Summary of non-current asset movements in Linde AG

Summary of non-current asset movements in Linde AG

	Acquisition/manufacturing cost				
		Additions	Disposals	Transfers	
in € million	01.01.2011				31.12.2011
Acquired concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	133	4	4	16	149
Payments in advance	31	31	–	−15	47
Intangible assets	**164**	**35**	**4**	**1**	**196**
Land, land rights and buildings, including buildings on land owned by others	461	8	33	1	437
Technical equipment and machinery	504	7	9	11	513
Fixtures, furniture and equipment	345	12	13	5	349
Payments in advance and plants under construction	28	30	–	−18	40
Tangible assets	**1,338**	**57**	**55**	**–1**	**1,339**
Investments in affiliated companies	12,706	114	11	11	12,820
Loans to affiliated companies	265	–	–	–	265
Investments in related companies	98	–	–	−11	87
Loans to related companies	24	–	3	–	21
Non-current securities	–	600	–	–	600
Other loans	1	–	–	–	1
Financial assets	**13,094**	**714**	**14**	**–**	**13,794**
Non-current assets	**14,596**	**806**	**73**	**–**	**15,329**

Summary of non-current asset movements in Linde AG

	Amortisation and depreciation						Net book value	
in € million	Accumulated amortisation/depreciation at 01.01.2011	Additions	Disposals	Reversal of impairment losses	Transfers	Accumulated amortisation/depreciation at 31.12.2011	31.12.2011	31.12.2010
Acquired concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	113	11	4	–	–	120	29	20
Payments in advance	–	–	–	–	–	–	47	31
Intangible assets	113	11	4	–	–	120	76	51
Land, land rights and buildings, including buildings on land owned by others	313	9	31	–2	–	289	148	148
Technical equipment and machinery	416	19	7	–	–	428	85	88
Fixtures, furniture and equipment	278	22	13	–	–	287	62	67
Payments in advance and plants under construction	–	–	–	–	–	–	40	28
Tangible assets	1,007	50	51	–2	–	1,004	335	331
Investments in affiliated companies	94	4	–	–	4	102	12,718	12,612
Loans to affiliated companies	–	–	–	–	–	–	265	265
Investments in related companies	35	–	–	–	–4	31	56	63
Loans to related companies	–	–	–	–	–	–	21	24
Non-current securities	–	–	–	–	–	–	600	–
Other loans	–	–	–	–	–	–	1	1
Financial assets	129	4	–	–	–	133	13,661	12,965
Non-current assets	1,249	65	55	–2	–	1,257	14,072	13,347

Notes to the financial statements of Linde AG

NOTES TO THE FINANCIAL STATEMENTS OF LINDE AG

General information

General information

The financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG). In accordance with Art. 66 (3) of the Introductory Act to the German Commercial Code (EGHGB), the provisions of the German Accounting Law Modernisation Act (BilMoG), which came into force on 29 May 2009, were applied from 1 January 2010.

Where items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation, they have been disclosed separately in the Notes to the financial statements. The income statement has been prepared using the cost of sales method.

During the financial year, there was a change in the disclosure of services provided by Linde AG as holding company to other Group companies. As a result of the increasing extent of these activities, they have been accounted for in a different way. The prior-year figures have been adjusted to provide greater comparability. Cost of sales was adjusted from EUR 1.995 bn to EUR 2.026 bn, general administration expenses from EUR 336 m to EUR 281 m and other operating expenses from EUR 132 m to EUR 156 m.

Accounting policies

Intangible assets acquired for a consideration are stated at acquisition cost less accumulated amortisation charged on a straight-line basis over their estimated useful life. Internally generated intangible assets are not recognised as assets.

Tangible assets are reported at acquisition cost or manufacturing cost less depreciation over the estimated useful life of the asset. Estimated useful lives are as follows: buildings 25 to 50 years, technical equipment and machinery 6 to 15 years and fixtures, furniture and equipment 4 to 10 years.

The straight-line method is applied. In the case of a permanent diminution in the value of an asset to below its carrying amount, an impairment loss is recognised and the asset is written down to its fair value. Low-value assets are written down in full in the year in which they are acquired. If the reasons for the impairment loss recognised no longer exist, the carrying amount of the asset is increased to a maximum figure of the cost of the asset less accumulated depreciation.

Shares in affiliated companies, related companies and securities are stated at the lower of cost and fair value where there has been a permanent diminution in value. If the reasons for the impairment loss recognised no longer exist, the carrying amount of the asset is increased to a maximum figure of the cost of the asset.

Non-interest-bearing and low-interest loans are stated at present value and other loans are stated at face value.

Inventories are stated at the lower of the average acquisition or manufacturing cost and market value. Manufacturing cost includes both direct costs and indirect material and production costs, as well as wear and tear on non-current assets. Appropriate allowances are made for inventory risks arising from the length of the storage period and any reductions in usability.

Receivables are reported at face value. Non-interest-bearing and low-interest receivables are stated at present value. Receivables in foreign currency are reported using the restricted fair value method. Under this method, foreign currency receivables are reported at the mid-rates ruling on the balance sheet date. Exchange gains are recognised only if they relate to receivables due in less than one year. When measuring receivables and other assets, allowances are made for identifiable risks.

Securities held as current assets are stated at cost. If there is a diminution in value of the securities, they are written down to their fair value. If the reasons for an impairment loss recognised previously no longer apply, the carrying amount is increased to a figure up to but not exceeding cost.

Liabilities are stated at their settlement amount. Liabilities in foreign currency are reported using the restricted fair value method. Under this method, non-current liabilities in foreign currency are reported at the higher of the buying rate on the date the transaction was recorded and the mid-rate ruling on the balance sheet date, while current liabilities in foreign currency are reported at the mid-rate ruling on the balance sheet date.

Until 31 December 2009, pension provisions were measured in accordance with IAS 19 Employee Benefits rather than the rules set out in § 6a of the German Income Tax Law (EStG). The measurement of the provision was based on a discount rate of 4.25 percent, a trend in salaries of 2.5 percent and an expected inflation rate of 1.5 percent. The 2005G mortality tables produced by Heubeck AG were used. In accordance with the rules set out in the German Accounting Law Modernisation Act (BilMoG), pensions and similar obligations must be calculated using actuarial principles based on the projected unit credit method and actuarial assumptions. Expected future increases in salaries and pensions are included in the calculations. The discount rate applied is the average market interest rate for the past seven financial years published by Germany's central bank (the Deutsche Bundesbank) for a remaining period assumed to be 15 years.

To meet the pension obligations and the commitments arising from deferred compensation (Linde Pension Plan), funds have been invested in various pension schemes. These schemes are administered on a fiduciary basis by Linde Vorsorge Aktiv e. V., Munich, Germany, on behalf of Linde AG, with the result that other creditors do not have access to the assets held in the schemes. The assets in these pension schemes are measured at fair value and offset against the relevant underlying pension obligations. Prior to the introduction of the German Accounting Law Modernisation Act, these assets were reported at cost and disclosed gross under non-current securities.

Other provisions are measured so as to take account of identifiable risks and obligations of uncertain timing or amount. The amount set aside in each case is the amount required, based on prudent commercial judgement, to meet future payment obligations. The provision made takes account of future price and cost increases, to the extent that there is sufficient objective evidence that these will occur.

Provisions due in more than one year are discounted at the average market interest rate for the past seven financial years published by Germany's central bank (the Deutsche Bundesbank) over the remaining period of the provision.

Since 1 January 2010, deferred tax has been calculated on timing differences between the carrying amount of assets, liabilities, prepayments and deferrals in accordance with German commercial law and the corresponding tax base used in the computation of taxable profit. In Linde AG, this applies not only to timing differences in respect of items in its own financial statements, but also to timing differences in respect of items in the financial statements of its subsidiaries and partnerships in which Linde AG has a direct or indirect interest. The deferred tax calculation includes not only timing differences, but also unused tax loss carryforwards. If the net result of this calculation is a future liability to tax, this is disclosed in the balance sheet as a deferred tax liability. If the net result of this calculation were to be a reduction in the future tax liability, Linde AG would not avail itself of the option to recognise this amount as a deferred tax asset.

To hedge against exposure to interest rate and currency risks, derivative financial instruments are also used in the form of forward exchange transactions, options and swaps. All derivative financial instruments are concluded within fixed limits on the basis of detailed guidelines and are used not only for hedging purposes but also to optimise financing. Cash-generating units are created if possible. For other derivative financial instruments, provisions are set up in the case of negative fair values.

Adjustments arising from the application of the German Accounting Law Modernisation Act

The German Accounting Law Modernisation Act (BilMoG), which came into force on 29 May 2009, was applied for the first time to the financial statements of Linde AG on 1 January 2010. In accordance with the transitional rules set out in Articles 66 and 67 of the Introductory Act to the German Commercial Code (EGHGB), the adjustments were recognised either in revenue reserves or in the extraordinary result.

The effects of the measurement of other personnel provisions and the discounting of other provisions in accordance with BilMoG were recognised in retained earnings. The discounting of the other provisions was at the average market rate for the past seven financial years published by Germany's central bank (the Deutsche Bundesbank).

In addition, assets which cannot be accessed by all other creditors and are available for the sole purpose of meeting pension or similar obligations are offset against those obligations.

Foreign currency receivables and foreign currency liabilities are reported using the restricted fair value method. Under this method, exchange gains are recognised only if they relate to receivables or liabilities due in less than one year.

In accordance with the transitional rules of the BilMoG, the value of the pension provision at 1 January 2010 based on the old regulations was not adjusted, as the provision required on the basis of the rules set out in the BilMoG was lower than the provision recognised at that date and it was expected that this effect would reverse by 31 December 2024. In fact, the effect had reversed by 31 December 2011. In 2011, the cost of additions to the pension provisions was again recognised.

In addition, the BilMoG includes a number of options which Linde has not exercised: for example, Linde has decided not to avail itself of the options permitted by the BilMoG to recognise internally generated intangible assets, to write off goodwill over a period of more than five years or to recognise deferred tax assets.

Notes to the balance sheet

[1] Non-current assets

Movements in non-current assets are shown on the preceding pages.

In 2011, an impairment loss of EUR 4 m (2010: EUR 36 m) was recognised in respect of investments in affiliated companies and other investments. Of this EUR 4 m, EUR 1 m had been recognised in 2010 as a provision for anticipated losses.

No impairment losses were recognised in 2011 which related to tangible assets as a result of a permanent diminution in value of those assets. In 2010, impairment losses of EUR 1 m were recognised. An impairment loss of EUR 2 m was reversed in 2011, restoring the asset to its net book value. There were no reversals of impairment losses in 2010.

Land, land rights and buildings of EUR 41 m (2010: EUR 41 m) were pledged as security for other personnel obligations as required by law.

Linde AG holds 100 percent of the units in a special fund. These fund units serve as a liquidity reserve, of which EUR 600 m (2010: EUR 0 m) is deemed to be long-term and EUR 1.050 bn (2010: EUR 0 m) short-term. The units may be liquidated at any time. The market value of the units at the balance sheet date was EUR 1.654 bn (2010: EUR 0 m) and the book value EUR 1.650 bn (2010: EUR 0 m). The difference between the market value and the book value is EUR 4 m (2010: EUR 0 m). There was a distribution from the fund in the 2011 financial year of EUR 3 m (2010: EUR 0 m).

[2] Inventories

in € million	31.12.2011	31.12.2010
Raw materials, consumables and supplies	29	21
Work in progress	1,800	1,577
Finished goods and merchandise	17	17
Prepayments	386	281
	2,232	**1,896**

[3] Receivables and Other assets

in € million	Of which due within 1 year	Of which due in more than 1 year	Total 31.12.2011	Total 31.12.2010
Trade receivables	118	–	118	130
Amounts due from affiliated companies	278	500	778	503
of which relating to trade receivables	91	–	91	66
Amounts due from related companies	4	–	4	7
of which relating to trade receivables	2	–	2	3
Other assets	97	21	118	79
	497	**521**	**1,018**	**719**

Included in Receivables and other assets are financial receivables of EUR 645 m (2010: EUR 404 m). Linde AG began to conclude Credit Support Annexes (CSAs)with banks in the 2009 financial year. Under these agreements, the positive and negative fair values of derivatives held by Linde AG are collateralised with cash on a regular basis. The corresponding amounts due from banks have been disclosed in other assets since the agreements came into force in 2010. The amount included in financial receivables which relates to these agreements is EUR 41 m (2010: EUR 36 m).

[4] Securities

Other securities comprises the short-term portion of the liquidity reserve. Further information is given in Note [1].

[5] Liquid assets

Liquid assets comprise cheques in hand, cash in hand and cash at banks. It also includes money market funds which may fall due at any time.

[6] Prepaid expenses and deferred charges

Prepaid expenses and deferred charges comprises mainly discounts of EUR 5 m (2010: EUR 2 m) on financial debt with affiliated companies issued in the course of post-acquisition restructuring within The Linde Group. Also included here are the prepaid fees for the EUR 2.5 bn syndicated credit line agreed in 2010.

[7] Equity

in €	31.12.2011	31.12.2010
Capital subscribed	**437,917,186.56**	**435,960,168.96**
Authorised capital (total)	**100,000,000.00**	**100,000,000.00**
Authorised Capital I	20,000,000.00	20,000,000.00
Authorised Capital II	80,000,000.00	80,000,000.00
Conditionally authorised capital (total)	**96,742,446.08**	**98,699,463.68**
Conditionally authorised capital 2002	3,988,958.72	5,043,717.12
Conditionally authorised capital 2007	7,753,487.36	8,655,746.56
Conditionally authorised capital 2010	85,000,000.00	85,000,000.00

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 437,917,186.56 and is fully paid up. It is divided into 171,061,401 shares at a par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend. The entitlement to dividend can be excluded either by law (e.g. in the case of own shares) or by a provision of the articles of association, or by a resolution at the Annual General Meeting (e.g. in respect of the commencement of the dividend entitlement of new shares in the year of issue if the shares are issued prior to the Annual General Meeting).

In the 2011 financial year, 412,015 new shares were issued out of 2002 conditionally authorised capital to service the Management Incentive Programme for executives. Share capital increased as a result by EUR 1,054,758.40. As a result of the issue of 352,445 new shares out of 2007 conditionally authorised capital to service the Long Term Incentive Plan, share capital increased by EUR 902,259.20. Overall, share capital in the 2011 financial year increased by EUR 1,957,017.60, from EUR 435,960,168.96 to EUR 437,917,186.56, divided into 171,061,401 shares.

	2011	2010
Number of shares at 1 Jan.	170,296,941	168,907,096
Exercise of Management Incentive Programme (MIP 2002)	412,015	1,255,371
Exercise of Long Term Incentive Plan (LTIP 2007)	352,445	134,474
Number of shares at 31 Dec.	171,061,401	170,296,941

Authorised capital

At 31 December 2011, the authorised capital comprised the following:

Authorised Capital I:

Authorised Capital I, whereby the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing new bearer shares on one or more occasions, was abolished as a result of a resolution passed at the Annual General Meeting on 4 May 2010.

Based on a resolution passed at the Annual General Meeting on 4 May 2010, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 20,000,000.00 until 3 May 2015 against cash or non-cash contributions by issuing, on one or more occasions, up to 7,812,500 new bearer shares at a par value of EUR 2.56. The shareholders are granted subscription rights as a result. The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares of the same type traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of capital subscribed which relates to those shares which are used to service options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or corporate mergers. The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude subscription rights for an amount of up to EUR 3,500,000.00 to the extent necessary to issue shares to the employees of Linde AG and/or its affiliated companies while excluding the subscription rights of shareholders. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Authorised Capital II:

The Executive Board was further authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 80,000,000.00 until 4 June 2012 against cash or non-cash contributions by issuing, on one or more occasions, up to 31,250,000 new bearer shares at a par value of EUR 2.56. The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of the capital subscribed which relates to those shares which are used to service the options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or corporate mergers. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Conditionally authorised capital

The conditionally authorised capital at 31 December 2011 comprised the following:

2002 conditionally authorised capital:

The issued share capital can be increased by up to EUR 3,988,958.72, divided into 1,558,187 new shares with a par value of EUR 2.56 if certain conditions are met. It was resolved at the Annual General Meeting on 14 May 2002 to create conditionally authorised capital of EUR 15,360,000.00, divided into 6,000,000 new shares. The Executive Board was authorised, with the approval of the Supervisory Board, to issue by 14 May 2007 up to 6,000,000 subscription rights to shares to members of the Executive Board of the company, members of the management boards of affiliated companies as defined by §§ 15 ff. of the German Stock Corporation Law (AktG) and to selected executives, each with a term of seven years (Management Incentive Programme). The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board at the Annual General Meeting on 14 May 2002, exercise their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

In the 2011 financial year, options under the Management Incentive Programme were exercised. As a result, 2002 conditionally authorised capital was reduced by EUR 1,054,758.40 from EUR 5,043,717.12 EUR to EUR 3,988,958.72, divided into 1,558,187 shares. The issued share capital increased in 2011 as a result.

2007 conditionally authorised capital:

The issued share capital can be increased by up to EUR 7,753,487.36 by the issue of up to 3,028,706 new bearer shares with a par value of EUR 2.56 if certain conditions are met. The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other executives in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies, in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007 (Long Term Incentive Plan). The conditionally authorised share capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares. The new shares will participate in profit from the beginning of the financial year in which they are issued. If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year.

In the 2011 financial year, options from the Long Term Incentive Plan were exercised. As a result, the 2007 conditionally authorised capital was reduced by EUR 902,259.20 from EUR 8,655,746.56 to EUR 7,753,487.36, divided into 3,028,706 shares. The issued share capital increased in 2011 as a result.

2010 conditionally authorised capital:

The issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares with a par value of EUR 2.56 if certain conditions are met (2010 conditionally authorised capital). The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds and warrant-linked bonds, both existing bonds and in addition convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders or obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, settle their conversion obligations, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

Authorisation to purchase own shares:

The Executive Board is authorised until 3 May 2015 by a resolution passed at the Annual General Meeting on 4 May 2010 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers.

The own shares acquired under this authorisation may:

- be sold via the stock exchange or by an offer to all shareholders,
- with the approval of the Supervisory Board, also be sold otherwise,
- with the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies and in the course of corporate mergers,
- be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
- be granted, in the case of a sale of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation,
- be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
- be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7), or be redeemed, with the approval of the Supervisory Board.

Notification of voting rights

The following notifications were received by the company from investors who have exceeded or fallen below certain threshold percentages of voting rights set out in § 21 (1) or (1a) of the German Securities Trading Law (WpHG):

1. Allianz SE

Allianz SE, Munich, Germany, informed us in writing on 23 February 2011 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Allianz SE fell below the 3 percent threshold on 21 February 2011 and stood at 2.97 percent (5,051,187 voting rights). Of the 2.97 percent, 2.96 percent of the voting rights (5,045,068 voting rights) are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 1 WpHG and 0.004 percent of the voting rights (6,119 voting rights) are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 6 WpHG.

In addition, Allianz SE informed us of the following in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG:

The share of voting rights in Linde AG held by Allianz Deutschland AG, Munich, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2.99 percent (5,092,869 voting rights). These voting rights are attributable to Allianz Deutschland AG in accordance with § 22 (1), sentence 1, No. 1 WpHG.

The share of voting rights in Linde AG held by Jota Vermögensverwaltungsgesellschaft mbH, Munich, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2.96 percent (5,032,742 voting rights). These voting rights are attributable to Jota Vermögensverwaltungsgesellschaft mbh in accordance with § 22 (1), sentence 1, No. 1 WpHG.

The share of voting rights in Linde AG held by Allianz Lebensversicherung AG, Stuttgart, Germany, fell below the 3 percent threshold on 17 February 2011 and stands at 2.96 percent (5,032,742 voting rights).

2. BlackRock, Inc., New York, USA

BlackRock, Inc., New York, USA, informed us in writing on 20 May 2011 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by BlackRock, Inc. exceeded the 5 percent threshold on 16 May 2011 and on that day reached 5.02 percent (8,548,805 voting rights). The voting rights are attributable to BlackRock, Inc. in accordance with § 22 (1), sentence 1, No. 6 and sentence 2 WpHG.

BlackRock Financial Management, Inc., New York, USA, informed us in writing on 7 December 2009 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by BlackRock Financial Management, Inc. exceeded the 3 percent threshold on 1 December 2009 and stood at 3.14 percent (5,291,730 voting rights). All the voting rights are attributable to BlackRock Financial Management, Inc. in accordance with § 22 (1), sentence 1 No. 6 in conjunction with sentence 2 WpHG.

BlackRock Holdco 2, Inc., New York, USA, informed us in writing on 7 December 2009 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by BlackRock Holdco 2, Inc. exceeded the 3 percent threshold on 1 December 2009 and stood at 3.14 percent (5,291,730 voting rights). All the voting rights are attributable to BlackRock Holdco 2, Inc., New York, USA, in accordance with § 22 (1), sentence 1 No. 6 in conjunction with sentence 2 WpHG.

3. Capital Research and Management Company

Capital Research and Management Company, Los Angeles, USA, informed us in writing on 1 November 2010 in accordance with §§ 21 (1), 22 (1) WpHG that the share of voting rights in Linde AG held by Capital Research and Management Company fell below the 5 percent threshold on 25 October 2010. At that date, Capital Research and Management Company held 4.94 percent of all voting rights in Linde AG (8,389,290 voting rights). All the voting rights are attributable to Capital Research and Management Company in accordance with § 22 (1), sentence 1, No. 6 WpHG.

4. Sun Life Financial Inc.

Sun Life Financial Inc., Toronto, Canada, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial Inc. exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1325 percent (8,647,941 voting rights). 5.1098 percent of the voting rights (8,609,626 voting rights) are attributable to Sun Life Financial Inc. in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. 0.0227 percent of the voting rights (38,315 voting rights) are attributable to Sun Life Financial Inc. in accordance with § 22 (1), sentence 1, No. 1 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Sun Life Global Investment Inc., Toronto, Canada, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Global Investment Inc. exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life Global Investment Inc. in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc., Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Assurance Company of Canada – U.S.Operations Holdings, Inc., exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life Assurance Company of Canada – U.S.Operations Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Sun Life Financial (U.S.) Holdings, Inc., Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial (U.S.) Holdings, Inc., exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life Financial (U.S.) Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Sun Life Financial (U.S.) Investments LLC, Wellesley Hills, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life Financial (U.S.) Investments LLC exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life Financial (U.S.) Investments LLC in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Sun Life of Canada (U.S.) Financial Services Holdings, Inc., Boston, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Sun Life of Canada (U.S.) Financial Services Holdings, Inc., exceeded the 5 percent holding on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life of Canada (U.S.) Financial Services Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Massachusetts Financial Services Company (MFS), Boston, USA, informed us in writing on 27 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Massachusetts Financial Services Company (MFS), Boston, USA, exceeded the 5 percent threshold on 26 January 2009 and stood at 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Massachusetts Financial Services Company (MFS) in accordance with § 22 (1), sentence 1, No. 6 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

Statement of changes in equity of Linde AG

in € million	Capital subscribed	Capital reserve	Other retained earnings	Unappropriated profit	Total equity
At 1 January 2010	432	5,035	1,334	887	7,688
Dividend payments	–	–	–	–304	–304
Transfer to retained earnings	–	–	583	–583	–
Changes as a result of share option schemes	4	77	–	–	81
Net income	–	–	–	432	432
At 31 December 2010	436	5,112	1,917	432	7,897
Dividend payments	–	–	–	–375	–375
Transfer to retained earnings	–	–	100	–100	–
Changes as a result of share option schemes	2	29	–	–	31
Net income	–	–	–	471	471
At 31 December 2011	438	5,141	2,017	428	8,024

The amount transferred to other retained earnings of EUR 100 m (2010: EUR 583 m) comprises the transfer in accordance with § 58 (2) of the German Stock Corporation Law (AktG) for the financial year of EUR 43 m (2010: EUR 0) and the transfer in accordance with the resolution at the Annual General Meeting for the appropriation of profits of 2010 of EUR 57 m (2010: EUR 583 m).

[8] Provision for pensions and similar obligations

As described in the Accounting policies section of these Notes, Linde AG availed itself of the option to retain the measurement of the pension provisions at 1 January 2010 on the basis of the old rules, as permitted by Article 67 (1) of the Introductory Act to the German Commercial Code (EGHGB). This transitional phase ended with the 2011 financial year. Based on the BilMoG rules, the pension obligation at 31 December 2011 was EUR 764 m. At 31 December 2010, the pension obligation recognised was EUR 758 m, while the pension obligation based on the BilMoG rules would have been EUR 752 m.

Provisions for similar obligations are recognised in accordance with the BilMoG rules and include in particular bridging payments and the obligation to Linde AG employees in respect of the salary conversion scheme or deferred compensation (Linde Pension Plan). To meet this obligation, monies are held on a fiduciary basis on behalf of Linde AG by Linde Vorsorge Aktiv e. V. No other creditors have access to these pension assets, which have been offset against the pension liability. As the Linde Pension Plan involves obligations which are tied to securities, any amounts relating to the measurement of those assets at fair value which are offset against the pension obligation are not barred from distribution.

in € million	31.12.2011	31.12.2010
Pension obligations	764	758
Fair value of plan assets	310	273
Net pension provision	**454**	**485**
Historical cost of plan assets	214	214

in € million	31.12.2011	31.12.2010
Settlement amount arising from Linde Pension Plan ("Linde Vorsorgeplan")	51	46
Fair value of plan assets	51	46
Net obligation from Linde Pension Plan	**–**	**–**
Historical cost of plan assets	45	40

[9] Other provisions

in € million	31.12.2011	31.12.2010
Tax provisions	412	387
Sundry provisions	474	562
	886	**949**

Sundry provisions include amounts set aside for:

- → outstanding invoices and invoices for goods and services which have not yet been received,
- → personnel expenses,
- → warranty obligations and risks relating to transactions in the course of completion and
- → other obligations and risks from current transactions.

The provisions for obligations in Linde AG relating to pre-retirement part-time work are calculated on the basis of individual contractual agreements. Tax provisions have increased as a result of tax audits not yet completed and the recognition of current tax in the 2011 financial year.

Under the BilMoG rules, the amount recognised in the financial statements in respect of certain sundry provisions would have been lower than the amount recognised under the old rules. In accordance with Article 67 (1) of the Introductory Act to the German Commercial Code (EGHGB), Linde AG has availed itself of the option to retain the current valuation in respect of these sundry provisions, as it is expected that this effect will reverse by 31 December 2024. The amount that would have been recognised under BilMoG for sundry provisions was EUR 37 m, whereas the amount actually recognised under the old rules was EUR 40 m.

[10] Liabilities

in € million	Due within 1 year 31.12.2011	Due in 1 to 5 years 31.12.2011	Due in more than 5 years 31.12.2011	Total 31.12.2011	Total 31.12.2010
Advance payments received from customers	7	745	–	752	694
Bank loans and overdrafts	–	–	–	–	15
Trade payables	120	1	–	121	124
Amounts due to affiliated companies	2,294	3,036	1,039	6,369	4,454
of which relating to goods and services	30	–	–	30	46
Amounts due to related companies	1	–	–	1	1
of which relating to goods and services	1	–	–	1	1
Other liabilities	33	9	–	42	33
including taxes of	18	–	–	18	13
including social security of	–	–	–	–	–
Liabilities	**2,455**	**3,791**	**1,039**	**7,285**	**5,321**

Liabilities include financial liabilities of EUR 6.270 bn (2010: EUR 4.376 bn). Of these, EUR 5.271 bn (2010: EUR 3.587 bn) relates to the subsidiary Linde Finance B. V. The amount due to Linde Finance B. V. includes the subordinated bond issued in 2006 in two tranches and two other bonds issued in 2011. In addition, Linde AG began to conclude Credit Support Annexes (CSAs) with banks in the 2009 financial year. Under these agreements, the positive and negative fair values of derivatives held by Linde AG are collateralised with cash on a regular basis. The corresponding amounts due to banks have been disclosed in bank loans and overdrafts since the agreements came into force in 2010. The amount currently included in liabilities which relates to these agreements is EUR 0 m (2010: EUR 15 m).

Notes to the income statement

[11] Sales

The tables below provide an analysis of sales by division and by geographical region:

Sales – Analysis by division

in € million	2011	2010
Linde Gas	1,252	1,194
Linde Engineering	800	1,636
Consolidation	–24	–21
	2,028	**2,809**

Sales – Analysis by geographical region

in € million	2011	2010
Germany	1,016	1,048
Other Europe	511	435
Americas	120	82
Asia	254	1,217
Africa	48	12
Australia	79	15
	2,028	**2,809**

[12] Other operating income

in € million	2011	2010
Profit on disposal of non-current and current assets	29	5
Exchange gains	66	88
Income from the release of provisions	101	62
Revenue from commercial business, rentals and leases	13	10
Charges to Group companies	89	82
Financial result from long-term construction contracts	6	14
Sundry income	24	26
	328	**287**

The financial result from long-term construction contracts is included in Other operating income.

Interest which does not relate to long-term construction contracts is disclosed in the financial result.

Income from the release of provisions relates mainly to the Linde Engineering Division. In plant construction, it is often the case that there is a change in the evaluation of risk for the execution of major projects. The provisions established are reviewed and adjusted to take account of the most recent information available.

[13] Other operating expenses

in € million	2011	2010
Loss on disposals of non-current and current assets	1	1
Exchange losses	59	52
Charges by Group companies	6	13[1]
Global cost	67	60[1]
Other taxes	1	4
Sundry expenses	64	26
	198	**156**

[1] Prior-year figures have been restated to ensure comparability.

[14] Investment income

in € million	2011	2010
Income from profit-sharing agreements	206	168
Investment income	216	155
of which from affiliated companies	216	155
	422	**323**

Investment income includes distributions received in the current year from Linde AG subsidiaries.

[15] Other interest and similar income and charges

in € million	2011	2010
Interest cost from pension obligations	38	–
Valuation result from plan assets on pension obligations	38	6
Income from pension obligations (net)	–	6
Sundry interest and similar income	201	171
Other interest and similar income	**201**	**177**
Unwinding of discount of long-term provisions	18	18
Other interest and similar charges	279	224
Interest and similar charges	**297**	**242**

[16] Extraordinary result

The extraordinary result in 2010 derives solely from the effects of the first-time application of the German Accounting Law Modernisation Act (BilMoG).

[17] Taxes on income

In the reporting period, an income tax expense of EUR 50 m was recognised (2010: EUR 48 m). This expense relates to current income tax and does not include any deferred tax.

Deferred tax is calculated on the basis of a review of the temporary differences between the carrying amounts of assets, liabilities, prepayments and deferrals in accordance with German commercial law and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities arising from the recognition of reserves allowable only for tax purposes in accordance with § 6b of the German Income Tax Law (EStG), or from different amortisation and depreciation periods applying for tax and accounting purposes, are offset against deferred tax assets arising from the different treatment of pension provisions for tax purposes and in the financial statements. On the adoption of the BilMoG and in the reporting period, the review of differences resulted in a net deferred asset, calculated on the basis of a combined income tax rate of 27.38 percent (Linde AG and its subsidiaries). This has not been recognised as an asset in accordance with the option relating to the recognition of deferred tax assets set out in § 274 (1), sentence 2, of the German Commercial Code (HGB).

Supplementary information on the Notes

[18] Contingent liabilities and other financial commitments

Contingent liabilities

in € million	2011	2010
Guarantees	32	235
Warranties	9,466	8,064
Total	**9,498**	**8,299**
of which relating to affiliated companies	9,468	8,264

Contingent liabilities in respect of warranties comprise amounts issued by Linde Finance B.V. under the Debt Issuance Programme (total volume EUR 10 bn).

In its capacity as the holding company of The Linde Group, Linde AG assumes warranty obligations on behalf of its subsidiaries. Some of these warranties are performance warranties relating to current and future projects, especially in the Linde Engineering Division. Others are guarantees issued on behalf of individual affiliated companies outside Germany that those companies will continue as going concerns. In 2011, Linde AG also assumed a guarantee for certain obligations of subsidiaries relating to UK pension plans.

We regard the risk of any claim being made in respect of the contingent liabilities as extremely low. This assessment is based on many years of experience of such matters.

Other financial commitments

The total amount of other financial commitments at 31 December 2011 in Linde AG was EUR 130 m (2010: EUR 130 m). This comprises capital expenditure commitments of EUR 29 m (2010: EUR 32 m) and commitments arising from rental and lease agreements of EUR 101 m (2010: EUR 98 m).

The Linde Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with our consortium partners totalling EUR 1.114 bn (2010: EUR 904 m). Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liabilities in respect of these contracts.

Lease agreements, which are not required to be disclosed in the financial statements, are an important part of Linde AG 's business activities. The lease agreements relate in particular to land and buildings, commercial vehicles, company cars and other factory and office equipment. Future lease payments relating to these types of lease agreement fall due as follows:

in € million	2011	2010
Total minimum lease payments		
due within one year	24	16
due in one to five years	42	46
due in more than five years	35	36
Obligations under non-cancellable operating leases	**101**	**98**

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FURTHER INFORMATION

According to the provisions of the German Commercial Code and other German principles of proper accounting, there are some transactions which do not require disclosure in the financial statements. In Linde AG, these transactions comprise mainly lease agreements and the outsourcing of operating functions. Agreements relating to the outsourcing of operating functions relate principally to IT, bookkeeping and transport and logistics services. These transactions do not have a significant financial impact on the financial statements of Linde AG.

[19] Auditors' fees and services

in € million	2011	2010
Audit	1	1
Other attestation services	1	1
Tax advisory services	1	–
Other services	–	1
	3	**3**

[20] Related party transactions

Related parties are persons or entities which may exercise an influence on Linde AG or over which Linde AG may have significant influence.

Related party transactions comprise mainly transactions with Group companies, joint ventures and associates. They relate principally to rental, service, financing and delivery transactions. The business relationships with these companies are conducted under the same conditions as for non-related third parties. Related companies which are controlled by Linde AG, whether directly or indirectly, or over which Linde AG may exercise significant influence are disclosed in the list of shareholdings.

At the balance sheet date, there were charge-free guarantee agreements with associates and joint ventures in The Linde Group of EUR 28 m (2010: EUR 31 m). These are disclosed as contingent liabilities in Note [18].

For related party transactions, see also the information set out in Note [27].

[21] Cost of materials

in € million	2011	2010
Cost of raw materials and supplies and goods purchased	1,020	1,012
Cost of external services	192	287[1]
	1,212	**1,299**

[1] Prior-year figures have been restated to ensure comparability.

[22] Personnel expenses

in € million	2011	2010
Wages and salaries	442	417
Social security contributions	60	59
Pension costs and staff welfare costs	14	3
of which pension costs	13	2
	516	**479**

The pension costs and staff welfare costs were significantly lower in 2010 than in 2011 because of the first-time application of the German Accounting Law Modernisation Act (BilMoG) in 2010 when the option was exercised to retain the measurement under the old rules.

[23] Income and expenses relating to prior or future periods

Included in the income statement of Linde AG in the 2011 financial year are expenses relating to other accounting periods of EUR 1 m (2010: EUR 1 m) and income relating to other accounting periods of EUR 143 m (2010: EUR 68 m). This relates mainly to income from the release of provisions.

[24] Employees

The average number of employees (including part-time employees pro-rata) can be allocated to the different functions of Linde AG as follows:

	2011	2010
Linde Gas Division	2,618	2,558
Linde Engineering Division	2,648	2,644
Corporate Centre	247	237
Linde AG	**5,513**	**5,439**

[25] Share option scheme

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting of Linde AG held on 5 June 2007 to introduce a performance share programme for management (Long Term Incentive Plan 2007 – LTIP 2007), under which up to 3.5 million options can be issued over a total period of five years.

The aim of LTIP 2007 is to present Linde management worldwide with meaningful performance criteria and to encourage the long-term loyalty of management personnel.

Participants are granted options on an annual basis to subscribe to Linde shares, each with a maximum term of three years, two months and two weeks. The Supervisory Board determines the allocation of options to the members of the Executive Board of Linde AG . Otherwise, the Executive Board determines the participants in the scheme and the number of options to be issued.

Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price of EUR 2.56 per share. Linde AG may decide, at its own discretion, at any time until the beginning of the exercise period, that the option entitlements of the option holders may be met by providing own shares or making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. These arrangements allow for flexibility in the exercise of options.

It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met in each case will be made by the appropriate executive bodies of the company. The company plans to meet option entitlements in future by issuing new shares, as in 2011.

Certain conditions apply to the exercise of the options. First of all, the option conditions provide for a qualifying period (vesting period) for the share options of three years from their date of issue. At the end of the vesting period, the options may be exercised within a period of four weeks, on condition that the member of the plan is still employed at that time by Linde AG or by a Group company under a service or employment agreement and that he or she is not under notice. In special cases where a member of the scheme leaves Linde's employ prematurely, an exception to the above rules may be made. Under certain conditions, the exercise period may be shortened or the vesting period lengthened, although the term of the individual tranches may not exceed the maximum term of three years, two months and two weeks. Options in a tranche may only be exercised at the end of the vesting period if and to the extent that the three performance targets laid down have been met. A performance target may be met irrespective of whether the other performance targets have been met. Included in the definition of the three performance targets are minimum targets and stretch targets, the fulfilment of which results in a different number of exercisable options in the tranche.

A 40 percent weighting applies to the "adjusted earnings per share" performance target. The minimum target is reached if the adjusted diluted earnings per share achieves a compound annual growth rate (CAGR) of 7 percent during the vesting period. The stretch target is reached if a CAGR of 12 percent is achieved. If the minimum target is reached, 10 percent of the options in a tranche may be exercised and, if the stretch target is reached, 40 percent of the options in a tranche. If the CAGR is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates.

A 30 percent weighting applies to the "absolute total shareholder return" performance target. The minimum target is reached if the total shareholder return during the vesting period is 20 percent of the initial value. The stretch target is reached if the total shareholder return is 40 percent. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. The first component of total shareholder return over the three-year period is the change in the share price of Linde AG over the vesting period, which is determined by comparing the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system of the Frankfurt Stock Exchange before the issue date of the options in the relevant tranche and the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system before the third last stock exchange trading day before the exercise period. The other components of total shareholder return are dividends paid and the value of any statutory subscription rights relating to the shares (e.g. as a result of increases in share capital).

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.

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

Number of options – Long Term Incentive Plan 2007

	LTIP – Number of options
At 01.01.2010	**1,697,242**
Options granted	520,340
Exercised	134,474
Forfeited	433,590
Expired	–
At 31.12.2010/01.01.2011	**1,649,518**
of which exercisable at 31.12.2010	–
Options granted	416,320
Exercised	352,445
Forfeited	143,356
Expired	1,267
At 31.12.2011	**1,568,770**
of which exercisable at 31.12.2011	–

As a result of the exercise of 352,445 options in the 2008 tranche, capital subscribed increased in 2011 by EUR 1 m (2010: EUR 1 m).

The average remaining period of the LTIP 2008 is 15 months (2010: 18 months). The exercise price for all the tranches in the LTIP 2007 is EUR 2.56.

In accordance with the rules set out in the German Commercial Code (HGB), Linde exercised the option not to recognise the share option plans as a personnel expense.

Linde Management Incentive Programme 2002

It was resolved at the Annual General Meeting of Linde AG held on 14 May 2002 to introduce a share option scheme for management (Linde Management Incentive Programme 2002 – MIP 2002), under which up to six million subscription rights could be issued. The Linde Management Incentive Programme 2002 expired in the 2006 financial year.

The aim of this share option scheme was to allow Linde executives to participate in price rises in Linde shares and thereby in the increase in the value of the company. Participants were granted options to subscribe to Linde shares, each with a term of seven years. The Supervisory Board determined the allocation of subscription rights to members of the Executive Board of Linde AG. Otherwise, the Executive Board, with the approval of the Supervisory Board, determined the number of options to be issued.

The options confer the right to subscribe to shares in Linde AG at the exercise price. The exercise price for acquiring new shares in Linde AG is 120 percent of the base price. The base price is the average closing price of Linde shares in Xetra trading on the Frankfurt Stock Exchange over the last five days before the issue date of the options. The establishment of the exercise price also fulfils the legal requirement for a performance target linked to the rise in the share price of the company. It only makes economic sense to exercise the option if the share price exceeds the exercise price. Setting a performance target of a 20 percent increase in share price links the motivation of the participants in the share option scheme closely with the interests of the shareholders, who are seeking to achieve a medium-term increase in the value of the company.

The option conditions provide for a qualifying period for the share options of two years from their date of issue. At the end of this period, the options can be exercised during the entire option term: i.e. during the five years from the end of the qualifying period, excluding any blocked periods. These are the periods from three weeks before to two days after the public reporting dates of the company, and the last two weeks before the end of the financial year until two days after the announcement of the annual results, and 14 weeks before until the third banking day after the Annual General Meeting. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the Xetra closing price of Linde shares on the exercise date. These arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and the company. As in previous years, the company plans to meet option entitlements in future by issuing new shares. For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options if there are exceptional unforeseen movements in the Linde share price. This was not the case in the 2011 and 2010 financial years.

Participation in the Linde Management Incentive Programme 2002 requires no investment from the executives entitled to options. Instead, it is an additional component of their remuneration package.

Movements in the options issued under the Linde Management Incentive Programme 2002 were as follows:

Options – Linde Management Incentive Programme 2002

	Total	Average exercise price in €
At 01.01.2010	**2,429,723**	**70.18**
Options granted		
Exercised	1,255,371	64.24
Forfeited	–	–
Expired	1,302	32.38
At 31.12.2010/01.01.2011	**1,173,050**	**76.58**
of which exercisable at 31.12.2010	1,173,050	–
Options granted		
Exercised	412,015	71.61
Forfeited	–	–
Expired	4,500	47.91
At 31.12.2011	**756,535**	**79.45**
of which exercisable at 31.12.2011	756,535	–

As a result of the exercise of 412,015 options (2010: 1,255,371), capital subscribed increased by EUR 1 m (2010: EUR 3 m) and the capital reserve rose by EUR 29 m (2010: EUR 77 m). In accordance with the rules set out in the German Commercial Code (HGB), Linde exercised the option not to recognise the share option plans as a personnel expense.

[26] Derivative financial instruments

Linde AG is exposed to interest rate risks and currency risks in the course of its operating activities. These risks are reduced by the use of derivatives. There are uniform guidelines as to the use of derivatives, and compliance with these guidelines is constantly monitored.

The main derivatives used in Linde AG are interest rate swaps, combined interest rate/currency swaps and forward exchange transactions. Occasionally, options are also used.

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Measurement information for financial instruments

The fair value of financial instruments is determined using stock exchange prices or reference prices (e.g. ECB reference prices). The calculations are based on the following interest curves:

Interest curves

in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2011								
Interest rate for six months	1.56	0.75	1.31	0.27	4.65	2.67	7.46	1.19
Interest rate for one year	1.41	0.69	1.08	0.36	3.87	2.07	7.28	1.11
Interest rate for five years	1.72	1.27	1.55	0.48	4.29	1.95	7.49	1.58
Interest rate for ten years	2.36	2.05	2.26	0.98	4.46	2.25	7.49	2.22
2010								
Interest rate for six months	1.17	0.39	0.99	0.29	5.07	1.95	4.00	1.40
Interest rate for one year	1.30	0.45	0.90	0.35	5.18	2.23	5.29	1.60
Interest rate for five years	2.45	2.21	2.65	0.57	5.81	3.16	7.41	2.72
Interest rate for ten years	3.24	3.41	3.57	1.16	6.02	3.59	7.41	3.43

Derivative financial instruments in Linde AG are generally recorded on the trading day in accordance with the rules set out in the German Commercial Code (HGB). Negative fair values are recognised in provisions according to the principle of the lower of cost or market, while positive fair values are not recognised until they are realised.

If an asset or a liability, or a transaction in the course of completion or a highly probable forecast transaction, is hedged, the derivative and the underlying transaction are valued together. Where such items are valued together, the hedging instruments are usually concluded so that they match the risk to be hedged exactly. This ensures that the changes in fair value or the cash flows arising from the derivative and underlying transaction occur at the same time.

Provisions of EUR 16 m (2010: EUR 31 m) have been made for financial instruments with negative fair values. Of this amount, EUR 3 m (2010: EUR 10 m) related to forward exchange transactions and EUR 13 m (2010: EUR 21 m) to swap transactions.

In 2011, advance payments for swap transactions of EUR 12 m (2010: EUR 9 m) were recognised in other liabilities and advance payments received of EUR 2 m (2010: EUR 0 m) in other receivables and then released to profit or loss over the life of the instrument.

Counterparty risk

Linde AG 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 company's broad uncorrelated customer base. The counterparty risk from derivative financial instruments is limited due to the fact that the counterparties are banks which have good credit ratings from international rating agencies. In addition, an early warning and monitoring system has been implemented 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 are collateralised with cash on a regular basis. The amount included in receivables which relates to these agreements is EUR 41 m (2010: EUR 36 m), while the amount included in liabilities is EUR 0 m (2010: EUR 15 m). The risk positions outstanding are subject to strict limits and are continually monitored.

Currency risks

Linde AG generally enters into forward exchange contracts to hedge the exposure to risks arising from fluctuations in receivables, payables and liabilities denominated in foreign currencies, as well as from contracts in the course of completion and forecast transactions. The forecast transactions which are hedged are mainly planned purchase or sale transactions in foreign currency. Individual hedging relationships are recognised with the derivative and the underlying transaction being valued together.

Linde AG sometimes adopts a portfolio approach for foreign currency risks arising from project business in the Linde Engineering Division. Under this approach, the individual risks are matched centrally and the net position is hedged using forward exchange transactions or foreign exchange options.

Forward exchange transactions are also used to hedge the exposure to foreign currency risks arising from internal financing.

Interest rate risks

Linde AG is refinanced mainly through the issue of bonds and medium-term notes in various currencies by Linde Finance B. V.. Linde hedges the exposure to the resulting future interest rate and currency risks by entering into appropriate interest rate and combined interest rate/currency swaps. Individual hedging relationships are recognised with the derivative and the underlying transaction being valued together.

At the Linde AG level, capital market liabilities passed on are hedged. Interest rate swaps are used for this, which have the effect of transforming liabilities at variable interest rates into fixed-interest liabilities or vice versa.

Due to the centralised management of interest rate risks, Linde AG also holds some derivative financial instruments which are used to hedge the exposure to interest rate risks of liabilities within The Linde Group.

Derivatives and hedge relationships

	Short-term		Long-term				Total		
As at 31.12.2011	Due within one year		Due in one to five years		Due in more than five years				Hedged risk
in € million	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Nominal amount
Forward exchange contracts									
Hedge relationship with assets and liabilities	–	–	–	–	9	133	9	133	133
thereof assets	–	–	–	–	9	138	9	138	138
thereof liabilities	–	–	–	–	–	5	–	5	5
Hedge relationship with firm commitments and highly probable forecast transactions	–	–2	–	–	–1	–20	–1	–22	22
thereof assets	19	497	–	–	106	3,039	125	3,536	3,536
thereof liabilities	19	499	–	–	107	3,059	126	3,558	3,558
No hedge relationship	–	–5	–	–	4	85	4	80	
thereof assets	–	1	–	–	7	144	7	145	
thereof liabilities	–	6	–	–	3	59	3	65	
Total	**–**	**–7**	**–**	**–**	**12**	**198**	**12**	**191**	
thereof assets	19	498	–	–	122	3,321	141	3,819	
thereof liabilities	19	505	–	–	110	3,123	129	3,628	
Swap transactions									
Hedge relationship with assets and liabilities	–54	–634	–12	–135	–	–	–66	–769	769
thereof assets	1	78	–	–	–	–	1	78	78
thereof liabilities	55	712	12	135	–	–	67	847	847
Hedge relationship with firm commitments	–	–	–	13	–	–	–	13	13
thereof assets	12	222	–	13	–	–	12	235	235
thereof liabilities	12	222	–	–	–	–	12	222	222
No hedge relationship	44	1,165	16	–34	5	320	65	1,451	
thereof assets	51	1,421	23	366	5	368	79	2,155	
thereof liabilities	7	256	7	400	–	48	14	704	
Total	**–10**	**531**	**4**	**–156**	**5**	**320**	**–1**	**695**	
thereof assets	64	1,721	23	379	5	368	92	2,468	
thereof liabilities	74	1,190	19	535	–	48	93	1,773	

As at 31.12.2010	Short-term		Long-term				Total		
	Due within one year		Due in one to five years		Due in more than five years				Hedged risk
in € million	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Nominal amount
Forward exchange contracts									
Hedge relationship with assets and liabilities	–	–96	–	–	–	–	–	–96	96
thereof assets	3	78	–	–	–	–	3	78	78
thereof liabilities	3	174	–	–	–	–	3	174	174
Hedge relationship with firm commitments and highly probable forecast transactions	–1	–53	–	1	–	–	–1	–52	52
thereof assets	112	3,047	41	631	–	–	153	3,678	3,678
thereof liabilities	113	3,100	41	630	–	–	154	3,730	3,730
No hedge relationship	–2	–113	–	–7	–	–	–2	–120	
thereof assets	8	151	–	2	–	–	8	153	
thereof liabilities	10	264	–	9	–	–	10	273	
Total	**–3**	**–262**	**–**	**–6**	**–**	**–**	**–3**	**–268**	
thereof assets	123	3,276	41	633	–	–	164	3,909	
thereof liabilities	126	3,538	41	639	–	–	167	4,177	
Swap transactions									
Hedge relationship with assets and liabilities	–	–	–19	–291	6	149	–13	–142	142
thereof assets	–	–	6	116	6	159	12	275	275
thereof liabilities	–	–	25	407	–	10	25	417	417
Hedge relationship with firm commitments	–	–	–	–	–	–	–	–	–
thereof assets	–	–	1	25	–	10	1	35	35
thereof liabilities	–	–	1	25	–	10	1	35	35
No hedge relationship	–	–9	12	–46	26	255	38	200	
thereof assets	1	118	32	716	28	311	61	1,145	
thereof liabilities	1	127	20	762	2	56	23	945	
Total	**–**	**–9**	**–7**	**–337**	**32**	**404**	**25**	**58**	
thereof assets	1	118	39	857	34	480	74	1,455	
thereof liabilities	1	127	46	1,194	2	76	49	1,397	

[27] Additional information about the Supervisory Board and Executive Board

Supervisory Board

In the 2011 financial year, the total remuneration of members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, was EUR 2,730,447 (2010: EUR 2,504,950). Of this amount, EUR 1,023,107 (2010: EUR 1,023,400) related to fixed emoluments and EUR 1,656,764 (2010: EUR 1,442,280) to variable emoluments.

At 31 December 2011, as at the end of 2010, there were no advances or loans to members of the Supervisory Board. Moreover, the members of the Supervisory Board received no emoluments or benefits for any personal services they provided, such as consultancy or mediation services.

Executive Board

Emoluments of the Executive Board

in €	2011	2010
Fixed emoluments	4,266,645	4,080,077
Variable emoluments	7,518,516	7,821,055
Total cash emoluments	**11,785,161**	**11,901,132**

In the 2011 financial year, under the 2007 Performance Share Programme approved at the Annual General Meeting, a total of 68,573 options (2010: 78,065 options) were granted to members of the Executive Board as part of their total emoluments. These had a value on the grant date of EUR 51.04 (2010: EUR 38.43) per option. No expense arose for the company or for the Group as a result of 9,796 options granted in the 2011 financial year to J. Kent Masters, a member of the Executive Board until 30 September 2011. All options which had been granted to him but not yet exercised were forfeited on 30 September 2011 on his retirement from the Board.

In 2011 and 2010, there were no advances or loans to members of the Executive Board.

Total remuneration paid to former members of the Executive Board and their surviving dependants amounted to EUR 2,841,716 (2010: EUR 2,579,839).

A provision of EUR 35,003,558 (2010: EUR 34,899,136) has been made for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants.

The remuneration report presents the basic features and the structure of the remuneration of the Executive Board and Supervisory Board. It has been included in the Linde AG management report.

[28] Declaration of Compliance with the German Corporate Governance Code and Declaration on Corporate Governance in accordance with § 289a of the German Commercial Code (HGB)

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Law (AktG) on the recommendations of the German Corporate Governance Code and made it available to shareholders on a permanent basis. The Declaration of Compliance has been published on the Internet at www.linde.com/declarationofcompliance.

The Declaration on Corporate Governance can be found on the Internet at www.linde.com/corporate-governance.

A detailed commentary on corporate governance in Linde is set out in the Corporate Governance section of this report.

[29] Other Board memberships

(Disclosures regarding other Board memberships are as at 31 December 2011)

Supervisory Board

Members of the Supervisory Board of Linde Aktiengesellschaft are members of the following other German supervisory boards and comparable German and foreign boards:

Dr Manfred Schneider
Chairman of the Supervisory Board of Linde AG

→ External offices:
Bayer AG (Chairman)
RWE AG (Chairman)

Hans-Dieter Katte
Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Pullach Works Council, Engineering Division, Linde AG

Michael Diekmann
Second Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Board of Management of Allianz SE

→ External offices:
BASF SE
Siemens AG

→ Group offices:
Allianz Deutschland AG
Allianz Global Investors AG (Chairman)

→ Group offices:
Allianz S. p. A.
Allianz France S. A.
(Vice-President of the Administrative Board)

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

→ External offices:
METRO AG

→ External offices:
Vontobel Holding AG, Zurich, Switzerland
(Member of the Administrative Board)
Bank Vontobel AG, Zurich, Switzerland
(Member of the Administrative Board)

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

→ External offices:
Bayer AG
Daimler AG
Deutsche Bank AG (Chairman)

→ External offices:
Emerson Electric Company
(Member of the Board of Directors)

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

Thilo Kämmerer
Trade Union Secretary, IG Metall

→ External offices:
KION GROUP GmbH
KION Holding 1 GmbH

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

→ External offices:
BOC Lienhwa Industrial Gases Co. Ltd.
(Member of the Board of Directors)
Winbond Electronics Corp.
(Member of the Board of Directors)

→ Group offices:
Getac Technology Corporation
(Member of the Board of Directors)
Synnex Corporation
(Member of the Board of Directors)

→ Membership of other German supervisory boards.
→ Membership of comparable German and foreign boards.

Supervisory Board

Klaus-Peter Müller

Chairman of the Supervisory Board
of Commerzbank AG

→ External offices:
Commerzbank AG (Chairman)
Fresenius SE & Co. KGaA
Fresenius Management SE

→ External offices:
Landwirtschaftliche Rentenbank
(Member of the Administrative Board)
Parker Hannifin Corporation
(Member of the Board of Directors)

Jens Riedel

Chairman of the Leuna Works Council,
Gases Division, Linde AG

Xaver Schmidt

Secretary to the Executive Board of IG Bergbau,
Chemie, Energie, Hanover

→ External offices:
Berufsgenossenschaftliches Universitätsklinikum
Bergmannsheil GmbH
(Alternate Chairman)

Josef Schregle

Director of Finance for EMEA
(Europe, Middle East, Africa)
and Project Control (FE)
Engineering Division, Linde AG

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

(The information provided relates to the date of retirement)

Dr Gerhard Beiten

(retired on 12 May 2011)
Lawyer

→ Membership of other German supervisory boards.
→ Membership of comparable German and foreign boards.

Executive Board

In addition to their individual management functions in affiliated companies and in companies in which an investment is held, members of the Executive Board of Linde Aktiengesellschaft are members of the following German supervisory boards and comparable German and foreign boards:

Professor Dr Wolfgang Reitzle
Chief Executive Officer

→ External offices:
Continental AG (Chairman)

Professor Dr Aldo Belloni
Member of the Executive Board

Georg Denoke
Member of the Executive Board

Sanjiv Lamba
Member of the Executive Board
(appointed on 9 March 2011)

→ Group offices:
Linde Pakistan Limited
(Member of the Board of Directors)
Linde Bangladesh Limited
(Member of the Board of Directors)
BOC INDIA LIMITED
(Member of the Board of Directors)

The following member retired from the Executive Board in the 2011 financial year:
(The information provided relates to the date of retirement)

J. Kent Masters
Member of the Executive Board
(retired on 30 September 2011)

→ External offices:
Rockwood Holdings, Inc., USA
(Member of the Board of Directors)

→ Membership of other German supervisory boards.
→ Membership of comparable German and foreign boards.

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[30] Restrictions on the distributions of profits

In accordance with § 268 (8) of the German Commercial Code (HGB), certain amounts included in the unappropriated profit, freely available reserves and profit brought forward are not available for distribution (i.e. are barred from distribution).

Amounts barred from distribution

in € million	2011	2010
Resulting from measurement of plan assets at fair value	96	59
Non-distributable amounts	**96**	**59**

There is no restriction on the distribution of unappropriated profit, as a higher level of freely available reserves covers the amount barred from distribution.

[31] Proposed appropriation of profits of Linde AG

The Executive Board recommends to the Supervisory Board that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 8 March 2012, the appropriation of profit of EUR 427,653,502.50 (2010: EUR 431,927,035.57) be voted on at the Annual General Meeting on 4 May 2012:

→ the distribution of a dividend of EUR 2.50 per share entitled to dividend (2010: EUR 2.20).

The amount to be distributed will therefore be EUR 427,653,502.50 (2010: EUR 374,653,270.20), based on 171,061,401 (2010: 170,296,941) shares entitled to dividend.

Munich, 1 March 2012

Linde Aktiengesellschaft
The Executive Board

[32] List of shareholdings of The Linde Group and Linde AG at 31 December 2011 in accordance with the provisions of § 285 No. 11 of the German Commercial Code (HGB)

The results of companies acquired in 2011 are included as of the date of acquisition. The information about the equity and the net income or net loss of the companies is as at 31 December 2011 in accordance with IFRS, unless specifically disclosed in the notes below.

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		0.5	–0.2	c
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–3.9	–2.4	e
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		1.0	0.0	
Linde Electronics GmbH	Stadl-Paura	AUT	100		7.5	0.6	
Linde Gas GmbH	Stadl-Paura	AUT	100		122.2	110.3	
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	49	233.9	1.8	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		0.2	0.0	
Chemogas N.V.	Grimbergen	BEL	100		3.9	–1.2	
Linde Gas Belgium NV	Grimbergen	BEL	100		4.3	–0.3	
Bossot Trade EOOD	Stara Zagora	BGR	100	100	–0.1	0.0	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100	100	1.7	–0.7	
Linde Gas BH d.o.o.	Zenica	BIH	85	85	11.3	–0.1	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	0.6	0.1	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		–4.4	1.5	
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	c, d
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	d
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	d
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–0.3	0.0	
PanGas AG	Dagmersellen	CHE	100		97.0	38.8	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0.0	0.0	c, d
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	8.3	1.6	
Linde Gas a.s.	Prague	CZE	100		200.3	52.1	
Linde Sokolovská s.r.o.	Prague	CZE	100		69.9	4.8	
AGA Holding GmbH	Munich	DEU	100	100	90.3	–0.6	
Eibl Homecare GmbH	Mahlow	DEU	100		4.2	–	a
Heins & Co. GmbH	Bremen	DEU	100		0.0	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100	100	1.9	0.3	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0.1	0.0	

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Linde Electronics GmbH & Co. KG	Pullach	DEU	100	100	25.3	–0.5	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	3.4	0.2	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	354.3	5.3	
Linde Gas Therapeutics GmbH	Unterschleissheim	DEU	100		27.0	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	0.1	0.0	
Linde Welding GmbH	Pullach	DEU	100		0.3	–	a
Martens Schweißtechnik GmbH	Rastede	DEU	100		1.2	–	a
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf	DEU	100		0.1	–	a
Spectra Gases (Germany) GmbH	Babenhausen	DEU	100	100	6.2	1.5	
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100	100	4.8	–	a
Unterbichler Gase GmbH	Munich	DEU	100		0.9	–	a
AGA A/S	Copenhagen	DNK	100		8.8	3.1	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	63.3	11.3	
Abelló Linde, S.A.	Barcelona	ESP	85	85	123.5	8.0	
LINDE ELECTRONICS, S.L.	Barcelona	ESP	100		–0.4	0.1	
LINDE MEDICINAL, S.L.	Cordoba	ESP	100		7.3	0.5	
AS Eesti AGA	Tallinn	EST	100		13.6	3.8	
Kiinteisto Oy Karakaasu	Espoo	FIN	100		–2.1	0.0	
Kiinteisto Oy Karaportti	Espoo	FIN	100		–3.2	0.0	
Oy AGA ab	Espoo	FIN	100		92.7	58.0	
Teollisuuskaatsut Suomi Oy	Espoo	FIN	100		2.3	0.0	
TK-Teollisuuskaasut Oy	Espoo	FIN	100		–0.1	–0.1	
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		2.4	0.1	
Linde France S.A.	Saint-Priest	FRA	100		167.5	26.2	
Linde Médical Domicile S.A.	Amiens	FRA	100		0.4	0.0	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.4	0.0	
BOC HELEX	Guildford	GBR	100		1,825.5	70.2	
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.3	0.0	c, d
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.8	0.0	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	0.0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Nottingham	GBR	100		–0.3	0.0	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Nottingham	GBR	80		1.0	0.1	c, d
GAS & GEAR LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d

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GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.1	–0.1	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100		–1.8	–0.1	c, d
INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Nottingham	GBR	100		0.1	0.0	c, d
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Nottingham	GBR	100		3.3	0.3	c, d
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	95		1.3	0.2	c, d
LEENGATE HIRE & SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (CANNOCK) LIMITED	Nottingham	GBR	100		–0.9	–0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	100		0.2	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	88		1.6	0.2	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100		0.2	–0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.2	0.0	c, d
LEENGATE VALVES LIMITED	Nottingham	GBR	94		1.4	0.5	c, d
LEENGATE WELDING LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		–22.8	2.2	
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	0.0	0.0	c, d
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		0.0	0.0	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.1	0.0	c, d
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	88		1.1	0.0	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.2	0.0	c, d
W & G SUPPLIES LIMITED	Nottingham	GBR	100		0.3	0.0	c, d
WELDER EQUIPMENT SERVICES LIMITED	Nottingham	GBR	75		0.0	0.0	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.3	–0.1	c, d
AEROSCOPIO HELLAS S. A.	Piraeus	GRC	71	71	0.1	0.0	
Linde Hellas E.P.E.	Mandra	GRC	100	100	40.2	1.6	
LINDE PLIN d.o.o.	Karlovac	HRV	100	100	4.3	0.5	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100	100	208.3	38.4	
BOC (TRADING) LIMITED	Dublin	IRL	100		0.2	5.0	c, d
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.1	23.0	
BOC Gases Ireland Limited	Dublin	IRL	100		33.3	18.3	c, d

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COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	0.0	
ISAGA ehf.	Reykjavík	ISL	100		2.9	1.1	
Linde Gas Italia S.r.l.	Arluno	ITA	100		146.7	5.4	
LINDE MEDICALE Srl	Arluno	ITA	100		35.8	6.6	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	26.8	–0.9	
BOC Kenya Limited	Nairobi	KEN	65		11.6	1.1	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100		–3.3	–1.5	
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		0.0	0.0	c, d
AGA UAB	Vilnius	LTU	100		4.2	0.0	
AGA SIA	Riga	LVA	100		13.1	1.8	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.7	0.0	
Afrox Moçambique, Limitada	Maputo	MOZ	100		–2.0	–1.5	c
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		–1.0	0.0	c, d
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		0.0	0.0	
Afrox Malawi Limited	Blantyre	MWI	79		–7.1	–0.4	
GAS & WELDING PRODUCTS (PTY) LTD	Windhoek	NAM	100		0.0	0.0	d
IGL (PTY) LIMITED	Windhoek	NAM	100		–6.8	0.0	
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		–0.2	–0.1	
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		–1.0	0.0	
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		0.1	0.0	
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		0.0	0.0	
BOC Gases Nigeria Plc	Lagos	NGA	60		6.5	1.7	
AGA International B. V.	Schiedam	NLD	100		216.9	4.1	
Beheermaatschappij De Econoom B. V.	Schiedam	NLD	100		1.8	–0.3	
Linde Electronics B. V.	Schiedam	NLD	100		3.7	0.8	
Linde Gas Benelux B. V.	Schiedam	NLD	100		156.9	36.7	
Linde Gas Cryoservices B. V.	Eindhoven	NLD	100		4.2	1.1	
Linde Gas Therapeutics Benelux B. V.	Eindhoven	NLD	100		51.8	8.6	
Linde Homecare Benelux B. V.	Nuland	NLD	100		12.7	–1.6	
Mecomfa SPC B. V.	Schiedam	NLD	100		–5.2	–0.3	
Mecomfa SPC2 B. V.	Schiedam	NLD	100		1.0	0.0	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		274.8	50.4	
AGA AS	Oslo	NOR	100		31.3	29.0	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		4.9	1.1	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	102.3	12.0	
LINDE SOGÁS, LDA	Lisbon	PRT	100		32.0	3.2	
LINDE GAZ ROMANIA S.R.L.	Timisoara	ROU	100	100	114.2	17.5	
OXIGEN PLUS S.R.L.	Bucharest	ROU	100		0.9	0.5	c

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OAO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	10.4	–0.2	
OJSC "Linde Gas Rus"	Balashikha	RUS	100	100	38.8	3.0	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		62.5	3.5	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Becej	SRB	82	82	9.4	0.4	
Aries 94 s. r. o.	Bratislava	SVK	100		1.5	0.4	
Linde Gas k.s.	Bratislava	SVK	100		24.9	4.9	
LINDE PLIN d.o.o.	Celje	SVN	100	100	7.5	1.3	
AB Held	Lidingö	SWE	100		0.0	0.0	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		–0.1	0.0	
AGA Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA International Investment Aktiebolag	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	
Agatronic AB	Lidingö	SWE	100		0.1	0.0	
CRYO Aktiebolag	Gothenburg	SWE	100		0.0	0.0	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		0.0	0.0	
Svenska Aktiebolaget Gasaccumulator	Lidingö	SWE	100		0.1	0.0	
Svets Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		0.0	0.0	d
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		–1.6	–0.3	
Linde Gas Tunisie S. A.	Ben Arous	TUN	60	60	5.9	0.0	
Linde Gaz A.S.	Istanbul	TUR	100	100	53.8	–2.5	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.7	0.2	
BOC Uganda Limited	Kampala	UGA	100		0.8	0.1	
PJSC "Linde Gaz Ukraine"	Dnipropetrovsk	UKR	100	96	29.1	0.3	
African Oxygen Limited	Johannesburg	ZAF	56		346.5	22.8	c
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		–7.5	–1.1	
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		0.0	0.0	
AFROX FINANCE (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		–0.3	0.0	
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	100		–4.3	–0.1	
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED	Kempton Park	ZAF	100		0.0	0.0	
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	

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AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
ENERGY MEDICAL SUPPLIES (PTY) LIMITED	Johannesburg	ZAF	100		–0.2	0.0	
HARRIS GAS EQUIPMENT (PTY) LIMITED	Boksburg	ZAF	100		0.0	0.0	d
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100		–0.6	0.1	
ISAS TRUST	Johannesburg	ZAF	100		11.6	3.3	
MEDISPEED (NATAL) (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		0.0	0.0	
NICOWELD (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX ZAMBIA LIMITED	Ndola	ZMB	70		–10.8	1.3	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		18.9	2.9	c
HANDIGAS (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	d
INDUSTRIAL GASES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
OXYCO UTILITIES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
OXYGEN INDUSTRIES (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
WELDEX (PVT) LIMITED	Harare	ZWE	100		0.0	0.0	
ZIMBABWE OXYGEN (PVT) LIMITED	Harare	ZWE	100		–18.9	–2.9	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		98.2	0.0	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		8.2	0.9	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		1.5	37.1	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		–0.9	0.0	
BOC Limited	North Ryde	AUS	100		355.6	173.6	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		2.9	0.5	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		5.1	0.0	
ELGAS LIMITED	North Ryde	AUS	100		86.1	32.7	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		2.8	0.3	
FLEXIHIRE PTY LIMITED	Rockhampton	AUS	100		22.1	6.7	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		–1.7	0.0	
PACIFIC INDUSTRIAL SUPPLIES PTY LIMITED	North Ryde	AUS	100		5.2	0.7	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		15.8	3.2	
THE COMMONWEALTH INDUSTRIAL GASES PTY. LIMITED	North Ryde	AUS	100		0.0	0.0	
TIAMONT PTY LIMITED	North Ryde	AUS	100		2.9	0.5	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		20.1	2.6	

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UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		7.7	0.0	
Linde Bangladesh Limited	Dhaka	BGD	60		20.4	6.6	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		3.5	0.4	d
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		122.9	8.6	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		7.5	0.1	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		32.3	6.5	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		16.2	0.2	
BOC Gases (Wuhan) Co., Ltd.	Wuhan	CHN	100		6.3	0.1	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		13.9	0.0	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		12.0	0.5	
BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		10.5	0.2	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		–1.2	2.1	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		16.8	0.8	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		3.0	0.0	
CONFEDERATE TRADING (SHANGHAI) CO., LTD.	Shanghai	CHN	100		–0.1	0.6	
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	10.7	1.3	
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	11.0	–0.5	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		98.9	0.2	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		4.0	0.7	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.3	1.2	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	34.5	4.0	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		4.1	–0.4	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		7.6	0.0	
Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		2.0	–0.3	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		5.4	–0.2	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		0.8	1.0	
LINDE GASES (SHANGHAI) CO., LTD.	Shanghai	CHN	100		12.9	1.9	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		7.8	–0.4	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		18.2	1.6	
Linde Gases (Yantai) Co., Ltd.	Yantai City	CHN	100		17.3	0.0	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		7.9	–0.1	
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		5.6	0.9	
Linde Lienhwa Gases (BeiJing) Co., Ltd.	Beijing	CHN	100		14.4	0.4	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		9.6	–0.3	
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	60		42.1	0.1	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		0.7	–0.4	
Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100		9.0	–0.1	

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Shanghai Huayi Microelectronic Material Co. Ltd.	Shanghai	CHN	100		11.1	–0.9	
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.7	0.0	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	100		1.3	–0.2	
Sichuan Jianyang Gangtong Medical Gas Company Limited	Jianyang	CHN	100		0.9	0.3	c
Wuxi Boc Gases Co., Limited	Wuxi	CHN	100		1.0	0.0	
BOC (FIJI) LIMITED	Lami Suva	FJI	90		2.8	0.9	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		0.0	0.0	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wanchai	HKG	100		0.0	0.0	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	192.2	–0.8	
Linde HKO Limited	Kowloon	HKG	100		30.4	9.8	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		0.4	0.5	
P.T. Gresik Gases Indonesia	Jakarta	IDN	97		14.7	–1.1	
P.T. Gresik Power Indonesia	Jakarta	IDN	97		9.5	0.4	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		–0.8	–0.3	
PT. LINDE INDONESIA	Jakarta	IDN	100		18.3	2.1	
BOC INDIA LIMITED	Kolkata	IND	89		175.8	17.9	
Linde Japan Ltd.	Yokohama	JPN	100	100	0.4	0.0	
Linde Korea Co., Ltd.	Pohang	KOR	100		189.8	10.0	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	19.4	1.2	
DAYAMOX SDN BHD	Petaling Jaya	MYS	100		0.0	2.8	
EASTERN OXYGEN INDUSTRIES SDN. BHD.	Petaling Jaya	MYS	100		23.9	0.5	
Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	16.2	0.8	
Linde Industrial Gases (Malaysia) Sdn. Bhd.	Petaling Jaya	MYS	80	80	9.0	–0.1	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		75.2	19.0	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		151.4	41.2	
LINDE WELDING PRODUCTS SDN BHD	Petaling Jaya	MYS	100		0.8	0.1	
BOC LIMITED	Auckland	NZL	100		34.7	17.2	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	22.7	
ELGAS LIMITED	Auckland	NZL	100		21.8	0.7	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0.3	0.0	
Linde Pakistan Limited	Karachi	PAK	60		13.6	2.2	
BATAAN INDUSTRIAL GASES INC	Pasig City	PHL	100		0.3	0.1	
BOC (PHILS.) HOLDINGS, INC.	Pasig City	PHL	100		20.9	0.0	
CHATSWOOD INC	Makati City	PHL	62		–0.5	0.0	
CIGC CORPORATION	Pasig City	PHL	100		0.7	0.0	
CRYO INDUSTRIAL GASES, INC	Pasig City	PHL	100		0.2	0.0	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
GRANDPLAINS PROPERTIES, INC	Pasig City	PHL	40		1.6	0.0	e
LINDE PHILIPPINES (SOUTH), INC.	Mandaue City	PHL	100		16.5	1.5	
LINDE PHILIPPINES, INC.	Pasig City	PHL	100		21.0	0.4	
ROYAL SOUTHMEADOWS, INC	Mandaue City	PHL	40		0.6	0.0	e
BOC Papua New Guinea Limited	Lae	PNG	74		17.6	5.9	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		1.4	5.1	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	95.7	14.8	
LINDE TREASURY ASIA PACIFIC PTE. LTD.	Singapore	SGP	100		N/A	N/A	f
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		1.0	0.6	
KTPV (THAILAND) LIMITED	Bangkok	THA	100		12.9	0.0	
Linde Carbonic Ltd.	Samut Prakan	THA	100	100	1.3	0.2	
Linde Gas (Thailand) Ltd.	Samut Prakan	THA	100		1.6	0.1	
MIG Production Company Limited	Samut Prakan	THA	54		65.7	10.5	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2.3	0.0	
SKTY (Thailand) Limited	Bangkok	THA	100		44.7	0.1	
Thai Industrial Gases Public Company Limited	Samut Prakan	THA	100		153.6	27.1	
TIG Air Chemicals Limited	Samut Prakan	THA	99		24.9	4.8	
TIG HyCO Limited	Samut Prakan	THA	100		23.7	3.2	
TIG TRADING LIMITED	Samut Prakan	THA	100		5.8	0.1	
BOC (TONGA) LIMITED	Nuku'Alofa	TON	100		0.1	0.0	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	100		31.9	2.5	
BOC LIENHWA INDUSTRIAL GASES CO., LTD.	Taipei	TWN	50		182.8	39.6	c
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89		7.5	0.2	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		9.5	2.2	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chia Yi	TWN	100		0.1	0.0	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0.2	0.1	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung Hsien	TWN	100		3.8	0.9	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2.9	1.7	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2.4	0.2	c, d
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.4	0.3	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		0.3	0.1	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yi Lan	TWN	100		0.2	0.2	c
LIEN YI LPG COMPANY LIMITED	Tao Yuan	TWN	60		1.8	0.1	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		8.1	0.4	c
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	55		92.1	20.7	c

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		11.4	1.7	c
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100		13.3	–1.0	
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Tortola	VGB	100		91.0	–0.2	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100		0.0	0.0	
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100		13.8	–1.0	
SKY WALKER GROUP LIMITED	Tortola	VGB	100		0.0	0.0	c
Linde Gas Vietnam Limited	Ho Chi Minh City	VNM	100	100	1.1	–1.0	
BOC Samoa Limited	Apia	WSM	96		1.1	0.1	
Americas							
BOC GASES ARUBA N. V.	Santa Cruz	ABW	100		2.8	0.0	
Grupo Linde Gas Argentina S. A.	Buenos Aires	ARG	100	65	35.3	3.3	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		36.1	5.3	
Linde Gases Ltda.	Barueri	BRA	100		150.1	–45.3	
LINDE-BOC GASES LIMITADA	Sao Paulo	BRA	100		13.0	1.6	
BOC de Chile S. A.	Santiago	CHL	100		8.6	1.5	
Linde Gas Chile S. A.	Santiago	CHL	100		106.7	13.9	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		2.4	0.9	
Linde Colombia S. A.	Bogotá	COL	100		90.9	1.7	
Linde Gas Curaçao N. V.	Willemstad	CUW	100		2.5	0.4	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		5.3	0.7	
AGA S. A.	Quito	ECU	100		28.8	4.8	
Agua y Gas de Sillunchi S. A.	Quito	ECU	100		0.8	0.0	
Spectra Gases Limited	Guildford	GBR	100		1.1	0.5	
BOC GASES DE MEXICO, S. A. DE C.V.	Mexico City	MEX	100		0.0	0.0	
Compania de Operaciones de Nitrogeno, S. A. de C.V.	Santa Fe	MEX	100		4.2	0.8	c
SERVICIOS DE OPERACIONES DE NITROGENO, S. A. DE C.V.	Santa Fe	MEX	100		1.1	0.2	c
AGA S. A.	Callao	PER	100		11.2	1.4	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		4.1	0.2	d
AGA S. A.	Montevideo	URY	100		11.3	3.0	
ESS LLC	Wilmington	USA	100		–10.4	0.0	d
Holox Inc.	Murray Hill	USA	100		0.0	0.0	c, d
LAG Methanol LLC	Wilmington	USA	100		290.5	49.4	d
Linde Canada Investments LLC	Wilmington	USA	100		14.9	0.7	
Linde Delaware Investments Inc.	Wilmington	USA	100		125.2	81.5	
Linde Energy Services, Inc	Wilmington	USA	100		–0.3	0.0	
Linde Gas North America LLC	Wilmington	USA	100		708.0	59.2	

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	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Linde Merchant Production, Inc	Wilmington	USA	100		16.2	–1.4	
Linde North America, Inc.	Wilmington	USA	100	<0,1	67.0	474.0	
Linde RSS LLC	Wilmington	USA	100		0.6	0.7	
Linde Transport, Inc.	Nashville	USA	100		–14.3	0.0	
Spectra Gases Delaware Inc.	Wilmington	USA	100		0.0	0.0	d
TMG Co. LLC	Wilmington	USA	100		18.0	1.8	
AGA Gas C.A.	Caracas	VEN	100		85.8	11.2	g
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		2.6	0.4	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		–0.6	0.0	
Spectra Gases (BVI) Inc.	Tortola	VGB	100		N/A	N/A	d
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		4.4	0.1	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	17.8	16.9	
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	1.1	0.0	
Linde Process Plants Canada Inc.	Calgary	CAN	100		–0.5	0.0	
Arboliana Holding AG	Pfungen	CHE	100		4.0	0.0	
Bertrams Heatec AG	Pratteln	CHE	100		13.2	1.9	
BOC AG	Basle	CHE	98		1.9	–0.1	
Linde Kryotechnik AG	Pfungen	CHE	100		11.9	3.7	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	3.9	1.7	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		0.2	0.0	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	42.8	3.9	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	13.8	6.6	
Linde Engineering Dresden GmbH	Dresden	DEU	100	6	56.9	–	a
Selas-Linde GmbH	Pullach	DEU	100	100	28.6	–	a
CRYOSTAR SAS	Hesingue	FRA	100		50.0	11.4	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		1.6	0.2	
Linde Engineering India Private Limited	New Delhi	IND	100	100	7.4	2.0	
Linde Impianti Italia S.p.A.	Fiumicino	ITA	100	100	3.2	1.5	
LPM, S.A. de C.V.	Mexico City	MEX	100	90	7.5	–0.1	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	0.2	0.0	
Linde Arabian Contracting Company Ltd.	Riyadh	SAU	100	90	19.2	1.9	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	12.8	5.2	
Linde Process Plants, Inc.	Tulsa	USA	100		56.0	21.3	
Selas Fluid Processing Corporation	Wilmington	USA	100		5.8	–2.3	
VN Corporation	Wilmington	USA	100		34.3	3.2	
Linde Process Plants (Pty.) Ltd.	Johannesburg	ZAF	100	100	4.9	3.9	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.5	143.1	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	28.2	
Van Dongen & Van Bergeijk GmbH	Wallern an der Trattnach	AUT	100		0.0	0.0	c
Van Dongen Belgium BVBA	Lochristi	BEL	100		–0.3	0.0	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		23.3	0.0	
Linde Canada Limited	Mississauga	CAN	100		192.5	38.2	d
Linde Holding AG	Lucerne	CHE	100	100	25.5	5.6	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		2.2	0.2	
Cleaning Enterprises GmbH	Munich	DEU	100		3.8	–	a
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	1,608.8	–	a
Linde US Beteiligungs GmbH	Munich	DEU	100		506.2	0.9	
Fred Butler Denmark ApS	Copenhagen	DNK	100		–2.3	–0.4	
LOGISTICA DOTRA, SL	Seville	ESP	100		0.2	0.0	c
LOGISTICA VAN TRANS S.L.	Burgos	ESP	100		0.7	0.2	c
LINDE INVESTMENTS FINLAND OY	Espoo	FIN	100		0.9	0.0	
Linde Holdings SAS	Saint-Priest	FRA	100		156.6	43.4	
The Boc Group S.A.S.	Hesingue	FRA	100		53.4	0.3	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		1,119.5	18.7	
APPLIED VISION LIMITED	Guildford	GBR	100		2.7	0.0	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		100.6	0.7	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100		290.4	6.1	
BOC HOLDINGS	Guildford	GBR	100		4,222.0	268.9	
BOC HOLLAND FINANCE	Guildford	GBR	100		66.7	0.0	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		781.4	115.0	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		188.2	3.4	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		192.4	28.8	
BOC INVESTMENTS NO.2 LIMITED	Guildford	GBR	100		0.0	0.0	
BOC INVESTMENTS NO.5	Guildford	GBR	100		372.1	8.3	
BOC INVESTMENTS NO.7	Guildford	GBR	100		325.3	4.4	
BOC IRELAND FINANCE	Guildford	GBR	100		373.8	8.3	
BOC JAPAN	Guildford	GBR	100		46.4	2.0	
BOC JAPAN FINANCE	Guildford	GBR	100		0.0	0.0	
BOC JAPAN HOLDINGS LIMITED	Guildford	GBR	100		275.5	10.8	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		108.6	1.7	
BOC LIMITED	Guildford	GBR	100		769.3	198.5	d

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		19.4	0.3	
BOC NETHERLANDS FINANCE	Guildford	GBR	100		116.3	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		523.1	–0.4	
BOC NOMINEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSIONS LIMITED	Guildford	GBR	100		0.0	0.0	
BOC POLAND HOLDINGS LIMITED	Guildford	GBR	100		6.6	0.0	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TECHNOLOGIES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TRUSTEES NO. 4 LIMITED	Guildford	GBR	100		0.0	0.0	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		1.3	0.0	
CRYOSTAR LIMITED	Guildford	GBR	100		0.0	0.0	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		0.0	0.0	
G.L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		244.2	–2.6	c
GIST LIMITED	Guildford	GBR	100		191.5	45.4	
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100		1.9	0.4	
HANDIGAS LIMITED	Guildford	GBR	100		43.8	0.7	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		36.8	0.5	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.4	0.0	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		283.0	0.0	
LINDE FINANCE	Guildford	GBR	100		225.8	6.8	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	9,298.3	126.1	
MEDISHIELD	Guildford	GBR	100		0.4	0.0	
MEDISPEED	Guildford	GBR	100		390.1	19.6	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		–0.4	0.0	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		347.6	7.5	
STORESHIELD LIMITED	Guildford	GBR	100		333.9	0.3	
THE BOC GROUP LIMITED	Guildford	GBR	100		2,815.2	385.7	d
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	0.0	
TRANSHIELD	Guildford	GBR	100		15.7	0.2	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.2	0.0	
BOC NO. 1 LIMITED	St. Peter Port	GGY	100		13.2	–0.5	
BOC NO. 2 LIMITED	St. Peter Port	GGY	100		4.4	0.0	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		8.0	0.0	
Linde Global Support Services Private Limited	Kolkata	IND	100		1.5	0.8	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		14.6	0.0	

Companies included in the Group financial statements (in accordance with IAS 27)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
BOC Investments Ireland	Dublin	IRL	100		310.0	0.0	
Gist Distribution Limited	Dublin	IRL	100		5.9	3.0	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100		21.9	2.5	
ALBOC (JERSEY) LIMITED	St. Helier	JEY	100		0.1	13.4	
BOC AUSTRALIAN FINANCE LIMITED	St. Helier	JEY	100		335.1	0.0	
BOC PREFERENCE LIMITED	St. Helier	JEY	100		64.8	0.0	
BOC EUROPE HOLDINGS BV	Amsterdam	NLD	100		570.6	17.0	
BOC INVESTMENTS BV	Amsterdam	NLD	100		9.7	0.1	
Fred Butler Netherlands B. V.	Veenendaal	NLD	100		21.6	0.1	
G VAN DONGEN HOLDING B. V.	Dirksland	NLD	100		0.3	–0.3	
G VAN DONGEN TRANSPORTBEDRIJF DIRKSLAND B.V	Dirksland	NLD	100		2.0	–0.2	
GIST BV	Bleiswijk	NLD	100		2.0	0.3	
Linde Finance B. V.	Amsterdam	NLD	100		167.8	15.3	
Linde Holdings Netherlands B. V.	Schiedam	NLD	100	100	1,833.0	103.0	
PEEMAN TRANSPORT B. V.	Dirksland	NLD	100		0.9	–0.1	
The BOC Group B. V.	Amsterdam	NLD	100		1,177.3	19.9	
VAN DONGEN & VAN BERGEIJK B. V.	Dirksland	NLD	100		0.2	0.0	
VAN DONGEN AALSMEER B. V.	Dirksland	NLD	100		0.7	–0.1	
VAN DONGEN CHARTERING B. V.	Dirksland	NLD	100		0.6	0.5	
VAN DONGEN EN MOSTERT B. V.	Dirksland	NLD	100		0.7	0.0	
VAN DONGEN MATERIEEL B. V.	Dirksland	NLD	100		3.6	0.6	
Van Dongen Repair B. V.	Dirksland	NLD	100		–0.6	–0.5	
VAN DONGEN WESTLAND B. V.	Dirksland	NLD	100		0.4	–0.3	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	22.7	
BOC GIST INC	Mkati City	PHL	100		0.1	0.0	
BOC Intressenter AB	Helsingborg	SWE	100		35.7	0.8	
AGA Aktiebolag	Lidingö	SWE	100		807.0	51.5	d
Fred Butler Sweden Aktiebolag	Lidingö	SWE	100		1.9	0.0	
INO Therapeutics AB	Lidingö	SWE	100		6.8	1.0	d
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	2,034.1	153.6	
Linde Cleaning US, LLC	Wilmington	USA	100		–1.5	–0.3	
Linde Holdings, LLC	Wilmington	USA	100		142.9	7.9	
Linde LLC	Wilmington	USA	100		530.0	177.5	

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Gases Division							
EMEA							
Adnoc Linde Industrial Gases Co. Limited (Elixier)	Abu Dhabi	ARE	49	49	153.8	20.7	b
Krakovská s. r. o.	Nový Malín	CZE	37		0.5	0.1	c, d
Plyny Jehlár s. r. o.	Brest	CZE	34		0.1	0.0	c, d
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	28.4	9.4	b, e
Messer Algerie SPA	Algiers	DZA	40		4.2	2.1	b, d
Oxígeno de Sagunto, S. L.	Barcelona	ESP	50		12.9	0.0	b, c, d
Oy Innogas Ab	Kulloo	FIN	50		1.4	0.0	b
Parhaat Yhdessä koulutusyhdistys ry	Vantaa	FIN	25		0.2	0.0	
LIDA S. A.S.	Saint Quentin Fallavier	FRA	22		0.3	0.2	b, c, d
LIMES SAS	Saint Herblain	FRA	50		4.3	0.0	b, c
Helison Marketing Limited	St. Helier	GBR	51		8.0	1.7	b, e
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0.7	–0.1	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		–5.5	–0.2	d
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		0.0	0.0	d
B. V. Nederlandse Pijpleidingmaatschappij	Papendrecht	NLD	50		0.0	0.0	b, c
Bio Facility B. V.	Papendrecht	NLD	50		0.0	0.0	b
Bio Supply C.V.	Papendrecht	NLD	45		3.8	1.6	
OCAP CO2 v.o.f.	Schiedam	NLD	50		–10.6	–1.2	b
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		26.4	2.6	b, c
LIMITED ELECTRONICS SOUTH AFRICA	Johannesburg	ZAF	50		–1.2	–0.8	b, e
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		1.7	0.2	b, c, d, e
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		41.6	7.3	b
BOC-TISCO GASES CO., Ltd	Tayiuan	CHN	50		127.2	23.9	b
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		18.2	–0.4	b
Dalian BOC Carbon Dioxide Co. Ltd.	Dalian	CHN	50		2.5	–0.1	b
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		36.2	3.4	b
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		32.4	6.1	b
Guangzhou GISE Gases Co., Ltd.	Guangzhou	CHN	50		12.1	0.4	b
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50		0.2	0.0	b, c, d
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		22.2	–1.3	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		1.5	–0.2	b, e
Ma'anshan BOC-Ma Steel Gases Company Limited	Ma'anshan City	CHN	50		88.9	22.6	b

Investments accounted for using the equity method (in accordance with IAS 28 and IAS 31)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Maoming Coolants Carbon Dioxide Company Limited	Maoming	CHN	50		0.7	0.0	b
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		60.3	9.5	b
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		66.6	11.4	b
Shenzhen South China Industrial Gases Co. Ltd.	Shenzhen	CHN	50		5.9	0.5	b
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		55.7	12.1	b
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bangalore	IND	50		9.4	1.5	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		2.2	1.2	b
Kulim Industrial Gases Sdn. Bhd.	Petaling Jaya	MYS	50		24.9	1.9	b, c, d
BACNOTAN AIR GASES, INCORPORATED	Taguig	PHL	50		–0.3	0.0	b, c, d
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		8.1	0.8	b, c
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50		19.9	–0.3	b, c, d
Americas							
Compania de Nitrogeno de Cantarell, S.A. de C.V.	Santa Fe	MEX	65		3.7	–8.4	b, c, e
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	0.1	b
Cliffside Refiners, L.P.	Wilmington	USA	27		10.3	2.3	b
East Coast Oxygen Company	Bethlehem	USA	50		18.6	–3.2	b
High Mountain Fuels, LLC	Wilmington	USA	50		8.7	–0.2	b
Hydrochlor LLC	Wilmington	USA	50		9.9	0.0	b
Spectra Investors, LLC	Branchburg	USA	49		–2.3	0.0	b
Other Activities							
Caravell Kühlgerätevertriebs GmbH i.L.	Ratingen	DEU	50	50	0.1	0.0	b, c, d
Majakka Voima Oy	Helsinki	FIN	23		2.0	0.0	
LOGI-FRANCE SARL	Antony	FRA	50		–0.3	–0.1	b
VAN DONGEN & VAN DER KWAAK B. V.	Dirksland	NLD	50		–1.0	–1.0	b

Non-consolidated subsidiaries

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Gases Division							
EMEA							
LINDE PLIN d.o.o. Sarajevo	Sarajevo	BIH	100	100	0.0	0.0	c
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		0.0	0.0	d
CUULSTICK VENTURES (PTY) LIMITED	Gaborone	BWA	100		N/A	N/A	d
Progas AG	Dagmersellen	CHE	100		0.1	0.0	c, d
GAS AND EQUIPMENT WILLEMSTAD N. V.	Willemstad	CUW	100		0.0	0.0	c, d
GI/LINDE ALGERIE	Algiers	DZA	100	40	6.9	1.2	c, d
ELECTROCHEM LIMITED	Guildford	GBR	100	100	3.6	0.0	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		–1.8	0.0	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0.9	0.0	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		0.0	0.0	
KINGSTON MEDICAL GASES LIMITED	Guildford	GBR	100		0.2	0.0	c, d
Tech Gas Ama pjs Company (TGA)	Tehran	IRN	100	100	–1.1	0.1	c, d
Linde Gas Jordan Ltd	Zarqa	JOR	100		0.0	0.0	d
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		0.0	0.0	d
KS Luftgassproduksjon	Oslo	NOR	100		0.0	0.0	c, d
Norgas AS	Oslo	NOR	100		0.1	0.0	c, d
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	0.0	0.0	c, d
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51	51	0.4	0.0	c, d
Linde Technické Plyny spol. s r.o.	Bratislava	SVK	100		0.1	0.0	c, d
Nynäshamns Gasterminal AB	Lidingö	SWE	100		0.0	0.0	c, d
Asia/Pacific							
BOC SOLUTIONS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	c
ELGAS SUPERANNUATION PTY. LTD.	North Ryde	AUS	100		0.0	0.0	c, d
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		0.0	0.0	c, d
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		1.6	0.0	d
BOC NOUVELLE-CALEDONIE SAS	Noumea	NCL	100		0.0	0.0	
THE GAS COMPANY LIMITED	Auckland	NZL	100		0.4	0.0	
BACOLOD OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c, d
CARBONIC PHILIPPINES INC	Mandaue City	PHL	100		0.1	0.0	c, d
CEBU LIQUID GAS CORPORATION	Lapu Lapu City	PHL	67		–0.3	–2.5	c, d
CIGI PROPERTIES, INC.	Mandaluyong City	PHL	100		0.0	0.0	d
DAVAO OXYGEN CORPORATION	Mandaue City	PHL	100		0.5	0.0	c, d
ORMOC OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c, d
VISMIN AIRTECH INDUSTRIAL GASES CORPORATION	Mandaue City	PHL	100		0.2	0.0	c, d
Chia Chi Industrial Company Limited	Taipei	TWN	100		0.4	0.0	c, d
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100	100	2.7	0.1	c, d

Non-consolidated subsidiaries

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Americas							
177470 CANADA INC.	Mississauga	CAN	100		1.0	0.0	c, d
177472 CANADA INC.	Mississauga	CAN	100		2.7	0.0	c, d
44001 ONTARIO LIMITED	Ontario	CAN	100		1.3	0.0	c, d
Engineering Division							
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Sao Paulo	BRA	100	90	–0.3	–2.1	c, d
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	1.4	0.1	c, d
Linde Engineering Far East, Ltd.	Seoul	KOR	100	100	0.4	0.0	c, d
Linde Engineering Taiwan Ltd.	Taipei	TWN	100		0.4	0.2	c, d
Other Activities							
Linde Australia Holdings Pty. Ltd.	North Ryde	AUS	100	100	0.0	0.0	c
Cunduacan Invest GmbH	Munich	DEU	100		0.0	0.0	c, d
CRIOSBANC FRANCE S. A.R.L.	Trappes	FRA	100		0.0	0.0	c, d
Fred Butler UK Limited	London	GBR	100		0.0	0.0	c, d
GLPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	d
VORGEM LIMITED	Glasgow	GBR	100		0.0	0.0	c, d
The BOC Group Limited, (Hong Kong)	Kowloon	HKG	100		0.3	0.0	c, d
BOC B. V.	Amsterdam	NLD	100		0.0	0.0	c
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	d
SELOX, INC	Nashville	USA	100		N/A	N/A	d

Other participations (not consolidated)

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Gases Division							
EMEA							
Linde Vítkovice a.s.	Ostrava	CZE	50		15.4	–1.0	c, d
TKD TrockenEis und Kohlensäure Distribution GmbH	Fraunberg	DEU	50	50	0.3	0.1	c, d
AGA Føroyar Sp/f	Torshavn	DNK	50		0.4	0.0	c, d
AGA HiQ Center Aps	Hillerød	DNK	50		0.3	0.1	c, d
Societe de Gardiennage et de Surveilance du Centre (SGS/Centre)	Algiers	DZA	23		2.6	0.1	c, d
Carburo del Cinca S. A.	Monzón	ESP	20		5.7	1.1	c, d
Oxígeno de Andalucia, S. L.	San Roque	ESP	49		0.1	0.0	b, c, d

Other participations (not consolidated)

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
QUÍMICA BÁSICA, S. A.	Barcelona	ESP	33		1.4	0.0	b, c, d
NAMGAS (PTY) LIMITED	Windhoek	NAM	44		0.0	0.0	d
Bio Supply B. V.	Papendrecht	NLD	50		0.0	0.0	c
Fuel Cell Boat B. V.	Amsterdam	NLD	20		0.0	0.0	
TASCO ESTATES LIMITED	Dar es Salaam	TZA	20		N/A	N/A	d
INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED	Johannesburg	ZAF	26		0.0	0.0	c, d
Asia/Pacific							
Guangzhou GNC Carbon Dioxide Company Ltd.	Guangzhou	CHN	50		N/A	N/A	d
HON CHEN Enterprise Co., Ltd.	Kaohsiung	TWN	50		0.8	0.1	c, d
SUN HSIN LPG COMPANY LIMITED	Yun Lin	TWN	50		0.3	0.0	c, d
Americas							
HERA, HYDROGEN STORAGE SYSTEMS INC	Longueuil	CAN	20		0.0	0.0	c, d
RECUPERADORA INTEGRAL DE NITROGEO, SAPI DE C. V.	Mexico City	MEX	50		0.0	0.0	b, c
TOMOE TRANSTECH SPECIALTY GASES PTE LTD	Singapore	SGP	25		1.7	0.3	b, c, d
Other Activities							
InfraLeuna GmbH	Leuna	DEU	25	25	382.8	13.8	c, d

Key:
a Profit/loss transfer agreement.
b Joint venture.
c Local GAAP.
d Figures from financial years prior to year ended 31 December 2011.
e Consolidation method differs from percentage of shares held due to a contractual agreement.
f Incorporation in 2011.
g The distribution of dividend for 2009 is subject to foreign exchange restrictions.
N/A = No financial data available.

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Linde Aktiengesellschaft, Munich, for the business year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Linde Aktiengesellschaft in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 1 March 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher Wirtschaftsprüfer	Günter Nunnenkamp Wirtschaftsprüfer

Further Information

FURTHER INFORMATION

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of principal opportunities and risks associated with the expected development of the Company.

Munich, 1 March 2012

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

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

Sanjiv Lamba
Member of the Executive Board
of Linde AG

Financial calendar

Financial calendar

Press Conference on Annual Results
9 March 2012
Carl von Linde Haus, Munich

Interim Report
January to March 2012
4 May 2012

Annual General Meeting 2012
4 May 2012, 10 a.m.
International Congress Centre Munich

Dividend Payment
7 May 2012

Interim Report
January to June 2012
27 July 2012

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

Interim Report
January to September 2012
29 October 2012

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

Statements relating to the future

The annual report contains statements relating to the future which are based on management's current estimates about future development. These statements are not to be understood as guarantees that these expectations will prove to be true. The future development and the results actually achieved by The Linde Group and its affiliated companies are dependent on a number of risks and uncertainties and may therefore deviate significantly from the statements relating to the future. Linde has no plans to update its statements relating to the future, nor does it accept any obligation to do so.

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Contact details

Linde AG
Klosterhofstrasse 1
80331 Munich
Germany
Phone +49.89.35757-01
Fax +49.89.35757-1075
www.linde.com

Communications
Phone +49.89.35757-1321
Fax +49.89.35757-1398
E-mail media@linde.com

Investor Relations
Phone +49.89.35757-1321
Fax +49.89.35757-1398
E-mail investorrelations@linde.com

The Linde Annual and the Financial Report of The Linde Group are available in both German and English and can also be downloaded from our website at www.linde.com. In addition, an interactive online version of the Annual Report, comprising the Financial Report of The Linde Group and the Linde Annual, is available at this address.

Supplementary information about The Linde Group can be obtained from us free of charge.

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Linde AG
Klosterhofstrasse 1
80331 Munich
Germany
Phone +49.89.35757-01
Fax +49.89.35757-1075
www.linde.com