The Linde Financial Report 2009.

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THE LINDE GROUP

Linde financial highlights

in € million		January to December 2009	2008	Change in percent
Share				
Closing price	€	84.16	59.85	40.6
Year high	€	87.95	97.90	–10.2
Year low	€	49.66	46.51	6.8
Market capitalisation (at year-end closing price)		14,215	10,084	41.0
Adjusted earnings per share [1]	€	4.58	5.46	–16.1
Earnings per share – undiluted	€	3.51	4.27	–17.8
Number of shares outstanding (in 000s)		168,907	168,492	0.2
Sales		11,211	12,663	–11.5
Operating profit [2]		2,385	2,555	–6.7
EBIT before amortisation of fair value adjustments and non-recurring items		1,460	1,703	–14.3
Earnings after taxes on income		653	776	–15.9
Number of employees		47,731	51,908	–8.0
Gases Division				
Sales		8,932	9,515	–6.1
Operating profit		2,378	2,417	–1.6
Engineering Division				
Sales		2,311	3,016	–23.4
Operating profit		210	267	–21.3

[1] Adjusted for the effects of the purchase price allocation and non-recurring items.

[2] EBITDA before non-recurring items including share of income from associates and joint ventures.

Corporate profile

The Linde Group

The Linde Group is a world leading gases and engineering company with almost 48,000 employees working in more than 100 countries worldwide. In the 2009 financial year it achieved sales of EUR 11.211 bn. The strategy of The Linde Group is geared towards sustainable earnings-based growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. Linde is committed to technologies and products that unite the goals of customer value and sustainable development.

Organisation

The Group comprises three divisions: Gases and Engineering (the two core divisions) and Gist (logistics services). The largest division, Gases, has four operating segments, Western Europe, the Americas, Asia & Eastern Europe, and South Pacific & Africa, which are subdivided into nine Regional Business Units (RBUs). The Gases Division also includes the two Global Business Units (GBUs) – Healthcare (medical gases) and Tonnage (on-site) – and the two Business Areas (BAs) – Merchant & Packaged Gases (liquefied and cylinder gases) and Electronics (electronic gases).

Gases Division

The Linde Group is a world leader in the international gases market. We offer a wide range of compressed and liquefied gases as well as chemicals and we are therefore an important and reliable partner for a huge variety of industries. Our gases are used, for example, in the energy sector, in steel production, chemical processing, environmental protection, and welding, as well as in food processing, glass production and electronics. We are also investing in the expansion of our fast-growing Healthcare business, i.e. medical gases, and we are a leading global player in the development of environmentally friendly hydrogen technology.

Engineering Division

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

Front cover fold-out:
C2: Linde financial highlights, C3: Corporate profile

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Executive Board

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

Dr Aldo Belloni
Born 1950
Doctorate in Chemical Engineering (Dr.-Ing.)
Responsible for the Engineering Division, the operating segments Western Europe and Asia & Eastern Europe, the Global Business Unit Tonnage (on-site) and the Business Area Electronics (electronic gases)
Member of the Executive Board since 2000

J. Kent Masters
Born 1960
BS Chemical Engineering,
MBA Finance
Responsible for the operating segments Americas and South Pacific & Africa, the Global Business Unit Healthcare and the Business Area Merchant & Packaged Gases (liquefied and cylinder gases)
Member of the Executive Board since 2006

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

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From left to right: J. Kent Masters, Georg Denoke, Professor Dr Wolfgang Reitzle, Dr Aldo Belloni.

Letter to the shareholders

Ladies and Gentlemen,

In 2009, we experienced the deepest recession in more than six decades. Global gross domestic product fell by 2.2 percent in the wake of the worldwide financial and economic crisis. We have fared relatively well in this exceptionally difficult environment and were able to limit the decline in sales and earnings caused by the economic situation, as was our goal. However, it was not possible to achieve the record levels attained in the 2008 financial year.

Our Group sales in 2009 were EUR 11.211 bn, 11.5 percent below the prior-year figure. Group operating profit, however, declined at a slower rate. At EUR 2.385 bn, it was only 6.7 percent lower than in 2008. This development was driven in particular by the stable operating profit in our gases business. Here the decline was limited to 1.6 percent. Despite the unfavourable economic conditions, we succeeded in increasing our productivity and in improving the Group operating margin from 20.2 percent to 21.3 percent.

We also demonstrated our resilience in terms of other important performance indicators for the Group. Our return on capital employed (ROCE) was 10.4 percent (2008: 12.4 percent), while adjusted earnings per share stood at EUR 4.58 (2008: EUR 5.46). We even managed to increase our operating cash flow significantly by 14.2 percent to EUR 2.142 bn. This double-digit growth in times of a weak economy is a success story, which is due not only to the optimisation of our cost structure, but also to further improvements in our working capital management.

At the same time, we have reduced our net financial debt by over EUR 300 m to EUR 6.119 bn, despite unfavourable exchange rate effects. Our financing remains stable and geared to the long term. Around 95 percent of our financial debt is not due until after 2010. The credit lines available to us more than cover our refinancing requirements. With our high level of operating cash flow, we also have access to additional funds to shape our future.

This key financial data confirms that our business model is working. As a result of our concentration on our worldwide gases and plant construction business and on the basis of our global orientation, we are in a better position to weather economic slowdowns than other industry sectors. It was also crucial that we adopted countermeasures at a very early stage. Right at the beginning of 2008, we had already started to implement our integrated programme to optimise processes and improve efficiency (HPO, or High Performance Organisation) across the entire Group. As it turned out, this was not a day too soon.

The steadfastness we have shown in mastering the challenges of the 2009 financial year is also reflected in our dividend policy. The Executive Board and Supervisory Board will recommend at the Annual General Meeting on 4 May 2010 that a dividend of EUR 1.80 per share be paid, the same as in the prior year.

Economists are expecting an upturn in the 2010 financial year and are forecasting that global gross domestic product and worldwide industrial production will pick up again. These forecasts are, however, beset with a great deal of uncertainty. Against this background, we will continue to do everything we can to make constant improvements in our productivity and our processes. We will rigorously implement our HPO programme and gradually develop into an extremely efficient group. In the past year, HPO has already made a significant contribution towards improving our profitability. Our target is still to obtain a reduction in gross costs totalling EUR 650 m to EUR 800 m in the four-year period from 2009 to 2012 on the basis of HPO.

Given current estimates of economic trends, we assume from today's viewpoint that we will be able to achieve Group sales and Group operating profit in the 2010 financial year that exceed the figures achieved in the reporting year 2009.

We have confidence in our comparatively stable business model with our very well-balanced customer base, our global orientation and our leading market positions in the emerging economies. The project pipeline in our gases business is full and the order backlog in our plant construction business remains at a very high level. We will also continue to benefit from the positive effects of our HPO programme. We are expecting additional impetus to come from the global megatrends, energy and health. We are targeting these promising areas with a large number of our products and services.

In short: we have prepared for all eventualities and have paved the way to achieve sustainable and profitable growth. We are stormproof.

Professor Dr Wolfgang Reitzle
Chief Executive Officer of Linde AG

Supervisory Board

Members of the Supervisory Board

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

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

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

Dr Gerhard Beiten
Lawyer

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 on the Executive Board of IG Metall Frankfurt

Matthew F. C. Miau
Chairman of the 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]
Manager responsible for finance and financial control, Engineering Division, Linde AG

Supervisory Board committees
Members as at 1 January 2010

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)

Dr Gerhard Beiten
Gernot Hahl[1]
Hans-Dieter Katte[1]
Dr Manfred Schneider

Nomination Committee

Dr Manfred Schneider
(Chairman)

Michael Diekmann
Klaus-Peter Müller

[1] Employee representative.

Memberships of other German supervisory boards and comparable German and foreign boards are shown in Note [38].

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Report of the Supervisory Board

Dear shareholders,

During the 2009 financial year, the Supervisory Board conducted detailed reviews of the company's situation, its prospects and its strategic development, as well as the future long-term positioning of The Linde Group. It also concerned itself with significant individual issues. We have performed our duties in accordance with legal provisions and the articles of association and company bylaws. These duties involve advising the Executive Board on the running of the company and monitoring the activities of executive management. The Executive Board provided us with regular, comprehensive updates at our meetings and in written reports on the state of the business and the economic situation of the company and its subsidiaries, as well as with forecasts. We reviewed all the documents presented and submitted to us for reasonableness. We questioned the Executive Board on a regular basis on significant matters. The Supervisory Board was involved in all the major decisions of the company. These include transactions to be carried out and measures to be taken by the Executive Board which require the approval of the Supervisory Board, in particular the annual capital expenditure programme, major acquisitions, divestments and financial measures. The Chairman of the Supervisory Board was also kept up to date with the current business situation, significant transactions and decisions taken by the Executive Board, partly as a result of being provided with minutes of Executive Board meetings. The Chairmen of the Supervisory and Executive Boards shared information and ideas with one another throughout the year and held regular consultations on the Group's strategic direction, risk position and risk management. The Supervisory Board was able to satisfy itself as to the effectiveness of the risk monitoring system set up in accordance with § 91 (2) of the German Stock Corporation Law (AktG) on the basis of reports submitted by the Executive Board and a report on the risk monitoring system prepared by the auditors. At no time did the Supervisory Board raise any objections about the proper conduct or efficiency of the executive management of the Group.

Meetings and resolutions of the Supervisory Board

Four ordinary meetings of the Supervisory Board were held in the 2009 financial year. All members of the Supervisory Board attended more than half the meetings. There were no conflicts of interest for Supervisory Board members in 2009.

2009 was a year of great challenges, especially as a result of the global financial and economic crisis. We were briefed in detail by the Executive Board at all our meetings about the effects of the crisis on the economic situation of The Linde Group. We paid particular attention here to the potential consequences for the risk situation of the Group and its liquidity provision and indebtedness. The advisory and monitoring activities of the Supervisory Board focused above all on the prospects for the development of the Group, the individual divisions and the operating segments. In particular, we had in-depth discussions with the Executive Board about the following issues: the corporate and strategic targets set and the extent to which these could be achieved, their economic significance and the expected impact on the financial situation of our Group. Verbal reports from the Executive Board on these subjects have satisfied us that the Group's structures and processes are constantly being monitored and streamlined to improve and secure the competitiveness of all divisions in the Group in the long term. The Executive Board also informed us in detail about the status of the programme launched in 2008 to optimise processes and improve productivity in the long term, the implementation of which was accelerated in 2009. We concluded that the Executive Board had reacted swiftly to the first signs of the crisis by introducing these measures at an early stage and had done its best to limit any adverse impact on our Group by ensuring the rigorous implementation of the optimisation programme.

At our meetings, in addition to reviewing current business developments, we also dealt with the risk position of the company, compliance with legal regulations and internal guidelines and those individual business transactions of fundamental importance for which the Executive Board requires our approval.

After a thorough review of the documents submitted and detailed discussions about each of the proposals of the Executive Board, the Supervisory Board granted all the necessary approvals. Due to time pressure, one decision was made on the basis of documents provided outside the Supervisory Board meetings in written form. This related to the EUR 1.6 bn two-year revolving credit line which is designed to continue to safeguard the liquidity of the Group and which will be available from March 2011.

At our meeting to approve the financial statements on 13 March 2009, we reviewed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2008 and agreed the proposed appropriation of earnings. At this meeting, we also approved the remuneration structure of the Executive Board including the significant contractual elements based on the proposal submitted by the standing committee and made the declaration of compliance with the German Corporate Governance Code. Furthermore, we approved the agenda for the Annual General Meeting, including the proposed resolutions. On the recommendation of the standing committee, we also renewed the appointment of those Executive Board members whose terms of office expired in the 2009 financial year, Dr Aldo Belloni, Georg Denoke and J. Kent Masters, for a further term of five years in each case. Moreover, we were informed in detail in a verbal report from the Executive Board about the structure and organisation of the Group's risk management and internal control systems. In addition to its regular reports on the business performance and situation of The Linde Group, the Executive Board also presented us with planning scenarios for the 2009 financial year given the potential impact of the global financial and economic crisis. The Executive Board explained these planning scenarios in depth. In particular, the members of the Board provided us with details about selected key data and with information about the financial and strategic effects on the Group and about possible proposed measures.

Immediately before the Annual General Meeting on 15 May 2009, the Executive Board presented a report on the current situation of the Group. Moreover, we discussed the 2009 forecast for the Group with the Executive Board on the basis of the quarterly financial statements for the quarter ended 31 March 2009. The forecast took into account a number of different scenarios. The Executive Board also provided us with further details about a draft resolution presented in advance which related to a transaction requiring the approval of the Supervisory Board. After reviewing the documents and putting questions to the Executive Board, we gave our approval. The meeting also served to prepare for the subsequent Annual General Meeting.

At our meeting on 22 September 2009, the Executive Board gave us a detailed report about the economic situation of The Linde Group and its divisions. We were also presented with the outlook for the whole of 2009. The Executive Board member with responsibility for Africa presented an in-depth report on the situation and development prospects in this region. In addition, the meeting focused on the status of the implementation and development of the Group's strategies. Topics of discussion included issues such as the strategic positioning and orientation of the Group and its divisions. The Executive Board explained in detail the opportunities and risks associated with the global competitive environment given the current general economic situation and the significance in this context of the process optimisation and productivity improvement programme and further measures that would be taken in this area.

On 4 December 2009, the Executive Board presented us not only with a report on current business developments and the performance of the Group in comparison with its competitors, but also with a preview of the 2009 financial statements, the budget for the 2010 financial year and the medium-term corporate plan, including financial, capital expenditure and personnel plans. The Executive Board supplied reasons where there were discrepancies between corporate plans or targets set and actual performance. We questioned the Executive Board in depth about the assumptions they had made, focusing particularly on issues relating to financing planning, liquidity and debt repayment. We satisfied ourselves that the Executive Board is continuing to conduct thorough reviews of any risks to the Group that might arise as a result of the difficult prevailing economic circumstances and is taking appropriate action as a result, and we approved the 2010 capital expenditure programme of The Linde Group. At this meeting, we were also presented with a comprehensive special report on the South and East Asia region. Furthermore, the Supervisory Board dealt with new legal regulations and new provisions in the German Corporate Governance Code and made the corresponding amendments to its bylaws. The Chairman of the Supervisory Board also reported on the preliminary results of a review of the existing system of remuneration for the Executive Board by an independent external expert on executive pay. Moreover, we passed a resolution to adjust the retention associated with the D&O insurance for the members of the Executive Board in accordance with the German Law on the Appropriateness of Executive Board Remuneration (VorstAG) and for the members of the Supervisory Board in accordance with the German Corporate Governance Code when the insurance contract comes up for renewal on 1 January 2010.

Corporate governance and declaration of compliance

We continually monitor the implementation of the provisions of the German Corporate Governance Code. Linde AG has also complied with all the recommendations of the German Corporate Governance Code as amended on 18 June 2009. In March 2010, the Executive Board and the Supervisory Board issued an updated declaration of compliance with § 161 of the German Stock Corporation Law (AktG) and made it available to shareholders on a permanent basis on the company's website (www.linde.com). Further information about corporate governance in Linde is given in the corporate governance section on pages 016 to 021.

Committees and committee meetings

The Supervisory Board continues to have four committees: the mediation committee, formed under § 27 (3) of the German Codetermination Law (MitbestG), the standing committee, the audit committee and the nomination committee. The Chairman of the Supervisory Board is Chairman of all the committees except the audit committee. The current composition of the committees is given on page 008. Information about the responsibilities of the committees is given in the corporate governance report on pages 016 to 021.

The standing committee of the Supervisory Board held one meeting in 2009. Several decisions were also made in writing or by telephone. The standing committee dealt mainly with matters relating to the Executive Board. In particular, in the context of the remuneration structure approved by the full Supervisory Board, it determined the amount of remuneration payable to each member of the Executive Board and the individual components of their remuneration. It also devoted its attention to the recommendations in the German Corporate Governance Code to limit severance pay on the early termination of the employment of a member of the Executive Board and advised that the Supervisory Board implemented the recommendations. The standing committee prepared the resolutions regarding the remuneration system for the Executive Board including the main contractual elements for the March meeting of the Supervisory Board and the renewals of the appointments to the Executive Board. The standing committee also decided on adjustments required to the articles of association, concerning only the form of words to be used. It also gave the Chief Executive Officer permission to sit on the supervisory board of another German listed company, or to assume the chairmanship of such a supervisory board.

The audit committee held five meetings in 2009. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed 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 key audit issue and the presentation by the auditors of the main results of the audit. The audit committee raised no objections as a result of its reviews. The auditors did not report any significant weaknesses in the internal control and risk management systems relating to the accounting process. The audit committee also discussed the interim financial reports and quarterly financial statements prior to their publication based on reports presented by the Executive Board and the auditors. In addition, the committee prepared the proposal of the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the key audit issue and agreed the audit fees. Moreover, the committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit. The audit committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision of services not related to the audit and the auditors informed the committee at each of its meetings about the fees it had charged in relation to such services. Furthermore, it was provided with information on a regular basis about improvements in the risk management system and compliance structures, about compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The audit committee also considered the internal control system, based on a presentation by the Executive Board. The head of Internal Audit presented a report on the structure, roles and responsibilities in that department and on their audit work and the audit plan for 2009. The audit committee also had detailed discussions on a regular basis about the impact of the financial and economic crisis. In addition, the audit committee discussed with the Executive Board and the auditors fundamental issues regarding the preparation and audit of the 2009 financial statements and the consequences for Group accounting of the German Accounting Law Reform Act (BilMoG), which came into force in May 2009. The Executive Board also regularly provided the committee with information about the status of various activities relating to the external financing of the Group and the safeguarding of its liquidity.

The nomination and mediation committees had no cause to meet during the year.

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 2009 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 2009 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 § 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 half-yearly report and the two other interim financial reports in the 2009 financial year. At no time did these reviews give rise to any objections. KPMG also confirmed that the risk management system complies with legal requirements. No risks that might affect the viability of the company as a going concern were identified. The auditors did not report any significant weaknesses in the internal control system. In the 2009 financial year, the auditors focused in particular on the audit of long-term construction contracts in the Engineering Division.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were the subject of extensive deliberations at the audit committee meeting on 4 March 2010 and the meeting of the Supervisory Board to approve the financial statements on 16 March 2010. 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 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 of The Linde Group for the year ended 31 December 2009 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 in the composition of the Supervisory Board, Supervisory Board committees and Executive Board

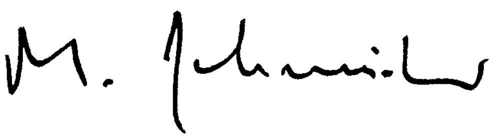
There were no changes in the composition of the Supervisory Board or Executive Board in the 2009 financial year.

On 31 December 2009, Mr Klaus-Peter Müller resigned from the audit committee of the Supervisory Board due to other commitments on his time. At the meeting on 4 December 2009, the Supervisory Board elected Dr Gerhard Beiten as the new member of the audit committee with effect from 1 January 2010. We thanked Mr Müller for his valuable contribution to the Supervisory Board audit committee.

The Supervisory Board would like to thank the Executive Board and all Linde employees for their great personal commitment and dedicated hard work in the 2009 financial year.

Munich, 16 March 2010

For the Supervisory Board



Dr Manfred Schneider
Chairman

Corporate Governance

The Supervisory Board and Executive Board recognise the importance of good corporate governance. Their actions have always been based on the principles of responsible corporate management and supervision. Linde sees corporate governance as an ongoing process and will continue to follow future developments closely.

CORPORATE GOVERNANCE
(Part of the Group management report)

Declaration on corporate governance and Corporate governance report

(Part of the Group management report)

I. Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code produced by the Government Commission in 2002 and last updated in 2009. The Executive Board and Supervisory Board make the annual declaration of compliance with § 161 of the German Stock Corporation Law (AktG):

"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 18 June 2009. Since it made its last declaration of compliance on 13 March 2009, Linde AG has complied with all the recommendations of the Code as amended on 6 June 2008."

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 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 of the Chairman of the Supervisory Board and the speech of the Chief Executive Officer, 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, as far as the verbal contributions of the shareholders are concerned, we do not wish to encroach on the right to privacy of individual speakers. Nevertheless, we will continue to follow developments closely.
- In addition, there is a suggestion in the Code that variable emoluments paid to members of the Supervisory Board should also be linked to the long-term performance of the company. When revised arrangements for the remuneration of the Supervisory Board were agreed at the Annual General Meeting in June 2007, it was decided not to introduce a long-term component.

II. Corporate governance practices

The corporate goals of good responsible management and supervision and the achievement of sustainable value added have traditionally been seen as important in Linde AG. Our success has always been based on close and effective cooperation between the Executive and Supervisory Boards, consideration of the interests of our shareholders, an open style of corporate communication, proper accounting and audit procedures and a responsible approach to risk and to legal and internal Group rules.

Linde maintains a high standard of ethical principles. 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 underlying our daily actions. The Code of Ethics sets out the commitment made by all employees of The Linde Group to comply with legal regulations and to preserve and protect the ethical and moral values of the Group. It is based on our corporate culture and is in line with our global values and fundamental principles. An important feature of the compliance guidelines of The Linde Group is the notification system we have installed, which is known as the Integrity Line. The Integrity Line provides both internal and external stakeholders with the opportunity to express doubts and notify the Group of any suspicious circumstances. The Executive Board has also adopted its own guidelines in the following areas: occupational safety, health and environmental protection, quality and purchasing. Like the Code of Ethics, these apply to all the employees in The Linde Group.

To reinforce compliance with legal regulations as well as with voluntary rules, we have established a global compliance organisation. The Executive Board has set up a compliance office in the centralised legal department. Compliance officers have been appointed in the divisions, business units and operating segments to support the Group-wide observance of the compliance programme. The global compliance manager coordinates and implements compliance measures. The Executive Board and the audit committee of the Supervisory Board are regularly informed about the current status of the ongoing development of the compliance organisation, including the associated measures relating to communications, training and revisions to existing rules of conduct. Training is provided for our employees worldwide. Courses attended by employees are supplemented by a Group-wide e-learning programme. All the guidelines on our core values and on compliance are available at www.linde.com/guidelinescorevalues and www.linde.com/corporategovernance.

III. Corporate governance report

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 allocated to them. They cooperate closely in the interests of the Group to ensure the continued existence of the Group 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 the management of the company and conducts its business. The current four-member Executive Board reflects the global nature of The Linde Group in its international composition. Its actions and decisions are geared towards the interests of the Group and it must seek to achieve a sustainable increase in corporate value. The Executive Board decides on the strategic direction of the Group, obtains the Supervisory Board's approval of this and ensures that the overall strategy is implemented. It is also responsible for annual and multi-year corporate budgets and for the preparation of the quarterly, half-yearly, annual and Group financial statements. It also ensures that appropriate risk management and risk control systems are in place and provides regular up-to-date detailed reports to the Supervisory Board on all the strategic issues affecting the Group, medium-term corporate plans, business trends, the risk situation, risk management and the compliance of Group companies with legal regulations and internal Group guidelines. Actions and transactions of the Executive Board which are of fundamental importance require the approval of the Supervisory Board. These include, in particular, the annual capital expenditure programme, major acquisitions, divestments 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 their fellow Board members. The procedural rules of the Executive Board govern the work it performs, the departmental responsibilities of each member of the Executive Board, 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 the members of the Executive Board, the members of the Executive Board have individual responsibility for the functions allocated 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 allocated to him, but also to coordinate properly all the functions of the Executive Board. He is the leading member of the Executive Board who cooperates with 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. Information about the members of the Executive Board and their memberships of other German supervisory boards or comparable German and foreign boards of business entities is given in Note [38] of the Notes to the Group financial statements.

The Executive Board has no committees.

The responsibilities and functions of the members of the Executive Board are shown in the summary on page 004.

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, that number of members which is 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. When individuals are being considered for election to the Supervisory Board, the deciding factors in the composition of the Board are the abilities and professional experience of those individuals and the knowledge that they possess which would enable them to discharge their duties, and diversity. These factors are then weighed up, taking the interests of the Group into account. No former members of the Executive Board are currently members of the Supervisory Board.

The Supervisory Board appoints the Executive Board, advises it on the running of the company and monitors its executive management. The Chairman of the Supervisory Board coordinates the work of the full Supervisory Board and chairs the meetings. The chairmen of the Supervisory and Executive Boards share information and ideas with one another throughout the year.

The procedural rules of the Supervisory Board include provisions regarding its independence. Some of the members of the Supervisory Board have in the past financial year been and are currently on the executive boards of companies with which Linde has business relationships. Transactions with these companies take place under the same conditions as for non-related third parties. These transactions do not affect the independence of the Supervisory Board members concerned. The Supervisory Board has a sufficient number of members with an adequate level of independence.

The members of the Supervisory Board disclose any conflicts of interest arising as a result of consultancy work performed for other companies or memberships of the executive bodies of other companies to the Supervisory Board. Any significant conflicts of interest arising which are not temporary will lead to the removal of the member from the Supervisory Board. The Supervisory Board informs shareholders in its report at the Annual General Meeting of any conflicts of interest which have arisen and the measures which have been taken as a result.

During the reporting period, there were no consultancy contracts or other service or company agreements between members of the Supervisory Board and the company. No conflicts of interest arose for the members of the Supervisory Board. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board.

Supervisory Board members who are members of the executive board of a listed company do not sit on more than three supervisory boards of listed companies which do not belong to the group of the company for which they perform their executive board duties. Information about the members of the Supervisory Board and their memberships of other German supervisory boards or comparable German and foreign boards of business entities is given in Note [38] of the Notes to the Group financial statements.

Supervisory Board committees

The Supervisory Board has four committees, each of which comprises some of its members. The committees do the groundwork for the full Supervisory Board. If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees. The Chairman of the Supervisory Board is the Chairman of all the committees except the audit committee.

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board including the terms and conditions of employment contracts, pension contracts and any other contracts pertinent to the remuneration of Executive Board members. It also provides advice about long-term succession planning for the Executive Board and reviews the effectiveness of the work of the Supervisory Board.

The Audit Committee also 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 discharge of its supervisory function. In this context, it monitors in particular the effectiveness of the internal control system, the internal audit system and the risk management system. It supervises the accounting process and the audit and also deals with compliance issues. Moreover, it discusses the interim reports with the Executive Board prior to their publication. The audit committee also makes a recommendation to the full Supervisory Board regarding the proposal for the election of the company's auditors. The Chairman of the audit committee, Dr Clemens Börsig, is an independent financial expert and has specialist knowledge of accounting principles and internal control systems and many years of experience in the field.

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

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

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the financial statements were being prepared are given on page 008 of this Report or can be viewed at any time 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 2009 financial year is given in the Report of the Supervisory Board on pages 010 to 015.

Annual General Meeting

The shareholders protect their rights at the Annual General Meeting by exercising their right to vote. Each share entitles the shareholder to one vote. Entitlement to vote at the meeting is based on holding shares at the internationally recognised record date. The beginning of the 21st day before the Annual General Meeting is used as the cut-off date for the identification of shareholders.

The Annual General Meeting takes place within the first six months of each financial year. The agenda for the meeting, including the reports and documents required for the meeting, is also published on the company's website in German and English. The notice of the Annual General Meeting and the associated documents can be transmitted electronically to shareholders if they so wish.

Shareholders who cannot attend the Annual General Meeting or who leave the meeting before voting has commenced have the option to exercise their vote using a proxy of their choice or a proxy appointed by the company voting in accordance with their instructions. The proxy forms may be handed in at any time until the evening before the Annual General Meeting, and may also be in electronic form if so desired.

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 election of shareholder representatives to the Supervisory Board and the appointment of the auditors. Decisions are also made at the Annual General Meeting regarding changes to be made to the articles of association, capital measures and the authorisation to repurchase shares. The remarks of the Chairman of the Supervisory Board at the beginning of the Annual General Meeting and the speech of the Chief Executive Officer are transmitted live on the Internet. Once the Annual General Meeting has closed, the results of the votes on each agenda item are published on the company's website without delay.

Consequential loss and liability insurance

The company has taken out consequential loss and liability insurance (D&O insurance) for the members of the Executive Board and Supervisory Board with an appropriate retention. We have made an adjustment to comply with the provisions of the German Law on the Appropriateness of Executive Board Remuneration (VorstAG). From the 2010 calendar year, the retention will be 10 percent of the claim, up to a figure of one and a half times the fixed annual emoluments of the member of the Executive Board. An equivalent retention has been agreed for members of the Supervisory Board in accordance with a new recommendation of the German Corporate Governance Code.

Directors' dealings

Linde AG publishes without delay those transactions required to be notified under § 15a of the German Securities Trading Law (WpHG) which have been effected by the persons named therein, in particular officers of the company and related parties, in shares of the company or related financial instruments, in accordance with the provisions of the law. The notifications also appear on the Linde website at www.linde.com/directorsdealings.

In the course of the year, members of the Executive Board and Supervisory Board informed BaFin (the German Federal Financial Supervisory Authority) about a total of four notifiable sale transactions involving between 1,000 and 40,000 Linde shares. All the sale transactions were in connection with the exercise of share options under the Linde Management Incentive Programme 2002. The price per share of the notifiable transactions was between EUR 62.31 and EUR 86.70 and the size of the individual transactions between EUR 86,699 and EUR 2,802,400. In the case of sales of shares which members of the Executive Board subscribed for by exercising share options under the Linde Management Incentive Programme, the subscription rights were included at their value on the grant date in the disclosure of the remuneration of the Executive Board in the relevant financial year.

Interests in share capital

The total holdings of all the members of the Executive and Supervisory Boards in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. Therefore, there were no interests required to be disclosed under section 6.6 of the German Corporate Governance Code.

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share option schemes, is on pages 022 to 031 of this financial report.

Communications and stakeholder relations

Linde AG complies with the legal requirement to treat all its shareholders equally. Transparency plays an important role in our company and we always aim to provide shareholders and the public with comprehensive, consistent and up-to-date information.

We keep our shareholders and the general public informed about key dates for the Group and about our publications in a financial calendar which appears in our annual report and in our interim financial reports, as well as on the Linde AG website. Linde AG publishes ad-hoc announcements and press releases as well as notifiable securities transactions (directors' dealings) in the legally prescribed media and on its website. The articles of association are also on the website. Linde provides information to the capital market and to the public through analysts' conferences and press conferences or in the form of teleconferences which coincide with the publication of the quarterly, half-yearly or annual results. Regular events involving the CEO and CFO and 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.

In addition to considering the interests of its shareholders, Linde takes account of the concerns of other stakeholders who also contribute to the success of the company. As far as possible, we include all the stakeholders in our corporate communications. Linde's stakeholders include all its employees, its customers and suppliers, trade associations and government institutions.

Accounting, audit and risk management

Linde AG prepares its Group financial statements and interim Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of the annual financial statements of Linde AG complies with German commercial law (the German Commercial Code or HGB). The annual financial 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 supplementary compliance with International Standards on Auditing. The audit procedures include a review of the system for the early identification of risks. The quarterly and half-yearly financial reports are discussed in detail by the audit committee with the Executive Board prior to publication.

In May 2009, 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 financial statements and Group financial statements for the year ended 31 December 2009 and had also been appointed to conduct audit reviews of the interim reports and half-yearly financial report for the 2009 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 Chairmen of the Supervisory Board and of the audit committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events arising from the audit which have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the Code.

Linde has reporting, monitoring and risk management systems 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 also supports the Supervisory Board in monitoring the activities of executive management, concerning itself in this context also with risk management issues. It receives regular reports from the Executive Board and the auditors about risk management, the risk position, and the identification and monitoring of risks. It is also 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 080 to 089. This includes the report required by the German Accounting Law Reform Act (BilMoG) on the accounting-related internal control and risk management systems.

Remuneration report

(Part of the Group management report)

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

1. Remuneration of the Executive Board

In accordance with the German Law on the Appropriateness of Executive Board Remuneration (VorstAG) which came into force on 5 August 2009, the full Supervisory Board rather than the standing committee of the Supervisory Board is now 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.

At the beginning of 2009, in accordance with a recommendation of the German Corporate Governance Code made in June 2008, the Supervisory Board, on the suggestion of the standing committee, approved the remuneration system for the Executive Board, which had proved its worth over many years, including the main contractual elements. In the meantime, against the background of the changes in the German Stock Corporation Law (AktG) as a result of the German Law on the Appropriateness of Executive Board Remuneration, which does not require any action in respect of existing contracts, the existing remuneration system for the Executive Board was reviewed by an independent external expert on executive pay. In the view of this expert, the current system complies to a great extent with the objectives of the German Law on the Appropriateness of Executive Board Remuneration. According to existing contractual commitments, a review of the level of the remuneration, its redesign and the renewal of performance-related components in Linde was not due to take place until the 2012 financial year. Until then, it is the intention of the Supervisory Board to examine improvements to the remuneration system and, once the current contractual commitments have expired, to ensure total conformity with the new legal regulations. This includes the five-year performance share programme launched at the Annual General Meeting in 2007. In 2011, the last options will be issued under this scheme. In the short term, there will be no changes to the current employment contracts of the members of the Executive Board.

The amount and structure of the remuneration of the Executive Board are based not only on the extent of the international activity of the company and its size, its economic and financial situation, and its performance and prospects, but also on customary practice regarding remuneration within the environment in which it operates and the remuneration structure which applies elsewhere in the company. To gauge what is customary in the environment in which it operates for the purposes of comparison, Linde looks at parallel cases in several external groups (DAX-30 companies, comparable 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 in an international context and offers an incentive for sustainable corporate development and sustainable increases in the value of the company 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 based on 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 are achieved in full, the value of the variable emoluments of the Executive Board in one year would comprise on average around 55 percent determined on the basis of a one-year period and around 45 percent 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 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, which are taxed individually. They comprise mainly insurance benefits at normal market rates and company cars and, in one case, the provision of security arrangements.

Variable emoluments
Variable emoluments comprise share-based and performance-based elements of remuneration related to the company. The Supervisory Board has agreed potential limits which would apply in exceptional circumstances. The level of variable emoluments is linked with the achievement of certain financial and strategic targets, movements in the share price and qualitative success factors. The main performance criteria 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 targets applied in respect of the Group and with the interests of the shareholders and other stakeholders.

Variable cash emoluments
Variable cash emoluments comprise a dividend-related bonus and performance-related bonuses.

The dividend-related bonus is calculated for each member of the Executive Board on the basis of an individually agreed amount in euro for each EUR 0.01 of the dividend declared per share at the Annual General Meeting which is due to be paid to shareholders in the relevant financial year. 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 corporate budgets. The main performance criteria for this bonus are return on capital employed (ROCE) and operating profit (EBIT), which usually generate 70 percent of the bonus, and to a lesser extent individual targets, which usually generate 30 percent of the bonus. For the Chief Executive Officer and the Chief Financial Officer, financial targets are determined on the basis of key Group data. For those members of the Executive Board responsible for operations, the targets are determined on the basis of comparable figures in the divisions and regions for which they are responsible. The performance-related bonus has an upper limit. The portion based on key data will not exceed 200 percent of the bonus amount agreed, and that portion based on targets relating to the functions performed will not exceed 100 percent of the amount. The Chief Executive Officer has entitlements to bonus payments guaranteed by contract if he achieves certain demanding acquisition, divestment and integration targets. The amount of these bonuses is determined in each individual case. These bonuses also have an upper limit.

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

Share-based emoluments
Linde Management Incentive Programme 2002
Until the 2006 financial year, members of the Executive Board received a variable component with a long-term incentive in the form of options granted every year, based on the share option scheme approved at the Annual General Meeting in May 2002. This scheme (Management Incentive Programme 2002) applied to members of the Executive Board, members of the management boards of affiliated companies and selected executives. In 2006, the last options were issued under this scheme. In total, 1.2 million subscription rights were granted to members of the Executive Board. The options granted to the participants continue to be exercisable as long as the conditions for the exercise of the options are met. Each option confers the right to subscribe to one share in Linde AG at the exercise price. The exercise price for acquiring one new share is 120 percent of the base price. The base price is the average closing price of Linde shares in Xetra trading on the Frankfurt stock exchange over the last five trading days before the issue date of the options. The options were issued in five annual tranches from 2002, each with a term of seven years. There is a two-year qualifying period, which commences on the issue date. During the remaining five-year term, the options can be exercised at any time, except during blocked periods. The seven-year term of the options in the 2002 tranche ended in July 2009. Options in the 2002 tranche which had not been exercised by that time duly expired.

In the 2009 financial year, the five tranches in the scheme were sometimes valuable and exercisable. The exercise prices of the five tranches vary between EUR 32.38 and EUR 81.76. The Supervisory Board determined the options to be allocated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board can decide to restrict the exercise of options issued to members of the Executive Board if there are exceptional unforeseen movements in the Linde share price. In total, members of the Executive Board held 535,000 options at the balance sheet date (2008: 635,000), which were theoretically all exercisable as the qualifying period had expired. In the 2009 financial year, members of the Executive Board exercised 100,000 options (2008: 75,000).

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

Options – Linde Management Incentive Programme 2002

		At 1 January		Exercised in the financial year			At 31 December			
			Weighted average exercise price		Weighted average exercise price	Weighted average share price at exercise date		Range of exercise prices	Weighted average exercise price	Weighted average remaining life
		in units	in €	in units	in €	in €	in units	in €	in €	in years
Professor Dr Wolfgang Reitzle (Chairman)	2009	460,000	59.91	70,000	32.38	66.74	390,000	47.91–81.76	64.85	2.4
	2008	520,000	56.73	60,000	32.38	91.34	460,000	32.38–81.76	59.91	3.1
Dr Aldo Belloni	2009	150,000	58.36	30,000	32.38	84.92	120,000	47.91–81.76	64.85	2.4
	2008	165,000	58.22	15,000	56.90	89.28	150,000	32.38–81.76	58.36	3.0
Georg Denoke	2009	25,000	75.01	–	–	–	25,000	64.88–81.76	75.01	3.0
	2008	25,000	75.01	–	–	–	25,000	64.88–81.76	75.01	4.0
Total	**2009**	**635,000**		**100,000**			**535,000**			
	2008	**710,000**		**75,000**			**635,000**			

In the 2008 and 2009 financial years, none of the options held by the Executive Board expired or were forfeited. The Executive Board member J. Kent Masters is not a participant in this scheme as he joined The Linde Group after the last tranche had been issued.

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

Linde Performance Share Programme 2007

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

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

In the 2009 financial year, the third tranche of options was allocated. Options were granted to 862 (2008: 871) participants.

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

Options – Linde Performance Share Programme 2007

		At 1 January	Granted in the financial year	At 31 December	
					Weighted average remaining life
		in units	in units	in units	in years
Professor Dr Wolfgang Reitzle (Chairman)	2009	78,810	58,754	137,564	1.6
	2008	41,864	36,946	78,810	2.0
Dr Aldo Belloni	2009	26,269	19,585	45,854	1.6
	2008	13,954	12,315	26,269	2.0
Georg Denoke	2009	26,269	19,585	45,854	1.6
	2008	13,954	12,315	26,269	2.0
J. Kent Masters	2009	26,269	19,585	45,854	1.6
	2008	13,954	12,315	26,269	2.0
Total	**2009**	**157,617**	**117,509**	**275,126**	
	2008	**83,726**	**73,891**	**157,617**	

All the options held were not yet exercisable at 31 December 2009. The exercise price of all the options is currently EUR 2.56 each. During the 2008 and 2009 financial years, none of the options held by the Executive Board expired or were forfeited. Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme are given in Note [28] of the Notes to the Group financial statements. Information about the rules which apply in the event of a change of control is given on page 092 in the Group management report (Disclosures in accordance with § 315 (4) of the German Commercial Code).

EXECUTIVE BOARD
SUPERVISORY BOARD
CORPORATE GOVERNANCE
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NOTES TO THE GROUP FINANCIAL STATEMENTS
FURTHER INFORMATION

Total cost of share-based emoluments

The total cost of share-based emoluments in 2009 was EUR 10 m (2008: EUR 12 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 €	2009	2008
Professor Wolfgang Reitzle (Chairman)	869,166	1,057,706
Dr Aldo Belloni	289,718	346,158
Georg Denoke	289,718	298,158
J. Kent Masters	289,718	269,358
Total	**1,738,320**	**1,971,380**

Pension commitments

There are pension commitments in respect of the members of the Executive Board, which 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 contracts of employment 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 company and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work and surviving dependants' pension in the event of death). A widow or widower receives 60 percent of the pension of the deceased member of the Executive Board. The commitments also include benefits for any orphans or children who have lost one parent. Each child entitled to maintenance receives 10 percent (in the case of children who have lost one parent) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until his or her 18th year, although maintenance may continue to be paid until the completion of his or her 27th year. If the deceased left several children, the amounts are reduced proportionately and limited in total to half of the pension to which the contracting party was entitled. The total maintenance payments to surviving dependants must not exceed the full amount of the pension of the contracting party. Current pensions are adjusted annually to take account of the change in the retail price index for private households based on information provided by the German Statistical Office. Once the member of the Executive Board has completed his or her 55th year and ten years of service on the Executive Board, and if the employment contract was terminated early by the Supervisory Board or the term of office was not extended for reasons beyond the control of the member of the Executive Board, he or she would immediately receive the pension earned, taking into account other income.

Emoluments of the Executive Board for 2009

The total cash remuneration of members of the Executive Board for performing their duties in Linde AG and its subsidiaries in 2009 was EUR 10,462,310 (2008: EUR 11,798,252). The decline in comparison with the prior year is mainly due to the fact that the variable cash emoluments fell from EUR 8,157,070 to EUR 6,431,873. This reflects lower performance-related bonus payments, partly as a result of the decline in key performance indicators and partly because in 2008 the Chief Executive Officer received bonus payments in respect of particularly ambitious acquisition and integration targets. The total remuneration was EUR 13,462,315 (2008: EUR 14,798,227), which includes options granted to members of the Executive Board under the Performance Share Programme 2007, which have a notional value of EUR 3,000,005 (2008: EUR 2,999,975). In the 2009 financial year, a total of 117,509 options (2008: 73,891) were granted to members of the Executive Board. The value of these options when they were granted was EUR 25.53 (2008: EUR 40.60) per option.

Provided that the annual financial statements of Linde AG for the year ended 31 December 2009 are approved and that the Supervisory Board accordingly comes to a decision on the variable cash remuneration of 2009, the emoluments for 2009 of the individual members of the Executive Board were as follows:

in €		Cash emoluments				Share options		Pensions	
		Fixed emolu-ments	Benefits in kind/Other benefits	Variable emolu-ments	Total cash emolu-ments	Value on the grant date	Total emo-luments	Annual amount if pension were paid on balance sheet date	Allocated to pension pro-vision in financial year
Professor Dr Wolfgang Reitzle (Chairman)	2009	1,960,000	39,352	2,721,250	4,720,602	1,499,990	6,220,592	518,400	2,046,780
	2008	1,816,000	24,308	4,688,750	6,529,058	1,500,008	8,029,066	424,320	367,647
Dr Aldo Belloni	2009	720,000	29,739	1,457,148	2,206,887	500,005	2,706,892	288,000	780,503
	2008	588,000	31,549	1,227,075	1,846,624	499,989	2,346,613	244,800	–19,645
Georg Denoke	2009	564,000	13,467	946,500	1,523,967	500,005	2,023,972	122,400	243,211
	2008	468,000	13,136	907,500	1,388,636	499,989	1,888,625	94,080	100,455
J. Kent Masters	2009	672,000	31,879	1,306,975	2,010,854	500,005	2,510,859	190,920	262,102
	2008	624,000	76,189	1,333,745[1]	2,033,934	499,989	2,533,923	171,360	130,776
Total 2009		**3,916,000**	**114,437**	**6,431,873**	**10,462,310**	**3,000,005**	**13,462,315**	**–**	**3,332,596**
(%)		29	1	48	78	22	100	–	–
Total 2008		**3,496,000**	**145,182**	**8,157,070**	**11,798,252**	**2,999,975**	**14,798,227**	**–**	**579,233**
(%)		24	1	55	80	20	100	–	–

[1] The figure includes emoluments provided by Group companies in 2008 of EUR 215,245, based on his existing employment contract prior to his appointment to the Executive Board in 2006.

The increase in amounts allocated to pension provisions is due mainly to actuarial effects. At 31 December 2009, pension provisions relating to members of the Executive Board who were active members of the pension scheme were EUR 10,259,762 (2008: EUR 6,927,166) in The Linde Group and EUR 11,305,406 (2008: EUR 8,469,098) in the financial statements of Linde AG.

Benefits on the early termination of a contract

Members of the Executive Board who are not reappointed between their 55th and 63rd year for reasons beyond their control receive a lump sum severance payment of 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 existing contracts, which currently apply only to Professor Dr Wolfgang Reitzle, it is stipulated that the performance-related bonus is calculated on the basis of the average of the performance-related bonuses paid in the previous three years.

In 2009, when the Supervisory Board reappointed Dr Aldo Belloni, Georg Denoke and J. Kent Masters to the Executive Board, it incorporated the recommendations set out in Item 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 in 2009 and new contracts which are concluded or renewed in the future (new contracts) will include the following provision. If the contract of a member of the Executive Board is terminated early, without cause for the termination of employment, the severance pay would 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.

If Linde AG is acquired by another company and there is a change of control, and the employment contract is terminated within nine months of that date, either by mutual agreement, or as a result of the passage of time and the employment contract not being renewed, or by resignation of the member of the Executive Board due to a more than insignificant impairment of his or her position as a member of the Executive Board in consequence of the takeover, the members of the Executive Board have an entitlement to benefits, based on their contractual cash emoluments and 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 impaired in a more than insignificant way.

For existing contracts, the following compensation and severance pay rules apply in the event of a change of control. In addition to compensation, comprising the cash emoluments he or she has foregone 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 completed his or her 55th year when the employment contract ends and has been on the Board for at least five years, the severance pay increases to three times the full amount of the annual cash remuneration. There is no right to severance pay if the member of the Executive Board has been a member for less than three years, or if he or she has not yet completed his or her 52nd year or has already completed his or her 63rd year 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 the Executive Board members, Dr Aldo Belloni, Georg Denoke and J. Kent Masters, were renewed in the 2009 financial year, the recommendation set out in Item 4.2.3 of the German Corporate Governance Code relating to severance caps in the event of a change of control was implemented. In accordance with the Code, all Executive Board contracts which have been concluded or renewed in 2009 and contracts concluded or renewed in future provide, in the event of a member retiring early from the Board due to a change of control, for severance pay in the same amount as would have been paid in respect of any other early retirement from the Board without cause. 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 paid if the member of the Executive Board had been a member for less than three years or if he or she had not yet completed his or her 52nd year or had already completed his or her 63rd year when the employment contract end.

For both forms of contract (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.

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 2,667,115 in the 2009 financial year (2008: EUR 2,604,480).

A provision of EUR 35,054,097 (2008: EUR 33,942,066) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants. In the financial statements of Linde AG, a provision of EUR 36,836,129 (2008: EUR 37,716,446) was made. The differences in the amounts in each set of financial statements are the result of the different parameters used in the calculations in the Group financial statements and the annual financial statements.

2. Remuneration of the Supervisory Board

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

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

Fixed emoluments

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

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0.50 per share with full dividend entitlement distributed to the shareholders. The second part of the variable remuneration is EUR 450 for each 0.1 percent by which the return on capital employed (ROCE) of The Linde Group exceeds the rate of 7 percent in the relevant financial year. ROCE is determined on the basis of the information in the relevant audited Group financial statements in accordance with IFRS and the articles of association. In 2009, ROCE calculated in this way was 10.4 percent (2008: 12.4 percent).

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

Emoluments of the Chairmen, Deputy Chairmen and committee members

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

Attendance fees

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

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2009

Based on a dividend of EUR 1.80 (2008: EUR 1.80) per share entitled to dividend and ROCE in The Linde Group of 10.4 percent (2008: 12.4 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 1,739,800 (2008: EUR 2,088,603) plus VAT of EUR 330,562 (2008: EUR 396,835). Of the total emoluments, EUR 840,000 (2008: EUR 932,527) related to fixed emoluments and EUR 868,800 (2008: EUR 1,119,076) to variable emoluments. The total expenditure on attendance fees was EUR 31,000 (2008: EUR 37,000).

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

in €		Fixed emoluments	Variable emoluments	Emoluments for sitting on audit committee	Attendance fees	Total emoluments[1]
Dr Manfred Schneider	2009	150,000	162,900		4,000	316,900
(Chairman)	2008	150,000	189,900		3,500	343,400
Hans-Dieter Katte	2009	75,000	81,450		4,000	160,450
(Deputy Chairman)	2008	75,000	94,950		3,500	173,450
Michael Diekmann	2009	75,000	81,450		2,000	158,450
(Second Deputy Chairman)	2008	75,000	94,950		2,000	171,950
Dr Gerhard Beiten	2009	50,000	54,300		2,000	106,300
	2008	50,000	63,300		2,000	115,300
Dr Clemens Börsig	2009	50,000	54,300	40,000	4,000	148,300
	2008	50,000	63,300	23,169[2]	3,000	139,469
Gernot Hahl	2009	75,000	81,450		4,000	160,450
	2008	75,000	94,950		3,000	172,950
Thilo Kämmerer	2009	50,000	54,300		1,500	105,800
	2008	50,000	63,300		2,000	115,300
Matthew Miau	2009	50,000	54,300		1,500	105,800
(from 03.06.2008)	2008	28,962	36,665		1,000	66,627
Klaus-Peter Müller	2009	75,000	81,450		2,000	158,450
	2008	64,481[3]	81,633		3,000	149,114
Jens Riedel	2009	50,000	54,300		2,000	106,300
	2008	50,000	63,300		2,000	115,300
Xaver Schmidt	2009	50,000	54,300		2,000	106,300
(from 08.09.2008)	2008	15,710	19,889		1,000	36,599
Josef Schregle	2009	50,000	54,300		2,000	106,300
	2008	50,000	63,300		2,000	115,300
Total 2009		**800,000**	**868,800**	**40,000**	**31,000**	**1,739,800**
(%)		46	50	2	2	100
Total 2008[4]		**883,948**	**1,119,076**	**48,579**	**37,000**	**2,088,603**
(%)		42	54	2	2	100

1 Amounts excluding VAT.
2 Audit committee (chairman) from 3 June 2008.
3 Standing committee from 3 June 2008.
4 These figures include total emoluments of Board members who retired in 2008: Dr Baumann (EUR 66,922); Mr Full (EUR 73,973); Ms Friebel (EUR 48,982); Mr Schuhbeck (EUR 48,982); Professor Dr Strube (EUR 48,982); Mr Woller (EUR 86,003).

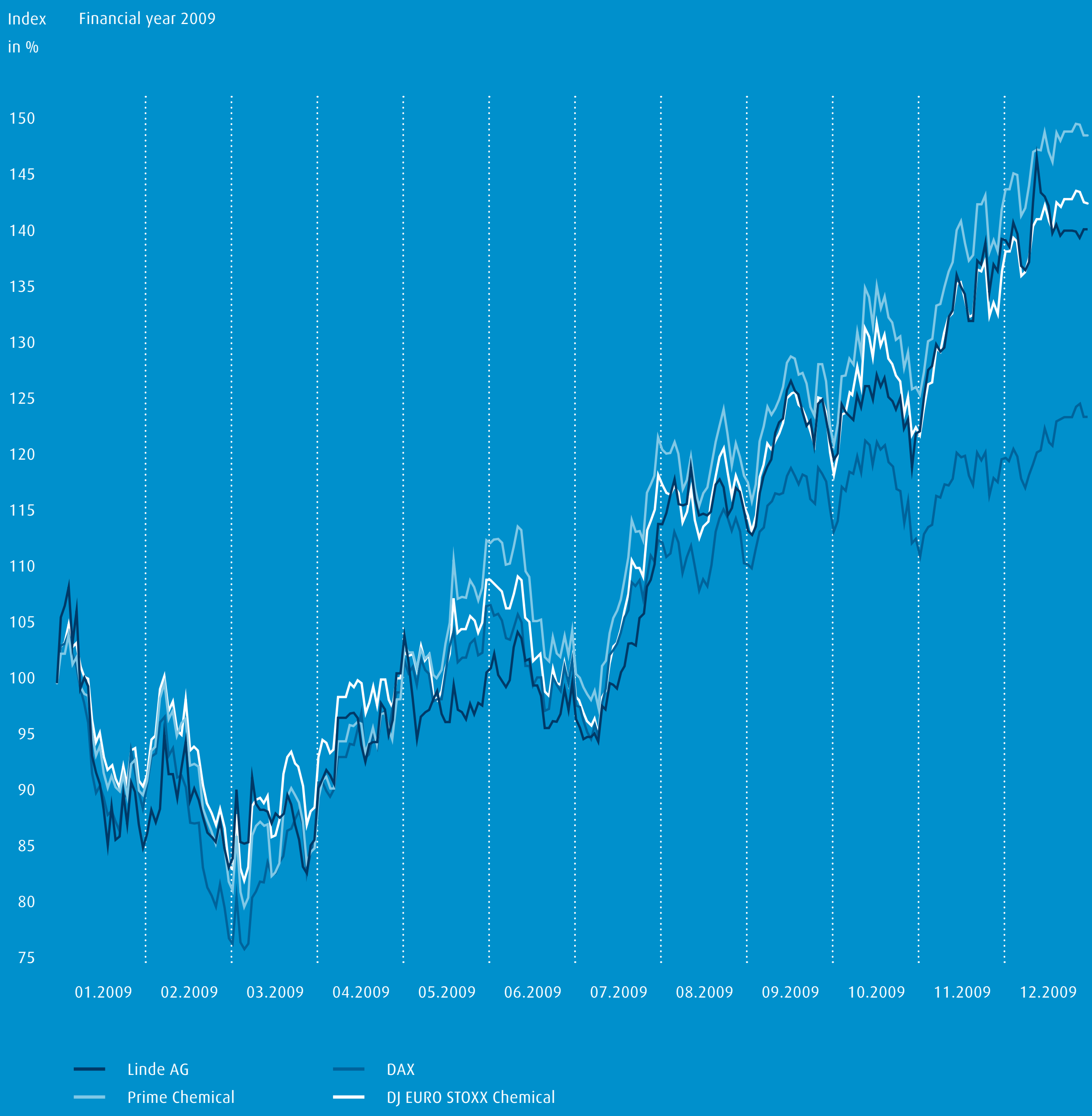
Loans and advances

At 31 December 2009, there were no loans or advances to members of the Supervisory Board.

Linde Shares

The general recovery in the stock markets led to a very good performance by Linde shares in 2009. With a 40.6 percent increase in price, our shares were, as in 2008, among the top ten in the DAX-30 share index. Linde shares also performed well in comparison with most other indices.

Linde share performance in 2009 compared with indices



Signs of stabilisation in the global economy lead to market recovery

In the course of 2009, the downward trend in the German share index (DAX) triggered by the financial and economic crisis came to a halt, and the index finished the year up 23.8 percent. In the first quarter of 2009, however, global share markets saw a seamless continuation of the downward trend experienced in 2008. The DAX fell on 6 March 2009 to its lowest point for the year of 3,666.41 points. The first signs of stabilisation in the global economic environment did not create a sustained break in the downward trend until the end of the first quarter. Boosted by positive signs coming from companies, the DAX saw a significant recovery during the rest of the year, reaching its highest point for the year of 6,011.55 on 29 December 2009.

With this positive performance, the German stock market was in line with the general upward trend seen in the international stock markets in 2009. By way of comparison, the MSCI World Index rose 22.8 percent, the FTSE 100 Index in London increased by 22.1 percent and the CAC 40 index in Paris went up by 22.3 percent, while the S&P 500 index in the US showed a similar improvement of 23.5 percent. In a year-on-year comparison, the greatest price rises, apart from those on the technology stock exchange NASDAQ (with the NASDAQ 100 index rising by 53.5 percent), were achieved in the stock markets in the emerging economies. The MSCI Emerging Markets index, for example, went up by 58.3 percent. Particularly high gains were to be seen in the stock exchanges in the BRIC countries (Brazil, Russia, India and China), where the average increase in share prices was 67.3 percent.

Linde shares outperform DAX

The benefit accruing to our shares from the widespread recovery in the global stock markets was above average, and Linde shares yet again outperformed the DAX. Linde shares, which rose in price by 40.6 percent, outperformed the DAX-30 (which increased by 23.8 percent) by 16.8 percent. As in 2008, it was one of the top ten shares in Germany's leading share index, this time in eighth place.

The trend in the price of Linde shares in the course of 2009 reflects to the greatest possible extent the trend in the global markets. During the corrective phase at the beginning of the year, in which the last significant blocks of shares held by our long-standing major shareholders, Deutsche Bank and Commerzbank, were sold, the Linde share price also decreased. Linde shares fell to their lowest value for the year of EUR 49.66 on 30 March 2009. Whereas in the first phase of the market recovery the price of our shares was somewhat slower to rise than that of shares in less defensively classified industries, our share price continued to improve as the year progressed when compared to the market overall. The highest price of Linde shares during the year was EUR 87.95 on 14 December 2009, while the year-end closing price was EUR 84.16. In both phases of the financial market crisis, the corrective phase of 2008 and the stock market upturn in 2009, Linde shares outperformed the market as a whole. Underlying this performance were relatively steady business trends. With our robust business model and our focus on our two complementary divisions, Gases and Engineering, we were able to limit the decline in sales, despite the difficult macroeconomic environment, and to maintain a high level of profitability. The above-average rise in the share price during the recovery phase in the stock markets in the second half of the year also demonstrates that Linde enjoys the confidence of investors in the long-term growth prospects and sustainable value added of the Group.

The stable financial structure of the Group also contributed significantly to the positive trend in the Linde share price. Thanks to our long-term maturity profile and a strong liquidity reserve, we were not under pressure when acting in credit markets, which remained volatile, and were able to seize favourable opportunities for specific transactions. In June 2009, we were able to stipulate early the terms and conditions for an extension to our credit line of EUR 1.6 bn for the years 2011 to 2013. In November 2009, we also used the attractive situation in the Eurodollar market for further diversification and the extension of our maturity profile through a 5-year issue for USD 400 m.

Capital market-based figures

		2009	2008
Shares with dividend entitlement for the financial year	No.	168,907,096[2]	168,492,496
Year-end closing price	€	84.16	59.85
Year high	€	87.95	97.90
Year low	€	49.66	46.51
Total dividend Linde AG	€ million	304	303
Market capitalisation[1]	€ million	14,215	10,084
Average weekly volume	No.	4,095,325	5,864,996
Volatility[1] (200 days)	in %	26.2	50.5
Information per share			
Cash dividend	€	1.80	1.80
Dividend yield	in %	2.1	3.0
Operating cash flow	€	12.68	11.13
Earnings[3]	€	4.58	5.46

1 As at 31 December 2009.
2 Change due to the exercise of purchase options under the share option scheme.
3 Adjusted for the effects of the purchase price allocation and non-recurring items.

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

	2009 in percent	Weighting Linde shares in percent
Linde (including dividend)	45.0	–
Linde (excluding dividend)	40.6	–
DAX	23.8	2.67
Prime Chemical	48.9	12.42
DJ EURO STOXX	23.4	0.57
DJ EURO STOXX Chemical	42.9	8.87
FTSE Eurofirst 300	16.4	0.27
FTSE E300 Chemical	42.2	8.20
MSCI Euro	23.4	0.27

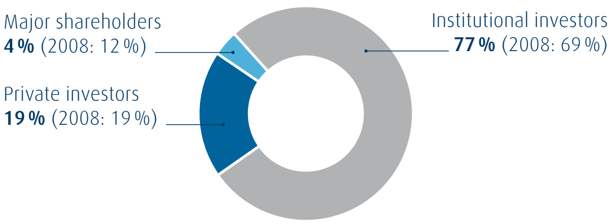
1 As at 31 December 2009.

Shareholder structure

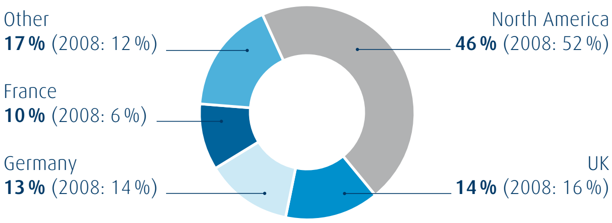
Our major shareholders further reduced their industrial shareholdings during the reporting period to strengthen their own capital cover. Two of our three longstanding major shareholders, Commerzbank and Deutsche Bank, sold all their remaining Linde shares in the first half of the year. At 31 December 2008, Commerzbank still held a block of Linde shares of just under 5 percent, while Deutsche Bank held 3 percent. Based on the most recently published notifications of voting rights, Allianz SE held around 4 percent of the shares outstanding at 31 December 2009, about the same level as in the prior year.

The sale of just under 8 percent of our shares from the portfolios of our major shareholders was absorbed in the free market for the most part by purchases made by new and existing institutional investors. Our annual shareholder identification survey conducted at the balance sheet date, 31 December 2009, revealed that the proportion of outstanding Linde shares held by this group of professional investors had increased from 69 percent in 2008 to 77 percent in 2009. The proportion of private investors has remained stable at around 19 percent (2008: 19 percent).

Shareholder structure



Institutional investors – Holdings by region



Our shareholder structure became even more international in 2009. The largest proportion of institutional investors (46 percent) continues to come from North America (2008: 52 percent). The proportion of British investors decreased slightly from 16 percent to 14 percent. In addition to a stable investor base in Germany of around 13 percent (2008: 14 percent), French investment houses established themselves as the fourth largest group of institutional investors with around 10 percent of Linde shares (2008: 6 percent). Other major stakes in Linde are held in financial centres in Scandinavia, Switzerland and the Benelux countries.

Even in the stock market environment in 2009, which was characterised by high levels of volatility, we were able to expand our investor base to include a number of investors interested in long-term investment. Our business model, which is geared towards sustainable, profitable growth, and our sound financing structure offer these investors an attractive investment with regular long-term value added.

In January 2010, a Sponsored Level 1 American Depositary Receipt (ADR) Programme was set up in the US. ADRs are certificates that are traded on US stock exchanges instead of the underlying non-US shares. In this programme, ten ADRs represent one Linde share.

Dividend payment

We will continue to adopt an earnings-based dividend policy. The Executive Board and Supervisory Board of Linde AG will recommend the payment of a dividend of EUR 1.80 per share, the same as in the previous year, at the Annual General Meeting on 4 May 2010. This gives a dividend payout ratio of 51 percent, based on net income for the year. The dividend yield was 2.1 percent, based on the year-end close.

Resolutions passed at the Annual General Meeting on 15 May 2009

Subject to approval by the Supervisory Board, the Executive Board of Linde AG was authorised to acquire 10 percent of share capital in own shares by 14 November 2010.

A resolution was also passed at the Annual General Meeting authorising the Executive Board of Linde AG to abolish completely the remaining conditionally authorised share capital approved at the Annual General Meeting on 17 May 2000 in accordance with Article 3.9 of the articles of association.

Investor relations activities

Against the background of the global recession and the associated uncertainty about macroeconomic trends, we have emphasised above all the stability of our business model in our communications with the financial markets. In the first economic downturn since the extensive reorganisation of the Group, the advantages of focusing on the two pillars of The Linde Group, gases and engineering, have become abundantly clear. In this exceptionally difficult economic environment, our industrial gases business was relatively effective at cushioning the impact of the general decline in demand. We benefited here from our leading global market positions, a broadly diversified customer base and contract structures geared to the long term. Other factors which contributed to the relatively steady business trends in the gases business were a well-balanced regional presence and a high share of sales in the emerging economies. In our international engineering business, we have responded to the economic crisis with one of the highest order backlogs in our corporate history. What is more, even in the troubled year 2009, we were able to obtain new orders totalling more than EUR 2 bn.

As the share markets recovered in the second half of 2009, the long-term growth prospects of companies regained their importance for investors, as did the energy, environment and health megatrends. The technologies, products and services we offer in these promising fields are increasingly providing German and international investors with convincing reasons to invest in The Linde Group.

In 2009, in a market environment characterised by considerable volatility, we provided an even greater level of disclosure to participants in the capital market and maintained a high level of communication with the financial markets, especially given the continuing economic uncertainty. As in 2008, we had more than 300 separate conversations with financial analysts and investors, giving our shareholders insight into our business performance and the long-term prospects of our business model.

In the course of 25 investors' conferences and roadshows in the major international financial centres, we offered our shareholders and potential new investors the opportunity to speak directly to the Linde Executive Board. The issues discussed often included not only the short-term business performance of the Group during the economic crisis and our financing arrangements, but also our strategic orientation and the long-term growth scenarios for our gases and engineering businesses.

Even if the economic situation stabilises somewhat as time goes on and the stock markets recover from their lowest levels, business trends for 2010 and beyond are still beset with a great deal of uncertainty. The guiding principles for our investor relations activities will continue to be strong lines of communication with the capital markets and transparent reporting. Our Group offers existing shareholders and potential new investors advantages that remain attractive: a stable business model with financing that is geared towards the long term and prospects for sustainable and profitable growth.

All current information about Linde shares can be found on our website at www.linde.com in the Investor Relations section. In addition, you can obtain information and answers to any questions you may have by ringing us on +49.89.35757-1321. You are also welcome to send us your questions online at investorrelations@linde.com.

Linde share information

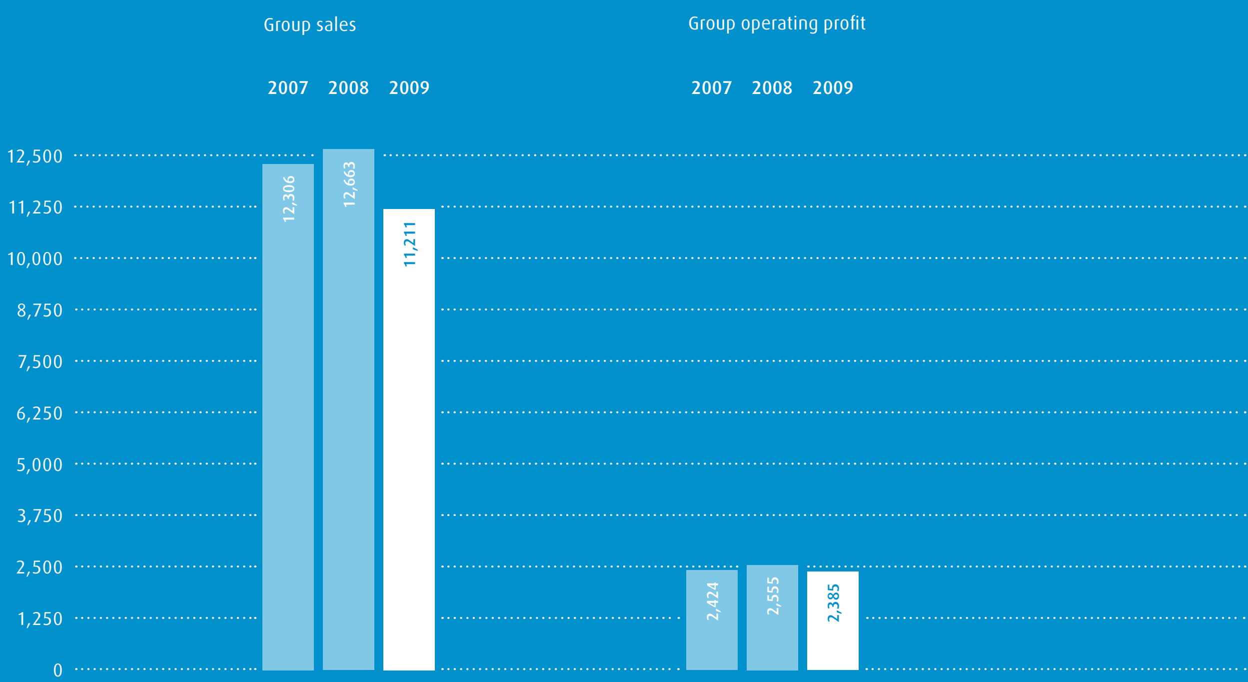
Type of share	Bearer shares
Stock exchanges	All German stock exchanges, Zurich [1]
Security reference numbers	ISIN DE0006483001
	CUSIP 648300
Reuters (XETRA)	LING.DE
Bloomberg	LIN GR

[1] The listing on the Zurich stock exchange will cease in the first half of 2010.

Group Management Report

The global financial and economic crisis in 2009 did not leave The Linde Group unscathed. We were, however, able to hold a relatively steady course and to limit the decline in sales and earnings caused by the economic situation, as was our goal. Group sales fell by 11.5 percent to EUR 11.211 bn compared with the record figure in 2008 of EUR 12.663 bn. The decrease in operating profit was less than that for sales. At EUR 2.385 bn, operating profit was only 6.7 percent below the prior-year figure of EUR 2.555 bn. Group operating margin rose from 20.2 percent to 21.3 percent.

Group sales and Group operating profit (in € million)



GROUP MANAGEMENT REPORT

Macroeconomic environment

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

		% Growth				
	% Weighting	2005	2006	2007	2008	2009
Western Europe	28.60	1.9	3.0	2.6	0.5	–4.0
Eurozone	21.40	1.8	3.0	2.7	0.5	–3.9
Germany	6.00	0.9	3.4	2.6	1.0	–4.8
Americas	35.60	3.3	3.1	2.7	1.0	–2.5
US	27.30	3.1	2.7	2.1	0.4	–2.5
Asia & Eastern Europe	21.70	7.3	8.1	8.2	5.3	1.8
China	7.00	10.4	11.6	13.0	9.0	8.6
South Pacific & Africa	2.80	3.5	3.6	4.5	2.7	0.6
World	100.00	3.5	4.0	3.8	1.6	–2.2

[1] Source: Global Insight, in respect of countries in which Linde operates.

Industrial Production (IP) [1]

	% Growth				
	2005	2006	2007	2008	2009
Western Europe	0.7	3.2	2.8	–2.1	–12.6
Eurozone	1.1	3.9	3.2	–2.1	–13.5
Germany	2.9	5.8	5.9	0.0	–15.5
Americas	3.3	2.6	2.0	–1.6	–9.3
US	3.3	2.3	1.5	–2.2	–10.0
Asia & Eastern Europe	8.3	9.4	9.6	5.1	0.3
China	16.0	16.2	17.9	12.5	11.0
South Pacific & Africa	1.9	1.3	3.2	1.7	–4.8
World	3.3	4.3	3.9	–0.4	–9.2

[1] Source: Global Insight, in respect of countries in which Linde operates.

Overview of the global economy

The year 2009 was characterised by the global economic crisis. By autumn 2008, it was evident that an economic slowdown was affecting most countries, and over the following months the global downturn continued, reaching its lowest point in the first half of 2009. From summer 2009, the economic environment stabilised in most regions and in some countries there were already signs of recovery. However, based on data from the international research institute, Global Insight, the world economy shrank overall in terms of global gross domestic product in 2009 by 2.2 percent, which was the sharpest fall for 60 years. The weakness of the economy can be seen even more clearly in the data for industrial production, which saw a global decline in 2009 of 9.2 percent compared with the previous year.

The recovery trends seen in the second half of 2009 were due above all to the measures adopted to stabilise the financial markets and to countries' own economic programmes. Energy price trends also had a positive effect.

Western Europe

Trends in the countries of Western Europe and the eurozone were adversely affected by the weakness of the global economy in 2009. When the banking crisis began in autumn 2008, the economic situation in Europe worsened considerably. As a result, economic output declined significantly in the first half of 2009, before recovering slightly in the third quarter. The bottom line is that gross domestic product in the eurozone in 2009 shrank significantly by 3.9 percent. Indeed, industrial production in the eurozone fell by 13.5 percent.

Within Western Europe, the UK was particularly badly affected by the crisis (GDP down 4.6 percent, industrial production down 10.0 percent). Output fell to its lowest point in the second quarter before gradually going back up as the year went on.

There was a mixed picture in the labour market. Although unemployment rose rapidly in some countries, targeted measures in others succeeded in slowing the trend. The large number of economic programmes designed to stabilise particular sectors, such as the automobile industry, boosted the economy in the eurozone as a whole and prevented an even more significant downturn. These measures, however, had a detrimental effect on public finances.

In the wake of the global economic crisis, Germany experienced the most significant economic downturn since the Second World War. Gross domestic product fell in 2009 by 4.8 percent. The decline in export demand had an adverse effect above all on industrial production, which was 15.5 percent below the figure for 2008.

In Germany, as in most other countries in the eurozone, the economic situation began to stabilise in summer 2009, although this was at a low level. The measures taken by the European Central Bank and the German government, boosted by low energy costs and the labour agreements in 2009, had a positive impact on private consumption. Thanks to flexible arrangements for short-time work, unemployment did not rise at as fast a rate as in many other European countries.

Americas

The financial crisis had a significant impact on the US economy in 2008 and the strong downward trend continued into the first half of 2009. The recession in the United States was characterised principally by weak private consumption, increasing unemployment and a fall in industrial production, which was 10 percent below the figure for 2008. In the second half of the year, the economic environment stabilised and the first signs of a slight recovery appeared. This trend was boosted above all by the US government's wide-ranging economic programmes and the intervention of the Federal Reserve. However, gross domestic product in the US shrank overall by 2.5 percent.

In South America, the effect of the recession was moderate, with a slight decline of 0.3 percent in gross domestic product. Industrial production fell by 5.5 percent. Since then, the region has been on the road to recovery. The improvement in the economic situation is due mainly to government economic programmes designed to boost domestic consumption and to the fact that the price of raw materials is rising once more.

Asia and Eastern Europe

Asia was also affected by the global economic crisis. In particular, those countries in the region which are dependent on exports suffered from the decline in world trade. In addition, lower levels of foreign investment had an adverse effect on the continent. When making a global comparison, however, Asia proved more robust overall than other regions and in the first half of 2009 a clear improvement in the economic environment was to be seen. Nevertheless, there were big differences between the various nations. While the crisis in some countries merely led to slower growth rates, others (such as Taiwan) had to cope with a substantial fall in their economic output.

In China, a fall in exports was the main result of the global recession. This meant that at the beginning of 2009 the country saw its economic development stagnate, although a short time later strong growth rates returned. In the course of 2009, the Chinese economy once again saw dynamic growth, with an increase in gross domestic product of 8.6 percent. The increase in industrial production of 11 percent was even more significant.

China's recovery was driven mainly by state economic programmes. The Chinese government stimulated domestic demand, for example, and invested large amounts in the country's infrastructure.

In 2009, the Eastern Europe region was severely affected by the global crisis. Although by the second half of 2009 most countries had seen the end of the downturn or could see the first signs of improvement in the economic climate, recovery in the region as a whole trailed behind global trends.

It is, however, important to note that there were differences here too between countries, as shown by the following examples. Whereas there was a double-digit decline in gross domestic product in the Ukraine, Poland enjoyed modest economic growth.

The reasons for the weak economic trends overall in the region were reduced energy prices, which led to lower export revenue, and restricted loan terms and conditions.

After many years of dynamic growth, Russia had to swallow a significant decline in economic output. Its GDP was down 8.0 percent and its industrial production down 10.0 percent. In addition to a low level of consumption, shrinking investment volumes and adverse currency effects, the Russian economy also suffered the consequences of low energy prices.

South Pacific and Africa

The South Pacific region proved relatively resistant to the crisis overall and was even able to achieve a slight increase in GDP in 2009 of 0.7 percent. This was due mainly to the successful implementation of measures to stabilise the economy. Australia saw modest economic growth in the past year, with an increase in GDP of 0.9 percent, while GDP in New Zealand fell by 0.7 percent. Industrial production in the South Pacific region shrank by 2.8 percent during the financial year.

After a period of relatively steady growth in Africa in the past few years, the crisis in 2009 put the brakes on the economic development of the continent, with GDP rising by just 0.3 percent.

There were, however, big differences between countries. Economic output in 2009 in South Africa, for example, was much lower than in the prior year, with GDP down 1.8 percent. The country also had to cope with a significant slump in industrial production of 14.2 percent.

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Sector-specific background

Gases industry

The traditionally stable industrial gases market also faced the impact of the global economic downturn in 2009. However, the overall effect was smaller than the decrease in global industrial production due to the mix of industry segments covered by industrial gases.

As in 2008, North America and Europe were the largest sales markets, followed by Asia. In terms of the extent and timing of the economic crisis, there were regional differences. Whereas a significant downturn hit North America in the second half of 2008, Europe was not affected until later.

Business trends in the international industrial gases sector were not only influenced by the general economic conditions in a particular region, but especially by the situation in the relevant customer industries.

The steel industry experienced a significant decline in production in the first half of 2009, before a recovery began in the second half of the year. If the whole year is taken into account, worldwide production was around 10 percent below the figure for 2008. Large regional differences were to be seen here. While steel production fell by 36 percent in North America and by 30 percent in Europe, China and India were able to raise their level above that of the previous year, with China even achieving an increase of 13.5 percent. Almost half of the world's steel by volume is now produced in China.

In the chemical sector, production had already declined significantly by the end of 2008. This trend continued in 2009, with production falling by more than 10 percent in the first half of the year. In Europe and North America, the decline was even greater than in Asia, a region which is growing in importance for the chemical industry. As the year went on, although demand improved overall, the figure did not reach the same level as in the full year 2008.

In the oil and natural gas industry, the effects of the crisis were already being felt in 2008, when the crude oil price reached its lowest point of USD 40 a barrel. By the end of 2009, the crude oil price had risen again and reached a level of USD 60 to USD 70 dollars a barrel. Given the general economic situation, and the additional refinery capacity which has recently been created in Asia in particular, it is to be expected that some refinery operators will reduce their production capacity until there is a widespread market recovery.

In 2009, the processing industry was a mirror image of the general economic environment. Traditional sectors such as the automobile industry saw a decline in orders in the mature national economies, which was only partly cushioned by demand in the emerging markets and by government economic programmes. Energy production companies, on the other hand, benefited from investment in infrastructure or efficiency improvements.

Against the background of climate change, the renewable energy sector has gained in importance. In 2009, for example, the solar energy market grew 35 percent worldwide. Thanks to changes in government guidelines, this industry has become a real world market. For the industrial gases market, this means a continuing high level of demand for high-purity specialty and liquefied gases.

The semiconductor industry was hit hard by the economic crisis. The decline was particularly severe in the storage sector, where it led to company closures and consolidations. Not until the second half of 2009 were there signs of a slight recovery, especially in Asia.

The food and drinks industry proved resistant to the crisis in 2009. There might have been shifts between individual product segments, but total sales volumes remained largely constant. Changes in the behaviour of consumers, who are increasingly resorting to convenience foods such as pre-portioned ready meals, had a positive impact on our gases business in the food industry.

The healthcare sector, or medical gases business, also proved robust in 2009. Growth rates were only slightly lower than in previous years. The continuing stability of the market environment is mainly due to demographic trends, with more and more people living longer in many countries, and to the rise in chronic illnesses, which can increasingly be treated in settings other than hospitals. Innovative therapies and better access for patients to these forms of treatment have also had a positive impact on the healthcare business. However, in almost all markets there is great downward pressure on prices in the wake of health reforms in numerous countries.

Plant construction

As a result of the global financial and economic crisis, many industrial sectors experienced significant slumps in the 2009 financial year, including the oil, gas, chemical, petrochemical, steel, electrical engineering and automobile industries. The rapid drop in the oil price within a few months also resulted in many customers revising their medium and long-term capital expenditure plans. Some countries producing oil and natural gas had set their budgets for investment in new plants based on oil prices which were much higher than actual levels. Consequently, a number of projects were postponed.

Since the end of 2009, investment activity has revived, especially in India, China and the Middle East.

Air separation plants

The market for air separation plants was characterised in the first half of 2009 by falling capital expenditure in the steel and gases industry. Some projects that had looked very promising in 2008 were postponed.

In the last few months of 2009, there was an upturn in the market for air separation plants. Despite capital expenditure budgets which remained restricted, some mothballed projects were reactivated and some new projects were drawn up.

Olefin plants

In the past financial year, some potential purchasers of olefin and polymer plants have deferred their decisions on major projects, in order to wait and see what happens to raw material and energy prices and how the financial markets pan out. They are also watching closely to gauge market reaction to the additional production capacity being generated, especially as a result of some large-scale plants in the Middle East coming on stream in the next few years.

In principle, the regions with potential for growth in the olefin plant market include not only Russia and the Middle East, but also India and Latin America.

Natural gas plants

In the wake of the global financial and economic crisis, demand for oil and natural gas has declined for the first time in decades. There will be a slight oversupply in the market for liquefied natural gas (LNG) in the coming years, which might have a subduing effect in the short term on capital expenditure decisions relating to new large-scale LNG plants.

The medium to long-term prospects for the natural gas and LNG markets, on the other hand, are still rated as positive.

Hydrogen and synthesis gas plants

Falls in the prices of refinery products, polymers and intermediate chemical products led to a significant decline in demand for hydrogen and synthesis gas plants at the beginning of 2009. In the refinery sector, in particular, the drop in oil prices led to a re-evaluation of the cost-effectiveness of new projects and, in isolated cases, to the abandonment of projects. However, towards the end of the year, we noticed that project activity was picking up in this sector.

For coal gasification plants with carbon capture and storage, the number of projects with the potential to be realised fell slightly in the course of 2009. There was a significant rise here in dependence on subsidy schemes.

Value-based and operational management

We pursue a corporate strategy of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value. To measure the medium-term and long-term financial success of this value-based management strategy, we use return on capital employed (ROCE) as our key target.

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

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

The calculation of the key target ROCE for The Linde Group can be summarised as follows:

Definition of ROCE

Return

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

\+

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

+/–

Non-recurring items

÷

Capital employed[1]

Equity

\+

Financial debt

\+

Liabilities from financial services

\+

Net pension obligations

–

Cash and cash equivalents

–

Receivables from financial services

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

Based on this definition, we achieved ROCE at Group level in the 2009 financial year of 10.4 percent (2008: 12.4 percent).

To manage our operating business and indicate our performance, we not only use ROCE as a management tool, but also other key performance indicators such as free cash flow before financing activities, earnings before interest, tax, depreciation and amortisation (adjusted EBITDA), earnings before interest and tax (EBIT) and earnings per share (EPS). We adjust both EBIT and EPS for the amortisation of the fair value adjustments identified in the course of the purchase price allocation. A reconciliation between the reported figures for EBIT and EPS and the adjusted figures is included in the Group financial statements (see Note [41]). The calculation of the variable remuneration of our management is also based on these figures.

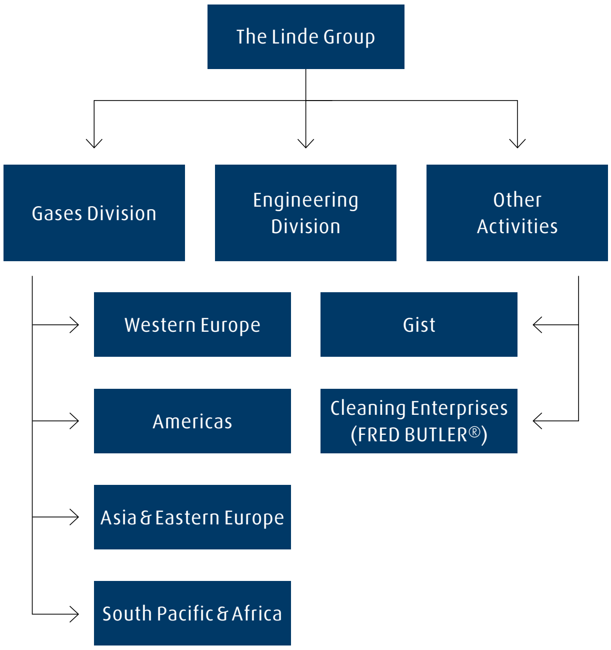
In the 2008 financial year, we began the implementation of our HPO (High Performance Organisation) programme. In 2009, the programme was continued, accelerated and consistently applied. This programme is an integrated approach to process optimisation and productivity improvement and should result in gross cost savings in the financial years from 2009 to 2012 totalling between EUR 650 m and EUR 800 m and continue to increase the competitiveness of the Group irrespective of economic conditions. In this context, additional key performance indicators for the measurement of productivity were introduced for all operating units and integrated into our value-based management system. All individual efficiency improvement measures are centrally monitored and reviewed for sustainable success.

The Group consists of the Gases Division, the Engineering Division and Other Activities. In the Gases Division, responsibilities are linked directly to local value creation. Therefore, the managers in the nine Regional Business Units (RBUs) within the four operating segments, Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa, are responsible for the operating business. The capital expenditure process is managed centrally. This structure means that we take into account the importance of local and regional market conditions in the gases business.

Responsibility for the Tonnage (on-site) and Healthcare (medical gases) businesses is also assumed by a global centralised function. In the on-site business, this enables us to take the international orientation of our major customers into account. In the Healthcare business, the additional centralisation allows us to respond more accurately and systematically to the specific requirements of this increasingly regulated sector.

When we reflect this operating model in the allocation of responsibilities to members of the Group's Executive Board, we ensure that the respective strengths and skills of the Board members are exploited effectively at both regional and product levels.

Organistaional structure



Organisational structure of The Linde Group. The Group consists of the Gases Division, the Engineering Division and Other Activities. Within the Gases Division, there are four operating segments: Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa. Other Activities comprises Gist (our logistics services business) and our subsidiary Cleaning Enterprises (environmentally friendly dry-cleaning under the brand name FRED BUTLER®).

Business review of The Linde Group

The global financial and economic crisis in 2009 did not leave The Linde Group unscathed.

We were, however, able to hold a relatively steady course, to limit the decline in sales and earnings caused by the economic situation, as was our goal, and to increase our operating margin. Our concentration on our international gases and plant construction business and our global orientation mean that we are in a better position to weather economic slowdowns than other industry sectors. We are increasingly benefiting from our strong market positions in the emerging economies such as China. We are beginning to see the positive impact of our integrated programme to optimise processes and improve productivity in the long term (High Performance Organisation or HPO).

We launched this concept throughout the organisation right at the beginning of 2008, which meant that we were able to adapt to the difficult market environment at a very early stage.

Group sales in the 2009 financial year fell by 11.5 percent to EUR 11.211 bn when compared to the record figure for 2008 of EUR 12.663 bn. After adjusting for exchange rate effects, this is equivalent to a decrease of 10.4 percent. The Linde Group's participation in joint ventures gave rise to sales of EUR 308 m (2008: EUR 625 m), which are not included in Group sales in accordance with our accounting rules.

Results of operations

The decline in Group operating profit (EBITDA) was significantly less than that in sales. Group operating profit of EUR 2.385 bn was only 6.7 percent below the figure for the prior year of EUR 2.555 bn. This means that, despite the weak global economy, we were able to continue to improve our profitability and to increase our operating margin at Group level from 20.2 percent to 21.3 percent. Here we have benefited considerably from the positive impact of the accelerated and rigorous implementation of our HPO programme, which was linked in some areas and regions with capacity adjustments. These measures to achieve sustainable improvements in efficiency led to one-off restructuring costs of EUR 83 m, which have been recognised in full in the 2009 financial year. If these restructuring costs are not taken into account, operating profit would only have declined by 3.4 percent. On this basis, the operating margin would be 22.0 percent.

Earnings before tax (EBT) were EUR 838 m, EUR 168 m below the prior-year figure of EUR 1.006 bn. After adjusting for restructuring costs of EUR 83 m and the profit on disposal of businesses of EUR 59 m achieved in 2008, the decline was only EUR 26 m or 2.7 percent.

Earnings after tax were EUR 653 m (2008: EUR 776 m). The amount attributable to Linde AG shareholders was EUR 591 m (2008: EUR 717 m). This corresponds to earnings per share of EUR 3.51 (2008: EUR 4.27). After adjusting for the effects of the purchase price allocation identified in the course of the BOC acquisition and the profits on disposal achieved in 2008, earnings per share stood at EUR 4.58 (2008: EUR 5.46). The restructuring costs recognised in 2009 have not been adjusted for here.

The income statement prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 3.770 bn for the 2009 financial year (2008: EUR 4.014 bn) after deducting cost of sales. This decline was due to volume reductions that occurred as a result of the economic crisis. The gross margin rose from 31.7 percent to 33.6 percent. One reason for this increase was that the Engineering Division, which has lower gross margins than the gases business, constituted a lower proportion of sales in 2009 than in 2008. We were also able to pass on to our customers without any mark-up the decreases in natural gas prices compared with the prior year. In addition, the swift implementation of the HPO programme had a positive impact.

Furthermore, as a result of these efficiency improvement measures, we were able to achieve significant reductions in our functional costs compared with the prior year. This can be seen in our administration expenses, which decreased by approximately EUR 100 m to EUR 994 m (2008: EUR 1.092 bn).

The net financial result (financial income less financial expenses) improved from a net loss of EUR 385 m in 2008 to a net loss of EUR 329 m in 2009. We benefited here above all from low interest rates in the financial markets.

The tax expense fell from EUR 230 m to EUR 185 m. This corresponds to an income tax rate of 22.1 percent (2008: 22.9 percent). The main reason for the decrease in the income tax expense is the positive impact of the release of amounts from the deferred tax provision as a result of changes in tax rates. In addition, we were able to reduce our income tax expense by continuing the reorganisation of our Group investment structure.

Results of operations

	2009		2008	
	in € million	in percent	in € million	in percent
Sales	11,211	100.0	12,663	100.0
Cost of sales	7,441	66.4	8,649	68.3
Gross profit	3,770	33.6	4,014	31.7
Marketing and selling expenses	1,572	14.0	1,738	13.7
Research and development costs	89	0.8	104	0.8
Administration expenses	994	8.9	1,092	8.6
Other operating income	233	2.1	326	2.6
Other operating expenses	241	2.1	134	1.1
Income from associates and joint ventures (at equity)	60	0.5	60	0.5
Non-recurring items	–	–	59	0.5
Financial result	–329	–2.9	–385	–3.0
Earnings before taxes on income (EBT)	838	7.5	1,006	7.9
Taxes on income	185	1.7	230	1.8
Earnings after taxes – Group	653	5.8	776	6.1
Attributable to minority interests	62	0.6	59	0.5
Attributable to Linde AG shareholders	591	5.3	717	5.7

Sales and operating profit by business segment

	2009		2008	
in € million	Sales	Operating profit	Sales	Operating profit
Gases Division	8,932	2,378	9,515	2,417
Engineering Division	2,311	210	3,016	267
Other activities including reconciliation	–32	–203	132	–129
Group	**11,211**	**2,385**	**12,663**	**2,555**

Gases Division

Sales in the Gases Division in the 2009 financial year fell by 6.1 percent to EUR 8.932 bn (2008: EUR 9.515 bn). After adjusting for exchange rate effects and changes in the price of natural gas, the decline in sales was 2.3 percent. On a comparable basis, i.e. after also taking into account changes to Group structure, the drop in sales was 5.1 percent. We therefore succeeded to a great extent in offsetting the significantly lower levels of demand in 2009 than in 2008 and in keeping our business performance relatively stable. We also benefited here from positive price trends.

The share of sales from joint ventures in the gases business, which is not included in the sales of the division, was EUR 298 m (EUR 617 m). The main reason for the decline is that the sales of our Australian subsidiary Auscom Holdings Pty (Elgas) have not been accounted for as a joint venture since October 2008, but have been fully consolidated.

Gases Division

in € million	2009	2008
Sales	8,932	9,515
Operating profit	2,378	2,417
Capital expenditure (excluding financial investments)	1,029	1,451
Number of employees (at the balance sheet date)	37,362	41,109
Sales from joint ventures	298	617

The operating profit of the Gases Division demonstrates that the measures we have taken to achieve sustainable improvements in processes and increases in productivity are having an impact. The figure for operating profit of EUR 2.378 bn is only 1.6 percent below the prior-year figure of EUR 2.417 bn, despite the much weaker economic environment. After adjusting for exchange rate effects, the operating profit of the Gases Division in 2009 was at the same level as that achieved in 2008.

The operating profit trend was better than that for sales and we were able to improve our operating margin by 120 basis points to 26.6 percent (2008: 25.4 percent). Around half of this significant increase was due to lower natural gas prices in 2009 than in 2008. Equally positive was the impact of the accelerated implementation of our HPO programme.

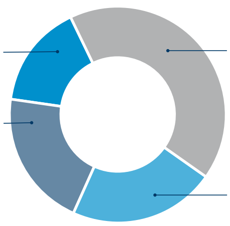
Although the market environment in our gases business proved very weak in the wake of the global recession, especially at the beginning of 2009, it became increasingly stable as the year went on. Clear signs of a recovery were to be seen mainly in the emerging economies: i.e. in regions where Linde has particularly strong market positions. This trend is also confirmed when a comparison is made between the sales and earnings trends in our four operating segments.

Western Europe

In the Western Europe operating segment, which continues to be our largest sales market, sales trends were adversely affected not only by the decline in demand due to the economic situation, but also by the substantial weakening of the British pound. As a result of these factors, sales in this region fell by 8.9 percent to EUR 3.765 bn (2008: EUR 4.133 bn). On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure, the decline in sales was only 4.6 percent. Operating profit, which was also adversely affected by exchange rate movements, was EUR 1.051 bn, 6.1 percent below the prior-year figure of EUR 1.119 bn. Despite the unfavourable economic conditions, the operating margin increased from 27.1 percent to 27.9 percent, partly as a result of our productivity improvement measures.

With sales of EUR 2.874 bn (2008: EUR 3.103 bn), the Regional Business Unit (RBU) Continental and Northern Europe contributed most to the gases business in the Western Europe operating segment. In the RBU UK & Ireland, sales in 2009 were EUR 899 m (2008: EUR 1.035 bn). This is a fall in sales of 13.1 percent, which is almost solely due to the weakness of the British pound. On a comparable basis, sales fell by only 2.3 percent.

Analysis of sales by operating segment



The market environment in Western Europe was characterised overall by a significant decline in volumes of cylinder and liquefied gases. It was not until the second half of 2009 that the situation began to stabilise, with the first signs of an upturn. However, a widespread market recovery with significant increases in volumes was not yet in evidence.

Gases Division: Sales and operating profit by operating segment

in € million	2009 Sales	2009 Operating profit	2009 Margin in percent	2008 Sales	2008 Operating profit	2008 Margin in percent
Western Europe	3,765	1,051	27.9	4,133	1,119	27.1
Americas	1,981	429	21.7	2,207	432	19.6
Asia & Eastern Europe	1,836	557	30.3	1,936	563	29.1
South Pacific & Africa	1,418	341	24.0	1,310	303	23.1
Consolidation	–68	–	–	–71	–	–

These unfavourable conditions were partially offset by positive price trends. We also benefited from take-or-pay clauses in our on-site business and from stronger trends in parts of our business relating to tanks and cylinder gases. Moreover, our Healthcare or medical gases business continued to prove robust in this region as well, in its progression towards structural growth.

In the 2009 financial year, we commenced the on-site supply of the Arcelor Mittal steelworks in Bremen, Germany. The relevant contract was signed in 2007, with EUR 50 m being invested in the construction of an air separation plant. The plant, which was originally due to come on stream in April 2010, will supply Arcelor Mittal with gaseous oxygen and gaseous nitrogen.

Linde invested a total of around EUR 33 m in 2009 in the continued expansion of the carbon dioxide (CO_2) infrastructure in Germany and France. The Group will build two new CO_2 purification and liquefaction plants, each with a production capacity of around 70,000 tons per annum, at the Gendorf site in Germany and the Rouen site in France. Both plants are expected to come on stream in the current year 2010 and will supply mainly the European food and drinks industry.

In summer 2009, we signed an agreement in Italy to take on ThyssenKrupp's production plants for air gases at its Terni site. The contract is worth around EUR 15 m. As a result of this agreement Linde is now the sole supplier of industrial gases for the ThyssenKrupp steelworks in Terni. This completes the outsourcing of industrial gases production by ThyssenKrupp to Linde which began in 2001. The complex comprises two air separation plants and a hydrogen production facility.

In the UK, we were awarded an on-site contract by the pharmaceutical group GlaxoSmithKline. Linde will build a pressure swing adsorption plant to produce nitrogen at its site in Irvine, Scotland, one of the group's largest production sites in the UK. The supply contract is for a period of ten years.

Our subsidiary Linde Nippon Sanso (LNS) entered into a long-term contract in the 2009 financial year with Bosch Solar to supply the Bosch factory in Erfurt, Germany, with specialty gases for photovoltaic (PV) production. The contract is for the supply of oxygen and high-purity nitrogen from an on-site air separation unit.

Over the past four years, Linde has built up a leading position in the supply of gases and chemicals for the manufacture of thin-layer PV modules, especially in the key markets of Germany, Spain, China, Taiwan and India. In spring 2009, we entered into a long-term agreement with Masdar PV GmbH to supply fully their production plant for these modules, also on the Erfurt site. Under this contract, we will provide a complete gas storage and distribution system as well as on-site gases management services. Masdar PV is fully involved in Abu Dhabi's major initiative for energy of the future.

Americas

Faced with the weak economic situation in the Americas operating segment, Linde saw a decline in sales of 10.2 percent to EUR 1.981 bn (2008: EUR 2.207 bn). On a comparable basis, sales were 6.8 percent below the prior-year figure. Operating profit, on the other hand, at EUR 429 m was in the same range as the result for 2008 of EUR 432 m. The operating margin improved significantly as a result, by 210 basis points to 21.7 percent (2008: 19.6 percent). This positive trend in the margin is also the result of our cost reduction and efficiency improvement measures, which had already been introduced in our US business at the end of 2008. The impact of natural gas prices in the hydrogen product segment should also be taken into account here. In the 2009 financial year, we were also able to recover a bad debt written off in 2008 relating to a major customer as a result of a creditor protection procedure.

Comparing the two large regions within the Americas operating segment, the business performance in the RBU South America was better than in the RBU North America. In South America, the sales figure of EUR 543 m was almost as high as the figure for 2008 of EUR 551 m. On a comparable basis, sales even saw a 1.8 percent increase. We also benefited here from assertive pricing.

In North America, we achieved sales of EUR 1.440 bn. This is a 13.1 percent decline compared with the prior-year figure of EUR 1.657 bn. On a comparable basis, sales here were 9.6 percent below the prior-year figure.

Linde entered into a major long-term supply contract in North America in spring 2009 with Shell Oil Company. Starting mid-2010, we will supply Shell's refinery complex in Deer Park, Texas, with hydrogen. Linde is investing around EUR 35 m in this project and will secure the supply via a pipeline network from its plants in Houston. Shell uses the hydrogen to produce environmentally friendly fuels. With the new supply contract in Deer Park, we are developing the successful customer relationship with Shell that began when we supplied hydrogen to Shell Chemicals in Mobile, Alabama, in 2007.

In Brazil, South America's largest economy, Linde concluded an on-site contract in 2009 with the steel group Votorantim Steel for the long-term supply of oxygen to its site in Barra Mansa. The plant designed for this purpose is due to come on stream in summer 2011.

Production has started at two other Linde air separation plants in South America in the past year. In Rio de Janeiro, Brazil, we are supplying industrial gases to the steel company Gerdau Cosigua, while in Cartagena de Indias, Colombia, we are producing oxygen, nitrogen and argon for the open market in the north of the country. This new air separation plant is the most significant project undertaken by Linde in Colombia in the past few years.

Asia & Eastern Europe

Within the Asia & Eastern Europe operating segment, we have seen the clearest signs of economic recovery in the course of 2009. This is especially the case in Asia. As a market leader in this region, we benefit disproportionately from the revival in demand. On this basis, Linde was able to keep sales in Asia & Eastern Europe relatively robust. Sales here were EUR 1.836 bn, a moderate decline from the previous year of 5.2 percent, or 3.0 percent on a comparable basis. We succeeded in achieving a segment profit of EUR 557 m, almost the same level as the prior-year figure of EUR 563 m. The operating margin therefore rose during the reporting period by 120 basis points to 30.3 percent (2008: 29.1 percent). In addition to the cost savings generated by the accelerated implementation of our HPO programme, positive trends in our joint venture activities in China contributed to this significant improvement in productivity.

With a slight increase in sales to EUR 421 m (2008: EUR 420 m), the RBU Greater China, which is included in the Asia & Eastern Europe operating segment, gave the steadiest business performance. In South & East Asia, the gases business also proved relatively robust. Here sales of EUR 683 m were only 3.4 percent below the prior-year figure of EUR 707 m. In the RBU Eastern Europe & Middle East, on the other hand, the signs of economic recovery were not yet as pronounced. Sales here fell by 9.4 percent to EUR 735 m (2008: EUR 811 m).

The principal driver of business development in our Asia & Eastern Europe operating segment is China. In 2009, we were again able to win major projects, which means that we will continue in future to be in a very promising position in this market. An example of this is the long-term agreement Linde has with Sinopec Sichuan Vinylon Works (SVW) to cooperate in the supply of industrial gases at the SVW complex in Chongqing Chemical Industrial Park. The contract also includes the construction of gases plants and involves an initial capital outlay of around EUR 50 m. SVW is a fully-owned subsidiary of China Petrochemical & Chemical Corporation (Sinopec).

Linde signed a contract in December 2009 with the Chinese company China State Shipbuilding Corporation (CSSC) to double its existing gases supply capacity on the island of Changxing. This contract strengthens Linde's position in an important customer segment.

In summer 2009, we secured a pipeline supply contract with the chemical group AkzoNobel at the Ningbo site in eastern China. The project is linked with the construction of an additional oxygen pipeline to our existing gases network in Ningbo. This makes Ningbo Linde's largest gases site in China.

In India, we also laid the foundations in 2009 to strengthen our leading market position yet further. We are going to build the largest air separation plant in India in Jamshedpur for Tata Steel, one of the world's leading steel companies, under a long-term supply contract. The relevant agreement was signed in autumn 2009. The capital outlay for the new plant is around EUR 85 m.

In the past financial year, Linde has also concluded a contract with another Indian steel company, Steel Authority of India

(SAIL), for the on-site supply of industrial gases. The 15-year contract is for the supply of oxygen, nitrogen and argon. We are building the air separation plants required for this purpose on the Rourkela site.

In India, the solar industry has seen particularly dynamic growth. By 2020, the country intends to increase installed electric power from solar energy from the current figure of virtually nil to 20 gigawatts. As a leading partner in the photovoltaic (PV) industry, Linde is benefiting from this development and in 2009 won four long-term contracts to supply PV manufacturers, Moser Baer, Euro Multivision, Solar Semiconductor and Indo Solar.

In the past three years, Linde has invested a total of around EUR 300 m in India.

In Eastern Europe, although economic development was significantly weaker than in Asia, we were also able to achieve important business successes. An example of this is the on-site contract we concluded with the Russian steel company ZAO Kaluga Research and Production Electrometallurgical Plant (KNPEMZ) to supply oxygen, nitrogen and argon. Linde will construct an air separation plant for this purpose at the KNPEMZ production site Vorsino. This will involve capital outlay of EUR 37 m. KNPEMZ is a subsidiary of Novolipetsk Steel (NLMK), one of the world's leading steel producers.

In Romania, we have continued to strengthen our partnership with ArcelorMittal, the world's largest steel producer, at its production site in Galati. Having constructed a new air separation plant in 2008 in Galati and taken on the modernisation of the existing plants, Linde will now apply its innovative REBOX-HLL technology to the steel production. In this process, pure oxygen instead of air is used to fire the furnaces. This ensures higher production output and reduces both fuel consumption and emissions of nitrogen oxide and carbon dioxide.

South Pacific & Africa

In our South Pacific & Africa operating segment, we achieved an increase in sales of 8.2 percent to EUR 1.418 bn (2008: EUR 1.310 bn). This was mainly due to the full consolidation for the first time of the Australian LPG company Elgas, Sydney. On a comparable basis, sales in the reporting period fell by 6.7 percent.

Operating profit improved by 12.5 percent to EUR 341 m (2008: EUR 303 m), while the operating margin increased from 23.1 percent to 24.0 percent, partly as a result of cost structure improvements.

In the RBU South Pacific, Linde achieved sales of EUR 980 m (2008: EUR 811 m), boosted by the first-time consolidation of Elgas. This represents an increase of 20.8 percent. On a comparable basis, excluding Elgas, sales saw a slight decline of 2.7 percent. We were largely able to make up for declines in volumes with sales increases in the Healthcare product area and positive price developments.

In the RBU Africa, business trends were affected by a significant decline in volume compared to the previous year. We achieved sales here of EUR 438 m, 12.2 percent below the figure for the 2008 financial year.

We are the leading supplier of gases in the South Pacific region and in sub-Saharan Africa.

In Australia, the market for liquefied natural gas (LNG) is becoming increasingly important. Following the delivery in 2008 of a medium-sized LNG plant to our customer Wesfarmers near Perth, we were able to supply a smaller plant of this type in 2009 to the company LNG Refuellers Pty Ltd in Westbury, Tasmania. The capital outlay for the project was around EUR 90 m. Our Australian gases subsidiary operates the plant.

In South Africa, the most important sales market in the RBU Africa, our subsidiary Afrox brought on stream in the 2009 financial year a new specialty gases plant at our gases production centre in Germiston. Afrox will therefore be able to offer our HiQ® brand specialty gases products to the African market. This is part of a general initiative to introduce the same high standard worldwide throughout the Group.

Product segments

In the on-site business, where we supply industrial gases from plants situated directly on the customer's site, we were increasingly able to stabilise our business performance in the course of 2009. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes to Group structure, sales in this product segment were EUR 2.075 bn, almost the same as the prior-year figure of EUR 2.085 bn.

In the on-site business, we benefit from the fact that our long-term contracts have take-or-pay clauses, which guarantee a minimum income. New production start-ups also contributed towards offsetting declines in volumes to a great extent.

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The fall in demand caused by the economic situation had a greater impact on our cylinder gas and liquefied gases business than on the on-site business. Cylinder gas sales fell by 9.1 percent to EUR 3.635 bn on a comparable basis (2008: EUR 3.998 bn). In the liquefied gases product segment, Linde saw a fall in sales of 6.5 percent on a comparable basis to EUR 2.192 bn (2008: 2.344 bn).

Our Global Business Unit Healthcare, or medical gases business, continued to grow in 2009 despite the global economic crisis. Sales increased on a comparable basis by 4.6 percent to EUR 1.030 bn (2008: EUR 985 m), exceeding the billion euro mark for the first time. This proves that the global megatrend healthcare is still intact. Structural growth drivers in this sector are (i) demographic trends, especially in the industrialised nations and (ii) better diagnosis and potential treatments, particularly for chronic illnesses.

Our Healthcare business comprises Hospital Care (supplying medical gases and related products to hospitals) and Homecare (medical services for patients in settings other than hospitals).

Sales in the Hospital Care segment rose by 6.6 percent from EUR 719 m in 2008 to EUR 766 m in 2009. We succeeded here in further strengthening our market position in Asia. In China, we concluded several supply contracts with major hospitals and, in addition, we set up the largest filling station for medical gases in the province of Guangzhou. In Pohang, South Korea, Linde also opened a filling station for medical gases. From here, we supply the southern part of the country.

The market offensive for the painkiller ENTONOX®/LIVOPAN®, which we launched in 2008, continued during the 2009 financial year. The focus here was on the markets in Austria, Germany and Sweden. In the UK, where the product has been established in the market for some time, we gained a new customer, the Children's Hospital in Sheffield.

We were again able to achieve success, especially in Europe and South America, with sales of our medical product INOmax®, which is used for the treatment of term and near-term neonates with certain pulmonary disorders. Sales of this product saw double-digit growth worldwide.

Sales in the Homecare segment stayed virtually constant at EUR 265 m, compared with EUR 266 m in 2008. As in the previous year, most of our sales in the Homecare segment were made in Europe and South America. There were particularly positive trends for this business in South America, where we benefited from the expansion of our activities in Colombia and Argentina. Our Homecare business also grew significantly in North America. In this region, we were able to more than double our sales, even if this was at a low level. A disproportionate contribution to this positive business performance was made by our product REMEO®, a care concept for patients requiring ventilation for long periods. In May 2009, we opened our third REMEO® ventilation centre in the US state of Tennessee. In June 2009, Linde also brought a new centre of this type into service in Bogota, Colombia, the second in that city in three years.

Gases Division: Sales by product area

in € million	2009	2008[1]	Change in percent
Liquefied gases	2,192	2,344	–6.5
Cylinder gases	3,635	3,998	–9.1
On-site	2,075	2,085	–0.5
Healthcare	1,030	985	4.6
Total	**8,932**	**9,412**	**–5.1**

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

Engineering Division

In our Engineering Division, we were unable to reach the record levels attained in the 2008 financial year in 2009. Sales were EUR 2.311 bn, 23.4 percent below the prior-year figure of EUR 3.016 bn. This decrease was mainly due to the different structure of the projects in the two different years: e.g. as a result of the type of project, the project duration, the state of completion of the project or the execution of the project. Against this background, operating profit of EUR 210 m was 21.3 percent lower than the prior-year figure of EUR 267 m. The operating margin was 9.1 percent, significantly exceeding our target margin of 8 percent.

Engineering Division

in € million	2009	2008
Sales	2,311	3,016
Order intake	2,458	3,057
Order backlog	4,215	4,436
Operating profit	210	267
Capital expenditure (excluding financial investments)	32	53
Number of employees (at the balance sheet date)	5,716	5,951

The market environment for the global construction of large-scale plants was characterised in 2009 by a marked reluctance by customers to award new projects. Given this situation, order intake of EUR 2.458 bn was unable to reach the very high level achieved in 2008 of EUR 3.057 bn.

Nevertheless, even in difficult market conditions, we were able to win new contracts of strategic importance. An example of this is the major contract from Abu Dhabi (United Arab Emirates) worth more than USD 1 bn which we were awarded in summer 2009. We will build a new olefin plant for the Borouge consortium on the Ruwais site. As a result of this major project, the geographical focus for new contracts during the reporting period was the Middle East, with a 37.3 percent share of the total. 31.9 percent of new business related to Europe.

The Abu Dhabi order also had a significant impact on the spread of order intake by plant type. Almost 60 percent of new business in 2009 related to the olefin plant product segment, while the rest was spread evenly over the other plant types (natural gas plants, air separation plants, hydrogen and synthesis gas plants). In the 2008 financial year, the greatest proportion of orders came from the air separation plant product segment.

However, general trends cannot be read into these figures, as the contract volumes for individual types of plant are so huge that a single order for a large-scale plant can completely distort the figures.

The fact that Linde is still in a strong position in the international plant construction business is also demonstrated by the order backlog at 31 December 2009. At EUR 4.215 bn, it is almost as high as the record level achieved in 2008 of EUR 4.436 bn.

By region

	Sales		Order intake	
in € million	2009	2008	2009	2008
Europe	678	831	784	903
North America	248	201	70	186
South America	103	94	160	58
Asia/Pacific	558	632	361	1,016
Middle East	682	1,197	916	802
Africa	42	61	167	92

By plant type

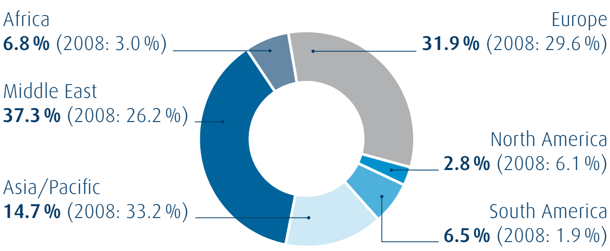
	Sales		Order intake	
in € million	2009	2008	2009	2008
Olefin plants	465	957	1,457	750
Natural gas plants	272	367	163	375
Hydrogen and synthesis gas plants	429	384	261	356
Air separation plants	949	996	359	1,345
Other	196	312	218	231

Olefin plants

In the olefin plant market, the economic crisis led to the award of some projects being postponed in the 2009 financial year, and in some cases to the cancellation of projects. Despite this unfavourable situation, Linde was able to win a number of major olefin projects.

In summer 2009, we were awarded the contract to build an ethane cracker (see glossary) for the Borouge consortium on the Ruwais site in Abu Dhabi, United Arab Emirates. This is the third project of this type which Linde has executed for Borouge in the past decade. The contract value was USD 1.075 bn. Borouge is a joint venture between Abu Dhabi National Oil Company (ADNOC), one of the world's biggest oil and gas groups, and Borealis, a leading supplier of chemicals and plastics. The project is an important step in the ongoing development of the petrochemical infrastructure in Abu Dhabi.

Order intake by region



Towards the end of 2009, Linde won two olefin contracts from Russia. We will construct a large polypropylene plant for the plastics manufacturer Tobolsk-Polymer LLC in Tobolsk, Western Siberia, which is expected to come on stream in the middle of 2012. This project worth around EUR 450 m is currently one of the key investments in Russia's petrochemical industry.

Linde is to plan a gas separation and ethylene plant for the chemical company Novy Urengoy Gas and Chemical Complex (NGCC), a subsidiary of the Russian group Gazprom, in Novy Urengoy, Western Siberia, and to advise on the assembly of the plant. The project was arranged some years ago and is now being realised. The value of the contract to Linde is EUR 47 m.

In addition, we transferred a production-ready polyethylene plant to the Eastern Petrochemical Company (SHARQ) in Al-Jubail, Saudi Arabia, and successfully started test operations.

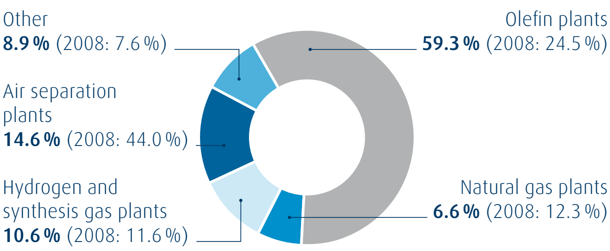
Natural gas plants

In the wake of the worldwide financial and economic crisis, there was a significant correction in oil prices in the fourth quarter of 2008. In the course of 2009, crude oil prices levelled off at around USD 60 to USD 70 per barrel, half the highest level seen in 2008. For the first time in decades, the demand for oil and natural gas has fallen considerably worldwide. Against this background, it is becoming apparent that there will be a slight oversupply in the market for liquefied natural gas (LNG) in the coming years, which will have a subduing effect in the short term on capital expenditure decisions relating to new large-scale LNG plants. The medium-term to long-term prospects for the natural gas and LNG markets, on the other hand, are still rated as positive. Given the ongoing exploitation of existing oil and natural gas fields, the International Energy Authority (IEA) is expecting a supply bottleneck in the medium term.

Despite the difficult market environment, Linde was able to secure the contract to supply process design for the new LNG complex CIGMA from the state-owned Venezuelan oil company PdVSA in Venezuela at the beginning of 2009. The aim of this project is to bring natural gas from offshore fields near the town of Güiria onshore, and to process and liquefy it there, making it available for international export. Linde expects further contracts from this project relating to engineering and the supply of pieces of equipment.

In the process design, developed in-house by Linde, the Group is applying its experience from the Snohvit LNG project, the largest natural gas liquefaction plant in Europe off the coast of Hammerfest in Norway. The plant, which we planned and built for the Norwegian energy company Statoil Hydro, reached its full production capacity in the 2009 financial year. Statoil Hydro is also using our innovative process for the capture of CO_2 from the natural gas stream and its storage in formations under the seabed.

Order intake by plant type



Linde was awarded two contracts by Huanqiu Contracting & Engineering Corporation (HQEC) in China in April 2009 for the development, construction and supply of two immersion vaporisers for the regasification of liquefied gas at the liquefied gas transshipment facilities in Dalian and Jiangsu. The total value of the contract was around USD 14 m.

In 2008, Linde was awarded a contract in Western Australia to supply a plant to separate nitrogen from natural gas. The execution of this project for the customer Woodside Burrup Property Limited is proceeding on schedule. The plant is due to come on stream in the second half of 2010.

We are currently involved in numerous other projects to separate nitrogen from natural gas. The market for this type of natural gas plant is growing, because nitrogen-rich natural gas sources are increasingly being exploited and nitrogen is used on a large scale to increase the yield of oilfields (Enhanced Oil Recovery, see glossary).

Air separation plants

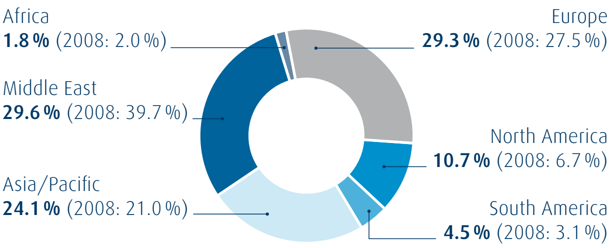
The market for air separation plants was characterised in 2009 by a marked reluctance to award new contracts. Some projects already commissioned were also postponed.

However, even in these unfavourable conditions, the Engineering Division was able to secure major orders in the 2009 financial year. Once again, the Gases Division of the Group was an important customer. Our engineering experts are delivering a large air separation plant in Chongqing to supply the Sinopec Sichuan Vinylon Works (SVW, see also page 050), as well as a smaller plant to produce noble gases at the Leuna chemical site in Germany.

In addition, we won three more orders from China in the reporting year to supply air separation plants. In May 2009, a contract was signed with Shaanxi Carbonification Energy Co. Ltd to build an air separation plant. The new plant is being built in Changwu and will be used for coal gasification. We will construct a plant of a similar type in Urumqi, and we are also supplying an air separation plant for Yankuang Xinjiang Coal Chemical Co. Ltd (YXCC) for slurry gasification.

In the past financial year, we also received an order from the Indian steel industry to supply an air separation plant, which we will build for the company Bhushan Steel on the Rengali site.

Sales by region



Good progress is being made on the construction of the largest air separation plant complex in the world, Pearl GTL, which is currently taking shape in Qatar in the Persian Gulf. In summer 2006, Shell GTL Ltd awarded Linde the contract to supply eight large identical air separation plants. By the end of 2009, all the plant components had been delivered and installed. The first plant is currently at the beginning of its start-up phase. Assembly of the whole air separation complex should be complete by the end of 2010. The handover of the entire air separation plant to the customer is expected to be completed in the first half of 2011.

Our customer Shell GTL acknowledged the outstanding quality of our engineering experts and in 2009 selected us from among the twelve suppliers involved in the major project to receive its "Achiever of Highest Level of Quality Excellency" prize.

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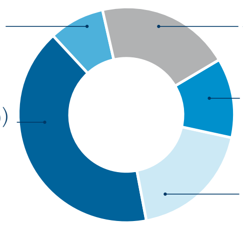
Hydrogen and synthesis gas plants

Demand for hydrogen and synthesis gas plants declined noticeably, particularly at the beginning of 2009, above all in the refinery sector. Towards the end of the reporting period, there was, however, a revival in project activity in this product segment.

Despite the difficult market situation compared with that in 2008, we succeeded in winning three contracts for hydrogen plants from the refinery industry. We were awarded an order to supply a turnkey plant by the Raffineria di Milazzo in Sicily. This will be the second hydrogen plant we have built for this refinery.

We will build a second hydrogen plant for our Gases Division on the Lemont site in Illinois, USA. Production here is scheduled to start during the current year 2010. The new plant will supply hydrogen to the neighbouring refinery, which is operated by CITGO Petroleum Corporation.

Sales by plant type



In China, there is consistently high demand for our Rectisol® technology (see glossary). This process is used to remove CO_2 and sulphur components from the synthesis gas of coal gasification plants. After selling five technology packages of this kind in the 2008 financial year, we had further success in 2009 in this product segment.

At the end of 2009, we won contracts from Sasol Synfuels in Secunda, South Africa, to expand the capacity of the CTL plant there (CTL = Coal-to-Liquids – see glossary). The contracts include the construction of a synthesis gas plant and of other plant components.

As a result of the slump in oil and natural gas prices, the cost-effectiveness of numerous international coal gasification projects with carbon capture and storage was more difficult to demonstrate in 2009 than in 2008. However, even in this environment, we continue to be successful at selling the technology processes required. An example of this is our involvement in the first IGCC power station with integrated carbon capture and storage in Germany, which is being planned by RWE (see also page 071).

Other types of plant

In addition to the four plant types described above, the market for biotechnology plants in particular is increasingly developing into a self-contained product segment. In the past financial year, we have continued to work on a number of major projects in this area and have been awarded a number of new contracts.

In December 2009, Linde was awarded a contract by Fraunhofer-Gesellschaft, following an EU-wide tender, for the chemical and biotechnological process centre in Leuna, Germany. As the general contractor, we are responsible for the planning, supply and construction of all the technical installations. The contract value is around EUR 40 m.

In the area of pharmaceutical biotechnology ("red biotechnology" – see glossary), which involves the production of active pharmaceutical ingredients and the manufacture of drug products, Linde was able to win several new contracts in 2009, in Switzerland and Russia and increasingly in the Middle East. The focus here was on the following product areas: insulin, blood-clotting agents and vaccines.

We support international pharmacy groups such as Novartis, GlaxoSmithKline and Novo Nordisk not only with projects in their home markets, but also with their expansion into new markets in Eastern Europe and the Middle East.

The projects described demonstrate that we have strengthened our position in the market for biotechnology plants in the course of 2009 and that we have laid the foundations for future growth in the years to come.

Other activities

The Other Activities segment comprises our logistics services business (Gist) and our subsidiary Cleaning Enterprises (environmentally friendly dry-cleaning under the brand name Fred Butler®).

Gist achieved sales of EUR 461 m in the 2009 financial year. When compared to the prior-year figure of EUR 525 m, this represents a decrease of 12.2 percent, which is mainly due to exchange rate effects. On an adjusted basis, sales were only 3.6 percent below the prior-year figure. Because it specialises in the distribution of chilled food, Gist was less affected by the economic crisis than other areas of the logistics business.

The Group also succeeded in winning a promising contract in March 2009. Gist will assume the management of the food supply chain in the UK and the Republic of Ireland for the retail chain Marks & Spencer over the next ten years. The new contract, which is worth a total of around GBP 2 bn, also includes the supply of frozen goods and bread products to Marks & Spencer stores.

In 2009, Gist won the Motor Transport Safety Award for its outstanding safety standards and also received several prizes for exemplary employee training programmes.

Against the background of the difficult general economic environment, our subsidiary Cleaning Enterprises achieved sales in 2009 of EUR 4 m, but was unable to reach the same level as in 2008 of EUR 6 m. In the past year, the focus of the company's activities involving environmentally friendly cleaning technologies has been on business customers.

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Net assets and financial position

In the course of the 2009 financial year, the focus was on securing liquidity, our assets and reducing and optimising our financial debt.

Total assets increased in 2009 by EUR 557 m to EUR 24.381 bn. This increase was mainly due to stronger exchange rates and the resulting impact on the translation of the local financial statements of Linde Group subsidiaries into the reporting currency.

Goodwill rose, principally as a result of exchange rate effects, by a total of EUR 404 m to EUR 7.297 bn. The acquisition of the majority interest in the Saudi Arabian industrial gases company SIGAS contributed EUR 34 m to the increase in goodwill. Other intangible assets, which include in particular customer relationships arising from the BOC acquisition, rose by EUR 141 m. This increase was mainly due to exchange rate effects less amortisation. The principal reason for the decrease in current other receivables and other assets was the cash-effective realisation of positive fair values from interest rate hedging transactions. Despite the stronger exchange rates, trade receivables of EUR 1.607 bn were below the prior-year figure of EUR 1.641 bn. This was due not only to the lower level of sales in 2009, but also to successful debt management. There were no significant bad debts in the financial year and the average days outstanding barely changed. Receivables from financial services, which almost exclusively comprise our long-term gas supply contracts which are classified as leases in accordance with IFRIC 4, have fallen to EUR 645 m, partly as a result of payments by our customers.

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

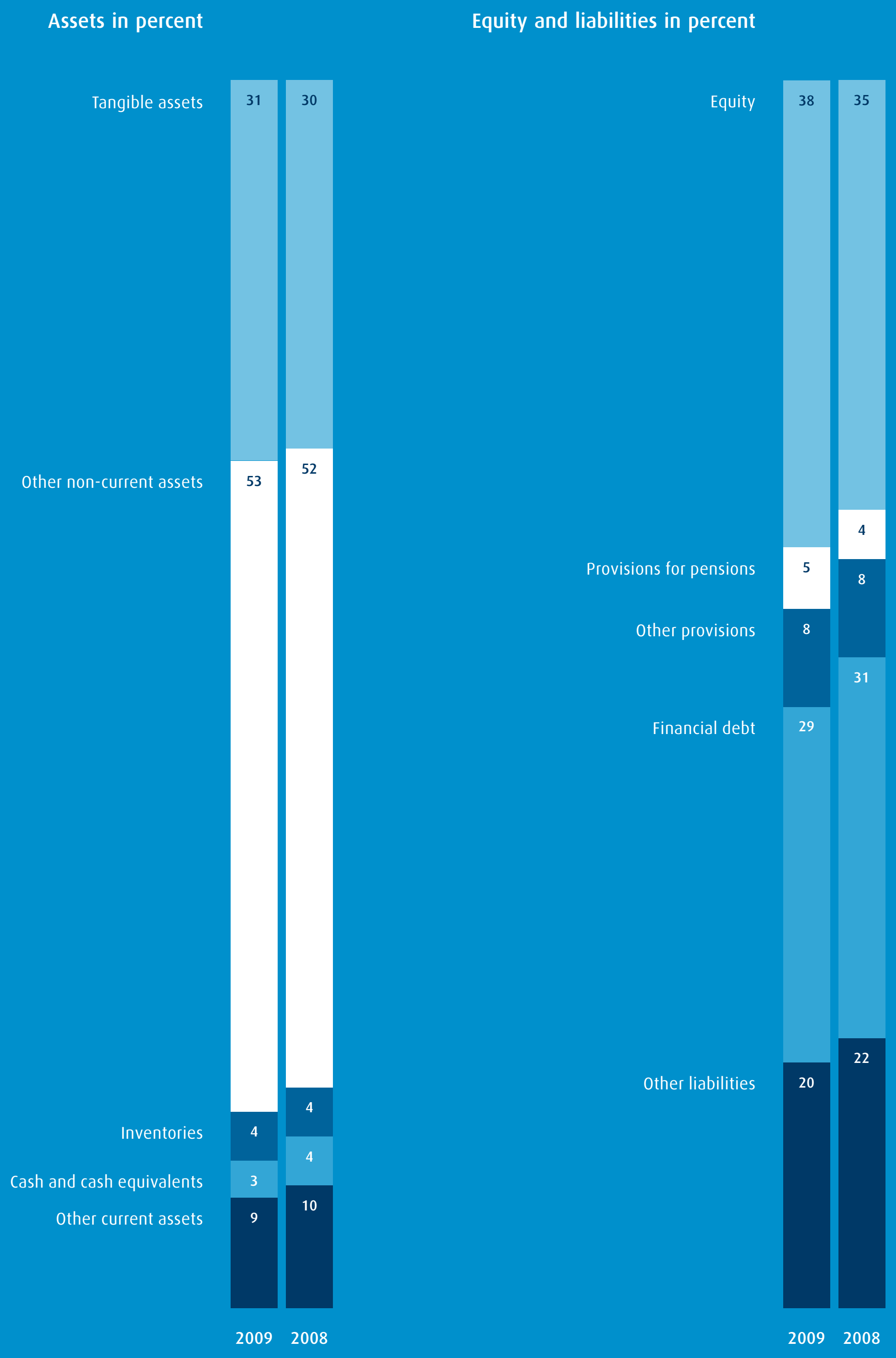
Equity rose from EUR 8.249 bn to EUR 9.187 bn. The equity ratio was 38 percent (2008: 35 percent). The main factors which had a positive impact on equity were exchange rate movements of EUR 794 m and earnings after tax of EUR 653 m. The actuarial losses on the remeasurement of pension provisions of EUR 204 m, on the other hand, had a negative impact on equity.

The net pension obligation increased in 2009 from EUR 681 m to EUR 887 m. The principal reason for this was actuarial losses on the remeasurement of pension obligations as a result of the fall in interest rates in the 2009 financial year. These actuarial losses were only partially offset by positive market trends for the plan assets. The net pension obligation was also reduced by the contributions made by The Linde Group to plan assets of EUR 127 m, of which around EUR 68 m related to the special payments made to the UK pension fund which were agreed in the course of the BOC acquisition.

Net financial debt, which stood at EUR 6.119 bn, was EUR 304 m lower than the prior-year figure of EUR 6.423 bn, despite adverse exchange rate effects and remeasurement effects arising from accounting for fair value hedges. The fact that we were able to reduce our net financial debt despite these effects was due mainly to the significant increase in free cash flow before financing activities of EUR 1.143 bn (2008: EUR 604 m). In addition, we were able to continue to lengthen the maturity profile of our financial debt during the year. Of the financial debt of EUR 6.967 bn (2008: EUR 7.445 bn), EUR 381 m (2008: EUR 1.290 bn) is disclosed as current and EUR 6.586 bn (2008: EUR 6.155 bn) as non-current debt. This means that around 95 percent of our financial debt is due after the year 2010. In particular, we issued a 5-year Eurodollar bond for USD 400 m in November 2009. The issue was used to refinance part of the syndicated credit in US dollars and was used especially to hedge against exposure to translation risks in respect of the net assets we hold in dollars. Financial debt repayable within one year is matched by liquid funds of EUR 831 m and a EUR 2 bn syndicated credit facility available until 2011. This credit facility will be succeeded by a new two-year EUR 1.6 bn revolving credit line or forward start facility, which will be available until March 2013. At 31 December 2009, available liquidity was therefore EUR 2.450 bn.

Our gearing (the ratio of net debt to equity) was 67 percent at 31 December 2009, due to the increase in share capital and the decrease in net financial debt (2008: 78 percent). The dynamic indebtedness factor (net financial debt to operating profit) increased slightly from 2.5 in 2008 to 2.6 in 2009.

Balance sheet items as a percentage of total assets of EUR 24.381 bn (2008: EUR 23.824 bn)



Cash flow statement

Cash flow from operating activities continued the positive trends seen in previous quarters. It increased from EUR 1.876 bn in 2008 to EUR 2.142 bn for the 2009 financial year. The 14.2 percent rise was achieved, despite the difficult economic environment, due to our successful working capital management and the first results of our HPO programme. This could be seen in particular in the successful reduction in trade accounts receivable and the fall in inventories, which released funds of around EUR 200 m.

Cash outflow from investing activities in 2009 was EUR 990 m (2008: EUR 1.272 bn). This change was due mainly to the decrease in capital expenditure. It should be noted here that some of our capital expenditure – especially in the project business with on-site plants – has been postponed to the 2010 financial year.

Capital expenditure for 2009 was EUR 1.278 bn (2008: EUR 1.714 bn), of which EUR 86 m relates to payments for financial assets and consolidated companies (2008: EUR 213 m). The largest transaction here was the acquisition of the Saudi Arabian industrial gases company SIGAS. The proceeds on disposal of consolidated companies include the sale of our subsidiary for integrated solutions in water, wastewater and other related assets (EMC) in the US in December 2009.

As a result of the higher cash inflow from operating activities and the lower cash outflow from investing activities, the net cash inflow (free cash flow before financing activities) in the 2009 financial year rose to EUR 1.152 bn, compared with EUR 604 m in 2008, virtually doubling despite the weak global economy.

Cash flow statement (summary)

in € million	2009	2008
Cash flow from operating activities	2,142	1,876
Cash flow from investing activities	–990	–1,272
Free cash flow before financing	1,152	604
Dividend payments to Linde AG shareholders and other shareholders	–343	–329
Net interest payments	–301	–353
Receipts from issue of benchmark bond and other loans raised	1,437	1,705
Payments to redeem loans and bonds	–2,138	–1,428
Other changes	14	–30
Change in cash and cash equivalents	–179	169

In 2009, dividends of EUR 343 m (2008: EUR 329 m) were paid. Net interest payments (interest payments less interest receipts) amounted to EUR 301 m. In comparison with the prior year, when the balance was EUR 353 m, this reflects successful debt reduction and the financing strategy of the past few years.

Receipts and payments relating to loans and bonds resulted in a net cash outflow of EUR 701 m (2008: net cash inflow of EUR 277 m). The change in cash and cash equivalents was therefore a reduction of EUR 179 m in 2009 and an increase of EUR 169 m in 2008.

Summary of the 2009 financial year

In 2009, we experienced the deepest recession for more than six decades. In the wake of the worldwide financial and economic crisis, global gross domestic product fell by 2.2 percent. World industrial production declined by 9.2 percent. These unfavourable conditions did not leave our Group unscathed. Nevertheless, we were able to hold a relatively steady course and to limit the decline in sales and earnings caused by the economic situation, as was our goal.

Group sales fell by 10.4 percent after adjusting for exchange rate effects to EUR 11.211 bn. We achieved Group operating profit of EUR 2.385 bn, only 4.8 percent below the record level of 2008 after adjusting for exchange rate effects. We succeeded, despite the weakness of the global economy, in increasing our Group operating margin by 110 basis points from 20.2 percent to 21.3 percent and in further improving our productivity.

Other key figures for The Linde Group remained relatively stable. Adjusted ROCE reached 10.4 percent (2008: 12.4 percent). Adjusted earnings per share declined by 16.1 percent to EUR 4.58 (2008: EUR 5.46). Cash flow from operating activities, on the other hand, rose 14.2 percent to EUR 2.142 bn (2008: EUR 1.876 bn). We were also able to reduce net financial debt by over EUR 300 m to EUR 6.119 bn (2008: EUR 6.423 bn).

This robust business performance confirms that our business model is working. As a result of our concentration on our worldwide gases and plant construction businesses and on the basis of our global orientation, we are in a better position to weather economic slowdowns than other industry sectors. It was also crucial that we adopted measures to counter the effects of the economic crisis at a very early stage. Right at the beginning of 2008, we had already started to implement our integrated programme to optimise processes and improve efficiency in the long term (High Performance Organisation or HPO) across the entire Group.

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 capital markets has made it clear how important it is for a company to procure sufficient liquidity.

Our 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 2009 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 and strengthens our negotiating position with the banks and other market participants.

The Group companies are financed either by the cash surpluses of other business units in cash pools (Germany, the UK, France, Italy, Switzerland, Scandinavia and the Baltic states, the United States, the Benelux countries, Australia, China and other Asian countries), or by Group loans from Linde Finance B.V. or Linde AG. 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.

Syndicated credit

Our net financial debt, which increased significantly in the course of the BOC acquisition in 2006, had been further reduced to EUR 6.119 bn at 31 December 2009 (31 December 2008: EUR 6.423 bn).

The original syndicated credit facility (term loan – see glossary) of GBP 8.9 bn taken out to refinance the BOC acquisition has now been reduced to around EUR 500 m (2008: EUR 900 m). The EUR 2 bn revolver (see glossary) facility, also syndicated, is currently unutilised and also serves as back-up for our EUR 1 bn Commercial Paper Programme (see glossary). At 31 December 2009, around EUR 145 m of the commercial papers issued by Linde Finance B.V. were outstanding. Both facilities are available until 2011.

Forward start credit facility

In order to increase the flexibility of our financing still further, in June 2009 we agreed a new EUR 1.6 bn two-year revolver credit line. This forward start credit line will be available from 2011 and will succeed the Group's existing revolver credit facility, which expires in March 2011. The transaction was arranged by Linde itself and forms part of a club deal. More than 20 major German and international banks used by Linde were involved in the transaction. With this new credit line, Linde has ensured that it has a solid general liquidity reserve with the banks.

Capital market activities

In 2009, we also made successful use of the capital markets to improve the maturity profile of our financial debt, thereby ensuring the long-term financing of our Group.

Under the EUR 10 bn Debt Issuance Programme (see glossary), issues totalling EUR 3.9 bn in various currencies were outstanding at 31 December 2009 (31 December 2008: EUR 3.5 bn). In the course of the 2009 financial year, we placed new bonds totalling EUR 327 m and USD 400 m in the market.

In November 2009, Linde issued a 5-year Eurodollar bond for USD 400 m with a coupon rate of 3.625 percent. The issue was used to refinance part of the syndicated credit in US dollars in order to optimise the maturity profile still further. The issue, which met with a positive response, was Linde's very first venture into the Eurodollar market and was a seamless continuation of the Group's successful financing strategy of relying on a broad base of financing sources and tools. The bond was issued under the Debt Issuance Programme and is listed on the Luxembourg Stock Exchange.

Selection of outstanding public bonds issued by Linde Finance B. V.

Issuer	Rating	Nominal amount	Coupon rate in percent	Maturity date	ISIN
Linde Finance B. V.	Baa1/BBB+	€ 1,000 m	4.375	24.04.2012	XS0297698853
Linde Finance B. V.	Baa1/BBB+	€ 300 m	5.375	12.09.2013	XS0387377756
Linde Finance B. V.	Baa1/BBB+	$ 400 m	3.625	13.11.2014	XS0465484938
Linde Finance B. V.	Baa1/BBB+	€ 600 m	6.750	08.12.2015	XS0403540189
Linde Finance B. V.[1]	Baa1/BBB+	£ 200 m	6.500	29.01.2016	XS0123544529
Linde Finance B. V.	Baa1/BBB+	€ 1,000 m	4.750	24.04.2017	XS0297699588
Linde Finance B. V.[1]	Baa1/BBB+	£ 100 m	12.250	02.10.2017 Call right from 2012	GB0001082386
Linde Finance B. V.	Baa1/BBB+	£ 300 m	5.875	24.04.2023	XS0297700006
Subordinated bonds[1]					
Linde Finance B. V.	Baa3/BBB–	€ 400 m	6.000	Undated Call right from 2013	XS0171231060
Linde Finance B. V.	Baa3/BBB–	€ 700 m	7.375	14.07.2066 Call right from 2016	XS0259604329
Linde Finance B. V.	Baa3/BBB–	£ 250 m	8.125	14.07.2066 Call right from 2016	XS0259607777

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

Rating

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies Moody's and Standard & Poor's. The rating is an essential requirement for a successful and sustainable presence in the capital market. Even after the BOC acquisition, our stated objective is an "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. In April 2008, Standard & Poor's increased its rating still further to BBB+. At the same time, the rating of the subordinated bonds was raised to Baa3/BBB–, which brought them up to the investment grade rating. In April 2009, Standard & Poor's improved its outlook for the long-term rating from stable to positive.

Rating 2009

Rating agencies	Long-term rating	Outlook	Short-term rating
Moody's	Baa1	Stable	P-2
Standard & Poor's	BBB+	Positive	A-2

Capital expenditure

In the past financial year, our capital expenditure strategy again focused on continuity. The capital expenditure decision and allocation process is centralised in The Linde Group. Every major item of capital expenditure requires the approval of a central investment committee or of the Linde AG Executive Board. Accordingly, we have invested specifically in those areas where opportunities exist for above-average growth and where we can increase our earning power and enhance the competitiveness of the Group. Capital expenditure comprises additions to tangible and intangible assets, as well as investments in long-term gas supply contracts which are classified as embedded leases in accordance with IFRIC 4.

Capital expenditure in the 2009 financial year, excluding financial investments, totalled EUR 1.137 bn (2008: EUR 1.470 bn). Relative to Group sales, the rate of investment was 10.1 percent (2008: 11.6 percent). Not all capital expenditure was disclosed in the respective years in the cash flow statement as items affecting the movement of funds.

In addition, we spent EUR 60 m in 2009 on acquisitions and investments in consolidated companies, and EUR 26 m on other financial investments, which helped to strengthen our world-leading competitive position still further. One example of these activities was the purchase of the majority interest in the Saudi Arabian industrial gases company SIGAS. If these payments are included, total capital expenditure in the past financial year was EUR 1.223 bn (2008: 1.683 bn).

As in previous years, most of our capital expenditure (2009: EUR 1.029 bn; 2008: EUR 1.451 bn) was incurred for the global expansion of our gases business. Our focus here was once again on the development of our fast-growing on-site business. The investment ratio in our Gases Division in 2009 was 11.5 percent (2008: 15.2 percent), which was slightly below our medium-term target of investing an average of 13 percent of the sales in this division.

Capital expenditure by division

in € million	2009	2008
Gases Division	1,029	1,451
Engineering Division	32	53
Other activities [1]	76	–34
Group (excluding financial investments)	**1,137**	**1,470**
Financial investments	86	213
Group	**1,223**	**1,683**

[1] Capital expenditure by division.

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

	2009		2008	
	in € million	in percent	in € million	in percent
Western Europe	347	33.7	506	34.9
Americas	244	23.7	295	20.3
Asia & Eastern Europe	327	31.8	505	34.8
South Pacific & Africa	111	10.8	145	10.0
Total Gases Division	**1,029**	**100.0**	**1,451**	**100.0**

Purchasing

The Linde Group

As a manufacturing technology company, The Linde Group spent around EUR 8.2 bn on purchasing in the 2009 financial year in a variety of markets worldwide (2008: around EUR 9.2 bn). Of the amount spent on purchases in 2009, around EUR 7 bn related to the Gases Division and EUR 1.2 bn to the Engineering Division.

Gases Division

In our gases business, purchasing covers a wide variety of areas, including energy, gases, gas cylinders and valves, tanks and tank equipment, vehicles from trucks to cars, healthcare equipment, components for large-scale plants and complete small plants and IT hardware and software, as well as various services.

In the course of the 2009 financial year, we were able to meet our ambitious purchasing targets, exceeding the level achieved in the previous year. This success was due on the one hand to the consistent implementation of measures to optimise our processes and improve our efficiency in the long term (HPO, or High Performance Organisation). On the other hand, we were able to benefit from falling price trends in the procurement markets.

Another factor in our success was greater standardisation in the products and services being bought, which led to the increased bundling of purchasing requirements and generated economies of scale.

Our purchasing activities in the past financial year not only succeeded in meeting our financial targets, but also focused on covering our requirements, as suppliers increasingly came under pressure in the wake of the global financial crisis. We arranged alternative sources of supply at an early stage and were therefore able to ensure continuing provision.

Another of our objectives was to implement measures to improve our cash flow. Our activities in this area focused on process optimisation of suppliers' invoices and improvements in inventory levels, whilst ensuring security of supply.

Through our continuing global HPO activities, we are aiming to achieve a level of performance in purchasing, as elsewhere, which will have a sustainable and positive impact on costs and cash flow. This applies not only to our expenditure, but also to our processes. Moreover, we want to continue to achieve purchase prices in line with market conditions.

By using the "purchasing scorecard" (see glossary) we launched worldwide in 2007, we will identify additional opportunities for improvement, adopt optimisation measures which will have a lasting effect and measure their success.

Engineering Division

In the course of 2009, the trend of falling prices for raw materials, semi-finished goods and finished goods which became apparent in the third quarter of 2008 continued. Steel prices fell in the second quarter to their low point, then rose slightly in the third quarter, before settling at the end of 2009 at a level comparable with that in 2006.

Price trends for finished products were somewhat variable. Until the middle of the year, the price level for machinery was still relatively constant, due to good capacity utilisation by suppliers. In the second half of the year, however, there was a noticeable fall in prices. In apparatus engineering and electrical engineering, the price decline began in the first quarter, against a background of insufficient capacity utilisation. The market therefore changed from being a seller's market back into a buyer's market.

The fall in the prices of major pieces of equipment for our plant construction business led to further purchasing successes in the 2009 financial year. In the current 2010 financial year, we expect prices to rise slightly but remain below 2008 levels.

In respect of assembly services, the situation eased a little in 2009. More assembly capacity is available than in prior years as a result of the decline in the desire to invest in industrial plant construction. We were able to fall back on well-known assembly contractors to handle our assembly contracts, thereby reducing potential risks.

In 2008, we launched the SCALE project. The aim of this initiative is to achieve long-term improvements in the competitiveness of our Gases Division in the air separation plant sector through a higher level of standardisation. This project was implemented during the 2009 financial year.

By doing the appropriate groundwork in detailed engineering, we tailored our purchasing strategy so that we could enter into long-term contractual commitments with our suppliers. So, for example, we entered into strategic supplier alliances with key suppliers for components critical to our success. These agreements, which are for a clearly-defined period of time, put all parties under an obligation to cooperate with each other, especially to reduce costs, and apply worldwide to all our plant construction companies.

In addition, we have entered into global framework agreements with suppliers, especially in the instrumentation sector, and into local framework agreements for those pieces of equipment where transport costs are a significant cost factor. For high-cost pieces of equipment which are less critical to our success, we launched a programme entitled "Sourcing in Best-Cost Countries", which involves the purchasing of items in those countries which have the best cost structure in each case. By adopting this comprehensive purchasing strategy, we will not only continue to improve the competitiveness of our Gases Division, but also the position of our plant construction business in the third-party customer market.

In the past financial year, we launched our Global Procurement project, which succeeds the "Sourcing in Best-Cost Countries" programme we introduced in 2008. The aim of this project is to achieve, within the next five years, a significant increase in the proportion of our procurement volume obtained from best-cost countries. The first step in this process is to create the organisational conditions necessary and to transform the existing purchasing organisations in the relevant markets, starting with India, China and Korea, into Procurement Centres.

In the area of supplier management, we will adapt the existing processes and systems in the new Procurement Centres to local conditions and roll them out accordingly. These measures will enable us to reduce our product and process costs still further.

Research and development

The Linde Group

Sustained and properly targeted research and development is an essential prerequisite to achieving lasting success in the diverse and technologically demanding markets in which Linde, a global group, is active. We discover new applications for our gases by working closely together with our customers, and we endeavour to offer them the best possible solution in each case which meets their requirements. In addition, we work intensively on improving and developing our processes and plants. We focus on the development of particularly environmentally friendly production processes, thereby fulfilling ever-increasing customer expectations in this area as well.

In the past financial year, Linde spent a total of EUR 89 m on research and development (2008: EUR 104 m). At 31 December 2009, 346 employees were working in this field (2008: 384): 206 in the Gases Division and 140 in the Engineering Division. During the financial year, no significant R&D know-how was purchased from third parties.

To protect our innovations, we filed 230 new patent applications in the course of 2009 across the Group. On 31 December 2009, the technologies of The Linde Group were protected by a total of 3,083 patents. The improved solutions which we develop on this basis for our customers or for our own processes give us a significant competitive edge in a great variety of sectors and industries. Our R&D activities therefore make a substantial contribution towards ensuring that we remain successful, even in times of economic difficulty.

Since 2006, we have systematically promoted inventiveness and creativity in The Linde Group by presenting an annual prize, the Patent & Innovation Award. The Group awards prizes for the ten best patents registered during a calendar year in each of the following categories: technological invention, commercial invention and Group innovation. The Linde Innovators Club now has 90 members.

Gases Division

In 2009 in the Gases Division, we invested EUR 66 m (2008: EUR 73 m) in research and development.

During the year, we restructured our R&D activities in a number of fields (manufacturing and processing industries, energy production and chemicals) under the project title "LeadTec". In these markets in particular, Linde stands out from the competition as a result of its sound application know-how and detailed processing expertise. Our aim is to continue to develop our productivity in these strategically vital areas through ever-greater thematic bundling and a focus on earnings. To this end, we have identified six particularly relevant megatrends which will influence future R&D projects more strongly: reduced environmental impact, efficient industrial processes, clean energy, healthy and convenient food, geographical and demographic shifts, and performance materials. Sustainability is the link between these different development strands. We have also launched a product lifecycle management system (see glossary), which will constantly keep our product range up-to-date and will help to ensure that our products correlate closely with customer requirements.

Against the background of the difficult economic environment, our focus in the 2009 financial year was on maintaining customer relationships, many of which are long-standing. We rely here on the continuing development of close technical cooperation, based on trust. Customers reap the benefit of this cooperation in terms of higher productivity and cost efficiency.

One of more than 100 R&D projects undertaken by the Gases Division in 2009 concerns the development of our freezing and refrigeration plants for food in the CRYOLINE® product range. Consumer demand for high-quality fresh food and the ever-increasing proportion of convenience products in the market means that we must provide a diversified range of products which are always improving. Based on a common platform for all tunnel freezer systems, we have developed additional versions of the product, such as the new CRYOWAVE™ model, which was launched in October onto the North American market. Using low-temperature carbon dioxide (–78 °C) or nitrogen (–196 °C) and thanks to a patented feed system, this equipment allows for rapid but gentle lossless freezing of a huge selection of food, including high-grade IQF (individually quick-frozen) goods such as shrimps, poultry nuggets and fruit. The expanded CRYOLINE® product range offers food processing companies energy-efficient, cost-effective solutions, while maintaining high-quality hygiene standards. We have also succeeded in further increasing the processing capacity of the plants.

An example of R&D in a completely different field is the AXENIS™ technology used in wastewater treatment, which our Gases Division made ready for the market in 2009. This is a new environmentally friendly process for the recycling of industrial effluent. A highly effective biological treatment process with oxygen and air ensures very efficient process management and particularly economical wastewater treatment in accordance with strict standards, up to drinking-water quality. Compared with conventional methods, this innovative process offers crucial cost benefits for industrial water circulation. Significantly lower capital costs make AXENIS™ a worthwhile option for companies which do not wish to build a new processing plant, but to convert an existing one. Moreover, the new technology requires considerably less energy than systems which work solely with air. Finally, customers can process the effluent on site and avoid incurring additional cost for disposal and treatment by outside contractors in accordance with the regulations.

As a result of stricter environmental obligations and increased competitive pressure, metal manufacturers and metal processors need to improve their yield, decrease their fuel consumption and reduce emissions of gases such as CO_2 and NO_X.

Oxyfuel combustion technology, which has been a key focus of Linde's R&D activities for a number of years, is a suitable process for meeting these targets. The use of oxygen instead of air prevents nitrogen ballast in the combustion or heating process, increases energy efficiency and significantly reduces harmful CO_2 and NO_X emissions. This low-temperature oxyfuel process, which is protected by trademark law, also makes the recycling and resmelting of metal easier. As a result, it is of particular interest in aluminium smelting. The use of this technology generally achieves increases in output of 30 to 50 percent and it also generates even temperatures in the furnace. The much lower temperature in the burner or furnace compared with conventional oxyfuel plants significantly decreases the risk of oxidation arising from overheating the aluminium surface. Fuel consumption and emission rates are also both reduced by up to 50 percent. In the past year, Linde signed a contract with the Swedish company, Stena Aluminium, a leading producer of recycled aluminium, to install a low-temperature oxyfuel plant. This technology has already been successfully adopted in four factories, including Hydro in Norway and SAPA in Sweden. Production capacity here rose by up to 60 percent.

Hydrogen technology

As the world's largest manufacturer of hydrogen plants, Linde is able to provide the full range of technology required for a functioning hydrogen value chain, from production through to refuelling. We have been focusing for a number of years on driving forward the development of hydrogen technology and the creation of an infrastructure in the automobile sector. We are particularly keen to expand our range of technologies with sustainable production processes and, in the long term, to increase the proportion of sustainably produced hydrogen significantly. Linde has, for example, developed an innovative process to produce hydrogen from biogenic raw materials. Following intensive work in the laboratory, we are currently building a demonstration plant at the Leuna chemical site, which will come on stream in the middle of 2010. The plant, for the production, pyrolysis and reforming of raw glycerine, produces a hydrogen-rich gas which is fed into existing on-site hydrogen plants for purification and liquefaction. This "green" liquefied hydrogen will be used initially as an emission-free fuel in the German hydrogen centres of Berlin and Hamburg.

Due to its high hydrogen content, raw glycerine, which is a by-product of biodiesel production, is particularly suitable for the production of hydrogen. Biogenically produced glycerine is not in competition with food production, can be transported easily and is available all year round. It provides the opportunity for sustainable yet cost-effective hydrogen production. With this innovative proprietary process, Linde has succeeded in taking a further important step towards low-emission energy supply with hydrogen.

Given our objective of renewable hydrogen production, we have also continued our work on the thermal BTH (Biomass To Hydrogen) process. A pilot plant which produces hydrogen from biomass waste is due to come on stream this year.

The development of the hydrogen infrastructure continues to move forward. In June 2009, the first public hydrogen filling station in Baden-Württemberg opened at Stuttgart Airport. In this cooperative project between OMV, Daimler and Linde, subsidised by the German state of Baden-Württemberg, the latest results of research into H_2 refuelling technology have been applied. The filling station uses the most efficient version currently available of the ionic compressor technology developed by Linde. Thanks to this new method of compression, fuel-cell cars and buses can be refuelled in a few minutes with 350-bar or 700-bar compressed hydrogen. Linde also supplies the gaseous hydrogen.

In the past financial year, we have also made significant progress in hydrogen refuelling technology with mechanical piston compressors. Linde's new cryocompressor makes direct compression of liquefied hydrogen possible. The low temperature of –253 °C means that active cooling of the unit is unnecessary. With this energy-efficient process and the greatest possible reduction in moving parts, the new type of compressor offers a high level of reliability for relatively low operating and maintenance costs. Once performance tests have been successful, this technology is intended to equip new H_2 filling stations.

Electronic gases and applications

In the Electronics Business Area, our R&D activities are focusing on reducing harmful emissions of gases required in the manufacture of electronic components and photovoltaic modules. We are successfully exploring new avenues with our fluorine technology. This process completely replaces sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3), which were not at all climate-friendly. Both gases are used to clean processing chambers, a function which can be assumed by pure fluorine (F_2), not only faster and more effectively, but also in a more environmentally friendly way. The positive experience we have had in the past few years with our on-site fluorine generators for customers in the flat-screen and semiconductor sector has also enabled this technology in the past year to achieve a breakthrough in solar cell manufacture. Our F_2 technology was used for the first time in the industrial production of innovative thin-layer photovoltaic modules by Malibu GmbH & Co. KG, a joint venture between E.ON and Schüco. As a result of the total changeover from NF_3 to F_2, Malibu, one of Linde's development partners, is not only making cost savings, but reducing its CO_2 emissions by the equivalent of more than 52,000 tons per year.

This technology, which can also be adopted in existing production plants without any major changes, is one of the main unique selling points for Linde Electronics.

Most semiconductor producers, like solar cell manufacturers, had to reduce their output at the beginning of 2009. At the same time, work began in the industry sector on the next generation of electronic chips with a structural size (see glossary) of a mere 32 nanometres. (A nanometre is one billionth of a metre.) We are supporting this technological leap with innovative gases solutions: for example, with doping gases (see glossary) delivered unpressurised, which have been marketed since 2009 under the brand-name Genii™. In the course of the doping process, the insertion of ions in a semiconductor layer deliberately changes its conductivity. The handling of the highly toxic specialty gases used here requires special safety precautions. Two newly-developed Linde technologies reduce the handling risk for semiconductor manufacturers significantly. In unpressurised gas supply systems, doping gases are either stored in ionic liquids or produced electrochemically on site.

In the electronics industry, rare elements such as titanium, hafnium, zirconium and tantalum are increasingly being used instead of silicon for certain layers in the microchip, so as to achieve ever-smaller storage structures or greater power density. Under the brand-name LEAP™ (Linde Electronics Advanced Precursors), Linde offers a range of innovative reactive gases (organometallic compounds), which are used to deposit atomic or very thin layers with specific electric characteristics.

In the past financial year, Linde Electronics also opened a research and development centre in Changdian, China, which is dedicated to the subject of packaging: i.e. the assembly of multi-layer circuitry. The aim of the activities in this centre is to develop gas mixtures and application solutions for the industrialisation of progressive technologies relating to 3D packaging.

Engineering Division

In its Engineering Division, Linde invested a total of EUR 23 m in 2009 (2008: EUR 31 m) in R&D activities. As in previous years, the focus was on the development of new and existing technologies for the four product lines: natural gas plants, air separation plants, olefin plants, hydrogen and synthesis gas plants. For all new processes, the greatest priority is energy efficiency and environmental friendliness. Development work in the individual plant segments is supported by a central R&D department. Performance is measured on a continuous basis by Key Performance Indicators (KPIs). These figures relate to the following criteria: competitiveness, use of resources, ability to cooperate, internal and external contacts, and the capacity to innovate, as well as quality, safety and environmental protection. In the reporting period, we supplemented these factors with a performance indicator for environmentally friendly process technologies.

All the companies in the Engineering Division have their own suggestion scheme which awards prizes for outstanding ideas. A centralised patent department ensures that Linde's rights to innovative technical solutions are protected at an early stage.

In the past financial year, we have continued to drive forward the development of new technologies to reduce emissions which are harmful to the environment and the climate. In the energy sector, our focus was on clean coal activities (see glossary). In August 2009, the pilot plant for CO_2 flue gas treatment (post-combustion capture) at the RWE Power AG power station in Niederaussem was opened. The process involves the separation of carbon dioxide in conventional coal-fired power stations after the desulphurisation of the flue gas with a wash liquid. A new scrubbing process developed jointly by RWE, BASF and Linde is being tested in Niederaussem under real conditions. The participating companies are gathering experience to use in subsequent large-scale plants, which may be used to retrofit modern coal-fired or gas-fired power stations after 2020.

In the course of our technology partnership with Vattenfall Europe Technology Research GmbH, a subsidiary of Vattenfall

Energy Group, we have also devised a new concept for the removal of nitrogen oxide (NO_X) and sulphur oxides (SO_X) from power station flue gases, which is to be tested at the coal-fired oxyfuel pilot power station in Schwarze Pumpe, Brandenburg, Germany. This process also helps to ensure that the treatment of flue gases is more efficient. In addition, Linde continues to support test runs in Schwarze Pumpe in the areas of oxygen supply and CO_2 purification and liquefaction.

The Linde subsidiary Linde-KCA-Dresden (LKCA) has completed a study of the construction of additional demonstration plants for oxyfuel technology and post-combustion technology on the Vattenfall site in Jänschwalde, Germany. The principal subject of the study was the level of efficiency of innovative power station technology. We compiled a study about the treatment of captured CO_2 for the Integrated Gasification Combined Cycle (IGCC) power station including CO_2 separation technology (Carbon Capture and Storage = CCS) planned by RWE.

The carbon capture process will not develop its full potential for climate protection until more research has been done into the feasibility of permanent, safe storage of carbon dioxide. Since 2007, Linde has been involved in the CO_2SINK research project of the GeoForschungsZentrum (GFZ or Geological Research Centre) in Potsdam. More than 20,000 tons of CO_2 supplied by Linde has been stored underground in Ketzin since then. As a result, the project partners have now acquired vital knowledge about the extent to which CO_2 can be stored within suitable geological formations.

In the direct reduction of iron ore, an alternative to the conventional blast furnace which emits less CO_2, large amounts of synthesis gas are required. To produce this, our plant construction division is currently developing a new type of reactor, which should significantly increase the specific output of the partial oxidation (see glossary). We used the new technology, which was developed for a special burner, during the financial year for the first time in trials for a steel research institute in a pilot plant owned by Linde.

Against the background of the increasing global scarcity of raw material resources, a field of development which remains important to Linde is the examination of alternative, sustainable means of energy production.

The pilot plant for second-generation biofuels in Munich, Germany, came on stream in spring 2009. The only raw materials used in this new plant are waste products and by-products containing cellulose which are not suitable for human consumption, such as straw, grasses and wood scraps. The pilot plant will form the basis for upscaling the technology so that it can be used in large commercial plants.

In November 2009, Linde and the US company Algenol Biofuels LLC agreed to collaborate on a joint development project in order to identify the most efficient management of carbon dioxide (CO_2) and oxygen (O_2) for Algenol's algae and photobioreactor technology. This cooperation will see the companies join forces to develop cost-effective technologies for Algenol's proprietary process for the production of third-generation biofuels. The project focuses on the capture, storage, transport and supply of CO_2, as well as on the removal of oxygen from the photobioreactor. The research collaboration builds on a process developed by Algenol Biofuels and other partners, by which bioethanol and other biofuels or biochemicals are produced in photobioreactors directly from algae, CO_2, salt water and sunlight. These third-generation biofuels do not take up land which can be used for agricultural purposes and fresh water is not consumed in their production.

We are also involved in the development of modern biorefineries, especially for the production of intermediate chemical products. In these plants, biotechnological process steps are combined with those in conventional chemical production in an environmentally friendly and energy-saving way.

After in-depth preliminary work and following an EU-wide tender, our subsidiary LKCA was awarded the contract in December 2009 to act as general contractor for the Chemical and Biotechnological Process Centre (CBP) in Leuna, Germany, of Fraunhofer-Gesellschaft, a Munich-based applied research organisation. LKCA is responsible for the planning, delivery and construction of all the technical installations. With its various process modules to use renewable raw materials, the CBP forges links between research and science and the practical implementation of industrial biotechnology on a commercial scale. Linde is directly involved not only in the implementation, but also in the forward-looking research projects of the new centre. The research focuses, for example, on devising new processes for optimised enzymes in food production, and on producing bioplastics from agricultural waste and chemical feedstock such as bioethylene from renewable resources.

The oligomerisation (see glossary) of ethylene into linear alpha olefins (LAO) has been an important research area in our Engineering Division for some years. The first large-scale production plant employing the α-SABLIN® process (see glossary), which was developed in collaboration with SABIC (Saudi Basic Industries Corporation), was commercialised in 2009 at the Al-Jubail site in Saudi Arabia. LAO are required in the manufacture of plastics, synthetic lubricants and detergents such as shampoos and washing powder. As ethylene is used as feedstock in a linear alpha olefin plant, α-SABLIN® technology is a forward-looking supplement to our product range.

The advantages of α-SABLIN® over alternative processes are the simplicity of its process management and its moderate process conditions. There are promising market opportunities for this technology, as α-SABLIN® technology is the only commercially established LAO technology which is available for licensing to third parties.

Research and development

	Expenditure (in € million)					Number of employees				
	2009	2008	2007	2006	2005[1]	2009	2008	2007	2006	2005
Gases Division	66	73	68	72	61	206	267	238	317	319
Engineering Division	23	31	29	20	16	140	117[1]	109[1]	121	98
Group	**89**	**104**	**97**	**92**	**77**	**346**	**384**	**347**	**438**	**417**

[1] Adjusted.

Corporate responsibility (CR)

In the 2009 financial year, our continued commitment in the core areas of our corporate responsibility remained a matter of great importance to us. In November 2009, as in previous years, we published a Corporate Responsibility Report (CR), in which we summarised the progress we have made in our five focus areas: Employees, Environment, Corporate Citizenship, Ethics and Compliance and Socially Responsible Investments (SRI).

Our activities here concentrated above all on improvement measures in the area of environmental and climate protection in our own production facilities and on the diverse applications of our gases and technologies, which present our customers with an environmentally friendly alternative to existing processes. We also focused on our global targeted personal development programmes. During the financial year, for example, we devised and implemented training modules for the various target groups of employees in the Group. The 2009 CR Report also includes our non-financial data, comprising key employee data and key HSE (Health, Safety, Environment) data. The report was published for the first time on the Internet with an accompanying brochure at www.linde.com.

Guidelines and CR Council

The corporate responsibility policy is one of the guidelines on which we base our actions. In the policy, we commit ourselves to acting responsibly towards our stakeholders – which might include our shareholders, our business partners, our employees and the community – and to developing sustainable technologies and protecting natural resources.

A high-level committee, the CR Council, sets targets every year on this basis, which are summarised in the CR road-map and gradually implemented.

The members of the CR Council are Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG and Dr Aldo Belloni, member of the Executive Board, together with the managers with global responsibility for Corporate Communications & Investor Relations, Human Resources, Internal Audit, Legal and SHEQ[1]. In the 2009 financial year, the committee met on 30 September in Munich.

CR roadmap 2009/10

In the 2009 financial year, we achieved our target and received an assurance report from KPMG Sustainability for selected HSE data (see CR Report 2009). We also succeeded in the continuing qualitative improvement of our recording processes for non-financial key data. It should also be emphasised that the measurement of Linde shares in line with Socially Responsible Investment (SRI) criteria has continued to improve. They were included, for example, in 2009 in the Ethibel Sustainability Index (ESI) Europe. To select shares for the index, a process is adopted which analyses and values the company on the basis of criteria which are given equal weight – internal social policy, environmental policy, external business policy and ethical economic policy.

The asset management company Sustainable Asset Management (SAM), which specialises solely in sustainable investments, publishes and licenses the internationally recognised Dow Jones Sustainability Indexes (DJSI) and assesses the sustainability performance of the world's 2,500 largest companies. Linde received awards in 2009 from SAM in two different categories at the same time. In a global comparison with the other companies in its sector, Linde had made the greatest progress in the area of corporate responsibility (Sector Mover of the Year) and it was also included for the first time as one of the Sustainability Leaders (SAM Bronze Class).

The dialogue with our customers about corporate responsibility has also intensified in the past year.

In the current financial year 2010, we will seek:

- → to involve independent third parties again in the verification of selected non-financial data,
- → to roll out an Environmental Innovation Performance Indicator across the whole Group and
- → to set quantitative environmental targets at Group level.

Key themes

We identify the key CR themes at various levels (global, regional, local), which enables us to match the ecological and social challenges for our core business with the requirements of our stakeholders. The themes identified are designated as high, middle or low priority.

In the Safety, Health, Environment und Quality (SHEQ) action area, for example, we have identified environmental and climate protection, as well as health protection for our employees, as themes of above-average importance for sustainable and responsible corporate management.

In the Employees action area, this applies not only to building commitment to the Group and fostering talent, but also to the theme of demographic trends.

To ensure compliance with legal regulations as well as with voluntary standards, a global compliance organisation has been set up. Our employees worldwide will receive continuous training on various compliance themes. Guidelines such as the Code of Ethics can be found on our website at www.linde.com/guidelinescorevalues. Our approach in the

[1] Safety, Health, Environment, Quality.

Ethics and Compliance action area is set out in the corporate governance report (see page 017).

In the 2009 CR report, we will report in detail on other themes relating to all five CR action areas and on the various measures taken and targets set.

Safety, Health, Environment, Quality (SHEQ)

For all our stakeholders, but especially for our employees and customers, extensive and effective management in the four areas included under the designation SHEQ (Safety, Health, Environment and Quality) is of great importance. Our aim is to improve the quality of our products and services constantly, while at the same time maintaining high standards of safety, health and environmental protection.

HSE management

The integrated management systems in our Gases and Engineering divisions and in our logistics business, Gist, are the relevant tools for the management of HSE (Health, Safety and Environment). They comprise internal SHEQ guidelines and include detailed descriptions of the processes to which they apply.

Between November 2008 and January 2009, the SHEQ central function also conducted a Group-wide qualitative assessment on the topic of health protection. A total of around 80 business units in Linde (Gases Division companies, the Engineering Division and the Electronics Business Area) answered approximately 60 questions. The evaluation of the answers revealed that the strengths and weaknesses of health management vary in Linde according to region and that there are already many excellent programmes at a local level. The aim in the current financial year is to establish a mandatory minimum standard for health management and to promote the exchange of best practice in the Group.

Quality management

In the Gases Division, the consistently high quality of our gases is exceptionally important.

As a result, over 65 percent of all the sites in this division have been certified in accordance with the international quality management standard DIN EN ISO 9001.

In the Engineering Division, quality management is integrated into the core processes in accordance with internationally recognised standards from the tendering process to the execution of the contract and the provision of customer services. Quality management and HSE management are interlinked and for a single project might comprise setting quality and HSE targets, monitoring customer satisfaction and conducting internal audits. The Engineering Division, like the Gases Division, secures its quality management by obtaining external certification.

Climate protection

In its guidelines (corporate responsibility policy, SHEQ policy), Linde expressly commits to protecting the environment, offering safe, environmentally friendly products and services, and developing technologies, products and services which are particularly ecologically sustainable. We ourselves have undertaken to measure and evaluate those of our own processes which are relevant to the environment and the climate on a regular basis and to publish the results.

In the Gases Division, particularly relevant in climate protection are air separation units and HyCO plants, the main products of which are hydrogen and carbon monoxide. Our greatest challenges here are lowering energy consumption and using energy efficiently, as well as the associated reduction in greenhouse gas emissions, because the production of industrial gases is energy-intensive. When our gases are transported by truck, whether they be liquefied gases transported in tankers or cylinder gases transported in cylinders, we take care to optimise routes so as to reduce fuel consumption and therefore emissions. Across all industry sectors, there are gases applications which can make the processes more environmentally friendly and climate-friendly, whether by substituting materials, improving the efficiency of combustion processes, or reducing emissions or waste. Climate protection is integrated into the main processes of our Engineering Division and comes particularly into focus at the tendering stage and in the planning phase of the plant. Should process technologies be available that are proven to be more environmentally friendly than those specified in the customer's tender or than required by law, our Engineering Division points out the advantages of these solutions to our customers and demonstrates how they can be integrated into the customer's project.

Research and development are exceptionally important for our plant construction business and this also applies to climate protection. Since 2009, we have been measuring the levels of innovation in our Engineering Division from an ecological perspective using the Innovation Performance Indicator, which will also be introduced in the Gases Division in the course of 2010. More details about our gases applications and climate protection technologies can be found at www.linde.com/cr.

Employees

Qualified and motivated employees are an important prerequisite for the sustainable success of our Group. As we are in competition with other companies, we pursue an integrated Group-wide personnel strategy which is designed to support our employees and encourage their commitment. The continuing professional development of our employees, based on the requirements of the Group, is a key element of our personnel management at all our locations. The Group-wide Human Resources (HR) function is responsible for advising and supporting all the business units on these personnel issues. Our personnel development programmes, which we bring together under the heading "People Excellence" and which we expanded in 2009, are an example of this. We were also able virtually to complete the introduction of a Group-wide personnel data management system. A web-based platform which ensures a high level of data security now makes it possible to retrieve Key Performance Indicators (KPIs), which are based on standard definitions, without any time-lag.

We have also begun to take account of the global demographic shift, i.e. a rapidly ageing population in industrial countries on the one hand and high rates of population growth in the emerging economies and newly industrialised countries on the other, as a factor in our future personnel management.

People Excellence

The range of jobs within our Group makes it necessary for us to devise our personnel development programmes on a modular basis and in a way that is as much directed towards target groups as possible. These programmes are characterised by practically relevant learning and therefore offer the best preparation for the continuing professional development of our employees in both specialist/technical and personal spheres. A Group-wide example of this is the development of future managers by tutors who have been trained internally and are themselves engineers, scientists or technicians. Our line manager development programme is aimed at first-tier and second-tier managers, who have the greatest direct responsibility for employees at Linde. One of the core competences being taught is effective leadership and the inclusion of employees so as to achieve further improvements in their own productivity and enhance their commitment.

Linde University

Under the auspices of Linde University, we have created an international training and development programme focusing on leadership and business management as well as on continuing professional development.

The education plan of Linde University comprises both teaching with students present and online interactive learning programmes, as well as project work. In order to integrate the most recent scientific knowledge and management theories into the learning process, we cooperate at an international level with leading universities. At the same time, we also involve top management in our training and continuing professional development programmes, to ensure that they have practical relevance tailored to the needs of the Group.

Lifelong learning

In Germany, as in other industrialised countries, the number of qualified personnel is already declining, even though they are urgently needed. The reason for this is lower numbers in younger year-groups.

In particular, there is an acute shortage of engineers. The recruitment of highly-qualified engineers is, however, a vital component for sustainable success in a technically-oriented Group such as Linde. To improve this situation across the various levels of education, we rely on various measures.

We encourage an interest in science, for example, by sponsoring various schools in Germany, and beyond the German borders we are an active partner in the fields of higher education and research.

One example of the way in which we support the learning of older employees as well is the "WeGebAu" programme (a training scheme for older employees working in the company who have few qualifications). We are initially implementing this scheme only in Germany, in collaboration with the Bildungswerk der Bayerischen Wirtschaft.

Employee representation

The cooperation between our Group and its employees, employee representatives and trade unions is characterised by a fair balance between the economic interests of the Group and the interests of our workforce worldwide. In 2009, 55.3 percent of our personnel were employed under collective agreements (2008: 50.6 percent). In Germany, the Works Constitution Act (BetrVG) governs cooperation between company management and employee representatives. Employee representation in The Linde Group is two-tiered, comprising decentralised works councils in the individual units and a central works council for the Group as a whole. In addition to this two-tiered co-determination system, Linde has also had a European works council for a number of years. This provides the opportunity for employee representatives to share information across national boundaries.

Pensions

In many countries, Linde has set up occupational pension schemes for its employees which form part of their total remuneration package, thus contributing towards protecting the standard of living of its employees once they have retired.

Existing pension schemes are either defined benefit plans or defined contribution plans (see glossary). The Group has set up defined benefit plans in 29 countries and defined contribution plans in 30 countries.

As a result of increasing requirements relating to risk control, defined contribution plans are growing in importance. Defined contribution and defined benefit elements are often combined: e.g. in the form of guaranteed minimum returns on contributions.

A feature of modern pension plans is that they provide the opportunity for employees to play an active part in building up their pension benefits by making their own contributions which often attract tax relief (deferred compensation). To encourage employees to participate in such schemes, Linde rewards their commitment in many cases by making additional contributions, known as matching contributions.

Pension governance plays an important role in the management of pension plans. A clear set of rules exists for this purpose. Compliance with the rules is monitored by the Global Pension Committee. The responsibilities of this committee include ensuring the appropriate market positioning of newly-established pension schemes (as part of the total remuneration package of Linde employees in that particular country), evaluating the financial and accounting implications of pension scheme launches and changes to schemes, and supervising existing pension schemes across the world. The members of the committee are the Chief Executive Officer, the Chief Financial Officer and representatives from the following Group functions: Human Resources, Group Treasury, Group Accounting & Reporting and Global Pensions.

The difficult market environment of 2008 resulted in significant losses in externally managed pension assets, but in 2009 there was a substantial recovery in the value of those assets.

The main pension plans in The Linde Group, which account for around 93 percent of Linde's global pension obligations, are in the UK, Germany, the US, Australia, the Netherlands, South Africa and Switzerland. The pension obligation for these countries (or defined benefit obligation under IFRS) was EUR 4,410 m, with total plan assets of EUR 3,701 m.

In the 2009 financial year, Linde spent a total of EUR 186 m (2008: EUR 197 m) on pensions. Linde provided occupational pensions in defined benefit schemes (see glossary) for 27,786 current employees who are active members of schemes, 18,914 former employees have acquired a non-forfeitable entitlement to a company pension (deferred pensions) and 32,012 pensioners drew a Group occupational pension.

Thank you to our employees

The Executive Board would like to thank all Linde employees for their high level of dedication and hard work in the past financial year. Our staff have made tremendous efforts across the globe which have contributed to the relatively steady performance of our Group even in difficult economic conditions.

Key data

The Group-wide collection and reporting of non-financial data constitute an important tool for us, enabling us to evaluate the ecological and social impact of our business activities, assess our progress and plan our next steps. Our objective is to make continual improvements in our efforts to run our business in a sustainable and responsible manner. The regular publication of our key data also enables our stakeholders to examine and evaluate the performance of The Linde Group.

Here, we publish the key CR data for The Linde Group which relates to employees and HSE (health, safety and the environment). We select the data we publish based on international recommendations. Company-specific aspects supplement the range of figures collected: for example, we collect specific environmental data for our most resource-intensive production plants (HyCO plants and air separation units). As the basis for the systematic selection and generation of this non-financial data, we use a comprehensive materiality analysis. The importance our stakeholders attach to the economic, ecological and social performance indicators is balanced against the importance of sustainable corporate governance.

We are constantly working on significantly improving the quality of our key data and increasing the transparency of our reporting. In the 2009 financial year, we were able to make considerable progress here. On our website at www.linde.com/cr we have expanded the section entitled "Facts and Figures" and, where relevant, we disclose the key data by division over several years. So that the figures can be evaluated more easily, we give detailed information about our data management and about the definitions underlying the key data.

We have also continued to press forward with the ongoing qualitative improvement in the recording processes for our non-financial data. In particular, the introduction and continuing development of application systems for the Group-wide recording, verification and archiving of data supported us in our drive to improve our data management.

During the reporting period, we began, for example, the gradual introduction of our new standard Group-wide reporting system for employee data. This new reporting system makes it easier for us to provide the information on a timely basis to the whole organisation, to supplement the data recording step by step with additional performance indicators and to make the data recording and coordination more efficient and standardised.

In the current financial year, we will complete the introduction of this reporting system throughout the Group.

In recording our HSE data, we have come a step closer to our objectives and have been able to improve our data quality and make our data recording more efficient. We are aware that the measures we have taken have an influence on the comparability of the data with that of previous years and that the database used to determine the HSE data is sometimes subject to uncertainties. In 2009, we have continued to develop and expand the reporting system introduced in 2008. We put a high value in particular on detailed checking of the data and on various data validation measures. Our efforts have paid off. In the 2009 financial year, we received for the first time an assurance report from KPMG Sustainability for selected HSE data in our CR Report 2009 (see also CR road-map 2009/2010).

We continue to work on improving the quality and comparability of our HSE data. In the 2010 financial year, we will again pay particular attention to the introduction of the internal controls required to ensure data quality at all organisational levels and to the improvement of the documentation relating to the those controls.

More detailed information about our employees, environmental protection, safety and corporate citizenship can be found in our online Corporate Responsibility Report 2009 at www.linde.com/cr.

Employees

	2009	2008
Employees by division (at the balance sheet date)		
Gases Division	37,362	41,109
Western Europe	12,814	13,616
Americas	6,970	7,881
Asia & Eastern Europe	10,983	11,735
South Pacific & Africa	6,595	7,877
Engineering Division	5,716	5,951
Other activities	4,653	4,848
Group	**47,731**	**51,908**
Structure of the workforce		
Proportion of part-time employees in %	1.8	1.7
Proportion of fixed-term employees in %	1.8	4.7
Proportion of staff covered by collective wage agreements in %	55.3	50.6
Proportion of apprentices and trainees in total workforce in %	1.4	1.7
Proportion of apprentices and trainees in Germany in %	3.7	3.4
Employee retention		
Staff turnover rate[1] in %	4.2	6.6
Average length of service in years	10.1	8.5
Diversity		
Proportion of women in %	19.9	20.2
Proportion of women in senior management positions in %	9.3	9.1
Age structure of the staff in %		
Staff under 30 years old	17.0	18.6
Staff between 31 and 50 years old	60.1	58.9
Staff over 50 years old	22.9	22.5
Employee training		
Employees who have taken up training opportunities in %	53.8	56.9
Average number of training days per employee	1.6	1.8
Average expenditure on training programmes per employee in €	216	281

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

Key performance indicators: Audit & Training

	2009	2008
Proportion of sites in which occupational health and safety audits have been conducted, in % [1]	55.1	50.8
Proportion of sites in which environmental protection audits have been conducted, in % [1]	48.3	46.1
Gases Division employees who have undergone HSE training, in %	48.8	38.8

Key performance indicators: Health & Safety

	2009	2008
Number of workplace accidents per million hours worked (Lost Time Injury Rate; LTIR)	2.0	2.1
Number of workplace accidents with at least one day of absence	202	216
Number of working days lost due to industrial accidents	3,768	3,596
Number of working days lost per million hours worked	37.3	34.1
Average number of days sick leave per employee	5.5	5.6
Number of fatal industrial accidents involving Linde employees	3	2

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

Key performance indicators: Environment

	2009	2008
Use of resources		
Consumption of electricity in TWh	17.7	20.0
Consumption of natural gas in TWh	23.6	23.2 [2]
Consumption of water [3] in million cubic metres	38.9	41.4 [4]
Emissions into the air		
Direct CO_2 emissions in million tons	4.6	4.5
Indirect CO_2 emissions in million tons	9.0	9.7
Environmental data for specific types of plant		
Water consumption [3] by air separation plants in million cubic metres	24.3	26.8 [4]
Electricity consumption by air separation plants in TWh	16.0	17.5
Indirect CO_2 emissions from air separation plants in million tons	8.0	8.4
Natural gas consumption by HyCO plants [5] in TWh	21.3	20.7 [2]
Direct CO_2 emissions from HyCO plants in million tons	3.9	3.4

[2] The prior-year figures have been adjusted and therefore differ from the figures disclosed in the 2008 financial report.

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

[4] Due to better data collection, the prior-year figures have been updated. Therefore, these figures differ from those disclosed in the 2009 CR report.

[5] The HyCO plants include steam reformers, partial oxidation plants and methanol crackers.

Risk report

Risk management

The Linde Group, a technology company with global operations, is exposed to a great variety of risks in the course of its international business. It is our willingness to take entrepreneurial risks that enables us to exploit opportunities as they arise. We therefore intentionally take risks, as long as they are reasonable and can be managed and controlled, and bear such risks if they are expected to create value added for the Group.

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

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

The key elements of our 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 Linde 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 Linde Group.

The aim of the internal control system is to prevent the occurrence of risks in our operations by adopting appropriate controls and processes, especially in the areas of conformity with the law, compliance with our strategy, the quality of our accounting and reporting, the quality of our processes and the protection of assets. We do not limit ourselves to risks that might have a direct impact on the net assets, financial position or results of operations of The Linde Group, but also examine risks which might have only an indirect impact on key financial figures, such as risks to our reputation. The internal control system comprises all controls and processes which are incorporated into our business operations so as to monitor those risks which have been identified.

Organisation, responsibilities and risk management tools

We distinguish between risks which relate to the entire Group (Group risks) and risks arising from the activities of the operating business units (business risks). Group risks are identified by members of the Executive Board and managers of the Global Support Functions and managed by those 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 Linde Group and continues to develop the tools and methods required to identify and evaluate risks.

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

→ Capital expenditure guideline: The decision and allocation process for capital expenditure is centralised in The Linde Group. Each large item of capital expenditure is approved by a central investment committee and/or by the Executive Board of Linde AG.
→ Treasury guideline: Our worldwide Treasury guideline 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 our subsidiaries to minimise these risks and actively manage them. The Treasury committee, which is chaired by the Chief Financial Officer, receives a monthly report on these risks.
→ Purchasing guideline: Our worldwide purchasing activities require us to fulfil complex requirements in terms of our business conduct. We accept the principles of free and fair competition. We therefore reject any illegal business practices when purchasing goods and services. We have supplemented

our employee code of conduct with a purchasing guideline which applies equally to all Linde AG personnel. In these rules, Linde AG 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 its functionality. A review of the internal control system is performed at regular intervals by local units and by the Global Support Functions, based on self-assessment. The self-assessment involves companies and the Global Support Functions documenting, for example, whether the processes in the individual functional areas accord with the rules and comply with safety requirements, or whether key controls have been implemented and whether they are effective. Internal Audit is responsible for the coordination and evaluation of this process.

Accounting-related internal control system

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

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

Accounting transactions are recorded by the local subsidiaries of The Linde Group.

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

This locally recorded information is combined with supplementary information into a Group reporting pack and submitted by the local units using a standardised Group-wide reporting system.

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

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

- automated controls, such as reasonableness checks of the figures and systems access controls based on the authorisation concept, and
- 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 main key figures with the operating units.

Risk recognition, evaluation and management

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

The management team of each unit within the Group business unit 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, we consider 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 business units plan the next step of measures that can be taken to manage the risk, so that the risk may be reduced to an acceptable level. The management of the risk comprises a selection or combination of measures to avoid risk, to transfer risk, to reduce risk and to control risk. For each risk, responsibility for the risk is assumed by an individual appointed by the management of the Group business 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 our key tool when identifying and evaluating risks and determining the measures to be taken to reduce those risks. The Group business units record all the risks identified in risk registers which are updated quarterly. In the risk registers, for each risk, the measures taken to reduce the risk are documented and an assessment is made of the probability of occurrence of the risk and its loss potential in a clear, summarised form, so that the decision-makers are given an overview of the risk position in their unit. We also have a simulation model which enables us to demonstrate the effects of various factors on business performance in the course of our planning. Changes in influencing factors identified by our risk management process are incorporated into the model and allow us to demonstrate the effect of the risks on business performance. We employ statistical methods to determine the trends.

Risk reporting

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

Under the risk management system, the Group companies report the status of any significant risks and any changes in those risks directly, based on graduated cut-off points for loss potential and probability of occurrence. In addition, any risks which arise unexpectedly or which have repercussions for the whole Group are communicated directly to the appropriate personnel in the Group, irrespective of the normal reporting channels.

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

Audit

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

The Group financial statements are audited by an external auditing firm (KPMG AG Wirtschaftsprüfungsgesellschaft) and the three quarterly reports are all subject to a review. Local units are also subject to a review or audited by subsidiaries of KPMG AG Wirtschaftsprüfungsgesellschaft. In addition to submitting a review report or auditors' report, the auditors also report on any matters arising from the audit, such as audit issues.

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

Continuous improvement

Our risk management system is continuously being improved. In the first quarter of 2009, we successfully completed the introduction of our risk management software. This enabled us to increase yet again the efficiency and effectiveness of our forward-looking risk management system.

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

Risk areas

We set out below the main risk areas which might have an adverse effect on our net assets, financial position and results of operations, and for each risk area we set out the strategies we have adopted 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 strategy in turn comprises a large number of specific individual measures and activities. Therefore, no opinion is expressed as to the potential loss or the probability of occurrence of the risks in the individual risk areas.

Risks arising from the economic environment

As a company with global operations, we are dependent on cyclical trends in the world economy. The decline in demand seen across the world in the 2009 financial year as a result of the economic crisis represents a risk for us. Uncertainties about future global economic development remain. We may be faced with further lost sales, a potential lack of new business or an increase in the risk of bad debts in our operating business due to the increasing inability of our customers to make payments (counterparty risk). The high level of volatility in the financial markets will continue to make it difficult to make an accurate assessment of the future net assets, financial position and results of operations of The Linde Group.

The Linde Group operates in many countries and regions, supplying almost all industry sectors. This does not mean that we are able to prevent the worldwide decline in demand having a negative impact on our growth targets, but it does mean that we are able to reduce its effects. This spread of risk also applies to counterparty risk. Moreover, The Linde Group deals with counterparties who have good credit ratings. Regular reviews are performed of the creditworthiness of counterparties and very clear limits are set. However, credit ratings have been changing very rapidly since the onset of the economic crisis. Despite our monitoring procedures, our counterparties might delay their payments or fail to pay at all.

Our 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, is also a contributory factor in lessening the impact of economic cycles on our Group.

Moreover, the 2008 financial year had already seen the launch of a number of cost-reduction and efficiency improvement schemes, the full impact of which will become evident over the next few years.

The fact that markets are competitive means that we are exposed to the risk of losing market share and experiencing a decline in our market profile. We counter this risk by constantly conducting analyses of our market environment and competitive situation. We obtain vital information about our customers' requirements by maintaining regular contact with customers, which enables us to stay close to the market. We use the information we receive to develop and supply products tailored to suit the needs of the market and to enhance our competitive position and increase our market profile.

Risks in politically unstable countries

The Linde Group is a global group operating in around 100 countries. Potential risks we 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, we employ risk assessment tools to evaluate our exposure to risk and the impact of risk on the net assets, financial position and results of operations of the Group and to ensure cross-border financing at optimal levels of risk. Individual capital expenditure projects are evaluated so as to identify any political risks which might be associated with them. On the basis of this evaluation, the risks are covered by German government guarantees for direct foreign investment, tailored insurance solutions or similar financial instruments available in the market if appropriate. Counterparty risk for export business is also assessed, and limited if necessary by instruments such as Hermes guarantees.

External risks

A fundamental risk for Linde, as for all companies, is posed by potential radical changes in the political, legal and social environment. A theoretical risk to the 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 our 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. The Linde Group has developed and launched a contingency plan for the 2009 global H1N1 pandemic, also known as swine flu, which covers the critical areas for our business operations in the various business units. The plan focuses on maintaining our ability to supply in every country, especially to those of our customers with a critical infrastructure. At the same time, we are providing our employees with guidelines on how to protect themselves against infection at home and in the workplace. As a result of our pandemic risk management, there have been no adverse effects on our business operations from the pandemic and there has been no significant increase in the sickness figures reported for our employees.

Strategy risk

The Linde Group has developed a long-term growth strategy. At regular meetings, the Executive Board and Supervisory Board, as well as Linde AG management personnel, evaluate this strategy and implement any corrective measures required.

We also pay close attention to global economic trends, so that we can take the steps necessary to adapt the implementation of our strategy to any changes in the international economic situation, by adjusting the timeframe involved or the geographical application of the strategy.

In 2009, there were no changes in the growth strategy or in decisions about location which would have given rise to a change in the strategy risk.

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Financial risks

The basic risk strategies for interest, currency and liquidity management, and the objectives and principles governing our financing are determined by the Treasury committee, led by the member of the Executive Board responsible for finance. This committee usually meets once a month and comprises representatives from Treasury and Accounting/Reporting.

Due to its global operations, The Linde Group is exposed to a number of financial risks. In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates and exchange rates. The management of counterparty risk is based on the credit ratings of the counterparties. We also monitor changes in other relevant capital market parameters, such as movements in credit default swaps or in the market capitalisation of counterparties. We limit the extent and duration of any financial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading entity to ensure compliance with all the limits set. In the 2009 financial year, as a result of the financial market crisis, amounts were switched between borrowers, in order to reduce the risk of loss which might occur if a counterparty were to default.

Even before the onset of the crisis in the financial markets, the management of the liquidity risk was one of the Treasury department's most important tasks. For years, Linde has pursued a provident and conservative policy of safeguarding liquidity and we have continued to have access to the capital markets in the 2009 financial year. We also have the security of the backing of a major international banking group which provides us with financing commitments which have not yet been utilised. Moreover, the period to which the financing commitments from the banks relate was extended further during the financial year by means of a forward start facility available until March 2013.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. On the one hand, they have an impact on the level of the interest expense borne by The Linde Group, and on the other hand they affect the fair value of financial instruments. Based on the operational business model and using sensitivity and scenario analyses, Group Treasury has determined ranges for the fixed-floating rate of the financial liabilities in the main currencies: Euro (EUR), British Pounds (GBP), US Dollars (USD) and Australian Dollars (AUD). Group Treasury manages the rates within the agreed ranges and submits regular reports to the Treasury committee about the measures implemented.

In the case of exchange rate risk, it is important to distinguish between operational transaction risks, which are the result for example of supply contracts for individual projects spread across different currency zones, and translation risks, which arise from currency translation relating to individual companies at different cut-off dates.

Within Treasury, the principle of segregation of duties between the front, middle and back offices is being observed and monitored throughout the risk management process. This means that there is a strict personal and organisational separation between the dealing and the processing and verification of a financial transaction. We use a treasury management system to implement, record and evaluate our transactions. The operations within Treasury are subject to regular internal and external reviews, generally once a year.

Our financing and hedging decisions are based on the financial information we obtain from the treasury management system and from our financial and liquidity forecasts. This is embedded in our general financial reporting systems, which are also used for Financial Control and Accounting/Reporting.

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

Hedging decisions are made according to the risk strategies of the Treasury committee. Forward exchange deals, currency swaps (see glossary), simple currency options and foreign currency loans are all used here. The main currencies are the US Dollar (USD), the British Pound (GBP), the Australian Dollar (AUD) and some Eastern European, South American and Asian currencies. Translation risks are hedged in USD, GBP and AUD within authorised ranges. In our Gases Division, we also use financial instruments, especially to hedge against exposure to changes in the price of electricity, natural gas and propane gas. In our project business in the Engineering Division, foreign currency risks are reduced as much as possible by natural hedges, for example by purchasing supplies and services in the currency of the contract. Any foreign currency amounts over and above this are immediately hedged fully when they arise, generally by entering into forward exchange transactions.

Interest rate risks are also centrally managed. We analyse potential interest rate risks, ascertain the interest rate exposure in the major currencies and conduct sensitivity analyses. Based on the range for hedging rates determined by the Treasury committee, Group Treasury concludes the transactions with the banks. Interest rate risks are hedged using long-term fixed-interest bonds, loans and interest rate derivatives. In 2009, on average 38 percent of the exposure of the Group was financed at variable rates, while at 31 December 2009 the figure was a good 52 percent.

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

Pension risks

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

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

In most pension schemes, the obligation is covered by assets which are maintained separately. The worth of the pension assets is subject to fluctuations in the fair value of those assets: e.g. bonds or shares. There is therefore an exposure to market risks, especially interest rate, spread and share risks.

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

As a guideline, the Executive Board has set a global risk budget. Measures being taken to modify the actual risk are coordinated by the Global Pension Committee and implemented in the local pension schemes.

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. We manage and reduce these risks by designing tailor-made procedures and processes for our acquisition and investment projects.

Right at the beginning of each project, we use internal and external experts to assess the risks associated with that project. Acquisitions, investments and divestments are also regularly discussed by our 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. We work together with internal and external experts to evaluate, 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.

In the course of the past financial year, The Linde Group has completed a variety of corporate acquisitions and sales. The acquisitions made are the result of deliberate measures taken by the company to strengthen its core business. The investments focused on areas offering opportunities for above-average 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. Our research and development activities focus not only on improvements in existing customer processes, but also on completely new technologies and gases applications which may form the basis for future business success. We are concentrating in particular on the following growth areas: energy and the environment, metallurgy, pharmaceuticals, food, health and new materials. In the energy sector, for example, the focus of our research and development activities is on hydrogen technology, a field 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, our 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, our innovative solutions must meet strict hygiene requirements and comply with the guidelines set out in the pharmacopoeia. In the area of new materials, investigations are being conducted into the fields of application of materials research such as nanotechnology in the sectors in which Linde operates.

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

We address this risk in a number of different ways. Innovation Management, the Group-wide Global Support Function, keeps an eye on the markets, checking constantly to see whether the projects within The Linde Group match our overall strategy and have the potential to generate future profits. Systematic scanning of target areas also takes place, so that we identify early any scenarios which might pose a threat to our own core business and are able to take the appropriate countermeasures. We are increasingly employing tools and processes here with the "open innovation" approach. As our own development resources are in principle always limited, this approach means that we can choose to resort to networks for external developments.

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We also combine our development activities. In our Healthcare Global Business Unit, for example, we have incorporated Linde's expertise in medical gases into one strong innovation and development unit.

In the Gases Division, global teams of experts in the development of applications ensure that our development projects are geared towards the current and future requirements around the world of the various industries. A rigorous development process with defined milestones identifies variances from target as soon as possible and the appropriate corrective action is taken as a result. In addition, current project costs and project targets are monitored on an ongoing basis. In our Engineering Division, for example, there is permanent performance measurement, which ensures that projects achieve a planned economic return within a certain timeframe and that there are no unexpected budget overruns.

Our 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. We are actively involved in the development of future standards, as the marketing of our innovations may depend on compliance with those standards.

Purchasing risks

A key element in the success of our divisions is the ready availability of the products and services we purchase, which must be of suitable quality, and obtainable in appropriate quantities at prices in line with market conditions.

To reduce risk, the central purchasing department pursues a portfolio strategy across the entire Group. This strategy is organised on the basis of defined material groups, which are used to categorise all products and services. Reviews are performed for each material group to ascertain the security of supply, any dependence on suppliers and the supplier portfolio. Based on this analysis, we develop purchasing strategies which minimise the purchasing risk and the cost risk. One example of this is single sourcing, which we reduce by the systematic development of alternative sources of supply. The regional purchasing organisations are involved in this process, from the development of the strategy to its implementation in the relevant country, so that the information available about local markets can be incorporated into the development of the purchasing strategies.

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

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 our products, product information and services. To ensure that our products are safe, our risk management is based on the concept of overall product responsibility (product stewardship). The potential hazards and risks which might arise from a product during its entire life-cycle for employees, neighbours, customers or the environment are analysed and the relevant potential risk is determined. We take the necessary measures to avoid the risks which have been identified or, if that is not possible, to reduce the risks to an acceptable level. Product stewardship begins at the moment when key raw materials, supplies and services are purchased. We only choose suppliers who attach as much importance as we do to occupational safety, health and environmental protection, and quality, and who can demonstrate this, for example, by the fact that they operate an integrated management system.

We also involve our customers in our product stewardship. In the Gases Division, we conduct customer screenings for critical products. These investigations aim to minimise the risks which might arise from improper handling of our gases or chemicals. We only supply these products to our 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.

We are continually updating our product information to take account of national and international guidelines such as REACH and GHS (Globally Harmonised System of Classification and Labelling of Chemicals).

If, despite all these precautions, problems arise, for example with a gas cylinder, our emergency teams are on stand-by to provide support.

Production risks

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

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

If, despite these preventive measures, a business interruption should occur, we have supply networks operating between our production plants, so that any business interruption would have only a limited effect or no effect at all on our customers.

Environmental and safety risks

The manufacturing of our products and the construction of our plants may give rise to risks associated with the production, filling, storage and transport of raw materials, goods or waste. These risks 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.

We therefore strive to be a leading company in the areas of safety, health protection, environmental protection and quality. All these aspects of corporate responsibility are integrated into our management systems. The Group-wide SHEQ function manages the constant improvement process in these areas, ensuring its success.

One of our main preventive strategies is to maintain and continually update a stringent safety standard for the production and service processes. Strict safety requirements form the basis of processes with a particularly high exposure to risk. A number of years ago, Linde developed and introduced a Major Hazard Review Programme. This programme is always being updated to address potential new risks.

Pollution can occur in many guises and can damage the environment in various ways. Where we understand and know about the impact of our processes and activities on the environment, we are able to develop and implement plans to reduce and control such effects. We focus here in particular on reducing emissions and on making continual improvements to our operations to ensure the efficient use of resources, materials and energy. We are currently involved, for instance, in improving the energy efficiency of our production plants and in increasing the efficiency of our transport fleet. Our impact on the environment is disclosed in key figures published every year in our Corporate Responsibility Report. Selected key figures published in our 2009 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. In our Engineering Division, we handle significant contracts which may be worth several hundred million euro and may extend over a number of years.

Typically, the division is involved in the planning and construction of turnkey plants. Potential risks may arise as a result of the costings of complex projects which are subject to uncertainties. Risks may include unexpected technical problems, bottlenecks and quality problems relating to the supply of major components, unforeseen developments during on-site assembly and problems with our partners or subcontractors. To manage the risks in plant construction, we employ 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. We conduct simulations of the opportunities and risks associated with each project using numerical methods of analysis. By continually monitoring changes in the parameters alongside the progress of the project, we are 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.

Another important aspect of risk management is the planning, assembly and commissioning of the projected plants while at the same time taking account of safety and environmental issues. To ensure that this is indeed the case, the Engineering Division has defined clearly-structured management standards and procedures and has set up a panel of experts with a wide-ranging remit.

Personnel risks

An important feature of Linde AG's corporate culture is that it is based on trust. We place special emphasis on our 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 and will seek to ensure the long-term loyalty of its management team and employees. Our rigorous management development programme includes the provision of development opportunities, as well as support and advice to target groups, the early identification and advancement of high achievers and those with potential, and attractive incentive schemes which are tailored to suit the needs of the market.

The success of our Group depends on the commitment, motivation and skills of our employees. We are addressing the issue of the shortage of skilled personnel in some fields by ensuring that we offer a range of personal development schemes and extensive opportunities for gaining qualifications and for professional development. This strengthens our position as an attractive employer in the competitive market for skilled employees, especially in the field of engineering.

We have also launched various projects, such as First Line Manager Training, Technical Career Paths and Succession Planning, as part of our People Excellence HPO dimension. These projects should ensure that we are able to supply staff from within our own organisation to fill key positions, especially in the technical field, and that we will be able to use our own resources to meet the challenges of a highly competitive labour market. We are dealing with the shortage of engineers by enhancing our own in-house training schemes.

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 current pending or future proceedings can often not be predicted with any certainty. It is therefore possible that legal or regulatory judgements or agreed settlements might give rise to expenses which are not covered, or not fully covered, by insurance benefits and which might have an impact on our earnings and on our business.

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

Legal proceedings currently considered to involve material risks are outlined below. This does not necessarily represent an exhaustive list.

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 the Company believes that such litigation should be disposed of without material adverse effect on the Company's financial condition or profitability.

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

IT risks

The various business processes (production, administration, sales and distribution etc.) of The Linde Group are increasingly supported by information services and systems. To ensure that operations are not interrupted or disrupted, we devote considerable attention to the availability of IT resources and services. In addition, to ensure adequate data protection, we take constant care that the integrity and confidentiality of important information is guaranteed.

Data security is a vital and intrinsic part of our Group-wide IT strategy. It is therefore viewed in its entirety, which means that we devise, implement and monitor procedures to protect data, applications, systems and networks. These procedures may be preventive or may be designed in reaction to specific circumstances.

To ensure the effective implementation of the security system, we rigorously apply organisational, technical and personal precautionary measures. We pay particular attention to access protection, to the management and filtering of data traffic and to the detection or suppression of potential attacks. All major server systems (e-mail, the Web, 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, we regularly perform an automatic update of the operating system platform and of the 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. Industry-specific standards are also used to enhance IT security where appropriate.

The measures we take to create a secure and effective IT environment always take account of the need for data processing, data storage and data transmission to comply with legal requirements. The focus here is on the relevant regional and national laws and guidelines, as well as on industry-specific standards.

To ensure that security measures are implemented with a high level of efficiency, we conduct analyses of weaknesses, risks and threats. The relevance, stage of maturity and current state of the security measures adopted are monitored via self-assessments, as well as by the IT internal audit department and external IT auditors. This ongoing process ensures that any amendments and improvements required are in fact made and that the effectiveness of the security measures continues to improve.

In addition, measures are adopted to keep the current IT landscape (wide and local area networks, client/server systems and applications) technically up to date and to counter obsolescence in equipment and program technology. In terms of the existing applications, we are paying particular attention to resources which are critical to the business (e.g. ERP/CRM applications, WAN infrastructure), which are being updated or renewed in a long-term programme of consolidation.

Risk transfer

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

Evaluation of the overall risk situation of the Group

Based on the risks and future prospects of the Group which have been outlined in this report, no risks have been identified in the 2009 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.

We see uncertainty as the global economy stabilises. The high level of volatility of the financial markets makes a precise assessment of the future net assets, financial position and results of operations of The Linde Group difficult.

Nevertheless, 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 our business operations. We have made all the necessary organisational arrangements to ensure that we become aware at an early stage of any apparent changes in risk situations.

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

Capital subscribed

The company has capital subscribed at the balance sheet date of EUR 432,402,165.76 which is fully paid up. This is divided into 168,907,096 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. Under this share option scheme, options have been issued in 2007, 2008 and 2009.

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 5 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) AktG.

Changes to the articles of association require a resolution at the Annual General Meeting in accordance with §§ 119 (1) No. 5 and 179 of the German Stock Corporation Law (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 subscribed capital by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing, on one or more occasions, 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 subscribed capital by up to EUR 80,000,000 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 50,000,000 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56. The increase in share capital will only take place if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 7 June 2010, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries settle the conversion obligation by 7 June 2010 as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005.

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. The increase in share capital will only take place (i) if the holders of the convertible bonds and 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 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion or option rights or (ii) if the holders or debtors of convertible bonds to be issued by the company or by Group companies controlled by the company by 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are no used for this purpose.

The issued share capital can be increased by up to EUR 8,257,466.88, divided into 3,225,573 new shares, if certain conditions are met (2002 conditionally authorised 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 had 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 9,000,000 by the issue of up to 3,515,625 new bearer shares with a par value of EUR 2.56 if certain conditions are met (2007 conditionally authorised capital). The conditionally authorised increase in share 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 14 November 2010 by a resolution passed at the Annual General Meeting on 15 May 2009 to acquire treasury shares of 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 treasury shares acquired under this authorisation may:

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

The authorisation given to the Executive Board to purchase own shares based on the resolution passed at the Annual General Meeting on 3 June 2008 was revoked when the new authorisation became effective on 15 May 2009.

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

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

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

Significant financing agreements also exist which each include specific rules in the event of a change of control. These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party.

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

Under the terms and conditions of the Linde Performance Share Programme 2007 for management boards and lower-ranking executives, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in 2007, 2008 and 2009 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined.

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

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

Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 4 March 2010.

Dividends

The unappropriated profit for the year ended 31 December 2009 of Linde AG, the parent company of The Linde Group, was EUR 887,319,283.44. The Executive Board proposes to the Supervisory Board that, at its meeting on 16 March 2010 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting on 4 May 2010 that the profits be appropriated as follows:

→ by distributing a dividend of EUR 1.80 (2008: EUR 1.80) per share entitled to dividend, a total amount of EUR 304,032,772.80 (2008: EUR 303,286,492.80) and
→ by transferring an amount of EUR 583,286,510.64 to other retained earnings.

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

Outlook

Macroeconomic trends

Whereas 2009 was mired by the global economic crisis, a recovery is expected for the current year 2010. The economists at Global Insight anticipate that global gross domestic product (GDP) will grow in 2010 by 2.6 percent. Economic experts expect global industrial production (IP) to rise by 5.4 percent. The speed of the upturn will depend on market reaction to the end or reversal of the economic programmes drawn up by politicians and the central banks. It can be assumed that the worldwide recession will lead to sustainable structural changes in the global economy.

In Western Europe and the eurozone, a moderate increase in economic output is forecast. Economists expect growth in GDP of 0.9 percent in 2010 in the eurozone, an increase in Western Europe of 1.0 percent and a rise in Germany of 1.5 percent. This follows a decline in economic output in Germany in 2009 that was disproportionately severe at 4.8 percent.

In the US, where the first real signs of the crisis became apparent, economic experts anticipate growth this year will reach 2.2 percent, following contraction in the economy here in 2009 of 2.5 percent. Industrial production, which had fallen considerably in the US, will also recover, although we cannot yet expect the figures to reach their pre-crisis levels.

South America should also be on the road to recovery in 2010, after a slight fall in GDP in 2009. In this region, Global Insight is forecasting growth in GDP of 3.4 percent.

In the growth markets of Asia, the crisis in 2009 resulted in a much smaller decline in gross domestic product than in the developed countries. Some countries were even able to continue to grow. GDP in China, for example, increased by 8.6 percent in 2009. In the current year 2010, economic growth of just under 10 percent is expected here. In India, there are also indications that there will be growth in 2010, as in the whole region of Asia.

In Eastern Europe, on the other hand, the economic recovery in 2010 is expected to be very modest.

In the South Pacific & Africa region, economists are forecasting an increase in GDP in 2010 of around 3 percent.

Industry sector outlook

Gases industry

The market environment for the global gases industry stabilised in the second half of 2009, mainly as a result of the rise in demand from the emerging economies. Against the background of the global economic recovery that was now becoming apparent, this positive trend should strengthen in the course of 2010. Economic forecasts for industrial production indicate that even those sectors which were particularly badly affected by the weakness of the economy in 2009, such as the steel and chemical industries, are likely to see significant increases in demand in 2010.

It is also anticipated that trading areas which are relatively resistant to the vagaries of economic cycles and enjoy relatively constant growth rates, such as the food industry and the medical gases market, will make their contribution to stable trends in the industry sector.

Engineering business

Towards the end of 2009, there was a slight increase in demand for the global construction of large-scale plants. Steady growth in capital expenditure is expected, especially in the markets of China, India and the Middle East. In principle, long-term growth trends such as the increasing global need for energy and disproportionately high demand from the emerging economies remain intact.

Outlook – Group

The economic research institutes are predicting increases in global gross domestic product and worldwide industrial production for the current year 2010. These forecasts are, however, beset with uncertainty, especially for the second half of 2010.

Given this background, we are continuing to do everything in our power to increase our productivity and achieve a relatively robust business performance. We will proceed with the rigorous implementation of our measures designed to achieve sustainable process optimisation and improvements in efficiency (HPO or High Performance Organisation), which we launched at an early stage right at the beginning of 2008. In the course of the 2009 financial year, HPO made a significant contribution towards increasing our profitability despite the difficult market environment. Our objective is still to reduce our gross costs by between EUR 650 m and EUR 800 m in the four-year period from 2009 to 2012 on the basis of HPO. Due to the accelerated implementation of the programme in the past financial year, it may be assumed that the rate of cost reductions will tend to be somewhat lower in 2010.

On the basis of current economic forecasts, we expect that, seen from today's viewpoint, Group sales and earnings in 2010 will exceed our figures for the 2009 financial year. We have confidence in our comparatively stable business model, our global orientation and our leading market positions in the emerging economies. In our Gases Division, our project pipeline is full and in our Engineering Division our order backlog remains at a very high level. We will also continue to benefit from the positive impact of our HPO programme.

Against this background, our aim is to continue to improve Group sales and Group earnings in 2011, provided the economic recovery strengthens.

Outlook – Gases Division

Our original target for the gases business has not changed. We want to grow at a more rapid pace than the market and to continue to increase our productivity.

In the on-site business we can fall back on a full project pipeline as a result of the successful conclusion of contracts in the past few years. There will be a greater contribution to sales and earnings in the 2010 financial year due to the start-up of numerous plants. In the liquefied gases and cylinder gas business, we are expecting demand to rise. In these product segments in particular, we benefit from our leading market positions and from a broad and well-balanced customer base.

In the Healthcare or medical gases business, we are anticipating further growth in the current financial year.

Based on these factors and given the current economic forecasts, we expect an increase in sales and earnings in the Gases Division in the current year 2010.

Outlook – Engineering Division

The order backlog for our Engineering Division remains very high at more than EUR 4 bn, continuing to provide the basis for a relatively stable business performance in the next two years. However, given the continuing economic uncertainty, it is still likely that the award of some new projects may be postponed. Nevertheless, at the same time, we are beginning to see signs of a revival in demand in our four main operating segments: olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants. On this basis, we are expecting sales in the Engineering Division in the 2010 financial year to be at least at the same level as in 2009. The target for our operating margin remains at 8 percent.

We are well-placed internationally in the plant construction business and will continue to benefit from the long-term growth drivers energy and the environment.

Capital expenditure

In 2010, we will continue to apply our investment strategy, targeting those areas that offer opportunities for disproportionate growth. We are seeking to arrive at a balance between achieving sustainable improvements in the competitiveness of our Group and continuing to repay our financial debt.

We expect to increase our capital expenditure in 2010 compared with that in 2009. In 2010, as in the past few years, the vast majority of these resources will be devoted to reinforcing our global gases operations, and in particular to the continuing expansion of our on-site business.

Our guideline for capital expenditure in the Gases Division remains unchanged. In the medium term we plan to invest on average about 13 percent of sales generated in this division.

Financing

In the 2010 financial year, we will continue to apply our strategy of safeguarding liquidity and maintaining long-term financing. Around 95 percent of our gross financial debt is not repayable until after 2010. Financial debt repayable within one year is matched by cash and cash equivalents of EUR 831 m and a EUR 2 bn syndicated credit facility available until March 2011. This credit facility will be succeeded by a new two-year EUR 1.6 bn revolving credit line, which will be available until March 2013.

Our dynamic indebtedness factor (net financial debt to operating profit) has increased only slightly in the financial year 2009 from 2.5 to 2.6. We are therefore still in our target area between 2.0 and 3.0. In the medium term, it is our goal to achieve a figure at the lower end of this range.

Dividends

Continuity and prudence will continue to be the most important criteria for our dividend policy in the future. As in previous years, we will determine the level of the dividend for the 2010 financial year on the basis of the operating profit performance of The Linde Group, while at the same time taking into account wider macroeconomic trends.

Research and development

In the area of research and development, we are planning to spend most of our funds on megatrends (energy, environment and healthcare) to strengthen our business. In the current financial year 2010, Linde plans to spend around EUR 90 m on research and development activities, approximately the same amount as in 2009.

In close collaboration with our customers we will develop and improve gases applications and processes. Following the restructuring of our R&D activities in the Gases Division under the LeadTec project, we will increasingly focus on the six most relevant technical trends for us (see R&D section, from page 068). In addition to updating our existing range of services, we will concentrate above all on innovations in the fields of high-performance materials and clean energy production. We will also offer in future the appropriate ranges of gases to support technical progress in photovoltaics and electronic semiconductors.

In the medical gases business, our aim is to provide our customers with products and services that will assist them in making the right gas available in the right quantity in the right place. To achieve this objective, we will focus even more on the development of the technical equipment required for this purpose.

In the Engineering Division, Linde will not only continue to develop various plant technologies, but also pursue its research activities in the field of fossil energy sources and alternative supply paths for raw materials. An example of this is our cooperation with partners to drive forward promising approaches to coal-based energy production with low CO_2 emissions. In the hydrogen refuelling sector, we also want to reinforce our technological leadership.

Group Financial Statements

Linde AG has prepared its Group financial statements for the year ended 31 December 2009 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Some items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation. Such items are disclosed individually in the Notes.

GROUP FINANCIAL STATEMENTS

Group income statement

Group income statement

in € million	Note	2009	2008
Sales	[8]	11,211	12,663
Cost of sales		7,441	8,649
Gross profit on sales		**3,770**	**4,014**
Marketing and selling expenses		1,572	1,738
Research and development costs		89	104
Administration expenses		994	1,092
Other operating income	[9]	233	326
Other operating expenses	[9]	241	134
Income from associates and joint ventures (at equity)		60	60
Non-recurring items	[11]	–	59
Financial income	[12]	314	372
Financial expenses	[12]	643	757
Earnings before taxes on income		**838**	**1,006**
Taxes on income	[13]	185	230
Earnings after taxes		**653**	**776**
Attributable to minority interests		62	59
Attributable to Linde AG shareholders		591	717
Earnings per share in € – undiluted	[14]	3.51	4.27
Earnings per share in € – diluted	[14]	3.48	4.24

Statement of recognised income and expense

Statement of recognised income and expense

in € million See Note [22]	2009	2008
Unrealised gains/losses on available-for-sale financial assets	–1	5
Unrealised gains/losses on derivative financial instruments	8	–51
Currency translation differences	794	–1,106
Change in actuarial gains/losses on pension provisions	–197	–334
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	–7	16
Gains and losses recognised directly in equity	**597**	**–1,470**
Earnings after taxes on income	**653**	**776**
Total gains and losses recognised	**1,250**	**–694**
Of which attributable to		
Linde AG shareholders	1,171	–725
Minority interests	79	31

Group balance sheet

Group balance sheet			
in € million	Note	31.12.2009	31.12.2008
Assets			
Goodwill	[15]	7,297	6,893
Other intangible assets	[15]	3,318	3,177
Tangible assets	[16]	7,566	7,162
Investments in associates and joint ventures (at equity)	[17]	559	535
Other financial assets	[17]	375	388
Receivables from financial services	[19]	570	671
Other receivables and other assets	[19]	447	444
Deferred tax assets	[13]	251	227
Non-current assets		**20,383**	**19,497**
Inventories	[18]	966	986
Receivables from financial services	[19]	75	75
Trade receivables	[19]	1,607	1,641
Other receivables and other assets	[19]	404	539
Income tax receivables	[19]	98	64
Securities	[20]	17	20
Cash and cash equivalents	[21]	831	1,002
Current assets		**3,998**	**4,327**
Total assets		**24,381**	**23,824**

Group balance sheet

in € million	Note	31.12.2009	31.12.2008
Equity and liabilities			
Capital subscribed		432	431
Conditionally authorised capital € 152 million (2008: € 178 million)			
Capital reserve		5,103	5,074
Revenue reserves		4,259	4,209
Cumulative changes in equity not recognised through the income statement		–1,058	–1,842
Total equity excluding minority interests	[22]	**8,736**	**7,872**
Minority interests	[22]	451	377
Total equity	[22]	**9,187**	**8,249**
Provisions for pensions and similar obligations	[23]	1,098	842
Other non-current provisions	[24]	443	400
Deferred tax liabilities	[13]	1,780	1,889
Financial debt	[25]	6,586	6,155
Liabilities from financial services	[26]	17	23
Trade payables	[27]	2	3
Other non-current liabilities	[27]	152	147
Liabilities from income taxes	[27]	104	95
Non-current liabilities		**10,182**	**9,554**
Other current provisions	[24]	1,468	1,482
Financial debt	[25]	381	1,290
Liabilities from financial services	[26]	11	11
Trade payables	[27]	2,133	2,120
Other current liabilities	[27]	886	1,029
Liabilities from income taxes	[27]	133	89
Current liabilities		**5,012**	**6,021**
Total equity and liabilities		**24,381**	**23,824**

Group cash flow statement

Group cash flow statement		
in € million See Note [30]	2009	2008
Earnings before tax	838	1,006
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,218	1,223
Impairments of financial assets	7	3
Profit/loss on disposal of non-current assets	–12	–104
Net interest	276	387
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	45	51
Income from associates and joint ventures (at equity)	–60	–60
Distributions/dividends received from operating associates and joint ventures	46	27
Income taxes paid	–306	–229
Changes in assets and liabilities		
Change in inventories	93	80
Change in trade receivables	108	–73
Change in provisions	–145	–27
Change in trade payables	–41	–204
Change in other assets and liabilities	75	–204
Cash flow from operating activities	**2,142**	**1,876**
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–1,104	–1,404
Payments for investments in consolidated companies	–60	–125
Payments for investments in financial assets	–26	–88
Payments for investments in current financial assets	–88	–97
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from financial services in accordance with IFRIC 4/IAS 17	165	168
Proceeds on disposal of consolidated companies	7	26
Proceeds on disposal of non-current assets held for sale and disposal groups	2	104
Proceeds on disposal of financial assets	23	23
Proceeds on disposal of current financial assets	91	121
Cash flow from investing activities	**–990**	**–1,272**

Group cash flow statement

in € million See Note [30]	2009	2008
Dividend payments to Linde AG shareholders and minority shareholders	–343	–329
Cash outflows for purchase of minorities	–	–47
Interest received	274	243
Interest paid	–575	–596
Proceeds of benchmark bond and other loans	1,437	1,705
Proceeds from issue of employee shares	20	17
Cash outflows for the repayment of loans and bonds	–2,138	–1,428
Change in liabilities from financial services	–6	–
Cash flow from financing activities	**–1,331**	**–435**
Net cash inflow/outflow	**–179**	**169**
Opening balance of cash and cash equivalents	**1,002**	**858**
Effects of currency translation and changes in Group structure	8	–25
Closing balance of cash and cash equivalents	**831**	**1,002**
Of which cash in escrow account for acquisition of consolidated company	–	62

Statement of changes in Group equity

Statement of changes in Group equity

in € million See Note [22]	Capital subscribed	Capital reserve	Revenue reserves: Actuarial gains/losses	Revenue reserves: Retained earnings
At 1 Jan. 2008	426	4,948	165	3,940
Total gains and losses recognised	–	–	–318	717
Dividend payments	–	–	–	–283
Amount arising from issue of convertible bond	5	97	–	–
Changes as a result of share option scheme	–	29	–	–
Other changes	–	–	–	–12
At 31 Dec. 2008/1 Jan. 2009	431	5,074	–153	4,362
Total gains and losses recognised	–	–	–204	591
Dividend payments	–	–	–	–303
Changes as a result of share option scheme	1	29	–	–
Other changes	–	–	–	–34
At 31 Dec. 2009	432	5,103	–357	4,616

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Cumulative changes in equity not recognised through the income statement					
Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total equity excluding minority interests	Minority interests	Total equity
−905	–	187	8,761	449	9,210
−1,078	5	−51	−725	31	−694
–	–	–	−283	−46	−329
–	–	–	102	–	102
–	–	–	29	–	29
–	–	–	−12	−57	−69
−1,983	5	136	7,872	377	8,249
777	−1	8	1,171	79	1,250
–	–	–	−303	−40	−343
–	–	–	30	–	30
–	–	–	−34	35	1
−1,206	4	144	8,736	451	9,187

Segment information

(Part of the Notes to the Group financial statements.)

Segment information

in € million See Note [31]	Reportable segments Total Gases Division 2009	Total Gases Division 2008	Engineering Division 2009	Engineering Division 2008
Segment assets	21,285	20,440	1,572	1,239
Of which investments in associates/joint ventures accounted for under the equity method	582	555	–	–
Segment liabilities	3,163	2,669	2,681	2,443
Sales to third parties	8,924	9,505	1,827	2,633
Sales to other segments	8	10	484	383
Segment sales	**8,932**	**9,515**	**2,311**	**3,016**
Operating profit (before non-recurring items)	**2,378**	**2,417**	**210**	**267**
Of which share of profit/loss from associates/joint ventures	68	64	–	–
Amortisation of intangible assets and depreciation of tangible assets	1,155	1,157	36	36
Of which amortisation of fair value adjustments identified in course of BOC purchase price allocation	278	353	8	8
Non-recurring items	–	–	–	–
EBIT (Earnings before interest and tax)	**1,223**	**1,260**	**174**	**231**
Capital expenditure (excluding financial investments)	1,029	1,451	32	53

in € million	Gases Division Western Europe 2009	Western Europe 2008	Americas 2009	Americas 2008
Segment assets	8,273	8,287	4,208	4,250
Of which investments in associates/joint ventures accounted for under the equity method	21	21	37	13
Segment liabilities	1,600	1,421	643	669
Sales to third parties	3,750	4,111	1,936	2,167
Sales to other segments	15	22	45	40
Segment sales	**3,765**	**4,133**	**1,981**	**2,207**
Operating profit (before non-recurring items)	**1,051**	**1,119**	**429**	**432**
Of which share of profit/loss from associates/joint ventures	1	–	26	24
Amortisation of intangible assets and depreciation of tangible assets	405	427	292	303
Of which amortisation of fair value adjustments identified in course of BOC purchase price allocation	56	83	106	128
Non-recurring items	–	–	–	–
EBIT (Earnings before interest and tax)	**646**	**692**	**137**	**129**
Capital expenditure (excluding financial investments)	347	506	244	295

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Reportable segments					
Other activities		Reconciliation		Total Group	
2009	2008	2009	2008	2009	2008
635	595	889	1,550	24,381	23,824
–	–	–24	–20	558	535
89	94	9,261	10,369	15,194	15,575
460	525	–	–	11,211	12,663
5	6	–497	–399	–	–
465	**531**	**–497**	**–399**	**11,211**	**12,663**
52	**47**	**–255[1]**	**–176**	**2,385**	**2,555**
–	–	–8	–4	60	60
28	33	–1	–3	1,218	1,223
7	10	–	–	293	371
–	–	–	59	–	59
24	**14**	**–254**	**–114**	**1,167**	**1,391**
10	38	66	–72	1,137	1,470

[1] Includes restructuring costs of EUR 83 m.

Gases Division					
Asia & Eastern Europe		South Pacific & Africa		Total Gases Division	
2009	2008	2009	2008	2009	2008
5,008	4,873	3,898	3,316	21,285	20,440
511	507	13	14	582	555
578	507	443	357	3,163	2,669
1,824	1,921	1,414	1,306	8,924	9,505
12	15	4	4	8	10
1,836	**1,936**	**1,418**	**1,310**	**8,932**	**9,515**
557	**563**	**341**	**303**	**2,378**	**2,417**
39	33	2	7	68	64
267	250	191	177	1,155	1,157
46	54	70	88	278	353
–	–	–	–	–	–
290	**313**	**150**	**126**	**1,223**	**1,260**
327	505	111	145	1,029	1,451

Entity-wide disclosures about geographical regions

in € million	2009	2008
Sales by location of customer		
Germany	1,211	1,335
Other Europe	4,049	4,622
North America	1,543	1,761
South America	618	594
Africa	525	597
Asia/Australia	3,265	3,754
Sales by location of customer	**11,211**	**12,663**

Non-current segment assets by location of company

in € million	2009	2008
Germany	1,739	1,757
Other Europe	7,544	7,333
North America	2,342	2,522
South America	725	554
Africa	880	731
Asia/Australia	4,951	4,335
Non-current segment assets	**18,181**	**17,232**

Notes to the Group financial statements

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General principles

[1] Basis of preparation

The Linde Group is an international technology group with Gases and Engineering Divisions which operates across the globe. The parent company of The Linde Group is Linde AG. The registered office of Linde AG is in Munich (Munich Commercial Register, ref. HRB 169850).

The consolidated financial statements of Linde AG for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards. The consolidated financial statements also comply with the additional requirements of § 315a (1) of the German Commercial Code (HGB). All the Standards which were in force at the balance sheet date have been applied and, in addition, those set out in Note [7] which have been applied early.

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

The income statement has been prepared using the cost of sales method.

KPMG or other appointed auditors have audited the financial statements which are included in the consolidated financial statements. The annual financial statements of companies included in the consolidation are drawn up at the same balance sheet date as the annual financial statements of Linde AG.

[2] Principles of consolidation

Companies are consolidated using the acquisition method. Assets, liabilities and contingent liabilities are identified and recognised at their fair values at the date of acquisition. Any remaining positive balance between the cost of the investment in the subsidiary and the share of net assets acquired stated at their fair values is recognised as goodwill.

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

Intra-Group sales, income, expenses and accounts receivable and payable have been eliminated.

Intra-Group profits and losses arising from intra-Group deliveries of non-current assets and inventories have also been eliminated.

The same principles apply to the measurement of companies accounted for using the equity method as for the consolidation of subsidiaries.

[3] Acquisitions

The main acquisition in the course of the financial year was:

	Group holding in percent	Cost in € million	Date first included
SIGAS	51.0	68	17.01.2009

All the acquisitions were made in the first six months of 2009 and therefore Revised IFRS 3 *Business Combinations* did not apply.

Saudi Industrial Gas Co. Ltd, Al-Khobar, Saudi Arabia

On 13 May 2008, The Linde Group acquired 51 percent of the shares in the Saudi Arabian industrial gases company SIGAS (Saudi Industrial Gas Co. Ltd). The transaction was completed on 17 January 2009 following receipt of approval from the relevant Saudi Arabian regulatory authorities. The family-owned company SIGAS is the second largest industrial gases company in Saudi Arabia.

The company has been included as a subsidiary in the consolidated financial statements of The Linde Group since 17 January 2009 and has been allocated to the Asia & Eastern Europe operating segment.

Provisional differences arising on acquisitions

in € million	SIGAS	Other	Total
Acquisition cost according to IFRS 3	**68**	**14**	**82**
Share of net assets at book value	16	10	26
Provisional difference before purchase price allocation	**52**	**4**	**56**
Customer relationships	32	1	33
Air separation plants	3	–	3
Land and buildings	2	–	2
Other tangible assets	3	–	3
Deferred taxes	–5	–	–5
Minority interests	–17	–	–17
Provisional goodwill at acquisition date	**34**	**3**	**37**

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

in € million	SIGAS	Other	Total
Sales	44	20	64
Cost of sales	–23	–14	–37
Gross profit on sales	**21**	**6**	**27**
Other income and other expenses	–12	–2	–14
Operating profit (EBIT)	**9**	**4**	**13**
Financial result	–	–1	–1
Earnings before taxes on income (EBT)	**9**	**3**	**12**
Taxes on income	–2	–1	–3
Earnings after taxes on income	**7**	**2**	**9**
Attributable to minority interests	3	–	3
Attributable to Linde AG shareholders	**4**	**2**	**6**

Impact of acquisition of SIGAS on net assets

Opening balance at 17 January 2009			
in € million	Book value	Adjustment	Fair value
Non-current assets	8	40	48
Inventories	12	–	12
Cash and cash equivalents	9	–	9
Non-current assets held for sale and disposal groups	2	–	2
Other current assets	11	–	11
Equity	16	18	34
Minority interests	16	17	33
Current liabilities	10	5	15

[4] Scope of consolidation

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

The equity method is used to account for associates and joint ventures. Associates are companies in which Linde AG holds, either directly or indirectly, 20 percent or more of the voting rights and/or where it is able to exert significant influence on financial and operating policies. Joint ventures are companies which are managed jointly by Linde AG and one or several partners. Companies in which Linde AG holds the majority of the voting rights, either directly or indirectly, but where it is unable to control the company due to substantial minority rights (significant influence), are also accounted for using the equity method.

The following table explains the structure of companies included in the consolidated financial statements of The Linde Group:

	As at 31.12.2008	Additions	Disposals	As at 31.12.2009
Consolidated subsidiaries	**527**	**16**	**36**	**507**
Of which within Germany	25	3	2	26
Of which outside Germany	502	13	34	481
Other investments	**95**	**12**	**28**	**79**
Of which within Germany	3	4	5	2
Of which outside Germany	92	8	23	77
Companies accounted for using the equity method	**59**	**–**	**2**	**57**
Of which within Germany	–	–	–	–
Of which outside Germany	59	–	2	57

On 17 December 2009, The Linde Group sold its subsidiary Environmental Management Corporation (EMC), which provides integrated solutions for water, wastewater and other related assets, to the water and wastewater utility company American Water. This gave rise to a cash inflow of EUR 7 m. As a result of the sale, net assets of EUR 7 m were disposed of. During the financial year, sales of EUR 33 m and operating profit of EUR 2 m were recognised prior to the date of the deconsolidation. The effect of the deconsolidation is recognised in the income statement in Other operating income or Other operating expenses.

As a result of their inclusion in the Group financial statements, the following fully-consolidated subsidiaries are exempt under the provisions of § 264 (3) and § 264b of the German Commercial Code (HGB) from the duty to disclose annual financial statements and to prepare a management report, provided that all the other requirements set out in § 264 (3) and § 264b HGB have been met:

Name	Location
Cleaning Enterprises GmbH	Munich
Commercium Immobilien- und Beteiligungs-GmbH	Munich
Commercium Versicherungsvermittlung GmbH	Munich
Eibl Homecare GmbH	Mahlow
Heins & Co. GmbH	Bremen
Hydromotive GmbH & Co. KG	Leuna
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach
Linde Gas Therapeutics GmbH	Unterschleissheim
Linde-KCA-Dresden GmbH	Dresden
Linde Medical Devices GmbH	Pullach
Linde Nippon Sanso GmbH & Co. KG	Munich
Linde Semicon GmbH & Co. KG	Pullach
Linde Welding GmbH	Pullach
Martens Schweißtechnik GmbH	Rastede
Rommenhöller Handelsgesellschaft mbH	Pullach
Selas-Linde GmbH	Pullach
SMR GmbH Schweißservice Martens	Rastede
Tega – Technische Gase und Gasetechnik GmbH	Würzburg
Unterbichler GmbH & Co. KG	Munich
Wahle I Vermögensverwaltungs GmbH i. L.	Pullach

A list of the complete shareholdings of The Linde Group is given in Note [42].

[5] Foreign currency translation

Transactions in foreign currency have been translated into the relevant functional currency of the individual business unit on the transaction date. The financial statements of foreign subsidiaries, including any fair value adjustments identified in the course of a purchase price allocation, are translated in accordance with the functional currency concept set out in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities, contingent liabilities and other financial commitments are translated at the mid-rate on the balance sheet date (closing rate method). Items in the income statement and the net income for the

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year are translated at a rate which approximates to the translation rate on the date of the transaction (the average rate).

Differences arising from the translation of equity are included under the heading "Cumulative changes in equity not recognised through the income statement".

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation before 1 January 2005 continue to be accounted for in the Group currency.

The financial statements of foreign companies accounted for using the equity method are translated using the same principles for the adjustment of equity as are applied to consolidated subsidiaries.

During the year, translation gains of EUR 1 m (2008: translation losses of EUR 5 m) were recognised in the income statement.

[6] Currencies

The following principal exchange rates have been used:

Exchange rate €1 =	ISO code	Mid-rate on balance sheet date		Average rate for the year	
		31.12.2009	31.12.2008	2009	2008
Argentina	ARS	5.442500	4.828700	5.208020	4.644100
Australia	AUD	1.595600	1.977100	1.773390	1.743380
Brazil	BRL	2.495800	3.235700	2.770270	2.676530
Canada	CAD	1.505700	1.702500	1.585660	1.561800
China	CNY	9.775200	9.546400	9.526750	10.227400
Czech Republic	CZK	26.388000	26.854000	26.438350	24.960830
Hungary	HUF	270.570000	265.660000	280.260220	251.733250
Malaysia	MYR	4.902500	4.827500	4.907750	4.888900
Norway	NOK	8.298000	9.726100	8.733500	8.240640
Poland	PLN	4.105400	4.148300	4.325250	3.515030
South Africa	ZAR	10.610400	13.276100	11.660010	12.074840
South Korea	KRW	1,669.710000	1,765.670000	1,772.145070	1,603.767350
Sweden	SEK	10.247500	10.932800	10.617120	9.629100
Switzerland	CHF	1.482700	1.493400	1.509900	1.586460
Turkey	TRY	2.148100	2.154900	2.162110	1.908950
UK	GBP	0.886200	0.955700	0.891100	0.796990
USA	USD	1.431800	1.398000	1.394670	1.471080

[7] Accounting policies

The Group financial statements have been prepared under the historical cost convention, with the exception of derivative financial instruments and available-for-sale financial assets, which are stated at their fair values.

The financial statements of companies consolidated in The Linde Group have been prepared using uniform accounting policies in accordance with IAS 27 *Consolidated and Separate Financial Statements*.

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Recently issued accounting standards

The IASB has revised numerous standards and issued many new ones in the course of its projects to develop IFRS and in its efforts to achieve convergence with US GAAP. Of these, the following standards are mandatory in the Group financial statements for the year ended 31 December 2009:

→ Amendment to IAS 1 *Presentation of Financial Statements: A Revised Presentation*,
→ Improvements to International Financial Reporting Standards (2008),
→ Amendment to IAS 39 *Reclassification of Financial Assets: Effective Date and Transition*,
→ Amendment to IFRIC 9 and IAS 39 *Embedded Derivatives*,
→ Amendment to IAS 23 *Borrowing Costs*,
→ Amendment to IFRS 7 *Improving Disclosures about Financial Instruments*.

With effect from 1 January 2009, the revised version of IAS 1 has been applied: IAS 1 *Presentation of Financial Statements: A Revised Presentation*. This resulted in the separate disclosure of the statement of changes in Group equity as a primary financial statement. The other standards have only an insignificant effect on the net assets, financial position and results of operations of The Linde Group.

The following standards have been early adopted in the Group financial statements for the year ended 31 December 2009:

→ Revised IFRS 3 *Business Combinations*,
→ Amendment to IAS 27 *Consolidated and Separate Financial Statements*,
→ Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*,
→ IFRIC 12 Service *Concession Arrangements*,
→ IFRIC 15 *Agreements for the Construction of Real Estate*,
→ IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

Revised IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* have been early adopted in the Group financial statements from 1 July 2009.

In addition, the following standards have been issued by the IASB or IFRIC, but have not been applied in the Group financial statements for the year ended 31 December 2009, as they are not yet effective or have not yet been adopted by the European Commission:

→ IFRS 9 *Financial Instruments*,
→ Improvements to International Financial Reporting Standards (2009),
→ Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*,
→ Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues*,
→ Revised IAS 24 *Related Party Disclosures*,
→ Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*,
→ IFRIC 17 *Distributions of Non-Cash Assets to Owners*,
→ IFRIC 18 *Transfer of Assets from Customers*,
→ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

These standards will not be applied by The Linde Group until the 2010 financial year or later. IFRIC 18 *Transfer of Assets from Customers* applies to situations in which the entity receives assets from customers and must use them to supply the customer. The application of this rule may lead to the recognition by Linde of additional assets and to the recognition of revenue and depreciation in subsequent periods.

The impact of those other standards which have not been applied on the presentation of the net assets, financial position and results of operations in the 2010 financial year is not expected to be significant overall.

Revenue recognition

Sales comprise the sales of products and services as well as lease and rental income, less discounts and rebates.

Revenue from the sale of goods is recognised when the risks of ownership have been transferred to the customer, the consideration can be reliably determined and it is probable that the associated receivables will be collected. If the customer is to take delivery of the goods, the relevant sale will not be recognised until the customer has accepted delivery. In the case of long-term service contracts, the sales are recorded on a straight-line basis over the period of the contract.

Revenue from construction contracts awarded by specific customers is reported in accordance with IAS 18 *Revenue* and IAS 11 *Construction Contracts,* based on the stage of completion of the contract (*percentage of completion method*, or *PoC*). Under this method, revenue is only recognised when the outcome of a construction contract can be estimated reliably.

For sales and earnings recognition relating to lease transactions, see the note on accounting for leases.

Long-term construction contracts

Long-term construction contracts are measured using the *percentage of completion (PoC) method*. The stage of completion of each contract is determined by the ratio of costs incurred to the expected total cost (cost-to-cost method). When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred (zero profit method). If the cumulative contract output (costs incurred plus profits disclosed) exceeds payments on account on an individual contract, the construction contract is disclosed under Trade receivables. If there is a negative balance after deducting contract payments on account, the amount is disclosed under Trade payables. Anticipated losses on contracts are recognised in full, based on an assessment of identifiable risks.

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

Cost of sales

Cost of sales comprises the cost of goods and services sold and the cost of merchandise sold. It includes not only the cost of direct materials and direct manufacturing expenses, but also overheads including depreciation of production plants, amortisation of certain intangible assets and inventory write-downs.

Research and development costs

Research costs and development costs which cannot be capitalised are recognised in the income statement when they are incurred.

Financial result

The financial result includes the interest charge on liabilities, dividends received, interest income on receivables and gains and losses on financial instruments recognised in profit or loss. The interest cost relating to pension provisions and any loss on remeasurement of certain embedded derivatives are also included in financial expenses.

Interest income and interest charges are recognised in profit or loss on the basis of the effective interest rate method. Dividends are recognised in profit or loss when they have been declared. Finance income relating to finance leases is calculated using the effective interest rate method. In addition, the expected return on plan assets relating to pension provisions and any gain on remeasurement of certain embedded derivatives are disclosed in financial income.

Intangible assets

Intangible assets comprise goodwill, customer relationships, that portion of development costs which may be recognised as an asset, patents, software, licences and similar rights.

Purchased and internally-generated intangible assets are stated at acquisition cost or manufacturing cost less accumulated amortisation and any impairment losses. It is important to determine whether the intangible assets have finite or indefinite useful lives. Goodwill and intangible assets with indefinite useful lives are not amortised, but are subject instead to an impairment test once a year, or more often if there is any indication that an asset may be impaired.

The impairment test in accordance with IAS 36 *Impairment of Assets* compares the carrying amount of the cash-generating unit or of the asset to be tested with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

According to IAS 36 *Impairment of Assets*, goodwill is allocated to the cash-generating unit (CGU), the lowest level at which goodwill is monitored for internal management purposes, and tested for impairment at least once a year at this level. This is the level of the operating segments. The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount. If the carrying amount of the cash-generating unit exceeds the value in use, an impairment test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount. Any impairment losses relating to goodwill or an intangible asset with an indefinite useful life are recognised in the income statement and disclosed in functional costs.

To calculate the value in use of the cash-generating units, post-tax future cash inflows and outflows are derived from corporate financial budgets approved by management which cover a detailed planning period of five years. The calculation of the terminal value is based on the future net cash flows from the latest available detailed planning period. The post-tax interest rates used to discount the cash flows take into account industry-specific and country-specific risks relating to the particular cash-generating unit. When the terminal value was calculated, declining growth rates were used, which are lower than the growth rates calculated in the detailed planning period and which serve mainly to compensate for a general inflation rate.

Intangible assets with finite useful lives are amortised over the estimated useful life of the assets and the amortisation expense is disclosed in functional costs. Customer relationships are stated at acquisition cost and amortised on a straight-line basis over their estimated useful life of between five and 40 years. The estimated useful life of customer relationships purchased is calculated on the basis of the term of the contractual relationship underlying the customer relationship, or on the basis of expected customer behaviour. If there are any indications of impairment in the intangible assets, an impairment test is performed.

If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the intangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised. This does not apply to goodwill.

Costs incurred in connection with the acquisition and in-house development of software used internally, including the costs of bringing the software to an operational state, are capitalised and amortised on a straight-line basis over an estimated life of three to eight years.

Tangible assets

Tangible assets are reported at acquisition or manufacturing cost less accumulated depreciation based on the estimated useful life of the asset and any impairment losses. The manufacturing cost of internally-generated plants comprises all costs which are directly attributable to the manufacturing process and an appropriate portion of production overheads. The latter include production-related depreciation, a proportion of administrative expenses and a proportion of social costs. The cost is reduced by government grants. For certain tangible assets, where the purchase or manufacture takes more than one year, the borrowing costs during the construction period are also capitalised. Tangible assets are depreciated using the straight-line method and the depreciation expense is disclosed in functional costs. If a tangible asset comprises several components with different useful lives, the depreciation is calculated separately for the various components. Existing legal or de facto site restoration obligations are included in the cost of the components based on the discounted expected settlement. The depreciation method and the estimated useful lives of the assets are reviewed on an annual basis and adapted to prevailing conditions.

The following useful lives apply to the different types of tangible assets:

Buildings	10–40 years
Technical equipment	6–15 years
Fixtures, furniture and equipment	3–20 years

If significant events or market developments indicate an impairment in the value of the tangible asset, Linde reviews the recoverability of the carrying amount of the asset by testing for impairment. The carrying amount of the asset is compared with the recoverable amount, which is defined as the higher of the asset's fair value less costs to sell and its value in use. To determine the recoverable amount on the basis of value in use, estimated future cash flows are discounted at a rate which reflects the risk specific to the asset. If the net book value exceeds the recoverable amount, an impairment loss is recognised. When estimating future cash flows, current and expected future inflows as well as segment-specific, technological, economic and general developments are taken into account. If an impairment test is carried out on tangible assets at the level of a cash-generating unit which also includes a portion of allocated goodwill, and an impairment loss is recognised, then impairment losses will be recognised first in respect of the goodwill and then in respect of the other assets based on their relative carrying amounts, taking into account the fair value of the assets. If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the tangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised: i.e. the book value net of accumulated depreciation.

For the accounting treatment of assets held under leases, see the note on accounting for leases.

Associates and joint ventures

Associates and joint ventures are accounted for under the equity method at cost at the date of acquisition. In subsequent periods, the carrying amount is adjusted to reflect Linde's share of the results of operations of the investee. Any distributions received from the investee reduce the carrying amount of the investment. If there are any indications of impairment in the investments in associates or joint ventures, the carrying amount of the relevant investment is subject to an impairment test. If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the asset is increased to a maximum figure of the share of net assets in the associate or joint venture.

Inventories

Inventories are reported at the lower of acquisition or manufacturing cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Manufacturing cost includes both direct costs and appropriate indirect material and production costs, as well as production-related write-downs, where these are directly attributable to the manufacturing process. Administrative expenses and social costs are included if they can be allocated to production. Inventories are generally valued on an average basis or using the FIFO (first in, first out) method.

Financial instruments

In the normal course of events, purchases and sales of financial assets and liabilities are accounted for on settlement day. This does not apply to derivatives, which are accounted for on the trading day.

According to IAS 39 *Financial Instruments: Recognition and Measurement*, financial instruments must be categorised as financial instruments held for trading or at fair value through profit or loss, available-for-sale financial assets, financial instruments held to maturity, or loans and receivables. The Linde Group did not avail itself of the fair value option, whereby financial assets or financial liabilities are classified as at fair value through profit or loss when they are first recognised. Available-for-sale financial assets include equity and debt instruments. If equity instruments are not held for trading or measured at fair value through profit or loss, they are classified as available-for-sale financial assets. Debt instruments are included in this category if they are held for an unspecified period of time and can be sold depending on the market situation. The financial assets included in this category are stated at fair value. Unrealised gains and losses, including deferred tax, are recognised separately in equity until they are realised. Equity instruments for which no price is quoted in an active market and for which the fair value cannot be reliably determined are reported at cost. If the fair value of available-for-sale financial assets falls below cost and if there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is transferred to profit or loss. Held-to-maturity financial investments are measured at amortised cost using the effective interest rate method or if there is objective evidence that the asset is impaired at their fair value, if lower.

The Linde Group conducts regular impairment reviews of the following categories of financial assets: loans and receivables, available-for-sale financial assets and held-to-maturity financial investments. The following criteria are applied:

(a) significant financial difficulty of the issuer or obligor,
(b) breach of contract, such as a default or delinquency in payments of interest or principal,
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that would not otherwise be considered,
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
(e) the disappearance of an active market for that asset because of financial difficulties,
(f) a recommendation based on observable data from the capital market,
(g) information about significant changes with an adverse effect that have taken place in the technological, economic or legal environment of a contracting party,
(h) a significant or prolonged decline in the fair value of the financial instrument.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, all derivative financial instruments are reported at fair value, irrespective of their purpose or the reason for which they were acquired.

In the case of a fair value hedge, derivatives are used to hedge the exposure to changes in the fair value of assets or liabilities. The gain or loss from the change in fair value of the derivative is recognised immediately in profit or loss. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss with respect to the hedged risk, which is also recognised immediately in net profit or loss.

In the case of a cash flow hedge, derivatives are used to hedge the exposure to the risk of variability in cash flows associated with a recognised asset or liability or with forecast transactions. The hedge-effective portion of the gains or losses arising from the remeasurement at fair value of these derivative financial instruments is initially disclosed under "Cumulative changes in equity not recognised through the income statement". A transfer is made to the income statement when the hedged underlying transaction is realised. The hedge-ineffective portion of the changes in fair value is recognised immediately in profit or loss.

In the case of hedges of a net investment in a foreign operation, hedging instruments are used to hedge the exposure to translation risks arising from investments in a foreign functional currency. Gains and losses arising from these hedging instruments are accounted for in equity as part of "Cumulative changes in equity not recognised through the income statement" until the company is disposed of or sold.

If the requirements for hedge accounting are not met, the gain or loss on the remeasurement of derivative financial instruments at fair value is recognised in profit or loss.

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, embedded derivatives, i.e. derivatives which are included in host contracts, are separated from the host contract and accounted for as derivative financial instruments, if certain requirements are met.

For more information about risk management and the impact on the balance sheet of derivative financial instruments, see Note [29].

Receivables and liabilities from financial services, trade receivables and trade payables, financial debt, as well as other receivables and other assets and other liabilities, are reported at amortised cost as long as they are not derivative financial instruments. Differences between historic cost and the repayment amount are accounted for using the effective interest rate method. Appropriate impairment losses are recognised if specific risks are identified. The carrying amount of the financial debt which comprises the hedged item in a fair value hedge is adjusted for the corresponding gain or loss with respect to the hedged risk.

Financial instruments which contain both an equity portion and a liability portion are classified in accordance with IAS 32 *Financial Instruments: Presentation*. The financial instruments issued by The Linde Group are classified entirely as financial liabilities and reported at amortised cost. No part thereof is classified separately as an equity instrument.

Deferred taxes

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 *Income Taxes* under the liability method in respect of all temporary differences between the carrying amounts of the assets and liabilities under IFRS and the corresponding tax base used in the computation of taxable profit, and in respect of all consolidation adjustments affecting net income and unused tax loss carryforwards.

Deferred tax assets are only recognised for unused tax losses to the extent that it is probable that taxable profits will be available in future years against which the tax losses can be utilised. Deferred taxes are calculated at the tax rates that apply to the period when the asset is realised or the liability is settled, using tax rates and laws that have been enacted or substantively enacted in the individual countries by the balance sheet date.

Tax credits which relate to capital expenditure are recognised in accordance with the provisions of IAS 12 *Income Taxes*. They are not offset against the relevant capital expenditure.

Provisions for pensions and similar obligations

The actuarial valuation of provisions for pensions is based on the projected unit credit method set out in IAS 19 *Employee Benefits* for defined benefit obligations. This method takes into account not only vested future benefits and known pensions at the balance sheet date, but also expected future increases in salaries and pensions. The calculation of the provisions is determined using actuarial reports based on biometric assumptions. Actuarial gains and losses, the cumulative effect of an asset ceiling and the effects of an increase in the pension obligation in accordance with IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* are offset against revenue reserves.

The pension obligations have been disclosed net of plan assets at their fair values.

The expense arising from additions to the pension provisions is allocated to functional costs in the income statement. The interest cost of the pension obligations and the expected return on plan assets are disclosed in the financial result.

Other provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, other provisions are recognised when a present obligation to a third party exists as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised for all identifiable risks and liabilities of uncertain timing or amount. The amounts provided are the best estimate of the probable expenditure required to settle the obligation and are not offset against recourse claims. The estimate of the obligation includes any cost increases which need to be taken into account at the balance sheet date. Provisions which relate to periods of more than twelve months are discounted.

Provisions for warranty claims are recognised taking current or estimated future claims experience into account.

Site restoration obligations are capitalised when they arise, at the discounted value of the obligation, and a provision for the same amount is established at the same time. The depreciation charged on the asset and the addition of unaccrued interest applied to the provision are both allocated as an expense to the periods of use of the asset.

Provisions for restructuring are recognised if a formal, detailed restructuring plan has been drawn up and communicated to the relevant parties.

Cost of sales also includes additions to the provisions for warranties and provisions for onerous contracts. Warranty provisions are established for the estimated cost at the date of sale of that particular product. Provisions for onerous contracts are made in full in the reporting period in which the estimated total cost of the particular contract exceeds the expected revenue. To cover insurance risks, which relate mainly to general and business insurance, insurance contracts are entered into with an insurer outside the Group. The costs arising from these insurance contracts are recognised in functional costs.

In previous years, companies in The Linde Group acted as reinsurers in respect of some of the above-mentioned insurance contracts. The provisions of this type which still exist fall within the scope of IFRS 4 *Insurance Contracts*. Insurance risks are recognised in the Group financial statements in the form of a provision for unsettled claims. The provision for payment obligations comprises claims which have arisen by the balance sheet date, but which have not yet been settled. Provisions for claims which have been notified by the balance sheet date are based on estimates of the future costs of the claims including loss adjustment expenses. These are set up on the basis of individual obligations. Provisions for claims incurred but not reported (IBNR) at the balance sheet date are set up to take account of the estimated cost of claims. Due to the fact that no information is available at that stage about the extent of these claims, estimates are made based on industry experience. The provision is calculated using actuarial and statistical models.

Accounting for leases

Lease agreements are classified as finance leases in accordance with IAS 17 *Leases* if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are operating leases. Linde Group companies enter into lease agreements both as lessor and as lessee.

When Linde enters into an agreement as the lessor of assets held under a finance lease, the future minimum lease payments due from the customer, equivalent to the net investment in the lease, are disclosed under Receivables from financial services. Finance income is spread over the reporting periods based on the effective interest rate method.

When Linde is the lessee under a finance lease agreement, the assets are disclosed at the beginning of the lease under tangible assets at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, while the corresponding liabilities to the lessor are recognised in the balance sheet as Liabilities from financial services. Depreciation charged on this tangible asset and the reduction of the lease liability are recorded over the lease term. The difference between the total lease obligation and the fair value of the leased property is the finance charge, which is allocated to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

If the economic ownership of the leased asset is not transferred to the customer as lessee, but remains with Linde as lessor, the lease income from the operating lease is recognised in income on a straight-line basis.

Rental and lease payments made by Linde under operating leases are recognised in functional costs in the income statement on a straight-line basis over the lease term.

According to IFRIC 4 *Determining whether an Arrangement contains a Lease*, if specific criteria are met, certain arrangements should be accounted for as leases that do not take the legal form of a lease. In particular, in the Gases Division, certain on-site and ECOVAR® plants are classified as embedded finance leases. The contracts relating to these plants are disclosed in Receivables from financial services at the net investment in the lease, i.e. the present value of future minimum lease payments due from the customer. When the plant is completed and brought on stream, a one-off amount is shown in sales which is equivalent to the net investment in the lease.

Non-current assets held for sale and disposal groups and Discontinued operations

Non-current assets and disposal groups are classified separately in the balance sheet as held for sale, if they are available for sale in their present condition and the sale is highly probable. Assets that are classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Liabilities classified as directly related to non-current assets held for sale are disclosed separately as held for sale in the liabilities section of the balance sheet. For discontinued operations, additional disclosures are required in the Notes, as long as the requirements for classification as discontinued operations are met.

Discretionary decisions and estimates

The preparation of the Group financial statements in accordance with IFRS requires discretionary decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement. The actual amounts realised may differ from these estimates. Estimates are required in particular for:

→ the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories (see Notes [15], [16], and [18]),
→ the recognition and measurement of pension obligations (see Note [23]),
→ the recognition and measurement of other provisions (see Note [24]) and
→ the assessment of the stage of completion of long-term construction contracts (see Notes [19] and [27]).

Any change in the key factors which are applied in the impairment review of goodwill may possibly result in impairment losses of different amounts being recognised.

The obligation arising from defined benefit commitments is determined on the basis of actuarial parameters. An increase or decrease in the discount rate of 0.5 percent would lead to a reduction or increase in pension obligations of EUR 328 m or EUR 340 m respectively. This change in parameters would have no effect on earnings, as actuarial gains and losses are recognised directly in equity.

The recognition and measurement of Other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources may therefore differ from the figure included in Other provisions.

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

Discretionary decisions are required to be made, for example, in assessing whether all the risks and rewards incidental to the ownership of an asset have in fact been transferred to the lessee, allowing the lease to be defined as a finance lease.

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[8] Sales

Sales are analysed by activity in the segment information.

Sales are derived from the following activities:

in € million	2009	2008
Revenue from the sale of goods and services	9,651	10,489
Revenue from long-term construction contracts	1,560	2,174
Group	**11,211**	**12,663**

[9] Other operating income and expenses

Other operating income

in € million	2009	2008
Profit on disposal of non-current assets	29	62
Ancillary revenue	28	29
Financial result from long-term contracts	30	50
Exchange rate differences	50	43
Income from release of provisions	21	46
Miscellaneous operating income	72	96
Group	**233**	**326**

Other operating expenses

in € million	2009	2008
Expenses related to pre-retirement part-time work schemes	6	10
Loss on disposal of non-current assets	17	17
Exchange rate differences	57	61
Miscellaneous operating expenses	161	46
Group	**241**	**134**

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

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[10] Other information on the Group income statement

During the 2009 financial year, personnel costs of EUR 2.319 bn (2008: EUR 2.380 bn) were recognised in functional costs. The figures for amortisation and depreciation are given in the segment report.

[11] Non-recurring items

Non-recurring items disclosed in 2008 were as follows:

Profit on disposal of businesses

In 2008, the remaining parts of the BOC Edwards components business, BOC Edwards Pharmaceutical Systems, were sold.

The sale of the subsidiary Cryogas S. A., Colombia, to Indura S. A., Chile, at an enterprise value of EUR 90 m was also completed in 2008.

These two transactions gave rise to a profit on deconsolidation in the 2008 financial year of EUR 59 m.

[12] Financial income and expenses

Financial income

in € million	2009	2008
Finance income from embedded finance leases	45	51
Other interest and similar income	73	25
Income from investments	1	–
Expected return on plan assets	195	296
Group	**314**	**372**

Other interest and similar income increased during the reporting period as a result of interest income from interest rate swaps. This was due to our active management of interest rates and the significant fall in interest rates in the capital market. The expected return on plan assets was lower than in 2008 due to the decline in the fair values of the plan assets as a result of the economic crisis and generally lower forecasts for the expected return on plan assets.

Financial expenses

in € million	2009	2008
Interest cost of pension obligations	238	272
Other interest and similar charges	386	482
Write-down of financial assets	19	3
Group	**643**	**757**

Write-downs of financial assets include impairment losses relating to receivables from financial services arising from modifications to contracts or the cancellation of contracts.

In interest income and interest charges, gains and losses from fair value hedge accounting are offset against each other, in order to give a fair presentation of the economic effect of the underlying hedging relationship. Interest income and interest charges relating to derivatives are also disclosed net.

[13] Taxes on income

Taxes on income in The Linde Group can be analysed as follows:

Taxes on income

in € million	2009	2008
Current tax expense and income	324	284
Tax expense and income relating to prior periods	–15	–3
Deferred tax expense and deferred tax income	–124	–51
Group	**185**	**230**

The income tax expense disclosed for the 2009 financial year of EUR 185 m is EUR 50 m lower than the expected income tax expense of EUR 235 m, a theoretical figure arrived at by applying the German tax rate of 28.1 percent (2008: 28.1 percent) to Group earnings before taxes on income. Tax effects recognised directly in equity are shown in detail in Note [22].

Included under the “Tax expense and income relating to prior periods” heading in 2009 were current tax expenses of EUR 6 m and deferred tax income of EUR 21 m.

The difference between the expected income tax expense and the figure disclosed is explained below:

in € million	2009	2008
Earnings before taxes on income	838	1,006
Income tax rate of Linde AG (including trade tax) (in %)	28	28
Expected income tax expense	**235**	**282**
Foreign tax rate differential	–41	–31
Effect of associates	–12	–13
Reduction in tax due to tax-free income	–27	–55
Increase in tax due to non-tax-deductible expenses	33	47
Tax expense and income relating to prior periods	–15	–3
Effect of changes in tax rate	–31	–29
Change in other permanent differences	24	31
Other	19	1
Income tax expense disclosed	**185**	**230**
Effective tax rate (in %)	22	23

In the 2009 financial year, the corporate income tax rate in Germany was 15.0 percent (2008: 15.0 percent). Taking into account an average rate for trade earnings tax of 12.3 percent (2008: 12.3 percent) and the solidarity surcharge (0.8 percent in both 2009 and 2008), this gives a tax rate for German companies of 28.1 percent (2008: 28.1 percent). The rate used to calculate deferred tax for German companies was 28.1 percent, the same as in 2008.

Income tax rates for Group companies outside Germany vary between 12.5 percent and 40.0 percent.

No deferred tax is calculated in respect of retained profits in subsidiaries, as the profits are reinvested indefinitely in these operations or are not subject to taxation.

In the reporting period, other changes consist of the change in valuation allowance (EUR 13 m) and the effects of foreign tax credits (EUR 6 m).

Deferred tax assets and liabilities

	2009		2008	
in € million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets and tangible assets	144	1,622	112	1,592
Financial assets	85	110	134	152
Current assets	322	533	108	250
Provisions	305	182	186	173
Liabilities	693	696	697	827
Tax loss carryforwards and tax credits	89	–	106	–
Valuation allowance	–24	–	–11	–
Amounts offset	–1,363	–1,363	–1,105	–1,105
	251	**1,780**	**227**	**1,889**

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the deferred tax asset will be realised. The carrying amount of deferred tax assets which relate to potential reductions in the tax base of EUR 94 m (2008: EUR 56 m) was therefore reduced by EUR 24 m (2008: EUR 11 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 75 m (2008: EUR 51 m) and deductible temporary differences of EUR 19 m (2008: EUR 5 m) will be utilised. Of the revised figure for total potential reductions in the tax base of EUR 75 m (2008: EUR 51 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 72 m (2008: EUR 46 m) may be carried forward for up to ten years and EUR 3 m (2008: EUR 5 m) may be carried forward for longer than ten years.

Tax loss carryforwards

in € million	2009	2008
May be carried forward for up to 10 years	65	45
May be carried forward for longer than 10 years	–	12
May be carried forward indefinitely	51	111[1]
	116	**168**

[1] Adjusted.

The decrease in tax loss carryforwards is mainly due to the utilisation of losses in Germany and the United States. There are also loss carryforwards relating to US state tax of EUR 52 m (2008: EUR 113 m). Tax credits in the reporting period relate principally to investment incentives, as in 2008.

[14] Earnings per share

in € million	2009	2008
Earnings after taxes on income attributable to Linde AG shareholders	591	717
Plus: increase in profit due to dilutive effect of convertible bond	–	1
Profit after adjusting for dilutive effects	591	718
Shares in thousands		
Weighted average number of shares outstanding	168,579	167,808
Dilution as a result of share option schemes	1,250	1,057
Effect of dilutive convertible bond	–	541
Weighted average number of shares outstanding – fully diluted	169,829	169,406
Earnings per share in € – undiluted	**3.51**	**4.27**
Earnings per share in € – diluted	**3.48**	**4.24**

Included in the figure for diluted earnings per share is the issue of shares relating to the employee option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (fully diluted), on a weighted basis until the date they are exercised. As the convertible bond was fully converted on 30 April 2008, it no longer had any effect in the 2009 financial year.

See Note [41] for the calculation of the adjusted earnings per share.

Further information about the option schemes is given in Note [28].

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[15] Goodwill/Other intangible assets

Movements in the intangible assets of The Linde Group during the 2009 financial year and in the previous year were as follows:

Acquisition cost in € million	Goodwill	Customer relationships	Other intangible assets	Total
At 1 Jan. 2008	**7,336**	**3,025**	**1,195**	**11,556**
Currency adjustments	–581	–426	–157	–1,164
Additions due to acquisitions	133	43	18	194
Additions	11	3	55	69
Disposals	1	–	16	17
Transfers	–	8	8	16
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2008/1 Jan. 2009	**6,898**	**2,653**	**1,103**	**10,654**
Currency adjustments	357	225	110	692
Additions due to acquisitions	37	33	–	70
Additions	10	–	38	48
Disposals	–	–	10	10
Transfers	–	36	–30	6
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2009	**7,302**	**2,947**	**1,211**	**11,460**

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Accumulated amortisation in € million	Goodwill	Customer relationships	Other intangible assets	Total
At 1 Jan. 2008	4	149	280	433
Currency adjustments	1	–27	–32	–58
Additions due to acquisitions	–	–	–	–
Amortisation	–	111	109	220
Impairments	–	–	–	–
Reversal of impairments	–	–	–	–
Disposals	–	–	9	9
Transfers	–	–	–2	–2
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2008/1 Jan. 2009	5	233	346	584
Currency adjustments	–	30	16	46
Additions due to acquisitions	–	–	–	–
Amortisation	–	118	104	222
Impairments	–	–	1	1
Reversal of impairments	–	–	–	–
Disposals	–	–	9	9
Transfers	–	1	–	1
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2009	5	382	458	845
Net book value at 31 Dec. 2009	7,297	2,565	753	10,615
Net book value at 31 Dec. 2008	6,893	2,420	757	10,070

In the balance sheet at 31 December 2009, the total figure for goodwill is EUR 7.297 bn (2008: EUR 6.893 bn). Of this amount, EUR 4.381 bn relates to the acquisition of The BOC Group in the 2006 financial year, EUR 729 m relates to other acquisitions in previous financial years and EUR 37 m relates to sundry acquisitions in the 2009 financial year. The goodwill arising from the acquisition of the AGA Group in 1999 was EUR 2.150 bn at the balance sheet date.

An impairment test of goodwill was carried out at 30 September 2009. In addition, due to the economic crisis, impairment tests of goodwill were conducted at 30 March 2009 and 30 June 2009. No impairment losses were recognised as a result.

For the purpose of the impairment test, goodwill was allocated to operating segments. The operating segment is the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the goodwill was determined as its value in use. To calculate the value in use, a discounted cash flow method was applied. The discounted cash flow method was based on the following assumptions:

→ A detailed five-year plan was used as the basis for the calculation of the cash flows. The growth rates assumed for the detailed planning period are based on the latest estimates from international economic research institutes regarding trends in gross domestic product in the relevant segment and take into account current expectations regarding future business trends. For subsequent periods, an annual growth rate below that determined in the detailed planning period was assumed, which was based on long-term expectations for inflation and was between 1 and 2 percent.

→ Our corporate planning was complemented by an examination of alternative scenarios concerning the potential development of The Linde Group. These scenarios were also used for the purpose of impairment tests. The main aspects taken into account in the alternative scenarios are changes in WACC, changes in growth rates in the perpetual annuity and changes in operating profit. Even if these changes in parameters were to be adopted, there would be no need to recognise impairment losses in respect of goodwill.

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

Assumptions for the impairment test of goodwill as of 31.12.2009

	Western Europe	Americas	Asia & Eastern Europe	South Pacific & Africa	Engineering Division	Other activities
Book value of allocated goodwill	3,597	946	884	1,321	265	284
Book value of intangible assets with indefinite useful lives	106	8	39	135	6	–
Pre-tax WACC based on region-specific premiums and discounts (in %)	8.3	9.9	9.7	9.0	16.5	11.4
Post-tax WACC based on region-specific premiums and discounts (in %)	6.2	7.0	7.9	6.6	10.9	8.9

The carrying amount of intangible assets with indefinite useful lives consists principally of corporate brands acquired as a result of the BOC acquisition of EUR 286 m (2008: EUR 262 m). As management intends to continue to use the BOC brand name and other local brand names derived from The BOC Group and it is not possible to determine the useful life of the brand, the asset is included in intangible assets with an indefinite useful life for those countries in which the intention is that the brand will continue to be used. An impairment test of the brand names was performed. No impairment losses were identified. In countries where the BOC brand name will no longer be used, the portion of the intangible asset which relates to those countries will be amortised on a straight-line basis over five years.

During the financial year, impairment losses of EUR 1 m (2008: EUR 0 m) were recognised in respect of other intangible assets as a result of lower profit expectations relating to the underlying assets. These impairment losses were allocated to the Engineering Division in the segment report and recognised in functional costs.

No development costs have been recognised in the 2009 financial year, as the conditions which apply to the recognition of development costs as assets were not met, as in 2008.

[16] Tangible assets

Movements in the tangible assets of The Linde Group in the 2009 financial year were as follows:

Acquisition cost in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
At 1 Jan. 2008	**2,282**	**12,722**	**1,510**	**651**	**17,165**
Currency adjustments	–135	–954	–73	–75	–1,237
Additions due to acquisitions	8	213	3	12	236
Additions	59	538	91	647	1,335
Disposals	78	173	26	–	277
Transfers	53	412	50	–476	39
Reclassification as assets held for sale	–	384	–384	–	–
At 31 Dec. 2008/1 Jan. 2009	**2,189**	**13,142**	**1,171**	**759**	**17,261**
Currency adjustments	61	583	53	28	725
Additions due to acquisitions	5	21	2	2	30
Additions	30	236	41	711	1,018
Disposals	44	197	73	4	318
Transfers	90	659	18	–640	127
At 31 Dec. 2009	**2,331**	**14,444**	**1,212**	**856**	**18,843**

Accumulated depreciation in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
At 1 Jan. 2008	973	7,880	1,099	–	9,952
Currency adjustments	–36	–579	–56	–	–671
Additions due to acquisitions	1	10	–	–	11
Additions	65	829	87	1	982
Impairments	2	13	2	5	22
Reversal of impairments	–	1	–	–	1
Disposals	48	145	20	–	213
Transfers	–1	26	–8	–	17
Reclassification as assets held for sale	–	259	–259	–	–
At 31 Dec. 2008/1 Jan. 2009	956	8,292	845	6	10,099
Currency adjustments	13	345	39	3	400
Additions due to acquisitions	–	1	1	–	2
Additions	68	803	84	–	955
Impairments	4	31	3	3	41
Reversal of impairments	–	1	–	–	1
Disposals	35	158	61	1	255
Transfers	5	44	–8	–5	36
At 31 Dec. 2009	1,011	9,357	903	6	11,277
Net book value at 31 Dec. 2009	1,320	5,087	309	850	7,566
Net book value at 31 Dec. 2008	1,233	4,850	326	753	7,162

Impairment losses of EUR 41 m were recognised in respect of tangible assets in 2009 (2008: EUR 22 m), while reversals of impairment losses totalled EUR 1 m (2008: EUR 1 m).

The impairment losses have arisen mainly as a result of the impact of the economic crisis on our customers and therefore on the business of The Linde Group. The impairment losses related principally to production plants and to the following operating segments in The Linde Group: Western Europe EUR 16 m, the Americas EUR 14 m, Asia & Eastern Europe EUR 8 m, South Pacific & Africa EUR 1 m, other activities EUR 1 m, and corporate activities EUR 1 m. The impairment test was based on the value in use of the assets tested. The discount rates used (WACC) are the same as those used in the impairment test for goodwill.

The impairment losses were recognised in functional costs.

Borrowing costs for construction periods over one year of EUR 20 m (2008: EUR 8 m) were capitalised, based on an interest rate of 3.0 to 5.0 percent (2008: 5.0 percent).

The acquisition/manufacturing cost of tangible assets was reduced in the financial year by grants for air separation plants of EUR 7 m (2008: EUR 2 m).

Land, land rights and buildings of EUR 95 m (2008: EUR 102 m) were pledged as security.

[17] Investments in associates and joint ventures/Other financial assets

Movements in the financial assets of The Linde Group during the 2009 financial year and in the previous year were as follows:

Cost in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans [1]	Total
At 1 Jan. 2008	536	93	303	932
Currency adjustments	15	–2	–14	–1
Additions due to acquisitions	–	–	–	–
Additions	133	22	17	172
Disposals	2	–	37	39
Transfers	–129	–6	16	–119
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2008/1 Jan. 2009	553	107	285	945
Currency adjustments	–6	1	–7	–12
Additions due to acquisitions	–	–	–	–
Additions	61	10	29	100
Disposals	31	1	40	72
Transfers	–6	–5	8	–3
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2009	571	112	275	958

[1] EUR 263 m (2008: EUR 272 m) of the non-current loans relates to loans to associates and joint ventures.

Accumulated impairments in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans	Total
At 1 Jan. 2008	20	1	–	21
Currency adjustments	–2	–	–	–2
Additions due to acquisitions	–	–	–	–
Reversal of impairments	–	–	–	–
Additions	–	3	–	3
Disposals	–	–	–	–
Transfers	–	–	–	–
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2008/1 Jan. 2009	18	4	–	22
Currency adjustments	–1	–	–	–1
Additions due to acquisitions	–	–	–	–
Additions	–	7	–	7
Disposals	–	–	–	–
Transfers	–5	1	–	–4
Reclassification as assets held for sale	–	–	–	–
At 31 Dec. 2009	12	12	–	24
Net book value at 31 Dec. 2009	559	100	275	934
Net book value at 31 Dec. 2008	535	103	285	923

Associates and joint ventures are listed in Note [42]. The aggregate amounts of their net assets and results of operations were as follows:

Balance sheet in € million	Investments in associates and joint ventures (at equity) 31.12.2009	Investments in associates and joint ventures (at equity) 31.12.2008
Non-current assets	796	846
Inventories	6	6
Other current assets	69	84
Cash and cash equivalents	58	56
Total assets	**929**	**992**
Equity excluding minority interests	231	200
Minority interests	–	–
Non-current liabilities	619	677
Current liabilities	79	115
Total equity and liabilities	**929**	**992**

Income statement in € million	Investments in associates and joint ventures (at equity) 2009	Investments in associates and joint ventures (at equity) 2008
Sales	308	625
Cost of sales	227	550
Gross profit on sales	**81**	**75**
Other income and other expenses	1	–17
Profit from operations (EBIT)	**82**	**58**
Financial result	19	11
Earnings before taxes on income (EBT)	**101**	**69**
Taxes on income	36	6
Earnings after taxes on income	**65**	**63**

[18] Inventories

in € million	31.12.2009	31.12.2008
Raw materials and supplies	93	111
Work in progress, unfinished goods and services	305	289
Finished goods	328	367
Merchandise	123	117
Payments in advance to suppliers	117	102
Group	**966**	**986**

Inventory write-downs amounted to EUR 69 m (2008: EUR 67 m).

[19] Receivables from financial services, other receivables and other assets, trade receivables and income tax receivables

	Non-current		Current		Total	
in € million	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Receivables from financial services	570	671	75	75	645	746
Receivables from percentage-of-completion contracts	–	–	79	65	79	65
Other trade receivables	–	–	1,528	1,576	1,528	1,576
Trade receivables	–	–	1,607	1,641	1,607	1,641
Other tax receivables	33	17	77	84	110	101
Derivatives with positive fair values	135	183	60	181	195	364
Prepaid pension costs	211	161	–	–	211	161
Miscellaneous receivables and assets	68	83	267	274	335	357
Other receivables and other assets	447	444	404	539	851	983
Income tax receivables	–	–	98	64	98	64

Receivables from financial services

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

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The data relating to receivables under finance leases is as follows:

in € million	31.12.2009	31.12.2008
Total minimum lease payments (gross investment)	**853**	**1,008**
Due within one year	112	118
Due within one to five years	395	421
Due in more than five years	346	469
Present value of minimum lease payments	**645**	**746**
Due within one year	75	75
Due within one to five years	279	290
Due in more than five years	291	381
Unearned finance income included in the minimum lease payments	**208**	**262**

Receivables from percentage of completion contracts

Receivables from percentage of completion (PoC) contracts comprise the aggregate amount of costs incurred and recognised profits (less recognised losses), less advances received.

At the balance sheet date, costs incurred and profits recognised on long-term construction contracts amounted to EUR 2.665 bn (2008: EUR 2.821 bn), offset against advances received of EUR 3.193 bn (2008: EUR 3.268 bn), giving rise to receivables of EUR 79 m (2008: EUR 65 m) and liabilities of EUR 607 m (2008: EUR 512 m).

Other trade receivables

Other trade receivables are due from a large number of customers in a wide variety of industry sectors and regions. To assess the recoverability of accounts receivable, the creditworthiness of customers is subject to constant review. Credit loss insurance is taken out if necessary.

Financial assets past due but not impaired

2009, in € million	30–60 days	60–90 days	90–180 days	>180 days
Trade receivables	54	22	9	17
Miscellaneous receivables and assets	2	–	–	1

2008, in € million	30–60 days	60–90 days	90–180 days	>180 days
Trade receivables	61	29	9	16
Miscellaneous receivables and assets	3	2	–	8

In the case of financial assets which are neither past due nor impaired, there were no indications at the balance sheet date of any potential impairment.

Counterparty risk

Counterparty risk is the risk that a counterparty does not meet his or her contractual payment obligations and that this leads to a loss for The Linde Group. The Linde Group generally deals with counterparties who have good credit ratings. Regular reviews are performed of the creditworthiness of counterparties and very clear limits have been set. As a result of the economic crisis, credit ratings are very volatile and it is possible that even counterparties with good ratings may at short notice delay payments or fail to make them at all.

The Linde Group does not believe it has any significant exposure to counterparty risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to our broad and uncorrelated customer base. The single largest debtor constitutes less than 1 percent of the total figure for trade receivables in The Linde Group, with one exception which constitutes around 2 percent of the total. The counterparty risk from derivative financial instruments is limited due to the fact that the counterparties are banks with good credit ratings from international rating agencies. In addition, an early warning and monitoring system has been introduced and the first Collateral Security Agreements (CSAs) have been concluded with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The risk positions outstanding are subject to strict limits and are continually monitored.

The carrying amounts of financial assets reported in the balance sheet, taking into account impairment losses, represent the highest possible default risk, without including the value of any collateral.

[20] Securities

Securities comprise available-for-sale securities of EUR 8 m (2008: EUR 12 m) and held-to-maturity securities of EUR 9 m (2008: EUR 8 m). Regular reviews are performed of the creditworthiness of counterparties and very clear limits have been set.

[21] Cash and cash equivalents

Cash and cash equivalents of EUR 831 m (2008: EUR 1,002 m) comprise cash in hand, cash at banks and money market funds. The cash at banks and the money market fund receivables have maturities of three months or less.

Included in the cash figure in 2008 was EUR 62 m held in an escrow account which related to the acquisition of SIGAS.

Cash and cash equivalents

in € million	2009	2008
Bank balances	466	432
Money market funds	309	481
Cheques	2	3
Cash	2	66
Cash equivalents	52	20
Group	**831**	**1,002**

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[22] Equity

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's capital subscribed at the balance sheet date amounts to EUR 432,402,165.76 and is fully paid up. It is divided into 168,907,096 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 2009 financial year, 414,600 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 1,061,376. Overall, share capital in the 2009 financial year increased from EUR 431,340,789.76 to EUR 432,402,165.76, divided into 168,907,096 shares.

	2009	2008
Number of shares at 1 Jan.	168,492,496	166,347,428
Exercise of convertible bond	–	1,853,668
Exercise of stock option programme (MIP 2002)	414,600	291,400
Number of shares at 31 Dec.	168,907,096	168,492,496

Authorised capital

At 31 December 2009, the authorised capital comprised the following:

Authorised Capital I:

The Executive Board was authorised, with the approval of the Supervisory Board, to increase subscribed capital by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing, on one or more occasions, new bearer shares, at a par value of EUR 2.56. The shareholders are granted subscription rights as a result. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect majority-owned 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, and exclude subscription rights for an amount of EUR 3,500,000 to the extent necessary to issue employee shares. In addition, the Executive Board can, with the approval of the Supervisory Board, exclude the subscription rights of shareholders for an amount of up to 10 percent of the capital subscribed available at the time of the resolution concerning the use of Authorised Capital I, provided the issue price of the new shares 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. The upper limit of 10 percent of the share capital is reduced by that proportion of the capital subscribed which relates to own shares held by the company, which were sold after the creation of this Authorised Capital I while excluding the subscription rights of shareholders in accordance with §§ 71 (1) No. 8, sentence 5, 186 (3), sentence 4, of the German Stock Corporation Law (AktG), and that proportion of the capital subscribed which relates to rights to subscribe for shares which were created while excluding subscription rights in accordance with §§ 221 (4), 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board was also 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 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 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. 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, must also be taken into account during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses and investments, or mergers. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Conditionally authorised capital

The conditionally authorised capital at 31 December 2009 comprised the following:

2000 conditionally authorised capital:

The 2000 conditionally authorised capital of EUR 25,071,910.40 was available to fund convertible bonds and warrant-linked bonds which might be issued by the company or its direct or indirect majority-owned subsidiaries until 16 May 2005. Subsequent to the issue of convertible bonds in May 2004 via Linde Finance B. V., a fully-owned subsidiary of Linde AG, which were fully converted in the 2008 financial year, no additional convertible bonds or warrant-linked bonds were issued prior to 16 May 2005, and the 2000 conditionally authorised capital was abolished at the Annual General Meeting on 15 May 2009.

2002 conditionally authorised capital:

The issued share capital can be increased by up to EUR 8,257,466.88, divided into 3,225,573 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, divided into 6,000,000 new shares. The Executive Board was authorised, with the approval of the Supervisory Board, to issue by 14 May 2007 up to 6,000,000 subscription rights to shares to members of the Executive Board of the company, members of the management boards of affiliated companies as defined by §§ 15 ff. of the German Stock Corporation Law (AktG) and to selected executives, each with a term of seven years (Management Incentive Programme). The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board at the Annual General Meeting on 14 May 2002, use their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

In the 2009 financial year, options under the Management Incentive Programme were exercised. As a result, 2002 conditionally authorised capital was reduced by EUR 1,061,376 from EUR 9,318,842.88 to EUR 8,257,466.88, divided into 3,225,573 shares. The issued share capital increased in 2009 as a result.

2005 conditionally authorised capital:

The issued share capital can be increased by up to EUR 50,000,000 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56 if certain conditions are met. The increase in share capital will only take place if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 7 June 2010, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005, exercise their conversion or option rights or if the holders or obligors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries settle the conversion obligation by 7 June 2010 as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005. 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.

2007 conditionally authorised capital:

The issued share capital can be increased by up to EUR 9,000,000 by the issue of up to 3,515,625 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 senior management 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. 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.

2008 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. The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds and 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 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, 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 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, 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.

Authorisation to purchase own shares:

The Executive Board is authorised until 14 November 2010 by a resolution passed at the Annual General Meeting on 15 May 2009 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

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

The own shares acquired under this authorisation may:

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

The authorisation given to the Executive Board to purchase own shares based on the resolution passed at the Annual General Meeting on 3 June 2008 was revoked when the new authorisation became effective on 15 May 2009.

in €	31.12.2009	31.12.2008
Capital subscribed	**432,402,165.76**	**431,340,789.76**
Authorised capital (total)	**105,106,534.40**	**105,106,534.40**
Authorised Capital I	25,106,534.40	25,106,534.40
Authorised Capital II	80,000,000.00	80,000,000.00
Conditionally authorised capital (total)	**152,257,466.88**	**178,390,753.28**
Conditionally authorised capital 2000	–	25,071,910.40
Conditionally authorised capital 2002	8,257,466.88	9,318,842.88
Conditionally authorised capital 2005	50,000,000.00	50,000,000.00
Conditionally authorised capital 2007	9,000,000.00	9,000,000.00
Conditionally authorised capital 2008	85,000,000.00	85,000,000.00

Notification of voting rights

The following notifications were received by the company in the 2009 financial year from investors who have exceeded or fallen below certain threshold percentages of voting rights set out in § 21 (1) and (1a) of the German Securities Trading Law (WpHG):

1. Allianz SE

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

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

2. BlackRock Financial Management Inc., New York, USA

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

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

BlackRock, Inc., New York, USA, informed us in writing on 7 December 2009 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by BlackRock, Inc., exceeded the 3 percent threshold on 1 December 2009 and was now 3.23 percent (5,448,338 voting rights). All the voting rights are attributable to BlackRock, Inc. in accordance with § 22 (1), sentence 1 No. 6 in conjunction with sentence 2 WpHG.

3. Capital World Growth and Income Fund, Inc.

Capital World Growth and Income Fund, Inc., Los Angeles, USA, informed us in writing on 15 May 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Capital World Growth and Income Fund, Inc. exceeded the 3 percent threshold on 13 May 2009 and was now 3.01 percent (5,074,885 voting rights).

4. Capital Research and Management Company

Capital Research and Management Company, Los Angeles, USA, informed us in writing on 12 June 2007 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 10 percent threshold on 6 June 2007. At that date, Capital Research and Management Company held 9.93 percent of all the voting rights in Linde AG (voting rights from 15,981,010 ordinary shares).

9.93 percent of all the voting rights in Linde AG (voting rights from 15,981,010 ordinary shares) were attributable to Capital Research and Management Company in accordance with § 22 (1), sentence 1 No. 6 WpHG. Of these voting rights from 15,981,010 ordinary shares, voting rights from 8,066,708 ordinary shares (5.01 percent) are held by Europacific Growth Fund, Los Angeles, USA, which is therefore a shareholder with an interest of 3 percent or more of the voting rights in Linde AG.

Europacific Growth Fund, Los Angeles, USA, informed us in writing on 18 July 2007 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Europacific Growth Fund fell below the 5 percent threshold on 9 July 2007 and was now 4.99 percent (8,066,708 shares).

5. Commerzbank Aktiengesellschaft

Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us in writing on 24 March 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Commerzbank Aktiengesellschaft fell below the 3 percent threshold on 24 March 2009 and was now 2.25 percent (3,788,942 voting rights). 2.21 percent of these voting rights (3,720,000 voting rights) are attributable to Commerzbank Aktiengesellschaft in accordance with § 22 (1), sentence 1 No. 1 WpHG.

In addition, Commerzbank Aktiengesellschaft also informed us in accordance with § 21 (1) in conjunction with § 24 WpHG that the share of voting rights in Linde AG held by Atlas-Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung, Bad Homburg, Germany, fell below the 3 percent threshold on 24 March 2009 and was now 2.21 percent (3,720,000 voting rights).

6. Fidelity International

Fidelity Management & Research Company, Boston, Massachusetts, USA, informed us in writing on 30 January 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Fidelity Management & Research Company fell below the 3 percent threshold on 29 January 2009 and was now 2.99 percent (5,039,867 voting rights). The voting rights are attributable to Fidelity Management & Research Company in accordance with § 22 (1), sentence 1 No. 6 WpHG.

FMR LLC, Boston, Massachusetts, USA, informed us in writing on 6 May 2009 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by FMR LLC fell below the 3 percent threshold on 4 May 2009 and was now 2.13 percent (3,587,579 voting rights). All the voting rights are attributable to FMR LLC in accordance with § 22 (1), sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 WpHG.

7. Northern Cross Investment Ltd

Northern Cross Investment Ltd, Hamilton, Bermuda, informed us in writing on 28 April 2009 that it was withdrawing its notification of voting rights dated 5 December 2008, in which it was stated that Northern Cross Investment Ltd had exceeded the 3 percent threshold of voting rights in Linde AG. Northern Cross Investment Ltd did not exceed any notifiable threshold. The publication on 11 December 2008 was therefore corrected.

8. 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 was now 5.1325 percent (8,647,941 voting rights). 5.1098 percent of the voting rights (8,609,626 voting rights) are attributable to Sun Life Financial Inc. in accordance with § 22 (1), sentence 1 No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. 0.0227 percent of the voting rights (38,315 voting rights) are attributable to Sun Life Financial Inc. in accordance with § 22 (1), sentence 1 No. 1 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

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 was now 5.1098 percent (8,609,626 voting rights). These voting rights are attributable to Sun Life Global Investment Inc. in accordance with § 22 (1), sentence 1 No. 6 WpHG in conjunction with § 22 (1), sentence 2 WpHG. None of the attributed voting rights reach the 3 percent threshold of voting rights in Linde AG on their own.

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

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

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

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

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

Capital reserve

The capital reserve comprises the premiums arising on the issue of shares, and the expenses relating to the issue of option rights to employees in accordance with IFRS 2 *Share-based Payments*.

Revenue reserves

Included under this heading are the past earnings of the companies included in the Group financial statements, to the extent that these have not been distributed. Also included in revenue reserves are positive and negative differences arising from the consolidation of acquisitions on or before 31 December 1994, and adjustments not recognised through the income statement arising from the application of IFRS for the first time. In addition, actuarial gains and losses relating to pension provisions were allocated directly in 2009 to revenue reserves. This makes it quite clear that in future periods these amounts will not be transferred to profit or loss.

In the 2008 financial year, a total amount of EUR 32 m was offset against revenue reserves, which relates to the increase in shares in our Indian subsidiary BOC India Limited. The amount corresponds to the difference between the purchase price and the proportion of shares acquired from minority shareholders.

Cumulative changes in equity not recognised through the income statement

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

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

	2009			2008		
in Mio. €	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Movement in currency translation differences	**794**	**–**	**794**	**–1,106**	**–**	**–1,106**
Movement in unrealised gains/losses on available-for-sale financial assets						
Movement in accumulated unrealised gains/losses	–2	–	–2	6	–2	4
Realised gains/losses	1	–	1	1	–	1
Unrealised gains/losses on available-for-sale financial assets	**–1**	**–**	**–1**	**7**	**–2**	**5**
Movement in unrealised gains/losses on derivative financial instruments						
Movement in accumulated unrealised gains/losses	–33	12	–21	–45	13	–32
Realised gains/losses	41	–12	29	–26	7	–19
Unrealised gains/losses on derivative financial instruments	**8**	**–**	**8**	**–71**	**20**	**–51**

In addition, deferred tax of EUR 64 m (2008: 113 m) was recognised in the movement in revenue reserves as a result of actuarial gains and losses and the effect of the limit on a defined benefit asset (asset ceiling as set out in IAS19.58).

Minority interests

The interests of the minority shareholders in equity relate mainly to the following Group companies:

in € million	31.12.2009	31.12.2008
BOC Lienhwa Industrial Gases Co. Ltd., Taiwan	175	167
African Oxygen Limited, South Africa	107	80
Saudi Industrial Gas Co. Ltd., Saudi Arabia	31	–
Abelló Linde S.A., Spain	29	29
MIG Production Co. Ltd., Thailand	26	24
Linde Gas Algérie S.p.A., Algeria	18	16
BOC India Ltd., India	17	16
Linde Engineering Dalian Co. Ltd., China	14	13
BOC Bangladesh Ltd., Bangladesh	7	6
BOC Pakistan Limited, Pakistan	5	5
Various other companies	22	21
	451	**377**

Capital employed

To ensure the medium-term and long-term success of the company, return on capital employed (ROCE) is used as a key performance indicator. Capital employed is defined for this purpose as the average of the amounts shown in the balance sheet in the prior year and current financial year:

Capital employed

Equity
+
Financial debt
+
Liabilities from financial services
+
Net pension obligations
–
Liquid funds
–
Receivables from financial services

The return figure used in the calculation comprises EBIT before non-recurring items (including income from associates and joint ventures, excluding financing costs for pension obligations) plus the amortisation of fair value adjustments identified in the course of the purchase price allocation. See Note [41] for information about the calculation of ROCE.

[23] Provisions for pensions and similar obligations

in € million	31.12.2009	31.12.2008
Provisions for pensions	1,079	818
Provisions for similar obligations	19	24
Total provisions	**1,098**	**842**
Pension assets	–211	–161

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

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

The provisions for similar obligations include bridging benefit payments in Germany as well as other obligations.

Occupational pension schemes can be either defined contribution or defined benefit schemes. In the case of defined contribution plans, the company incurs no obligation other than the payment of contributions to an external pension fund. The total of all pension costs relating to defined contribution plans in 2009 was EUR 109 m (2008: EUR 91 m). Contributions to state pension schemes in 2009 totalled EUR 62 m (2008: EUR 63 m).

In the case of defined benefit plans, the company's obligation is to meet the defined benefit commitments to current and former employees. Two different methods can be distinguished: the recognition of provisions for pensions and the use of externally financed pension schemes.

For the external financing of pension obligations, The Linde Group uses standard international models for the transfer of pension assets (e.g. pension funds and contractual trust arrangements). Pension plans financed via external pension funds exist principally in Australia, Canada, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, the UK and the US.

The amount of the pension obligation (actuarial present value of the defined benefit obligation, or DBO) is calculated using actuarial valuation methods, which require the use of estimates.

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In addition to assumptions about mortality and disability, the following assumptions which depend on the economic situation in that particular country are also relevant, so that for countries outside Germany weighted average figures based on the obligation are given:

	Germany		UK		Other Europe		USA & Canada		Other countries	
in %	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate	5.10	6.00	5.70	6.00	4.54	4.62	5.88	6.37	7.82	6.35
Expected return on plan assets	5.70	6.00	6.10	5.13	4.95	5.11	5.81	6.73	8.42	8.03
Growth in future benefits	2.50	2.50	3.81	3.32	3.14	3.03	3.62	3.41	5.69	5.18
Growth in pensions	2.00	2.00	3.75	3.00	1.20	1.94	2.40	2.18	4.16	3.84

The growth in future benefits comprises expected future increases in salaries, which are estimated annually, taking inflation and the economic situation into account. The actuarial present value of the pension obligations, calculated on the basis of the projected unit credit method, is reduced by the fair value of the plan assets where these are held in an externally financed pension fund. If the plan assets exceed the obligations from the pension commitments, an asset is disclosed in accordance with IAS 19 *Employee Benefits*. According to IAS 19.58, an asset may be recognised where a defined benefit plan has been overfunded only if The Linde Group, under its obligation as an employer, has the right to receive a refund of the contributions in cash or to reduce future contributions.

If the assets do not cover the obligation, the net obligation after deducting any past service cost is recognised under provisions for pensions.

Increases or decreases in the present value of the defined benefit obligation or in the fair value of the plan assets may give rise to actuarial gains or losses, which might be caused, for example, by changes in the parameters used in the calculations, changes in estimates with regard to risk trends of pension obligations or differences between the actual and expected return on plan assets.

In some countries, Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements. In certain countries, however, these increases in plan assets will not lead to the recognition of an asset because of the asset ceiling described in IAS 19.58. Therefore, during the reporting period, there was no increase in the pension provision or decrease in pension assets not affecting income for plans with contribution obligations of this type.

In 2009, obligations and plan assets of EUR 188 m in the pension plan in Australia were reclassified by the pension fund as a defined contribution plan as a result of a clarification in respect of the actuarial risk and investment risk.

Reconciliation of the defined benefit obligation and the plan assets:

in € million	Germany Defined benefit obligation	Germany Plan assets	UK Defined benefit obligation	UK Plan assets
At 1 Jan. 2008	**803**	**283**	**2,860**	**2,900**
Current service cost	13	–	44	–
Interest cost	41	–	146	–
Expected return on plan assets	–	17	–	168
Employers' contributions	–	–	–	125
Employees' contributions	6	6	9	9
Actuarial gains/losses	–64	–57	–292	–536
Effects of changes in exchange rates	–	–	–627	–612
Pension payments made	–45	–	–113	–113
Past service cost	–	–	5	–
Changes in Group structure/other changes	–	–	2	2
Plan curtailments	–	–	–	–
Plan settlements	–	–	–	–
At 31 Dec. 2008 /1 Jan. 2009	**754**	**249**	**2,034**	**1,943**
Current service cost	13	–	28	–
Interest cost	43	–	128	–
Expected return on plan assets	–	15	–	107
Employers' contributions	–	1	–	103
Employees' contributions	5	5	4	4
Actuarial gains/losses	91	38	390	129
Effects of changes in exchange rates	–	–	163	154
Pension payments made	–45	–	–113	–113
Past service cost	–	–	3	–
Changes in Group structure/other changes	–1	–	–	–
Plan curtailments	–2	–	–	–
Plan settlements	–	–	–	–
At 31 Dec. 2009	**858**	**308**	**2,637**	**2,327**

Other Europe		USA & Canada		Other countries		Total	
Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
559	436	395	581	535	613	5,152	4,813
13	–	18	–	18	–	106	–
26	–	22	–	37	–	272	–
–	24	–	44	–	43	–	296
–	18	–	5	–	16	–	164
5	5	–	–	2	2	22	22
–47	–75	–12	–167	–85	–112	–500	–947
–9	4	9	11	–87	–104	–714	–701
–28	–23	–33	–31	–45	–44	–264	–211
1	–	–	–	–	–	6	–
4	4	–	–	11	11	17	17
–1	–	–	–	–	–	–1	–
1	–	–	–	–	–	1	–
524	393	399	443	386	425	4,097	3,453
12	–	16	–	8	–	77	–
24	–	25	–	18	–	238	–
–	20	–	30	–	23	–	195
–	14	–	3	–	6	–	127
5	5	–	–	1	1	15	15
9	23	19	53	5	10	514	253
13	6	–5	–8	64	76	235	228
–26	–20	–26	–24	–32	–30	–242	–187
–	–	–	–	–	–	3	–
–	–	–	–	–188	–188	–189	–188
–1	–	–1	–	–	–	–4	–
–	–	–	–	–	–	–	–
560	441	427	497	262	323	4,744	3,896

Funding status of the defined benefit pension obligations:

	Germany		UK	
in € million	2009	2008	2009	2008
Actuarial present value of pension obligations (defined benefit obligation)	858	754	2,637	2,034
Of which unfunded pension obligations	318	278	–	–
Of which funded pension obligations	540	476	2,637	2,034
Fair value of plan assets	308	249	2,327	1,943
Net obligation	**550**	**505**	**310**	**91**
Cumulative effect of asset ceiling	–	–	–	–
Past service cost	–	–	–	–
At 31 December	**550**	**505**	**310**	**91**
Of which pension provision (+)	550	505	310	92
Or pension asset (–)	–	–	–	–1

Portfolio structure of pension assets

in %	31.12.2009	31.12.2008
Shares	27	28
Fixed-interest securities	60	59
Property	5	7
Insurance	1	2
Other	7	4
	100	**100**

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

	Germany		UK	
in € million	2009	2008	2009	2008
Current service cost	13	13	28	44
Interest cost	43	41	128	146
Expected return on plan assets	–15	–17	–107	–168
Amortisation of past service cost	–	–	3	5
Plan curtailments/settlements	–2	–	–	–
	39	37	52	27

	Other Europe		USA & Canada		Other countries		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	560	524	427	399	262	386	4,744	4,097
	97	74	67	58	29	18	511	428
	463	450	360	341	233	368	4,233	3,669
	441	393	497	443	323	425	3,896	3,453
	119	**131**	**–70**	**–44**	**–61**	**–39**	**848**	**644**
	18	9	2	4	–	–	20	13
	–	–1	–	–	–	1	–	–
	137	**139**	**–68**	**–40**	**–61**	**–38**	**868**	**657**
	137	139	72	73	10	9	1,079	818
	–	–	–140	–113	–71	–47	–211	–161

	Other Europe		USA & Canada		Other countries		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	12	13	16	18	8	18	77	106
	24	26	25	22	18	37	238	272
	–20	–24	–30	–44	–23	–43	–195	–296
	–	1	–	–	–	–	3	6
	–1	–	–1	–	–	–	–4	–
	15	**16**	**10**	**–4**	**3**	**12**	**119**	**88**

Actual income on plan assets in external pension funds was EUR 448 m (2008: actual losses of EUR 651 m). Despite the economic crisis, the result from plan assets was significantly higher than the expected return on plan assets of EUR 195 m (2008: significantly lower than the expected return on plan assets of EUR 296 m). The expected return on plan assets is determined on the basis of market yields on long-dated government bonds applicable at the balance sheet date and of supplementary amounts for the expected additional yield in various asset categories in the following financial year.

Under IFRS, actuarial gains and losses should be divided into those arising from changes in assumptions and those not arising from changes in assumptions (experience adjustments).

Experience adjustments

in € million	2009	2008	2007	2006
Pension obligation (as at 31.12.)	4,744	4,097	5,152	5,672
Experience adjustment	29	–40	–40	–6
Plan assets (as at 31.12.)	3,896	3,453	4,813	4,721
Experience adjustment	253	–947	–45	–197
Net obligation	848	644	339	951

Payments to increase plan assets in external pension funds in the 2010 financial year are expected to amount to EUR 145 m (2008: EUR 157 m). Of this amount, around EUR 79 m (2008: EUR 68 m) relates to special payments to the UK pension fund which Linde agreed to make as part of the BOC acquisition agreement.

The individual components of the net pension expense for the following year are calculated on the basis of existing data. The expense for newly acquired pension entitlements during the year and the interest cost for each respective financial year are determined each year on the basis of the prior year's defined benefit obligation at the relevant valuation date. The calculation of the expected return on plan assets is based on the percentage rate achieved in the prior year.

[24] Other provisions

At the balance sheet date, Other provisions had the following maturity structure:

	Non-current		Current		Total	
in € million	2009	2008	2009	2008	2009	2008
Provisions for taxes	–	–	425	338	425	338
Obligations from delivery transactions	101	93	134	173	235	266
Warranty obligations and risks from transactions in course of completion	62	80	119	197	181	277
Obligations relating to personnel	71	74	349	331	420	405
Insurance obligations	18	21	–	–	18	21
Other obligations	191	132	441	443	632	575
Miscellaneous provisions	443	400	1,043	1,144	1,486	1,544
Total other provisions	443	400	1,468	1,482	1,911	1,882

The provisions for warranty obligations and risks from transactions in course of completion consist principally of provisions for anticipated losses on transactions in course of completion, for litigation and for guarantees and warranty obligations.

The provisions for obligations relating to personnel comprise mainly provisions for obligations relating to pre-retirement part-time work, restructuring, outstanding holidays, anniversaries and wages and salaries not yet paid. The provision for obligations relating to pre-retirement part-time work is based on individual contractual agreements.

The insurance obligations comprise the insurance risks arising from reinsurance by the subsidiary Linde-RE S. A., Luxembourg, and Priestley Dublin Reinsurance Company Limited, Ireland.

In the 2009 financial year, the interest rate used to discount non-current provisions was adjusted from 5.0 percent to 3.0–5.0 percent. The cumulative effect of this change was EUR 13 m, which was included in the financial result.

in € million	At 01.01.2009	Changes in Group structure[1]	Utilisation	Release	Addition	Transfer	At 31.12.2009
Provisions for taxes	**338**	**3**	**26**	**3**	**113**	**–**	**425**
Obligations from delivery transactions	266	3	55	8	21	8	235
Warranty obligations and risks from transactions in course of completion	277	–8	95	38	66	–21	181
Obligations relating to personnel	405	21	164	14	171	1	420
Insurance obligations	21	–	–	3	–	–	18
Other obligations	575	–5	124	103	277	12	632
Miscellaneous provisions	**1,544**	**11**	**438**	**166**	**535**	**–**	**1,486**
Total other provisions	**1,882**	**14**	**464**	**169**	**648**	**–**	**1,911**

[1] Including currency differences.

[25] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group, analysed as follows:

	Non-current				Current		Total	
	Due in one to five years		Due in more than five years		Due within one year			
in € million	2009	2008	2009	2008	2009	2008	2009	2008
Subordinated bonds	–	–	1,435	1,408	–	–	1,435	1,408
Other bonds	1,988	1,369	2,362	2,301	9	495	4,359	4,165
Commercial papers (CP)	–	–	–	–	177	444	177	444
Bank loans and overdrafts	782	1,069	19	8	195	351	996	1,428
	2,770	**2,438**	**3,816**	**3,717**	**381**	**1,290**	**6,967**	**7,445**

Of the subordinated bonds and other bonds at 31 December 2009, EUR 765 m and EUR 2,356 m respectively (2008: EUR 1,057 m and EUR 2,613 m respectively) were in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships outstanding at the year-end which had been agreed, the subordinated bonds of EUR 1,435 m would have been EUR 63 m lower and the other bonds of EUR 4,359 m would have been EUR 109 m lower. In total, financial debt has increased by EUR 172 m (2008: EUR 146 m) as a result of fair value hedging relationships.

Of the bank loans and overdrafts, EUR 153 m (2008: EUR 154 m) is in a cash flow hedging relationship.

Of the bank loans and overdrafts, EUR 1 m (2008: EUR 1 m) is secured by mortgages.

In the 2009 and 2008 financial years, there were no defaults or breaches of loans payable.

The bonds are analysed as follows:

Fixed-interest bonds

Issuer	Nominal volume in relevant currency (ISO code)	€ million [1]	Weighted average residual term (in years) [2]	Weighted average effective interest rate (in percent) [2, 3]
Linde Finance B. V., Amsterdam	EUR 4,327 m	4,400	4.97	5.6
Linde Finance B. V., Amsterdam	GBP 850 m	1,020	8.97	7.1
Linde Finance B. V., Amsterdam	USD 400 m	278	4.87	3.7
African Oxygen Limited, Johannesburg	ZAR 390 m	37	2.52	11.9
		5,735		

[1] Includes adjustments relating to hedging transactions.

[2] Subordinated bonds issued by Linde are included only until the end of the period when Linde may first exercise its right to call in the bond.

[3] Effective interest rate in relevant currency.

Variable-interest bonds

Issuer	Nominal volume in relevant currency (ISO code)	€ million	Weighted average residual term (in years)	Weighted average coupon (in percent) [1]
Linde Finance B. V., Amsterdam	EUR 50 m	50	8.40	1.3
African Oxygen Limited, Johannesburg	ZAR 100 m	9	0.34	8.1
		59		

[1] Coupon in relevant currency.

Subordinated bonds

In July 2006, subordinated bonds for EUR 700 m and GBP 250 m were issued, with a final maturity date of 14 July 2066. There is a right to call the loan from 14 July 2016. If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (3 month Euribor +4.125 percent for the euro bond and 3 month Libor +4.125 percent for the bond in British pounds). The right to call the loan will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended on any due date for interest payment. Coupon payments not made will be made up if The Linde Group makes payments for securities pari passu, subordinated securities or shares.

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In July 2003, a subordinated bond for EUR 400 m was issued. It has no final maturity date, although there is a right to call the loan from 3 July 2013. If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (3 month Euribor +3.375 percent). The right to call the loan will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended as soon as Linde AG fails to pay a dividend. Coupon payments may be suspended for a maximum period of five years. If Linde AG resumes the dividend payment, or makes other payments for securities pari passu or subordinated securities, before a period of five years has elapsed, all the cancelled coupon payments are made up.

Other bonds

In the past financial year, Linde Finance B. V. has issued new euro bonds as part of the EUR 10 bn Debt Issuance Programme. These bonds have a total volume of EUR 327 m, and each issue is guaranteed by Linde AG.

In November 2009, Linde Finance B. V. issued a 5-year Eurodollar bond for USD 400 m with an interest coupon of 3.625 percent at a re-offer price of 99.738 percent. The issue was used to refinance part of the syndicated credit in USD, thereby further optimising our maturity profile. The bond was also issued with a guarantee from Linde AG as part of the Debt Issuance Programme and is listed on the Luxembourg Stock Exchange.

Bank loans and overdrafts

The acquisition of The BOC Group was secured through credit facilities arranged in March 2006 for GBP 8.9 bn and EUR 2 bn (revolver). Linde currently has an agreed unused syndicated revolving credit facility of EUR 2 bn, which also serves as back-up for our EUR 1 bn Commercial Paper Programme. At 31 December 2009, EUR 145 m of the commercial papers issued by Linde Finance B. V. were outstanding.

On 30 June 2009, a new EUR 1.6 bn two-year revolving credit line was agreed. This forward start facility will be available from 2011. It will succeed the existing credit line, currently unused, which expires on 3 March 2011. With the new credit line, the Group is ensuring that it has a solid general liquidity reserve with banks.

More than 20 of the most important German and international banks for Linde were involved in the transaction, which is known as a club deal. The very good level of support Linde received when arranging the transaction made it possible to increase the credit facility significantly above the amount originally planned to EUR 1.6 bn. Even so, the transaction was oversubscribed.

Financial covenants

As a result of its financial debt, The Linde Group enters from time to time into financial covenants with which it is bound to comply.

The credit agreement for the EUR 1.6 bn forward start facility states that, if Linde's rating drops down to a non-investment-grade rating, key figures defined in the credit agreement must not be exceeded. As The Linde Group has an investment grade rating at the date of this report, this financial covenant does not currently apply.

The trust deed relating to the GBP 100 m loan stock bond with a maturity date of 2012/2017 includes various financial covenants at the level of the BOC Group Ltd sub-group. The most significant covenants relate to the indebtedness of the sub-group, preferential creditors of the sub-group and any exceptional disposal of the sub-group. All the covenants of The BOC Group Ltd were observed in the 2009 and 2008 financial years.

The bank and capital market liabilities of African Oxygen Limited include various financial covenants relating to key financial figures in African Oxygen Limited. All the financial covenants relating to African Oxygen Limited were fulfilled in the 2009 and 2008 financial years.

[26] Liabilities from financial services

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

Liabilities from financial services

in € million	31.12.2009	31.12.2008
Total minimum lease payments (gross investment)	31	40
Due within one year	12	13
Due in one to five years	18	18
Due in more than five years	1	9
Present value of minimum lease payments	28	34
Due within one year	11	11
Due in one to five years	16	16
Due in more than five years	1	7
Finance charge included in the minimum lease payments	3	6

Assets held under finance leases are mainly disclosed under the heading “Technical equipment and machinery” in tangible assets at their book values. These assets comprise distribution equipment, vehicles and other fixtures and fittings.

[27] Trade payables, Other liabilities, Liabilities from income taxes

	Non-current		Current		Total	
in € million	2009	2008	2009	2008	2009	2008
Percentage-of-completion (PoC)	–	–	607	512	607	512
Other	2	3	1,526	1,608	1,528	1,611
Trade payables	**2**	**3**	**2,133**	**2,120**	**2,135**	**2,123**
Advance payments received from customers	19	19	176	122	195	141
Other taxes	–	–	118	101	118	101
Social security	–	–	47	46	47	46
Derivatives with negative fair values	45	42	97	274	142	316
Sundry liabilities	88	86	448	486	536	572
Other liabilities	**152**	**147**	**886**	**1,029**	**1,038**	**1,176**
Income tax payables	**104**	**95**	**133**	**89**	**237**	**184**
	258	**245**	**3,152**	**3,238**	**3,410**	**3,483**

Percentage of completion trade payables of EUR 607 m (2008: EUR 512 m) relate to advance payments received on construction contracts, where these exceed the state of completion of the contract.

Other information

[28] Share option scheme

Linde Performance Share Programme 2007

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

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

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

Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price of EUR 2.56 per share. Linde AG may decide, at 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 will be made in each case by the appropriate executive bodies of the company.

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

A 40 percent weighting applies to the "adjusted earnings per share" performance target. The minimum target is reached if the adjusted diluted earnings per share achieve a compound annual growth rate (CAGR) of 7 percent during the vesting period. The stretch target is reached if a CAGR of 12 percent is achieved. If the minimum target is reached, 10 percent of the options in a tranche may be exercised and, if the stretch target is reached, 40 percent of the options in a tranche. If the CAGR is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. Details of the calculation of "adjusted earnings per share" are given in Note [41]. The "adjusted earnings per share" performance target is regarded as a *performance condition* as defined by IFRS 2.

A 30 percent weighting applies to the "absolute total shareholder return" performance target. The minimum target is reached if the total shareholder return during the vesting period is 20 percent of the initial value. The stretch target is reached if the total shareholder return is 40 percent. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. The first component of total shareholder return over the three-year period is the change in the share price of Linde AG over the vesting period, which is determined by comparing the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system of the Frankfurt Stock Exchange before the issue date of the options in the relevant tranche and the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system before the third last stock exchange trading day before the exercise period. The other components of total shareholder return are dividends paid and the value of any statutory subscription rights relating to the share (e.g. as a result of increases in share capital). The "absolute total shareholder return" performance target is regarded as a *market condition* as defined in IFRS 2 and is included in the measurement of the option price.

A 30 percent weighting applies to the "relative total shareholder return" performance target. The minimum target is reached if the total shareholder return of the Linde AG share exceeds the median of the control group (DAX-30) during the vesting period. The stretch target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the control group (DAX-30) during the vesting period. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. When total shareholder return is calculated, the same comments apply as for the "absolute total shareholder return" performance target.

The "relative total shareholder return" performance target is regarded as a *market condition* as defined in IFRS 2 and is included in the measurement of the option price.

In accordance with IFRS 2 *Share-based Payment*, the total value of share options granted to management is determined at the issue date using an option pricing model. The total value calculated of the share options at the issue date is allocated as a personnel expense over the period in which the company receives service in return from the employee. This period is generally the same as the agreed vesting period. The other side of the entry is made directly in equity (in the capital reserve).

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

Options – Linde Performance Share Programme 2007

	LTIP – Number of options
At 01.01.2008	**526,380**
Options granted	460,787
Exercised	–
Forfeited	15,734
Expired	–
At 31.12.2008/01.01.2009	**971,433**
Of which exercisable at 31.12.2008	–
Options granted	737,480
Exercised	–
Forfeited	11,671
Expired	–
At 31.12.2009	**1,697,242**
Of which exercisable at 31.12.2009	–

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No options could be exercised in 2009, as the vesting period is three years. The average remaining period in the LTIP 2007 is 19 months (2008: 24 months). The exercise price for all the tranches in the LTIP 2007 is EUR 2.56.

The calculation of the expense is based on the fair value of the options issued, using a Monte Carlo simulation for the fair value calculation. The following measurement parameters were used:

Monte Carlo simulation model

	1st tranche 2007	2nd tranche 2008	3rd tranche 2009
Date of valuation	02.08.2007	05.06.2008	20.05.2009
Expected share volatility (%)	20.26	22.58	34.60
Risk-free interest rate (%)	4.31	4.28	1.88
Expected dividend yield (%)	1.90	1.90	3.10
Initial value of Linde share	88.45	96.10	59.75
Exercise price in €	2.56	2.56	2.56
Number of participants	840	871	862

Options per exercise hurdle

	Option price in EUR	Weighting in percent	Total value in EUR	Probability in percent	Value on allocation in EUR
1st tranche 2007					
Earnings per share	81.30	40	32.52	–	0.00
Absolute total shareholder return	36.34	30	10.90		10.90
Relative total shareholder return	43.69	30	13.11		13.11
Total	**161.33**	**100**	**56.53**		**24.01**
2nd tranche 2008					
Earnings per share	88.52	40	35.41	40	14.16
Absolute total shareholder return	41.27	30	12.38		12.38
Relative total shareholder return	46.85	30	14.06		14.06
Total	**176.64**	**100**	**61.84**		**40.60**
3rd tranche 2009					
Earnings per share	52.10	40	20.84	40	8.34
Absolute total shareholder return	26.38	30	7.91		7.91
Relative total shareholder return	30.93	30	9.28		9.28
Total	**109.41**	**100**	**38.03**		**25.53**

In 2009, the probability that the adjusted earnings per share performance target would be reached in respect of the first tranche (allocated in the 2007 financial year) of the LTIP 2007 was adjusted. As a result of expenses determined in prior years on the basis of other probabilities, there was a positive impact on earnings in the 2009 financial year of EUR 3 m, an amount recognised in functional costs.

The volatility figure underlying the valuation is based on the historical volatility of the Linde share. The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options.

The effect on earnings of the recognition of the expense in the income statement of The Linde Group was as follows:

Personnel expenses – Linde Performance Share Programme 2007

€ million	2009	2008
Total	**10**	**10**

Linde Management Incentive Programme 2002

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

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

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

The option conditions provide for a qualifying period for the share options of two years from their date of issue. At the end of this period, the options can be exercised during the entire option term, i.e. during the five years from the end of the qualifying period, excluding any blocked periods. These are the periods from three weeks before to two days after the public reporting dates of the company, and the last two weeks before the end of the financial year until two days after the announcement of the annual results, and 14 weeks before until the third banking day after the Annual General Meeting. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the Xetra closing price of Linde shares on the exercise date. These arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and of the company. 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 the options, if there are exceptional unforeseen movements in the price of Linde shares. This was not the case in the 2008 and 2009 financial years.

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

In accordance with IFRS 2 *Share-based Payment*, the total value of share options granted to management will be determined at the issue date using an option pricing model. The total value calculated of the share options at the issue date will then be allocated as a personnel expense over the period in which the company receives service in return from the employee. This period is generally the same as the qualifying period. The other side of the entry is made directly in equity (in the capital reserve).

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

Options – Linde Management Incentive Programme 2002

	Number of options	Average exercise price in €
At 01.01.2008	**3,281,373**	**65.54**
Options granted	–	–
Exercised	291,400	56.86
Forfeited	4,000	81.76
Expired	–	–
At 31.12.2008/01.01.2009	**2,985,973**	**66.37**
Of which exercisable at 31.12.2008	2,985,973	–
Options granted	–	–
Exercised	414,600	47.23
Forfeited	1,000	81.76
Expired	140,650	56.90
At 31.12.2009	**2,429,723**	**70.18**
Of which exercisable at 31.12.2009	2,429,723	–

As a result of the exercise of 414,600 options (2008: 291,400), capital subscribed increased in 2009 by EUR 1 m (2008: EUR 0 m) and the capital reserve rose by EUR 19 m (2008: EUR 17 m).

The calculation of the expense is based on the fair value of the subscription rights issued, using the Black-Scholes option pricing model. The average share price when the options were exercised was EUR 74.41 (2008: EUR 88.91). The range of exercise prices of options exercisable at the balance sheet date was between EUR 32.38 and EUR 81.76.

The volatility figure underlying the valuation is based on historical, implicit volatility, taking the remaining terms of the share options into account.

The effect on earnings of the recognition of the expense in the income statement of The Linde Group was as follows:

Personnel expenses – Linde Management Incentive Programme 2002

in € million	2009	2008
Total	–	2

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[29] Financial instruments

The following table shows the fair values of financial instruments by category, and includes a comparison of the fair values with their carrying amounts.

Financial assets

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

Financial liabilities

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

Financial instruments				Balance sheet figures	
Carrying amount					
Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
–	–	59	80	–	80
–	–	–	–	645	645
–	–	–	1,607	–	1,607
66	129	–	195	–	195
–	–	–	251	295	546
–	–	–	831	–	831
66	**129**	**59**	**2,964**	**940**	**3,904**

Financial instruments				Balance sheet figures	
Carrying amount					
Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
6,967	–	–	6,967	–	6,967
–	–	–	–	28	28
1,528	–	–	1,528	–	1,528
–	43	99	142	–	142
439	–	–	439	97	536
8,934	**43**	**99**	**9,076**	**125**	**9,201**

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Financial assets

	Financial instruments			
	Fair value	Carrying amount		
		Cash and cash equivalents	Loans and receivables	Held-to-maturity financial assets
31 December 2008, in € million				
Investments and securities	103	–	12	9
Receivables from financial services	680	–	–	–
Trade receivables	1,641	–	1,641	–
Derivatives with positive fair values	364	–	–	–
Miscellaneous receivables and assets	518	–	277	–
Cash and cash equivalents	1,002	1,002	–	–
Total	**4,308**	**1,002**	**1,930**	**9**

Financial liabilities

	Financial instruments
	Fair value
31 December 2008, in € million	
Financial debt	7,061
Liabilities from financial services	34
Trade payables	1,611
Derivatives with negative fair values	316
Sundry liabilities	572
Total	**9,594**

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
	–	–	82	103	–	103
	–	–	–	–	746	746
	–	–	–	1,641	–	1,641
	129	235	–	364	–	364
	–	–	–	277	241	518
	–	–	–	1,002	–	1,002
	129	**235**	**82**	**3,387**	**987**	**4,374**

	Financial instruments				Balance sheet figures	
	Carrying amount					
	Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
	7,445	–	–	7,445	–	7,445
	–	–	–	–	34	34
	1,611	–	–	1,611	–	1,611
	–	240	76	316	–	316
	524	–	–	524	48	572
	9,580	**240**	**76**	**9,896**	**82**	**9,978**

The fair value of financial instruments is generally determined using stock exchange prices. If stock exchange prices are not available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments is determined as follows. Options are valued by external partners using Black-Scholes pricing models. Futures are measured with recourse to the stock exchange price in the relevant market. All other derivative financial instruments are measured by discounting expected future cash flows using the net present value method. As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates on the balance sheet date, obtained from recognised external sources.

These calculations are based on the following interest curves:

Interest curves

in %	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2009								
Interest for six months	0.99	0.37	0.78	0.42	4.42	0.64	7.75	1.64
Interest for one year	1.28	0.64	1.02	0.47	4.67	0.77	7.38	1.88
Interest for five years	2.77	2.92	3.43	0.70	5.82	2.81	7.95	3.16
Interest for ten years	3.54	3.92	4.15	1.41	6.21	3.53	7.95	3.81
2008								
Interest for six months	3.02	1.70	2.75	1.23	3.78	2.45	22.50	3.91
Interest for one year	2.58	1.23	2.02	0.79	3.21	1.80	16.75	4.04
Interest for five years	3.18	2.05	3.19	0.94	3.28	2.76	16.50	3.61
Interest for ten years	3.71	2.43	3.51	1.26	4.31	3.11	16.50	3.88

For loans and receivables which are measured at amortised cost, there are no liquid markets. For current loans and receivables and liabilities recognised at amortised cost, it is assumed that the fair value corresponds to the carrying amount. For all other loans and receivables, the fair value is determined by discounting future expected cash flows. The interest rates applied to the loans are the same as those that would apply to new loans secured with the same risk structure, original currency and maturity.

Fair value is calculated using the discounted cash flow method, taking into account individual credit standing and other market circumstances in the form of credit and liquidity spreads generally applied in the market.

The following table shows the financial instruments in The Linde Group which are measured at fair value. Linde uses the following hierarchy to determine and disclose fair values, based on the method used to ascertain the fair values:

→ Level 1: Quoted prices in active markets for the same financial instrument.
→ Level 2: Valuation techniques for which all significant inputs are based on observable market data.
→ Level 3: Valuation techniques for which any significant input is not based on observable market data.

Financial assets and liabilities measured at fair value

in € million	Level 1	Level 2	Level 3
Subsidiaries and securities	8	–	49
Freestanding derivatives with positive fair values	–	66	–
Derivatives designated as hedging instruments with positive fair values	–	129	–
Freestanding derivatives with negative fair values	–	43	–
Derivatives designated as hedging instruments with negative fair values	–	99	–

During the reporting period, there were no movements of the fair value calculations between Level 1 and Level 2 and no movements of the fair value calculations out of or into Level 3.

The main items included in the Level 3 valuation category are investments and securities for which no observable market prices are available and for which the valuation is made on the basis of a discounted cash flow method. During the reporting period, no changes in fair value in this category were recognised in equity. All the items in this category are available-for-sale financial assets. No disposals took place during the reporting period.

The principal value drivers of the discounted cash flow method in respect of the valuation of investments and securities in the Level 3 valuation category are the discount rate (WACC) and the imputed free cash flow of these companies. If the WACC had been 0.5 percent higher, the fair value would have been EUR 7 m lower and if the free cash flows had been 5 percent lower the fair value would have been EUR 5 m lower. These effects would have been fully recognised in equity.

Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 2 m for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods. It is not currently intended to sell these assets.

In the 2009 financial year, net gains or net losses arose on financial instruments as follows:

in € million	2009	2008[1]
From freestanding derivatives	–63	91
From held-to-maturity investments	–1	–
From loans and receivables	79	–362
From available-for-sale financial assets	–2	6
Of which: transfers to profit or loss	–1	–1
Of which: transfers to cumulative changes in equity	–1	7
From financial liabilities measured at amortised cost	–77	210
Total	**–64**	**–55**

[1] Adjusted.

The net gains and losses on financial instruments arise from changes in fair value, the recognition of impairment losses and reversals of impairment losses, eliminations and exchange rate differences. From 2009, the amounts disclosed also include currency gains and losses on intra-Group monetary items which have not been eliminated on consolidation. The prior-year figures have been adjusted accordingly.

The net financial gains and losses correspond to the valuation gains and losses of the financial instruments but exclude interest and dividends.

Freestanding derivatives comprise all those derivatives which are not designated as hedging instruments. They include those derivatives in economic hedging relationships not designated as hedges in respect of which gains and losses arising from the underlying transaction and the hedged item are recognised at the same time in the income statement.

The financial result includes fees and other costs of capital of EUR 8 m (2008: EUR 5 m) relating to financial instruments not at fair value through profit or loss.

No interest income has been accrued which relates to impaired financial instruments, especially receivables.

Impairment loss on financial assets:

31 December 2009, in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2009 financial year
Investments and securities	84	4	80	1
Receivables from financial services	652	7	645	7
Trade receivables	1,767	160	1,607	34
Derivatives	195	–	195	–
Miscellaneous receivables and assets	552	6	546	5
Cash and cash equivalents	831	–	831	–

31 December 2008, in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2008 financial year
Investments and securities	106	3	103	3
Receivables from financial services	746	–	746	–
Trade receivables	1,796	155	1,641	45
Derivatives	364	–	364	–
Miscellaneous receivables and assets	521	3	518	2
Cash and cash equivalents	1,002	–	1,002	–

The interest income and interest expense from financial instruments not measured at fair value through profit or loss were as follows:

Interest income/expense from financial instruments not measured at fair value

in € million	2009	2008
Interest income	76	110
Interest expense	357	441
Group	**–281**	**–331**

Not included here are the interest income and expense from derivatives or the interest income and expense from assets and liabilities outside the scope of IFRS 7.

Risk positions and risk management

The basic risk strategies for interest, currency and liquidity management, and the objectives and principles governing our financing are determined by the Treasury committee, led by the member of the Executive Board responsible for finance. This committee usually meets once a month and comprises representatives from Treasury and from Accounting/Reporting.

Within Treasury, the principle of segregation of duties between the front, middle and back offices must be observed and monitored throughout the risk management process. This means that there is a strict personal and organisational separation between the dealing and the processing and verification of a financial transaction. We use a treasury management system to implement, record and evaluate our transactions. The operations within Treasury are subject to regular internal and external reviews, generally once a year.

We make financing and hedging decisions on the basis of the financial information which we receive from the treasury management system and from our financial and liquidity forecasts.

Due to its global operations, The Linde Group is exposed to a number of financial risks. In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates and exchange rates.

The management of counterparty risk is based on the credit ratings of the counterparties. We limit the extent and duration of any commercial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading department. In the 2009 financial year, as a result of the financial market crisis, these limits were reduced for a number of counterparties and derivative transactions were switched between borrowers, in order to reduce the risk of loss which might occur if a counterparty were to default. In addition, in 2009 the first collateral security agreements (CSAs) were concluded with banks. On the basis of agreements of this type, 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. In this way, the counterparty risk arising from these instruments is minimised. Further collateral security agreements are being concluded in the 2010 financial year to minimise the counterparty risk of a large part of the positive and negative fair values of the derivatives.

In the 2009 and 2008 financial years, The Linde Group did not hold any material collateral. The Linde Group has financial assets with a carrying amount of EUR 2 m (2008: EUR 1 m) which are pledged as security for liabilities or contingent liabilities.

Even before the onset of the crisis in the financial markets, the management of liquidity risk was one of the Treasury department's most important tasks. For years, Linde has pursued a provident and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2009 financial year. We also have the security of the backing of a major international banking group which provides us with financing commitments, most of which are still unutilised (see also the Financing and measures to safeguard liquidity and the Risk report sections in the management report). The diversification we have achieved in our sources of financing means that we are able to avoid a concentration of risk in the area of liquidity.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. On the one hand, they have an impact on the level of interest expense borne by The Linde Group, and on the other hand they affect the fair values of financial instruments. Based on the operational business model and using sensitivity and scenario analyses, Group Treasury has determined ranges for the fixed-floating ratio of the financial liabilities in the main currencies: EUR, GBP, USD and AUD. Group Treasury manages the ratios centrally within the agreed ranges and submits regular reports to the Treasury committee about the measures implemented. Exposure to interest rate risks is hedged by the use of long-term fixed-interest bonds, loans and interest rate derivatives.

In the case of exchange rate risk, it is important to distinguish between operational transaction risks, which are the result of supply contracts for individual projects spread across different currency zones, and translation risks, which arise from currency translation relating to individual companies at different cut-off dates.

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

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Translation risks are hedged in USD, GBP and AUD within authorised ranges.

Hedging decisions are made according to the risk strategies of the Treasury committee.

Forward exchange deals, currency swaps and foreign currency loans are all used here. The main currencies are the US Dollar, the British Pound, the Australian Dollar and some Eastern European, South American and Asian currencies. In our project business in the Engineering Division, foreign currency risks are reduced as much as possible by natural hedges, for example by purchasing supplies and services in the currency of the contract. Any foreign currency amounts over and above this are immediately hedged fully when they arise, generally by entering into forward exchange transactions.

In our Gases Division, we also use financial instruments to hedge against exposure to changes in the price of electricity, natural gas and propane gas.

Liquidity risks

Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below:

2009, in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	2,711	4,471	3,743
Cash outflows from derivatives with negative fair values	80	196	58
Of which settled gross	80	196	58
Related cash inflows as a result of gross settlement	67	145	53

2008, in € million	Due within 1 year[1]	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	3,756	4,169	3,877
Cash outflows from derivatives with negative fair values	41	46	4
Of which settled gross	36	33	–
Related cash inflows as a result of gross settlement	34	32	–

In the case of derivative financial instruments, only those with negative fair values are included, in accordance with IFRS 7.39(a). In the case of derivatives settled gross, both the cash outflow and the cash inflow on the liquidation of the derivative are included in the analysis to avoid distortions in the presentation.

Interest rate risks

As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2009, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 6,035 m (2008: EUR 6,370 m). Of these, EUR 3,136 m (2008: EUR 4,547 m) related to instruments bearing interest at variable rates and EUR 2,899 m (2008: EUR 1,823 m) to instruments bearing interest at fixed rates.

The Linde Group sees British Pounds, Euro, Australian Dollars and US Dollars as the currencies which have a significant impact on our financing activities. At the balance sheet date, The Linde Group had total holdings of interest-bearing instruments in British Pounds of GBP 571 m (2008: GBP 662 m) [fixed-rate ratio: 53 percent (2008: 11 percent)], in Euro of EUR 3,950 m (2008: EUR 4,112 m) [fixed-rate ratio: 44 percent (2008: 31 percent)], in Australian Dollars of AUD 572 m (2008: AUD 665 m) [fixed-rate ratio: 36 percent (2008: 12 percent)] and in US Dollars of USD 1,491 m (2008: USD 1,050 m) [fixed-rate ratio: 44 percent (2008: 25 percent)].

Based on instruments bearing interest at variable rates and financial instruments hedging interest rate risks which The Linde Group holds or has issued, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects (using constant exchange rates):

2009, in € million	Change	Income statement	OCI
Currency			
EUR	+ 100 bp	– 22	– 2
	– 100 bp	20 [1]	2
GBP	+ 100 bp	– 4	–
	– 100 bp	4	–
USD	+ 100 bp	– 5	4
	– 100 bp	1 [1]	– 4
AUD	+ 100 bp	–	1
	– 100 bp	–	– 1

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero. No negative interest rates were allowed.

2008, in € million	Change	Income statement	OCI
Currency			
EUR	+ 100 bp	– 32	–
	– 100 bp	32	–
GBP	+ 100 bp	– 10	–
	– 100 bp	10	–
USD	+ 100 bp	– 5	2
	– 100 bp	5	– 2
AUD	+ 100 bp	– 3	1
	– 100 bp	3	– 1

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Exchange rate risks

As a result of its Group activities, The Linde Group is exposed to exchange rate risks in around 100 countries. This broad spread of activities over many different currency areas and the local business model of an industrial gases group result in a low concentration of risk for the Group.

The Linde Group monitors and manages its exchange rate risk, which has an impact on its operations. The gross exchange rate risk comprises all the operating activities of the Group. The gross exchange rate risk is reduced by around 86 percent (2008: 61 percent) as a result of hedging operations. In its earnings at the balance sheet date, The Linde Group is exposed to a net exchange rate risk of 14 percent of the total of all operating activities involving the purchase of foreign currency (2008: 39 percent).

The risk of exchange rate movements is monitored for internal management purposes on the basis of value-at-risk, which relates to positions in currencies other than the relevant functional currency.

The value-at-risk is calculated on the basis of historical data in accordance with international banking standards. The value-at-risk presents the maximum potential loss on the basis of a probability of 97.5 percent for a holding period of twelve months. The calculation takes into account correlations between the transactions being considered – the risk of a portfolio is generally lower than the total of the respective individual risks.

At 31 December 2009, the value-at-risk was EUR 17 m (2008: EUR 71 m).

Other market price risks

As a result of its energy purchases, The Linde Group is exposed to risks arising from changes in commodity prices. The Linde Group monitors and controls these commodity price risks arising from the purchase of electricity for use in production. These hedging operations are governed by strict risk management guidelines, compliance with which is constantly being monitored. Commodity price risks are hedged in the main by long-term supply contracts or limited by the form and structure of sales contracts. Derivatives are also used to a much lesser extent to hedge against the exposure to price changes. The commodity price risk from financial instruments is therefore not material.

Financing principles and objectives

The aim of external financing and measures to safeguard liquidity is to ensure that the Group has adequate liquidity at all times. The financial crisis in the international capital markets clearly emphasises the importance of sufficient liquidity procurement for companies.

Our external financial headroom is maintained primarily by a major international banking group and the capital markets. Within the Group, the principle of internal financing applies: i.e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans.

Consequently, the subsidiaries were again financed in 2009 mainly by our Dutch finance company, Linde Finance B.V., and by Linde AG. Centralised financing makes it possible for Group companies to act as a single customer on the capital markets and strengthens our negotiating position with the banks and other market participants.

The Group companies are financed either by the cash surpluses of other business units in cash pools (in Germany, the UK, France, Italy, Switzerland, Scandinavia and the Baltic states, the United States, the Benelux countries, Australia, China and other Asian countries), or by Group loans from Linde Finance B.V. or Linde AG. Occasionally, Group Treasury also negotiates credit facilities with local banks, to take account of particular legal, fiscal or other circumstances. Local financing occurs mainly for specific projects or for subsidiaries quoted on the stock exchange.

Hedge accounting

Cash flow hedges

The Linde Group hedges cash flows at both Group and company levels, based on agreed minimum hedging rates. At the company level, future transactions which are highly probable are hedged against foreign exchange rate risks. A rolling 15-month budget or the budgets for individual customer-specific projects are used for this purpose.

In general, these hedges are accounted for as cash flow hedges in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The effective portion of the gain or loss on the instruments being hedged is recognised directly in equity and released to the income statement when the hedged cash flows are also recognised in the income statement or if a hedged transaction is no longer expected to occur. In addition, the risks associated with changes in interest rates relating to certain financial liabilities or future financing measures are hedged by derivative financial instruments and accounted for as cash flow hedges.

The Linde Group also hedges the exposure to commodity price risks which arise in the normal course of business from its procurement transactions and results in open risk positions. To reduce the extent of the risk, The Linde Group enters into electricity, natural gas and propane gas derivatives to a minor extent. Usually, hedging relationships of this type are also designated as cash flow hedge accounting relationships, if this accords with the facts.

If the hedged future transactions (*forecast transactions* as defined in IAS 39) result in the recognition of a non-financial asset or a liability, the initial carrying amounts of these are adjusted for the amount recorded in equity. This is usually the case for inventories and non-current assets.

The following table presents a reconciliation of the reserve for cash flow hedges:

in € million	2009	2008
At 1 January	**–46**	**46**
Additions	–17	–66
Transfers to the income statement	35	–26
Of which relating to sales	–9	–17
Of which relating to cost of sales	40	–9
Of which relating to financial income	4	–
At 31 December	**–28**	**–46**

In the 2009 and 2008 financial years, all proposed future transactions actually took place.

No amounts were recognised in 2009 as a result of ineffectiveness in cash flow hedges. In 2008, EUR -1 m was recognised in the financial result in the income statement.

Cash flows from such hedging instruments and their contribution to the gain or loss are expected to be as follows:

2009, in € million	Within 1 year	Between 1 and 5 years	In more than 5 years	Total
Cash flows from hedged transactions	–16	–81	–	–97
Cash flows from hedging instruments	–30	–28	–1	–59
Gain/loss	–19	–4	–5	–28

2008, in € million	Within 1 year	Between 1 and 5 years	In more than 5 years	Total
Cash flows from hedged transactions	–25[1]	–41[1]	–	–66[1]
Cash flows from hedging instruments	–28[1]	–26[1]	–	–54[1]
Gain/loss	–26	–19	–1	–46

[1] Adjusted.

Fair value hedges

The Linde Group uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes. If the hedge is determined to be effective, the carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

The following table shows the changes in underlying transactions and hedging instruments in fair value hedging relationships recognised in profit or loss:

in € million	2009	2008
From hedged transactions	–23	–163
From hedging instruments	25	157
Ineffectiveness	**2**	**–6**

Hedges of net investments in foreign operations

The Linde Group hedges its exposure to translation risk, which increased as a result of the BOC acquisition, by taking out loans in foreign currency and by entering into forward exchange contracts. These hedges generally qualify as *hedges of net investments in foreign operations* (referred to below as *net investment hedges*) in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and hence the effective portion of the hedge is transferred to equity. If the foreign operation is subsequently sold or relinquished, the amount recognised in equity is released to the income statement.

No amounts were recognised in 2009 as a result of ineffectiveness in net investment hedges (2008: EUR 3 m).

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Fair value of financial instruments designated as hedges:

in € million	2009	2008
Cash flow hedges		
Forward exchange transactions	–10	1
Interest rate swaps	–9	–8
Commodities	–27	–51
Financial liabilities	11	–
Fair value hedges		
Interest rate swaps	91	142
Net investment hedges		
Forward exchange transactions	–15	75
Financial liabilities in foreign currencies	1,096	1,006[1]
Total	**1,137**	**1,165**

[1] Adjusted.

[30] Group cash flow statement

The cash flow statement shows the source and application of funds. In accordance with IAS 7 *Cash Flow Statements*, cash flows from operating activities are distinguished from cash flows from investing and financing activities.

The cash and cash equivalents disclosed in the cash flow statement comprise all cash and cash equivalents disclosed in the balance sheet, i. e. cash in hand, cash at banks and money market funds with a maturity of three months or less. The cash and cash equivalents are not subject to any drawing restrictions.

The cash flows from investing and financing activities are calculated directly on the basis of payments, while the cash flow from operating activities is derived indirectly from net income before taxes on income.

When the cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation and changes in Group structure. As a result, it is not possible to reconcile the figures to the differences between the headings in the published Group balance sheet.

Distributions and income taxes paid included in the cash flow from operating activities are disclosed separately. Cash inflows from associates and joint ventures have been disclosed in cash inflow from operating activities. Finance income received from embedded finance leases (IFRIC 4) has been included in cash inflow from operating activities, due to the fact that such income is clearly related to the operating activities of The Linde Group. Other types of interest payments are included in cash flow from financing activities.

See the Group cash flow statement for cash outflows relating to newly consolidated companies. All purchase price payments for additions and disposals of consolidated companies were made in cash.

The total increase in cash and cash equivalents as a result of acquisitions was EUR 9 m (2008: EUR 6 m). There was no change in cash and cash equivalents as a result of disposals.

Investing activities comprise additions to and disposals of tangible assets, financial assets, intangible assets and consolidated companies. Additions and disposals in foreign currency have been translated at average rates.

[31] Segment information

IFRS 8 *Operating Segments* requires segments to be defined primarily on the basis of the internal management of an entity. In the Gases Division, the organisational structure is based on management at a regional level. In contrast, the Engineering Division and Other activities (Gist and FRED BUTLER®) are managed at a global level. Included in the reconciliation column are not only corporate activities, but also adjustments to arrive at the consolidated figure.

In accordance with IFRS 8, The Linde Group comprises a total of six operating segments, which are briefly described below:

Gases Division: Production, sale and distribution of gases for applications in industry, medicine, environmental protection and in research and development. In addition, this division offers technical application know-how, specialised services and the necessary hardware to use the various gases. The Gases Division comprises 4 operating segments based on the regional structure of The Linde Group:

→ Western Europe
→ Americas
→ Asia & Eastern Europe
→ South Pacific & Africa

Engineering Division: Design and realisation of turnkey industrial plants for the petrochemical industry, for the production of hydrogen and synthesis gases and the treatment of natural gas, as well as the construction of air separation plants and pharmaceutical plants. This division also develops and manufactures plant components and offers specialised services.

Other activities: Other activities includes Group activities which cannot be allocated to any other operating segment. In particular, it includes Gist, a leading supplier of logistics and supply chain solutions with substantial business operations in the UK, and FRED BUTLER®, a provider of environmentally friendly cleaning services for the end consumer. As none of these activities have exceeded the quantitative thresholds which apply for separate disclosure, they are disclosed together under Other activities.

Segment accounting policies

For the operating segments, the same accounting policies apply as those set out in Note [7]. Exceptions relate to Group financing and deferred tax, which are allocated to Corporate and are therefore included in the following reconciliation as Liabilities in Corporate activities. Pension obligations are generally allocated to the segment in which the relevant employees work. The entire provision for pension obligations outstanding in the UK has been allocated to the Western Europe operating segment, with only the service cost charged to Western Europe, Other activities and Corporate. Transactions between the operating segments are generally conducted under the same conditions as for non-related third parties.

To arrive at the figure for the Gases Division as a whole from the figures for the operating segments in the Gases Division, consolidation adjustments of EUR 68 m (2008: EUR 71 m) have been applied to sales and consolidation adjustments of EUR 102 m (2008: EUR 285 m) have been applied to segment assets and segment liabilities. Therefore, it is not possible to arrive at the figures for the Gases Division as a whole by merely adding together the operating segments in the Gases Division.

Segment profit is calculated on the basis of operating profit, which is defined as earnings before interest, tax, depreciation and amortisation (EBITDA), including the share of net profit from joint ventures and associates.

Capital expenditure per segment represents the amounts invested during the financial year from the point of view of the subsidiary. Included in the reconciliation column are not only the consolidation adjustments required from the Group's point of view, but also adjustments as a result of variances in Group acquisition and manufacturing cost as a result of supplies made by the Engineering Division to the Gases Division.

The reconciliations of segment sales to Group sales, segment operating profit to Group earnings before taxes on income, segment assets to Group assets and segment liabilities to Group liabilities are all shown below:

Reconciliations of segment sales, segment result, segment assets and segment liabilities

in € million	31.12.2009	31.12.2008
Segment sales		
Sales of the reportable segments	11,708	13,062
Consolidation	–497	–399
Group sales	**11,211**	**12,663**
Operating profit		
Operating profit from the reportable segments	2,640	2,731
Operating profit from Corporate activities	–202	–142
Amortisation and depreciation	1,218	1,223
Of which fair value adjustments identified in the course of the purchase price allocation	293	371
Non-recurring items	–	59
Financial income	314	372
Financial expenses	643	757
Consolidation	–53	–34
Group earnings before taxes on income	**838**	**1,006**
Assets		
Assets in the reportable segments	23,492	22,274
Assets in Corporate activities	1,839	2,046
Consolidation	–950	–496
Group assets	**24,381**	**23,824**
Liabilities		
Liabilities in the reportable segments	5,933	5,206
Liabilities in Corporate activities	10,186	10,871
Consolidation	–925	–502
Group liabilities	**15,194**	**15,575**

[32] Employees

The average number of employees (including part-time employees pro-rata) analysed by region is as follows:

	2009	2008
Employees by division		
Gases Division	38,676	40,517
Engineering Division	5,813	5,851
Other/Corporate	4,604	5,034
Group	**49,093**	**51,402**

	2009	2008
Gases Division – Employees by region		
Western Europe	13,086	13,515
Americas	7,271	7,805
Asia & Eastern Europe	11,322	11,637
South Pacific & Africa	6,997	7,560
Total	38,676	40,517

[33] Recommendation for the approval of the annual financial statements and appropriation of the profit of Linde AG

The unappropriated profit of Linde AG was EUR 887,319,283.44 (2008: EUR 885,937,808.02).

The annual financial statements of Linde AG prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Law (AktG) are published in the German Federal Gazette (Bundesanzeiger) and filed in the electronic German Federal Gazette.

Balance sheet of Linde AG – Assets

in € million	31.12.2009	31.12.2008
Intangible assets	49	51
Tangible assets	360	377
Financial assets	12,972	12,804
Non-current assets	**13,381**	**13,232**
Inventories	2,298	2,183
Less advance payments received from customers	–2,298	–2,183
Receivables and other assets	520	714
Liquid funds	320	497
Current assets	**840**	**1,211**
Prepaid expenses and deferred charges	**11**	**5**
Total assets	**14,232**	**14,448**

Balance sheet of Linde AG – Equity and liabilities

in € million	31.12.2009	31.12.2008
Capital subscribed	432	431
Conditionally authorised capital of € 152 million (2008: € 178 million)		
Capital reserve	5,035	5,016
Revenue reserves	1,328	1,328
Net retained profit	887	886
Equity	**7,682**	**7,661**
Provisions for pensions and similar obligations	804	792
Other provisions	884	851
Provisions	**1,688**	**1,643**
Liabilities	**4,862**	**5,144**
Total equity and liabilities	**14,232**	**14,448**

Income statement of Linde AG

in € million	2009	2008
Sales	**2,439**	**2,681**
Cost of sales	1,741	1,978
Gross profit on sales	**698**	**703**
Marketing and selling expenses	288	292
Research and development costs	128	143
General administration expenses	376	386
Other operating income	399	788
Other operating expenses	229	576
Investment income	375	286
Other interest and similar income	151	124
Of which from affiliated companies € 133 million (2008: € 77 million)		
Write-down of financial assets and securities held as current assets	49	1
Interest and similar charges	219	288
Of which from affiliated companies € 191 million (2008: € 198 million)		
Profit on ordinary activities	**334**	**215**
Non-recurring items	–	
Profit on disposal of investments	–	107
Taxes on income	29	18
Net income	**305**	**304**
Transfer to revenue reserves	–	–
Profit brought forward from prior periods	582	582
Net retained profit	**887**	**886**

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 16 March 2010, the appropriation of profit of EUR 887,319,283.44 (2008: EUR 885,937,808.02) be voted on at the Annual General Meeting on 4 May 2010: the distribution of a dividend of EUR 1.80 per share entitled to dividend (2008: EUR 1.80).

The amount to be distributed will therefore be EUR 304,032,772.80 (2008: EUR 303,286,492.80), based on 168,907,096 (2008: 168,492,496) shares entitled to dividend. The remaining amount of EUR 583,286,510.64 will be transferred to other retained earnings.

[34] Approval of the Group financial statements

On 4 March 2010, the Executive Board of Linde AG released the Group financial statements for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to examine the Group financial statements and to state whether it approves them.

[35] Related party transactions

In addition to the subsidiaries included in the Group financial statements, Linde AG is related, directly or indirectly, while carrying out its normal business activities, to a large number of affiliated but not consolidated subsidiaries, joint ventures and associates. The business relationships with these companies are conducted under the same conditions as for non-related third parties. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings, arranged by division.

The full list of Group shareholdings has been filed in the electronic German Federal Gazette.

The volume of transactions of The Linde Group with these related parties was as follows:

Services provided by the Group to related parties:

	2009				2008			
in € million	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	**Total**	With non-consolidated subsidiaries	With associates or joint ventures	With other related parties	**Total**
Sale of engineering services	3	138	–	141	–	39	–	**39**
Revenue from the sale of industrial gases	–	6	–	6	–	5	–	**5**
Other revenue from the sale of finished or unfinished goods or services	–	30	–	30	–	4	–	**4**

Services provided by related parties to the Group:

in € million	2009 With non-consolidated subsidiaries	2009 With associates or joint ventures	2009 With other related parties	2009 Total	2008 With non-consolidated subsidiaries	2008 With associates or joint ventures	2008 With other related parties	2008 Total
Industrial gases purchased from related parties	–	25	4	**29**	–	28	7	**35**
Finished or unfinished goods or services purchased from related parties	–	79	–	**79**	–	95[1]	–	**95**

1 Adjusted.

Some members of the Supervisory Board and the Executive Board are, or have been in the past year, active as members of the Supervisory or Executive Boards of other companies. Linde has a normal business relationship with almost all these companies. The sale of goods and services to these companies takes place under the same conditions as for non-related third parties.

At the balance sheet date, receivables from and liabilities to related parties were as follows:

in € million	31.12.2009 With non-consolidated subsidiaries	31.12.2009 With associates or joint ventures	31.12.2009 With other related parties	31.12.2009 Total	31.12.2008 With non-consolidated subsidiaries	31.12.2008 With associates or joint ventures	31.12.2008 With other related parties	31.12.2008 Total
Receivables from related parties	6	290	–	**296**	2	294	1	**297**
Liabilities to related parties	5	39	–	**44**	–	17	2	**19**

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

Supervisory Board

In the 2009 financial year, the total emoluments of the members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, amounted to EUR 2,070,362 (2008: EUR 2,485,438). Of this amount, EUR 999,600 (2008: EUR 1,109,707) related to fixed emoluments and EUR 1,033,872 (2008: EUR 1,331,700) to variable emoluments.

At 31 December 2009, as at the end of 2008, 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 €	2009	2008
Fixed emoluments	4,030,437	3,641,182
Variable emoluments	6,431,873	8,157,070 [1]
Total cash emoluments	**10,462,310**	**11,798,252** [1]

[1] Including emoluments of EUR 215,245 from affiliated companies.

In the 2009 financial year, under the 2007 Performance Share Programme approved at the Annual General Meeting, a total of 117,509 subscription rights (2008: 73,891 subscription rights) were granted to members of the Executive Board as part of their total emoluments. These had a value on the grant date of EUR 25.53 (2008: EUR 40.60) per subscription right, which gives a total of EUR 3,000,005 (2008: EUR 2,999,975).

In 2009 and 2008, 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 2,667,115 (2008: EUR 2,604,480).

A provision of EUR 35,054,097 (2008: EUR 33,942,066) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants. In the financial statements of Linde AG, a provision of EUR 36,836,129 (2008: EUR 37,716,446) was made.

The remuneration report presents the basic features and the structure of the remuneration of the Executive Board and the Supervisory Board. It has been included in the Group management report on pages 022 to 031 of the 2009 annual report.

[37] Declaration of compliance with the Corporate Governance Code

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.

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

[38] Other Board memberships

(Disclosures regarding other Board memberships are as at 31 December 2009.)

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)
Daimler AG
RWE AG (Chairman)
TUI AG

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 (Chairman)
Allianz Global Investors AG (Chairman)

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

Dr Gerhard Beiten
Lawyer

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 on the Executive Board of IG Metall Frankfurt

→ 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)

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

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

Supervisory Board

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

→ External offices:
Commerzbank AG (Chairman)
Fraport AG
Fresenius SE

→ External offices:
Assicurazioni Generali S. p. A.
(Member of the Administrative Board)
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

Josef Schregle
Manager responsible for finance and
financial control, Engineering Division, Linde AG

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)
Deutsche Telekom AG
(retired on 31 December 2009)

Dr Aldo Belloni
Member of the Executive Board

Georg Denoke
Member of the Executive Board

J. Kent Masters
Member of the Executive Board

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

→ Group offices:
African Oxygen Limited, South Africa
(Chairman of the Board of Directors)

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

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[39] Contingent liabilities/Other financial commitments

Contingent liabilities

in € million	31.12.2009	31.12.2008
Guarantees	3	6
Warranties	38	16
	41	**22**

Litigation

Neither The Linde Group nor any of its Group companies are involved in any current or foreseeable legal or arbitration proceedings which could have a significant effect on the economic situation of the Group or have had such an effect within the past two years. Appropriate provisions have been made in the relevant Group companies for contingent financial commitments from other legal or arbitration proceedings.

Other financial commitments

in € million	31.12.2009	31.12.2008
Obligations under non-cancellable operating leases	526	526
Capital expenditure commitment (tangible fixed assets)	66	146
Capital expenditure commitment (intangible assets)	1	1
	592	**672**

Total future minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

Procurement leases

in € million	31.12.2009	31.12.2008
Total minimum lease payments (gross investment)		
Due within one year	119	108
Due in one to five years	237	241
Due in more than five years	170	177
	526	**526**

The future minimum lease payments relate to leased buildings, technical equipment, fixtures, furniture and equipment (procurement leases). They are in respect of a large number of individual lease agreements.

The Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with our consortium partners totalling EUR 1,260 m (2008: EUR 1,760 m). Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liability in respect of these contracts.

[40] Auditors' fees and services

KPMG, the auditors of the Group financial statements, provided the following services to companies in The Linde Group in addition to the audit:

	2009		2008	
in € million	Group	thereof KPMG AG[1]	Group	thereof KPMG AG[1]
Audit (including expenses)	9	3	12	4
Other reports	2	1	2	1
Tax consultancy	2	1	3	–
Other services	–	–	1	–
	13	**5**	**18**	**5**

[1] KPMG AG Wirtschaftsprüfungsgesellschaft and affiliated companies.

In the table above, audit comprises the fees for the audit of the consolidated financial statements of The Linde Group and of the statutory annual financial statements of Linde AG and the subsidiaries included in the consolidated financial statements.

Other reports comprise mainly reviews of the quarterly reports, the issue of a comfort letter, due-diligence reviews, confirmation of compliance with specific contractual agreements and other review procedures.

Tax consultancy costs relate mainly to the preparation of tax returns, analyses of transfer pricing, advising employees who work outside their home country, and tax advice relating to current or proposed business transactions.

[41] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation in accordance with IFRS 3 on the acquisition of BOC and the acquisitions directly related to the BOC transaction.

Adjusted financial figures

	31.12.2009			31.12.2008		
in € million	As reported	Non-GAAP adjustments	Key financial figures	As reported	Non-GAAP adjustments	Key financial figures
Sales	11,211	–	11,211	12,663	–	12,663
Cost of sales	–7,441	141	–7,300	–8,649	209	–8,440
Gross profit on sales	**3,770**	**141**	**3,911**	**4,014**	**209**	**4,223**
Research and development costs, marketing, selling and administration expenses	–2,655	152	–2,503	–2,934	162	–2,772
Other operating income and expenses	–8	–	–8	192	–	192
Income from associates and joint ventures (at equity)	60	–	60	60	–	60
Non-recurring items	–	–	–	59	–59	–
EBIT	**1,167**	**293**	**1,460**	**1,391**	**312**	**1,703**
Financial result	–329	–	–329	–385	–	–385
Taxes on income	–185	–112	–297	–230	–112	–342
Earnings after taxes on income – Group	**653**	**181**	**834**	**776**	**200**	**976**
Attributable to minority interests	62	–	62	59	–	59
Attributable to Linde AG shareholders	**591**	**181**	**772**	**717**	**200**	**917**
Equity including minority interests	9,187	–952	8,235	8,249	–1,133	7,116
Plus: Financial debt	6,967	–	6,967	7,445	–	7,445
Plus: Liabilities from financial services	28	–	28	34	–	34
Less: Receivables from financial services	645	–	645	746	–	746
Less: Cash and cash equivalents	848	–	848	1,022	–	1,022
Net pension obligations	887	–	887	681	–	681
Capital employed	**15,576**	**–952**	**14,624**	**14,641**	**–1,133**	**13,508**
Earnings per share in € – undiluted	**3.51**	**–**	**4.58**	**4.27**	**–**	**5.46**
Earnings per share in € – diluted	**3.48**	**–**	**4.55**	**4.24**	**–**	**5.42**
Return on capital employed (ROCE) in %	**7.7**	**–**	**10.4**	**9.3**	**–**	**12.4**

[42] Full list of shareholdings of The Linde Group and Linde AG in accordance with the provisions of § 313 (2), No. 4 of the German Commercial Code (HGB)

The results of companies acquired in 2009 are included as of the date of acquisition.

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

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Gases Division							
Western Europe							
Linde Gas Beteiligungs GmbH	Stadl-Paura	AUT	100.0		0.0	0.0	
Linde Gas GmbH	Stadl-Paura	AUT	100.0	49.0	454.8	82.0	
Linde Gas GmbH & Co. OHG	Stadl-Paura	AUT	100.0		3.1	1.0	
Linde Nippon Sanso GmbH	Stadl-Paura	AUT	100.0		9.7	–0.1	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100.0		0.1	0.1	
Chemogas N. V.	Grimbergen	BEL	100.0		4.9	1.8	
Linde Gas Belgium N. V.	Niel	BEL	100.0		0.4	0.1	
PanGas AG	Dagmersellen	CHE	100.0		124.9	26.8	
AGA Holding GmbH	Pullach	DEU	100.0		92.4	–13.0	
Eibl Homecare GmbH	Mahlow	DEU	100.0		4.1	–	a
Heins & Co. GmbH	Bremen	DEU	100.0		0.1	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100.0	100.0	1.3	0.3	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100.0	100.0	0.0	0.0	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100.0	100.0	314.0	7.0	
Linde Gas Therapeutics GmbH	Unterschleissheim	DEU	100.0		24.8	–	a
Linde Medical Devices GmbH	Pullach	DEU	100.0		0.0	–	a
Linde Nippon Sanso GmbH & Co. KG	Pullach	DEU	100.0	100.0	18.5	–4.6	
Linde Nippon Sanso Verwaltungs-GmbH	Pullach	DEU	100.0	100.0	3.5	–0.6	
Linde Semicon GmbH & Co. KG	Pullach	DEU	100.0	100.0	6.8	–0.6	
Linde Welding GmbH	Pullach	DEU	100.0		0.3	–	a
Martens Schweisstechnik GmbH	Rastede	DEU	100.0		0.9	–	a
Rommenhöller Handelsgesellschaft mbH	Pullach	DEU	100.0		0.0	–	a
SMR GmbH Schweissservice Martens	Rastede	DEU	100.0		0.3	–	a
Spectra Gases (Germany) GmbH	Babenhausen	DEU	100.0		3.8	1.0	
Tega – Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100.0	100.0	3.7	–	a
TGF GmbH	Norderstedt	DEU	100.0	100.0	0.5	0.0	
TV Kohlensäure-Verwaltungs-GmbH	Pullach	DEU	100.0	100.0	0.1	0.0	
Unterbichler GmbH & Co. KG	Munich	DEU	100.0		0.3	–0.7	
Wahle I Vermögensverwaltungs GmbH i. L.	Bad Vilbel	DEU	97.4		0.8	–	a

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	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
AGA A/S	Copenhagen	DNK	100.0		9.5	2.9	
Linde Gas Algerie S.p.A.	Algiers	DZA	66.0	66.0	46.3	8.5	
Abello Linde, S.A.	Barcelona	ESP	74.8	74.8	116.4	6.1	
LINDE MEDICINAL, S.L.	Cordoba	ESP	100.0		7.0	-0.2	
Linde Nippon Sanso, S.L.	Barcelona	ESP	100.0		-0.3	-0.1	
AS Eesti AGA	Tallinn	EST	100.0		6.6	2.3	
Kiinteisto Oy Karakaasu	Espoo	FIN	100.0		-2.1	0.0	c
Kiinteisto Oy Karaportti	Espoo	FIN	100.0		-3.4	0.0	c
Oy AGA ab	Espoo	FIN	100.0		116.5	39.5	c
Teollisuuskaatsut Suomi Oy	Espoo	FIN	100.0		2.3	0.0	c
TK-Teollisuuskaatsut Oy	Espoo	FIN	100.0		0.0	0.0	c
Linde Gas S.A.	Saint-Priest	FRA	99.7		125.6	8.2	
Linde Healthcare S.A.	Rueil Malmaison	FRA	100.0		43.6	9.0	
Linde Medical Domicile S.A.	Amiens	FRA	100.0		0.2	0.2	
Linde Nippon Sanso France SAS	Saint-Priest	FRA	100.0		2.2	0.0	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		N/A	N/A	
BOC CONCENTRATOR SERVICES LIMITED	Guildford	GBR	100.0		0.3	0.0	
BOC HELEX	Guildford	GBR	100.0		1,531.4	86.9	
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED – to be dissolved	Nottingham	GBR	100.0		-0.3	0.0	c, d
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		0.8	0.1	c, d
FLUOROGAS LIMITED	Guildford	GBR	100.0		0.1	0.0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		0.3	0.1	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	80.0		0.9	0.1	c, d
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100.0		0.0	0.0	c, d
GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		N/A	N/A	
INDUSTRIAL & WELDING MANAGEMENT LIMITED	Nottingham	GBR	100.0		0.2	0.0	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100.0		-1.6	-0.1	c, d
Industrial & Welding Supplies Limited	Nottingham	GBR	100.0		0.0	0.0	c, d
Industrial Supplies & Services Limited	Nottingham	GBR	100.0		0.0	-0.1	c, d
Leengate Hire & Services Limited	Nottingham	GBR	100.0		0.0	-0.2	c, d
Leengate Industrial & Welding Supplies (Cannock) Limited	Nottingham	GBR	100.0		-0.6	-0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	90.0		0.2	0.0	c, d

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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
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	87.5		1.3	0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100.0		0.3	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	75.0		0.9	0.2	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	90.0		0.2	0.0	c, d
LEENGATE VALVES LIMITED	Nottingham	GBR	94.3		0.7	0.0	c, d
LEENGATE WELDING GROUP LIMITED	Nottingham	GBR	100.0		3.3	0.8	c, d
LEENGATE WELDING SERVICES LIMITED	Nottingham	GBR	100.0		0.0	0.0	c, d
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100.0	100.0	0.0	0.0	c, d
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100.0		0.0	0.0	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		–0.1	0.0	c, d
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	87.5		1.1	–0.1	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		–0.2	0.0	c, d
Spectra Gases Ltd.	Cambridge	GBR	100.0		0.4	0.2	
W&G SUPPLIES LIMITED	Nottingham	GBR	80.0		0.3	0.0	c, d
WELDER EQUIPMENT SERVICES LIMITED	Nottingham	GBR	75.0		0.1	0.1	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100.0		–0.2	0.0	c, d
BOC (TRADING) LIMITED	Dublin	IRL	100.0		18.8	8.4	c, d
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100.0		7.1	5.9	
BOC Gases Ireland Limited	Dublin	IRL	100.0		52.3	9.1	c, d
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100.0		1.7	0.0	
ISAGA ehf.	Reykjavík	ISL	100.0		4.4	0.7	
Linde Gas Italia S.r.l.	Arluno	ITA	100.0		154.9	15.1	
LINDE MEDICALE S.r.l.	Rome	ITA	100.0		31.2	5.6	
AGA UAB	Vilnius	LTU	100.0		10.8	–0.1	
AGA SIA	Riga	LVA	100.0		10.4	0.4	
AGA International B.V.	Schiedam	NLD	100.0		202.9	0.0	
Beheermaatschappij De Econoom B.V.	Schiedam	NLD	100.0		2.5	–0.3	
Linde Gas Benelux B.V.	Schiedam	NLD	100.0		150.2	34.5	
Linde Gas Cryoservices B.V.	Hedel	NLD	100.0		1.9	1.3	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100.0		35.7	2.5	
Linde Homecare Benelux B.V.	Nuland	NLD	100.0		12.5	–0.9	
Linde Nippon Sanso B.V.	Schiedam	NLD	100.0		2.8	1.2	
Mecomfa SPC B.V.	Schiedam	NLD	100.0		–5.1	0.5	

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Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100.0		320.9	–0.6	
AGA AS	Oslo	NOR	100.0		45.9	23.9	
LINDE SOGAS, LDA	Lisbon	PRT	100.0		34.9	4.2	
AB Dissousgas	Lidingö	SWE	100.0		0.2	0.0	
AB Held	Lidingö	SWE	100.0		0.0	0.0	
AGA Gas AB	Sundbyberg	SWE	100.0		0.0	0.0	
AGA Industrial Gas Engineering AB	Lidingö	SWE	100.0		0.0	0.0	
AGA Innovation AB	Lidingö	SWE	100.0		0.0	0.0	
AGA International Investment AB	Lidingö	SWE	100.0		0.0	0.0	
AGA Medical AB	Lidingö	SWE	100.0		0.0	0.0	
AGA RE Försakrings AB – in liquidation	Lidingö	SWE	100.0		0.6	0.0	
AGA Specialgas AB	Lidingö	SWE	100.0		0.0	0.0	
Agatronic AB	Sundbyberg	SWE	100.0		0.1	0.0	
CRYO AB	Gothenburg	SWE	100.0		0.0	0.0	
Ferronova AB	Danderyd	SWE	100.0		0.0	0.0	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100.0		0.0	0.0	
Industri Gas AB	Lidingö	SWE	100.0		0.0	0.0	
Svenska AB Gasaccumulator	Lidingö	SWE	100.0		0.1	0.0	
Svets Gas AB	Lidingö	SWE	100.0		0.0	0.0	
Toolvac AB	Lidingö	SWE	100.0		0.1	0.0	
Linde Gas Tunisie S. A.	Tunis	TUN	60.0	60.0	4.6	0.4	
Americas							
BOC GASES ARUBA N. V.	Santa Cruz	ABW	100.0		2.4	0.5	
BOC GASES CARIBBEAN N. V.	Curacao	ANT	100.0		0.0	0.0	
BOC Gases Curacao N. V.	Curacao	ANT	100.0		1.8	0.5	
Grupo Linde Gas Argentina S. A.	Buenos Aires	ARG	100.0	64.8	28.3	3.8	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100.0		52.0	4.4	
Linde Gases Ltda.	Barueri	BRA	100.0		133.1	7.3	
LINDE-BOC GASES LIMITADA	Sao Paulo	BRA	100.0		10.2	1.5	
AGA S. A.	Santiago	CHL	100.0		77.6	14.2	
BOC de Chile S. A.	Las Condes	CHL	100.0		6.8	4.8	
AGA FANO, Fabrica Nacional de Oxigeno S. A.	Bogota	COL	100.0		69.4	9.8	
Oxigeno Optimo O2 Ltda.	Cartagena	COL	100.0		0.3	–0.1	
AGA Quinsa, S. A.	Santo Domingo	DOM	100.0		3.9	0.7	
AGA S.A.	Quito	ECU	100.0		22.5	5.4	
Aqua y Gas de Sillunchi S. A.	Quito	ECU	100.0		0.8	0.0	
BOC GASES DE MEXICO, S. A. DE C. V.	Mexico City	MEX	100.0		0.0	0.0	

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	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Compania de Operaciones de Nitrogeno, S.A. de C.V.	Santa Fe	MEX	100.0		5.3	1.7	c, d
SERVICIOS DE OPERACIONES DE NITROGENO, S.A. DE C.V.	Santa Fe	MEX	100.0		0.6	0.1	c, d
AGA S.A.	Callao	PER	100.0		7.7	0.6	
AGA Linde Healthcare Puerto Rico, Inc.	Catano	PRI	100.0		–9.3	0.4	
Linde Gas Puerto Rico, Inc.	Catano	PRI	100.0		0.0	0.0	
AGA S.A.	Montevideo	URY	100.0		8.4	2.4	
ECO-SNOW SYSTEMS LLC	Wilmington	USA	100.0		0.0	0.0	
Holox Inc.	Atlanta	USA	100.0		N/A	N/A	
LAG Methanol LLC	Wilmington	USA	100.0		N/A	N/A	
Linde Energy Services, Inc.	Wilmington	USA	100.0		–0.2	0.0	
Linde Gas North America LLC	Wilmington	USA	100.0		32.3	0.4	
Linde Merchant Production, Inc.	Wilmington	USA	100.0		20.4	3.0	
Linde North America, Inc.	Wilmington	USA	100.0	< 0.1	–1,169.6	–182.5	
Linde RSS LLC	Wilmington	USA	100.0		–0.5	–0.4	
Linde Transport, Inc.	Nashville	USA	100.0		0.0	0.0	
Spectra Gases Delaware Inc.	Wilmington	USA	100.0		N/A	N/A	
Spectra Gases, Inc.	Branchburg	USA	100.0		78.2	3.5	
Spectra Investors, LLC	Branchburg	USA	100.0		8.7	3.3	
TMG Co. LLC	Wilmington	USA	100.0		13.0	1.5	
AGA Gas C.A.	Santa Fe Norte	VEN	100.0		52.0	10.1	
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100.0		3.6	–2.0	
INVERSIONES ABC, S.A.	Caracas	VEN	100.0		0.0	0.0	
INVERSIONES VENCAN, S.A.	Caracas	VEN	100.0		0.0	0.0	
PRODUCTORA DE GAS CARBONICO S.A.	Caracas	VEN	100.0		–0.7	0.8	
Spectra Gases (BVI) Inc.	Tortola	VGB	100.0		N/A	N/A	
BOC Gases Virgin Islands, Inc.	St. Thomas	VIR	100.0		2.1	0.1	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100.0		0.0	0.0	
Asia & Eastern Europe							
BOC HELIUM M.E FZCO	Jebel Ali	ARE	100.0		0.9	0.5	
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	100.0	100.0	1.2	–0.6	
BOC Bangladesh Limited	Dhaka	BGD	60.0		18.6	6.4	
Bossot Trade EOOD	Sofia	BGR	100.0	100.0	–0.1	0.0	
Linde Gas Bulgaria EOOD	Sofia	BGR	100.0	100.0	3.2	–0.3	
Linde Gas BH d.o.o.	Zenica	BIH	85.0	85.0	11.6	–0.3	
"Linde Gaz Bel" FLLC	Telmy	BLR	100.0	99.2	1.4	-0.4	

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ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100.0		0.0	0.0	c
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100.0		95.6	7.9	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100.0		7.0	0.8	
BOC Gases (North) Company Limited	Fushun	CHN	100.0		4.8	–0.1	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100.0		32.4	5.0	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100.0		13.0	0.6	
BOC Gases (Wuhan) Co., Ltd.	Wuhan	CHN	100.0		4.9	0.0	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100.0		5.3	–0.1	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100.0		6.8	–0.4	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100.0		–9.3	–1.4	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100.0		9.0	–0.1	
BOCLH Industrial Gases (Waigaoqiao) Co., Ltd.	Shanghai	CHN	100.0		–0.1	–0.3	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100.0		1.8	0.0	
BOCLH Industrial Gases (Zhangjiang) Co., Ltd.	Shanghai	CHN	100.0		2.0	–0.3	
Linde Carbonic (Shanghai) Company Ltd.	Shanghai	CHN	60.1	45.9	7.8	0.5	
Linde Electronics & Specialty Gases (Suzhou) Co. Ltd.	Suzhou	CHN	100.0	100.0	8.7	–1.8	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100.0		67.7	1.4	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100.0		2.9	0.7	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100.0		2.6	1.2	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100.0	100.0	27.5	3.1	
Linde Gases (Chengdu) Company Limited	Chengdu	CHN	100.0		2.0	0.0	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100.0		0.6	–1.0	
LINDE GASES (SHANGHAI) CO., LTD.	Shanghai	CHN	100.0		7.7	0.7	
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75.0		4.7	0.6	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80.0		1.2	0.3	
Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100.0		8.6	0.1	
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100.0		0.3	0.1	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90.0		1.3	–0.1	
Wuxi Boc Gases Co., Limited	Wuxi	CHN	100.0		0.9	–0.1	
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51.0	51.0	6.2	1.5	
Linde Gas a. s.	Prague	CZE	100.0		203.5	47.9	
Linde Sokolovska s. r. o.	Prague	CZE	100.0		74.3	3.4	
OXYS s. r. o.	Prague	CZE	100.0		0.3	0.0	
AEROSCOPIO HELLAS S. A.	Piraeus	GRC	70.8	70.8	0.1	0.0	
ELVIA A. B. E. E.	Schimatari	GRC	100.0	100.0	2.8	–0.2	

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Linde Hellas E. P. E.	Athens	GRC	100.0	100.0	35.3	2.9	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100.0		0.0	0.0	
Hong Kong Oxygen & Acetylene Company Limited	Kowloon	HKG	100.0		15.5	7.9	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wanchai	HKG	100.0		–1.0	–0.7	c, d
Linde Gas (H. K.) Limited	Hong Kong	HKG	100.0	100.0	79.7	–4.1	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100.0		0.4	0.1	
LINDE PLIN d. o. o.	Karlovac	HRV	100.0	100.0	4.5	0.1	
Linde Gaz Magyarorszag Zrt.	Repcelak	HUN	100.0	100.0	174.9	32.7	
P. T. BOC GASES INDONESIA	Jakarta	IDN	100.0		14.5	1.1	
P. T. Gresik Gases Indonesia	Jakarta	IDN	97.3		10.0	5.6	
P. T. Gresik Power Indonesia	Jakarta	IDN	96.7		8.7	2.8	
BOC INDIA LIMITED	Kolkata	IND	89.5		154.0	6.9	
Linde Japan Ltd.	Tokyo	JPN	100.0	100.0	0.2	–0.5	
Linde Korea Co., Ltd.	Pohang	KOR	100.0		165.5	5.4	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100.0		0.7	–0.1	
DAYAMOX SDN BHD	Selangor	MYS	100.0		–2.4	0.1	
Malaysian Oxygen Berhad	Selangor	MYS	100.0		70.7	23.5	
MOX GASES (JB) SDN. BHD.	Selangor	MYS	100.0		–0.2	0.0	
MOX-Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100.0	100.0	10.1	1.5	
MOX-LINDE GASES SDN. BHD.	Selangor	MYS	100.0		83.8	26.2	
MOX-Linde Industrial Gases (Malaysia) Sdn. Bhd.	Petaling Jaya	MYS	100.0	100.0	7.7	–0.4	
MOX-LINDE WELDING PRODUCTS SDN BHD	Selangor	MYS	100.0		3.0	1.4	
BOC Pakistan Limited	Karachi	PAK	60.0		12.0	2.2	
BATAAN INDUSTRIAL GASES INC.	Pasig City	PHL	100.0		–0.1	0.1	
BOC (PHILS.) HOLDINGS, INC.	Pasig City	PHL	100.0		20.7	0.0	
CHATSWOOD INC.	Makati City	PHL	61.5		–0.1	0.0	
CIGC CORPORATION	Pasig City	PHL	100.0		0.5	0.0	
CONSOLIDATED INDUSTRIAL GASES, INC.	Pasig City	PHL	100.0		16.9	1.1	
CRYO INDUSTRIAL GASES, INC.	Pasig City	PHL	100.0		0.1	0.0	
GRANDPLAINS PROPERTIES, INC.	Pasig City	PHL	40.0		1.2	0.1	e
ROYAL SOUTHMEADOWS, INC.	Mandaue City	PHL	40.0		0.4	0.0	e
SOUTHERN INDUSTRIAL GASES PHILIPPINES INC.	Mandaue City	PHL	100.0		12.0	0.8	
Eurogaz-Gdynia Sp. z o. o.	Gdynia	POL	99.0		4.6	0.4	
LINDE GAZ POLSKA Spolka z o. o.	Krakow	POL	100.0	100.0	99.1	11.4	
Carbid Acetilena S. R. L.	Bucharest	ROU	100.0		0.0	0.0	
LINDE GAZ ROMANIA S. R. L.	Timis	ROU	100.0	100.0	86.7	16.6	
OJSC "Linde Gas Rus"	Balashikha	RUS	99.9	99.9	29.5	–5.7	

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OOO "Linde Gas Plants Rus"	Balashikha	RUS	100.0	100.0	9.4	–0.2	
OOO "Linde Gas Production Rus"	Balashikha	RUS	100.0	100.0	19.1	–0.1	
ZAO "Samara Oxygen Plant"	Samara	RUS	100.0	100.0	0.4	–0.3	
Saudi Industrial Gas Co. Ltd.	Al-Khobar	SAU	51.0		67.0	7.7	
Linde Gas Asia Pte Ltd.	Singapore	SGP	100.0		–1.6	1.7	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100.0	100.0	73.0	10.1	
LINDE GAS SRBIJA Industrija gasova a. d. Becej	Becej	SRB	82.4	82.4	10.6	1.5	
Aries 94 s r. o.	Bratislava	SVK	100.0		1.6	0.6	
Linde Gas k. s.	Bratislava	SVK	100.0		26.7	6.4	
LINDE PLIN d. o. o.	Celje	SVN	100.0	100.0	6.1	0.6	
KTPV (THAILAND) LIMITED	Bangkok	THA	100.0		12.9	0.0	
Linde Carbonic Ltd.	Samut Prakan	THA	100.0	100.0	8.6	0.0	
Linde Gas (Thailand) Ltd.	Samut Prakan	THA	100.0	100.0	3.6	0.0	
MIG Production Company Limited	Samut Prakan	THA	53.6		53.0	8.8	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87.0		2.0	0.0	
SKTY (Thailand) Limited	Bangkok	THA	100.0		43.9	3.5	
Thai Industrial Gases Public Company Limited	Samut Prakan	THA	99.7		123.6	10.2	
TIG Air Chemicals Limited	Samut Prakan	THA	98.7		22.5	2.9	
TIG HyCO Limited	Samut Prakan	THA	100.0		35.3	3.0	
TIG TRADING LIMITED	Samut Prakan	THA	100.0		4.7	0.1	
Linde Gaz A. S.	Istanbul	TUR	100.0	100.0	66.5	–4.1	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	99.8		23.4	3.1	
BOC LIENHWA INDUSTRIAL GASES CO., LTD.	Taipei	TWN	50.0		115.1	6.3	c, d, e
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89.1		7.0	0.8	
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55.0		7.0	1.0	
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Ho Chi Minh City	TWN	100.0		0.2	0.1	c
LIEN FENG INDUSTRIAL GASES COMPANY LIMITED	Taichung Hsien	TWN	100.0		1.1	1.0	
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100.0		1.9	1.2	
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	88.8		2.0	0.2	
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsin Chu	TWN	100.0		0.1	0.0	
LIEN TONG GASES COMPANY LIMITED	Kaoshiung	TWN	100.0		0.2	0.1	c, d
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yi Lan	TWN	100.0		0.2	0.1	c
LIEN YI LPG COMPANY LIMITED	Tao Yuan	TWN	60.0		1.4	0.0	
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	55.8		6.1	0.5	
UNITED INDUSTRIAL GASES COMPANY LIMITED	Karachi	TWN	55.0		66.9	9.2	
YUAN RONG INDUSTRIAL GASES COMPANY LTD.	Taipei	TWN	60.0		9.0	1.0	

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OJSC "Linde Gaz Ukraina"	Dnipropetrovsk	UKR	99.7	81.0	–1.6	–8.8	
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100.0		–1.7	–1.7	c
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Tortola	VGB	99.8		45.9	0.7	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100.0		0.0	0.0	c
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100.0		–1.7	–1.7	c
SKY WALKER GROUP LIMITED	Tortola	VGB	100.0		0.2	0.0	
Linde Gas Vietnam Limited	Ba Ria	VNM	100.0	100.0	2.9	–1.7	
South Pacific & Africa							
AFROX ANGOLA LDA	Luanda	AGO	100.0		–0.5	0.2	c
AUSCOM HOLDINGS PTY LIMITED	Milsons Point	AUS	100.0		80.4	0.0	c
BOC CUSTOMER ENGINEERING PTY LTD.	North Ryde	AUS	100.0		5.3	–0.1	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100.0		4.2	0.0	
BOC GROUP PTY LIMITED	North Ryde	AUS	100.0		0.4	0.0	
BOC Limited (Australia)	North Ryde	AUS	100.0		316.7	98.6	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100.0		1.6	0.2	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100.0		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	Milsons Point	AUS	100.0		4.1	0.0	
ELGAS LIMITED	Milsons Point	AUS	100.0		116.9	21.5	
ELGAS RETICULATION PTY LIMITED	Milsons Point	AUS	100.0		2.0	0.1	
FLEXIHIRE PTY LIMITED	Rockhampton	AUS	100.0		9.6	3.2	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100.0		–1.3	0.0	
PACIFIC INDUSTRIAL SUPPLIES PTY LIMITED	North Ryde	AUS	100.0		2.1	0.3	
PROJECT APPLE PTY LTD.	Melbourne	AUS	100.0		0.6	0.3	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100.0		9.7	1.9	
THE COMMONWEALTH INDUSTRIAL GASES PTY. LIMITED	North Ryde	AUS	100.0		0.0	0.0	
TIAMONT PTY LIMITED	Milsons Point	AUS	100.0		1.5	0.3	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100.0		12.9	0.7	
UNIGAS TRANSPORT FUELS PTY LTD.	Milsons Point	AUS	100.0		6.3	0.0	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100.0		0.0	0.0	c, d
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100.0		3.2	1.8	c
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100.0		0.0	0.0	c
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100.0		0.0	0.0	c, d
HEAT GAS (PTY) LIMITED	Gaborone	BWA	74.0		0.0	0.0	c
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100.0		0.3	0.0	c
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	BWA	100.0		0.0	0.0	c
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	BWA	100.0		0.0	0.0	c

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RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100.0		N/A	N/A	
BOC FIJI LIMITED	Lami Suva	FJI	89.7		3.0	0.8	
P.T. Townsville Welding Supplies	Jakarta Selatan	IDN	90.0		0.2	0.1	
BOC Kenya Limited	Nairobi	KEN	65.4		13.4	1.2	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100.0		0.8	1.4	c
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100.0		0.0	0.0	c, d
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100.0		1.1	0.5	c
PETROGAS LIMITADA	Maputo	MOZ	100.0		–0.3	0.0	c
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	99.9		0.0	0.0	c, d
Afrox Malawi Limited	Blantyre	MWI	76.6		3.4	1.6	c
GAS & WELDING PRODUCTS (PTY) LTD.	Windhoek	NAM	100.0		0.0	0.0	c, d
IGL (PTY) LIMITED	Windhoek	NAM	100.0		6.1	2.3	c
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100.0		0.2	0.1	c, d
NAMOX (PTY) LIMITED	Windhoek	NAM	100.0		1.1	0.0	c
BOC Gases Nigeria Plc	Lagos	NGA	60.0		4.5	1.5	
BOC LIMITED (New Zealand)	Auckland	NZL	100.0		43.3	19.7	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100.0		35.8	34.6	
ELGAS LIMITED	Auckland	NZL	100.0		0.7	0.6	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100.0		0.2	0.1	
BOC Papua New Guinea Limited	Lae	PNG	74.0		7.2	4.6	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100.0		0.3	0.4	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100.0		0.0	0.0	c, d
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100.0		1.9	1.6	c
BOC (TONGA) LIMITED	Nuku'Alofa	TON	100.0		0.2	0.0	
BOC Tanzania Limited	Dar es Salaam	TZA	99.8		0.6	0.2	
BOC Uganda Limited	Kampala	UGA	99.9		0.7	0.1	
BOC Samoa Limited	Apia	WSM	95.8		1.0	0.2	
African Oxygen Limited	Johannesburg	ZAF	60.5		288.5	29.6	c
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	95.0		0.0	0.0	c, d
Afrox (Transkei)(Pty) Limited	Johannesburg	ZAF	100.0		N/A	N/A	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100.0		17.9	1.3	c
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD.	Johannesburg	ZAF	100.0		0.0	0.0	c, d
AFROX FINANCE (PTY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100.0		2.9	0.5	c
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	99.9		3.8	–0.6	c
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED	Johannesburg	ZAF	100.0		1.6	–0.2	c

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AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100.0		0.1	0.0	c
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
ENERGY MEDICAL SUPPLIES (PTY) LIMITED	Johannesburg	ZAF	100.0		–0.2	0.0	c, d
HARRIS GAS EQUIPMENT (PTY) LIMITED	Boksburg	ZAF	100.0		0.0	0.0	c
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100.0		0.6	0.0	c
ISAS TRUST	Johannesburg	ZAF	100.0		5.5	–1.0	c
MEDISPEED (NATAL) (PROPRIETARY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
NASIONALE SWEISWARE (PTY) LTD.	Johannesburg	ZAF	100.0		0.0	0.0	c, d
NICOWELD (PTY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c
PHAMODI WELDING (PTY) LIMITED	Johannesburg	ZAF	50.0		0.0	0.0	c, e
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100.0		0.0	0.0	c, d
AFROX ZAMBIA LIMITED	Ndola	ZMB	70.0		7.7	1.9	c
HANDIGAS (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	c
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49.0	29.0	8.7	2.3	e
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100.0	100.0	2.1	0.1	
Linde Process Plants Canada Inc.	Calgary	CAN	100.0		–0.4	0.0	
Arboliana Holding AG	Pfungen	CHE	100.0		4.0	0.0	
Bertrams Heatec AG	Pratteln	CHE	100.0		7.6	1.8	
BOC AG	Basle	CHE	98.4		2.8	0.2	
Linde Kryotechnik AG	Pfungen	CHE	100.0		13.0	1.7	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100.0	100.0	2.1	0.6	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56.0	56.0	33.7	6.0	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75.0	75.0	8.0	6.2	
Linde-KCA-Dresden GmbH	Dresden	DEU	100.0	6.0	47.5	–	a
Selas-Linde GmbH	Pullach	DEU	100.0	100.0	12.7	–	a
LINDE INGENIERIA Y TECNOLOGIA, S. A. U.	Madrid	ESP	100.0	100.0	1.5	0.0	
CRYOSTAR SAS	Hesingue	FRA	100.0		51.0	7.5	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100.0		0.8	1.7	
Linde Engineering India Private Limited	New Delhi	IND	100.0	100.0	5.9	1.0	
Linde Impianti Italia S. p. A.	Fiumicino	ITA	100.0	90.0	2.9	0.7	
LPM, S. A. de C. V.	Mexico City	MEX	100.0	90.0	7.0	–0.1	
Linde Engineering (Malaysia) Sdn. Bhd.	Petaling Jaya	MYS	100.0	100.0	0.4	0.0	
Linde Arabian Contracting Company Ltd.	Riyadh	SAU	100.0	90.0	8.7	5.1	

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

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Cryostar Singapore Pte. Ltd.	Singapore	SGP	100.0	100.0	6.1	3.6	
Linde Process Plants, Inc.	Tulsa	USA	100.0		33.4	15.0	
Selas Fluid Processing Corporation	Blue Bell	USA	100.0		26.5	12.4	
VN Corporation	Wilmington	USA	100.0		71.9	6.6	
Linde Process Plants (Pty.) Ltd.	Johannesburg	ZAF	100.0	100.0	2.0	0.2	
Other activities							
BOC AIP (A Limited Partnership)	North Ryde	AUS	100.0		894.2	126.7	
BOC Australia Pty Limited	North Ryde	AUS	100.0		66.0	25.0	
Van Dongen & Van Bergeijk GmbH	Wallern an der Trattnach	AUT	100.0		0.1	0.0	
Van Dongen Belgium BVBA	Lochristi	BEL	100.0		–0.5	–0.5	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100.0		22.6	0.0	
Linde Canada Limited	Mississauga	CAN	100.0		126.2	14.0	
Linde Holding AG	Lucerne	CHE	100.0	100.0	19.8	0.3	
GISTRANS Czech Republic s. r. o.	Olomouc	CZE	100.0		1.8	0.2	
Cleaning Enterprises GmbH	Munich	DEU	100.0		4.4	–	a
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100.0	100.0	1,634.4	–	a
Commercium Versicherungsvermittlung GmbH	Munich	DEU	100.0		0.5	–	a
Fred Butler Denmark ApS	Copenhagen	DNK	100.0		–1.8	–1.7	
LOGISTICA DOTRA, SL	Seville	ESP	100.0		0.2	0.0	c
LOGISTICA VAN TRANS S. L.	Burgos	ESP	100.0		0.6	–0.3	c
BOC Finland Oy	Espoo	FIN	100.0		0.9	0.1	
Linde Holdings S. A. S.	Saint-Priest	FRA	100.0		122.1	11.3	
The Boc Group S. A. S.	Hesingue	FRA	100.0		60.8	1.1	
AGRINON COMPANY	Guildford	GBR	100.0		0.0	0.0	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100.0		1,087.3	24.1	
ANGLIAN INDUSTRIAL GASES LIMITED	Guildford	GBR	100.0		0.1	0.0	
APPLIED VISION LIMITED	Guildford	GBR	100.0		2.5	0.0	
BOC AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC AMERICA HOLDINGS	Guildford	GBR	100.0		199.2	11.9	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100.0		189.4	16.8	
BOC CIS LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC CRYOPLANTS LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100.0		261.1	12.0	
BOC G. L. BAKER TRANSPORT LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC HOLDINGS	Guildford	GBR	100.0		3,457.0	75.9	

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	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
BOC HOLLAND FINANCE	Guildford	GBR	100.0		62.8	0.0	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100.0		818.7	104.6	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100.0		184.5	7.3	
BOC INVESTMENTS NO. 1 LIMITED	Guildford	GBR	100.0		205.0	26.2	
BOC INVESTMENTS NO. 2 LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC INVESTMENTS NO. 5	Guildford	GBR	100.0		342.7	6.2	
BOC INVESTMENTS NO. 7	Guildford	GBR	100.0		298.0	11.6	
BOC IRELAND FINANCE	Guildford	GBR	100.0		332.7	15.0	
BOC JAPAN	Guildford	GBR	100.0		45.1	9.6	
BOC JAPAN FINANCE	Guildford	GBR	100.0		0.1	0.0	
BOC JAPAN HOLDINGS LIMITED	Guildford	GBR	100.0		249.1	18.3	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100.0		109.2	4.2	
BOC LIMITED	Guildford	GBR	100.0		437.7	149.5	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100.0		20.9	1.0	
BOC MEDISPEED LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC NETHERLANDS FINANCE	Guildford	GBR	100.0		109.5	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100.0		541.7	–1.3	
BOC NOMINEES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC PENSIONS LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC POLAND HOLDINGS LIMITED	Guildford	GBR	100.0		6.2	0.0	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC RUSSIA HOLDINGS LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC SHARE SCHEME TRUSTEE LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC SPALDING HAULAGE LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC STORESHIELD LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC TECHNOLOGIES LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC TRANSHIELD LIMITED	Guildford	GBR	100.0		0.0	0.0	
BOC TRUSTEES NO. 4 LIMITED	Guildford	GBR	100.0		0.0	0.0	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100.0		1.2	0.0	
CALUMATIC (UNITED KINGDOM) LIMITED	Guildford	GBR	100.0		0.0	0.0	
CRYOSTAR LIMITED	Guildford	GBR	100.0		0.0	0.0	
CYPRANE	Guildford	GBR	100.0		0.0	0.0	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100.0		0.0	0.0	
G. L. BAKER (TRANSPORT) LIMITED	Guildford	GBR	100.0		255.0	26.3	
GIST LIMITED	Guildford	GBR	100.0		133.5	40.1	

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

	Registered office	Country	Partici-pating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100.0		0.6	0.5	
HANDIGAS LIMITED	Guildford	GBR	100.0		42.2	0.2	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100.0		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100.0		34.6	0.1	
LANSING GROUP LIMITED	Guildford	GBR	100.0	100.0	10.1	0.0	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100.0		283.0	0.0	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100.0	85.0	9,227.7	380.5	
MEDISHIELD	Guildford	GBR	100.0		0.4	0.0	
MEDISPEED	Guildford	GBR	100.0		278.8	10.8	
PLASMA PRODUCTS LIMITED	Guildford	GBR	100.0		0.0	0.0	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100.0		–0.5	–0.3	
SPALDING HAULAGE LIMITED	Guildford	GBR	100.0		311.5	15.6	
STORESHIELD LIMITED	Guildford	GBR	100.0		331.4	0.4	
THE BOC GROUP LIMITED	Guildford	GBR	100.0		3,280.5	15.4	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100.0		0.1	0.0	
TRANSHIELD	Guildford	GBR	100.0		14.2	0.6	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100.0		10.1	0.0	
BOC NO. 1 LIMITED	St. Peter Port	GGY	100.0		10.4	–1.3	
BOC NO. 2 LIMITED	St. Peter Port	GGY	100.0		4.1	0.1	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100.0		7.3	0.0	
Linde Global Support Services Private Limited	Calcutta	IND	100.0		1.6	0.5	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100.0		13.8	0.0	
BOC Investments Ireland	Dublin	IRL	100.0		309.9	0.0	
Gist Distribution Limited	Dublin	IRL	100.0		0.6	0.3	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100.0		13.9	2.3	
ALBOC (JERSEY) LIMITED	St. Helier	JEY	100.0		11.3	9.7	
BOC AUSTRALIAN FINANCE LIMITED	St. Helier	JEY	100.0		334.9	0.0	
BOC PREFERENCE LIMITED	St. Helier	JEY	100.0		64.6	0.1	
BOC EDWARDS CHEMICAL MANAGEMENT KOREA LIMITED	Sungnam	KOR	100.0		1.1	0.1	
LINDE-RE S. A.	Luxembourg	LUX	100.0	90.0	6.8	0.0	
BOC EUROPE HOLDINGS B. V.	Amsterdam	NLD	100.0		553.6	0.0	
BOC Group Holdings B. V.	Amsterdam	NLD	100.0		0.0	0.0	
BOC INVESTMENTS B. V.	Amsterdam	NLD	100.0		9.6	–1.6	
Fred Butler Netherlands B. V.	Amsterdam	NLD	100.0		–8.4	–4.8	
G VAN DONGEN HOLDING B. V.	Dirksland	NLD	100.0		1.0	–0.4	

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
G VAN DONGEN TRANSPORTBEDRIJF DIRKSLAND B.V.	Dirksland	NLD	100.0		2.8	0.0	
GIST BV	Bleiswijk	NLD	100.0		2.3	0.2	
Linde Finance B.V.	Amsterdam	NLD	100.0		25.3	7.4	
Linde Holdings Netherlands B.V.	Schiedam	NLD	100.0	100.0	1,125.2	–9.9	
PEEMAN TRANSPORT B.V.	Dirksland	NLD	100.0		1.1	–0.5	
The BOC Group B.V.	Amsterdam	NLD	100.0		1,131.7	3.7	
VAN DONGEN & VAN BERGEIJK B.V.	Dirksland	NLD	100.0		0.1	0.2	
VAN DONGEN AALSMEER B.V.	Dirksland	NLD	100.0		0.8	0.0	
VAN DONGEN CHARTERING B.V	Dirksland	NLD	100.0		0.2	0.0	
VAN DONGEN EN MOSTERT B.V.	Dirksland	NLD	100.0		0.9	0.0	
VAN DONGEN MATERIEEL B.V.	Dirksland	NLD	100.0		2.5	0.6	
Van Dongen Repair B.V.	Dirksland	NLD	100.0		–0.2	–0.1	
VAN DONGEN WESTLAND B.V.	Dirksland	NLD	100.0		0.4	–0.4	
Linde Holdings New Zealand Limited	Auckland	NZL	100.0		2.3	34.6	
BOC GIST INC.	Mkati City	PHL	100.0		0.1	0.0	
AGA Aktiebolag	Lidingö	SWE	100.0		888.1	100.2	
BOC Intressenter AB	Helsingborg	SWE	100.0		30.3	0.6	
Fred Butler Sweden Aktiebolag	Lidingö	SWE	100.0		1.6	1.3	
INO Therapeutics AB	Lidingö	SWE	100.0		4.2	0.3	
LindeGas Holding Sweden AB	Lidingö	SWE	100.0	100.0	1,785.5	54.5	
Linde Cleaning US, LLC	Wilmington	USA	100.0		–0.9	–0.5	
Linde Holdings, LLC	Wilmington	USA	100.0		118.0	7.4	
Linde LLC	Wilmington	USA	100.0		0.0	0.0	

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							
Western Europe							
Flowserve Compression Systems GmbH	Brunn am Gebirge	AUT	20.0		–0.6	–0.6	b, d
CRYOTEC Tief- und Tiefsttemperatur-Technik GmbH i. L.	Pullach	DEU	50.0	50.0	0.1	–	a, b, c, d
HELISON PRODUCTION S. p. A.	Skikda	DZA	51.0	51.0	14.4	–12.1	b, e
Messer Algerie S. p. A.	Algiers	DZA	40.0		2.1	1.7	b, c, d

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

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss (–) in € million	Note
Iberica de Gases, S. A.	Alzira	ESP	50.0		0.5	0.0	c, d
Oxigeno de Andalucia, S. L.	San Roque	ESP	49.0		0.1	0.0	c, d
Oxigeno de Sagunto, S. L.	Barcelona	ESP	50.0		4.1	0.0	c, d
QUIMICA BASICA, S. A.	Barcelona	ESP	33.3		1.4	0.0	b, c, d
Oy Innogas Ab	Kulloo	FIN	50.0		1.4	0.3	b, c
LIDA S. A. S.	Saint Quentin Fallavier	FRA	21.5		0.0	0.0	b, c, d
LIMES S. A. S.	Saint Herblain	FRA	50.0		4.0	–0.2	b, c
Helison Marketing Limited	St. Helier	GBR	51.0		4.5	1.6	b, e
B. V. Nederlandse Pijpleidingmaatschappij	Papendrecht	NLD	50.0		0.0	0.0	b
OCAP CO2 Transport B. V.	Schiedam	NLD	50.0		1.6	0.0	b
OCAP CO2 v. o. f.	Schiedam	NLD	50.0		–9.2	0.5	b
TLF Tjeldbergoddens Luftgassfabrik DA	Aure	NOR	37.8		32.5	5.2	b, c, d
Americas							
Compania de Nitrogeno de Cantarell, S. A. de C. V.	Santa Fe	MEX	65.0		17.1	–17.0	b, c, e
CLIFFSIDE HELIUM, L. L. C.	Wilmington	USA	26.0		0.2	0.0	b
Cliffside Refiners, L. P.	Wilmington	USA	26.7		13.6	2.3	b
East Coast Oxygen Company	Bethlehem	USA	50.0		22.9	–3.1	b
High Mountain Fuels, L. L. C.	Wilmington	USA	50.0		9.2	–0.6	b
Asia & Eastern Europe							
Adnoc Linde Industrial Gases Co. Limited (Elixier)	Abu Dhabi	ARE	49.0	49.0	118.8	0.0	b, c, d
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60.0		1.3	0.0	b, c, d, e
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50.0		27.5	6.6	b
BOC-TISCO GASES CO., Ltd.	Tayiuan City	CHN	50.0		94.4	23.9	b
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50.0		4.9	0.0	b
Dalian BOC Carbon Dioxide Co. Ltd.	Dalian	CHN	50.0		2.2	–0.2	b
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou City	CHN	50.0		10.2	0.0	b
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50.0		19.8	1.6	b
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50.0		0.0	0.0	b
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50.0		19.7	3.0	b
YANGJIANG SOUTHERN INDUSTRIAL GASES COMPANY LIMITED	Yangjiang	CHN	30.0		0.0	0.0	b, c, d
Linde Carbonic Co. Ltd., Tangshan	Quian An City	CHN	80.0		1.5	0.0	b, e
Ma'anshan BOC-Ma Steel Gases Company Limited	City of Maanshan	CHN	50.0		64.8	17.0	b
Maoming Coolants Carbon Dioxide Company Limited – in liquidation	Maoming City	CHN	50.0		1.0	–0.3	b
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50.0		57.5	10.8	b

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

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50.0		37.2	7.0	b
Shanghai Huayi Microelectronic Material Co. Ltd.	Shanghai	CHN	50.0		–3.0	–3.5	b, c
Shenzhen South China Industrial Gases Company Limited	Shenzhen	CHN	50.0		3.5	–0.3	b
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50.0		28.5	8.5	b
Krakovska s. r. o. svareci technika	Novy Malin	CZE	37.0		0.5	0.1	c, d
Plyny Jehlar s. r. o.	Brno	CZE	34.0		0.1	0.0	c, d
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bangalore	IND	50.0		7.3	1.5	b
SHINIL CRYOGENIC MATERIALS LTD.	Dangjin	KOR	49.0		0.4	–0.5	b, c, d
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50.0	50.0	0.8	0.0	b
EASTERN OXYGEN INDUSTRIES SDN. BHD.	Kuching	MYS	49.0		11.1	1.2	c, d
INDUSTRIAL GASES SOLUTIONS SDN BHD.	Selangor	MYS	50.0		1.6	0.5	b
Kulim Industrial Gases Sdn. Bhd.	Selangor	MYS	50.0		17.4	1.5	b, c, d
BACNOTAN AIR GASES, INCORPORATED	Taguig	PHL	50.0		–0.2	0.0	b, d
Carbo-Dioxid S. R. L.	Timisoara	ROU	50.0		0.0	0.0	b, d
OAO "URALSKY ZAVOD TECHNICHESKIKH GAZOV"	Ekaterinenburg	RUS	50.0	50.0	0.0	0.0	b, c, d
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40.0		4.9	0.4	b, c, d
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50.0		N/A	N/A	
SUN HSIN LPG COMPANY LIMITED	Yun Lin	TWN	50.0		0.2	0.0	
United Silicon Corporation	Taipei	TWN	50.0		0.0	–0.2	
South Pacific & Africa							
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38.2		3.3	0.3	c, d
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26.0		0.0	0.0	c, d
LINDE ELECTRONICS SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg	ZAF	50.1		0.5	–0.2	b, e
Other activities							
Caravell Kühlgerätevertriebs GmbH i. L.	Ratingen	DEU	50.0	50.0	–0.1	0.0	b, c, d
LOGI-FRANCE SARL	Antony	FRA	50.0		0.0	–0.2	b
VAN DONGEN VAN DE KWAAK B. V.	Dirksland	NLD	50.0		0.2	–0.4	b
ESHCONNECT, INC	Sunnyvale	USA	35.3		N/A	N/A	b

Non-consolidated subsidiaries

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/ net loss (–) in € million	Note
Gases Division							
Western Europe							
Progas AG	Dagmersellen	CHE	100.0		0.0	0.0	c, d
GI/LINDE ALGERIE	Algiers	DZA	100.0	40.0	6.1	1.0	c, d
ELECTROCHEM LIMITED	Guildford	GBR	100.0	100.0	3.4	0.0	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100.0		–1.8	0.0	c, d
GAS AND EQUIPMENT GROUP LIMITED	Guildford	GBR	100.0	100.0	0.3	0.0	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100.0	100.0	0.9	0.0	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100.0		0.1	0.0	c, d
KINGSTON MEDICAL GASES LIMITED	Guildford	GBR	100.0		0.0	0.0	c, d
Ossigeno Italia s. r. l.	Legnano	ITA	100.0		0.0	0.0	d
Cryo Clean B. V.	Schiedam	NLD	100.0		0.1	0.0	c, d
Hoek Loos Emmen B. V.	Emmen	NLD	100.0		0.0	0.0	c, d
KS Luftgassproduksjon	Oslo	NOR	100.0		0.0	0.0	c, d
Norgas AS	Oslo	NOR	100.0		0.1	0.0	c, d
Americas							
177470 CANADA INC.	Mississauga	CAN	100.0		0.9	0.0	c
177472 CANADA INC.	Mississauga	CAN	100.0		2.4	0.0	c
44001 ONTARIO LIMITED	Ontario	CAN	100.0		1.1	0.0	c
Asia & Eastern Europe							
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	99.5		0.0	0.0	c, d
LINDE PLIN d. o. o. Sarajevo	Sarajevo	BIH	100.0	100.0	0.0	0.0	d
Guangzhou GNIG Industrial Gases Company Limited – in liquidation	Guangzhou	CHN	60.0		N/A	N/A	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100.0		3.8	0.0	c, d
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100.0		4.2	0.0	c, d
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100.0		0.0	0.0	d
Linde Gases Daxie Company Limited	Ningbo	CHN	100.0		N/A	N/A	f
ACP Ceska republika s. r. o.	Prague	CZE	100.0		0.1	0.0	d
Linde Gas Engineering Center Budapest Kft.	Budapest	HUN	100.0	100.0	0.3	0.1	c, d
Linde Gas Pars PJS Co.	Tehran	IRN	100.0	99.8	–1.2	0.0	c, d
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100.0	100.0	N/A	N/A	f
BACOLOD OXYGEN CORPORATION	Mandaue City	PHL	100.0		0.1	0.0	c, d
CARBONIC PHILIPPINES INC.	Mandaue City	PHL	100.0		0.1	0.0	c, d
CEBU LIQUID GAS CORPORATION	Lapu Lapu City	PHL	67.0		N/A	N/A	
CIGI PROPERTIES, INC.	Mandaluyong City	PHL	100.0		0.0	0.0	d
DAVAO OXYGEN CORPORATION	Mandaue City	PHL	100.0		0.4	0.0	c, d
ORMOC OXYGEN CORPORATION	Mandaue City	PHL	100.0		0.1	0.0	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
VISMIN AIRTECH INDUSTRIAL GASES CORPORATION	Mandaue City	PHL	100.0		0.2	0.0	c, d
OOO "Linde Gas Helium Rus"	Moscow	RUS	100.0	100.0	0.0	0.0	d
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51.0	51.0	0.3	0.0	d
Linde Technicke Plyny spol. s r. o.	Bratislava	SVK	100.0		0.1	0.0	c, d
Linde Gaz Istanbul Endüstriyel ve Tibbi Gazlar Sanayi ve Ticaret Limited Sirketi – in liquidation	Istanbul	TUR	100.0	100.0	0.0	0.0	c, d
Chia Chi Industrial Company Limited	Taipei	TWN	100.0		0.4	0.0	d
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chia Yi	TWN	100.0		0.0	0.0	c, d
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100.0	100.0	1.3	0.2	c, d
South Pacific & Africa							
CUULSTICK VENTURES (PTY) LIMITED	Gaborone	BWA	100.0		N/A	N/A	
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100.0		0.0	0.0	d
Handigas Kenya Limited	Nairobi	KEN	100.0		0.0	0.0	c, d
Kivuli Limited	Nairobi	KEN	100.0		N/A	N/A	
BOC NOUVELLE-CALEDONIE SAS	Noumea	NCL	100.0		0.0	0.0	c, d
THE GAS COMPANY LIMITED	Auckland	NZL	100.0		0.0	–0.1	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100.0		0.0	0.0	c, d
INDUSTRIAL GASES (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	
OXYCO UTILITIES (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	
OXYGEN INDUSTRIES (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	
WELDEX (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	
ZIMBABWE OXYGEN (PVT) LIMITED	Harare	ZWE	100.0		0.0	0.0	
Engineering Division							
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Sao Paulo	BRA	100.0	90.0	0.1	0.0	c, d
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100.0	90.0	1.1	0.0	c, d
Linde C Limited	Guildford	GBR	100.0		0.0	0.0	c, d
Linde Engineering Far East, Ltd.	Seoul	KOR	100.0	100.0	0.3	0.0	c, d
Other activities							
Linde Australia Holdings Pty. Ltd.	North Ryde	AUS	100.0	100.0	0.0	0.0	c, d
Vorsorgestiftung der Pangas	Dagmersellen	CHE	100.0		1.6	1.5	d
Wohlfahrtskasse der Pangas	Dagmersellen	CHE	100.0		1.0	0.0	d
Rheinkälte GmbH	Munich	DEU	100.0		0.5	–	a, c, d
CRIOSBANC FRANCE S. A. R. L.	Trappes	FRA	100.0		0.0	0.0	c, d
Fred Butler UK Limited	London	GBR	100.0		0.0	0.0	c, d
VORGEM LIMITED	Glasgow	GBR	100.0		0.0	0.0	c, d
The BOC Group Limited (Hong Kong)	Kowloon	HKG	100.0		0.3	0.0	c, d
BOC SYSTEMS LIMITED	Pohang	KOR	100.0		0.6	0.0	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
BOC B. V.	Amsterdam	NLD	100.0		0.0	0.0	c, d
BOC PLYNY, s. r. o. – in liquidation	Kosice	SVK	100.0		0.0	0.0	c, d
CHIEF SIAM Co. Ltd.	Bangkok	THA	100.0	100.0	–0.4	0.0	c, d
AIRCO PROPERTIES INC.	Wilmington	USA	100.0		N/A	N/A	
Baker I Investment Corporation	Wilmington	USA	100.0		0.0	0.0	d
CALUMATIC NORTH AMERICA CORPORATION	East Lansing	USA	100.0		N/A	N/A	
HYDROMATIX, INC.	Murray Hill	USA	100.0		N/A	N/A	
SELOX, INC.	Knoxville	USA	100.0		N/A	N/A	

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							
Western Europe							
Anni Merkel Kohlensäurevertrieb GmbH & Co. KG	Kleinostheim	DEU	50.0		–0.2	0.0	c, d
KSD Kohlensäure-Dienst GmbH	Bretzfeld	DEU	50.0	50.0	0.0	0.1	c, d
TKD TrockenEis und Kohlensäure Distribution GmbH	Fraunberg	DEU	50.0	50.0	0.3	0.0	c, d
Vermögensverwaltung der Gewerkschaft Pattberg GmbH i.L.	Koblenz	DEU	65.2		0.0	0.0	c, d
AGA Center Arhus Aps	Viby	DNK	34.0		0.1	0.0	c, d
AGA Foroyar Sp/f	Torshavn	DNK	50.0		0.3	0.0	c, d
AGA HiQ Center Aps	Hillerød	DNK	50.0		0.2	0.1	c, d
Societe de Gardiennage et de Surveilance du Centre (SGS/Centre)	Algiers	DZA	23.1		2.1	0.6	d
Carburo del Cinca S. A.	Monzon	ESP	20.0		3.7	–0.1	c, d
Parhaat Yhdessa Association	Vantaa	FIN	25.0		0.2	0.0	c, d
Fuel Cell Boat B. V.	Amsterdam	NLD	20.0		0.0	0.0	d
Americas							
GAS & EQUIPMENT WILLEMSTAD N.V. – in liquidation	Curacao	ANT	100.0		0.0	0.0	c, d
HERA, HYDROGEN STORAGE SYSTEMS INC.	Longueuil	CAN	20.3		N/A	N/A	
Asia & Eastern Europe							
Linde Vitkovice a. s.	Ostrava	CZE	50.0		17.6	0.3	c, d
KOREA GAS COLD AIR PRODUCT COMPANY LIMITED	Inchon	KOR	25.0		N/A	N/A	

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
HON CHEN Enterprise Co., Ltd.	Kaohsiung	TWN	50.0		0.5	0.1	c, d
Closed Joint Stock Company Kyivs'kyi zavod vuhlekysloty	Kiev	UKR	100.0	100.0	0.0	0.0	
South Pacific & Africa							
CC ENERGY PTY LIMITED	Sydney	AUS	50.0		0.0	0.0	c, d
NAMGAS (PTY) LIMITED	Windhoek	NAM	44.0		0.0	0.0	d
TASCO ESTATES LIMITED	Dar es Salaam	TZA	20.0		N/A	N/A	
INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED	Johannesburg	ZAF	26.0		–0.1	0.0	c, d
Other activities							
InfraLeuna GmbH	Leuna	DEU	24.5	24.5	369.0	11.7	c, d
MAGNIFICA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln OHG	Düsseldorf	DEU	100.0	100.0	0.1	0.1	c, d, e
TYREGENICS LIMITED	Leeds	GBR	20.0		–0.4	–1.8	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 2009.
e Consolidation method differs from percentage of shares held due to a contractual agreement.
f Incorporation in 2009.
N/A = No financial data available.

[43] Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 4 March 2010.

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Declaration of the Executive Board

The Executive Board of Linde AG is responsible for the preparation, completeness and accuracy of the Group financial statements and the Group management report and for the additional information given in the annual report.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (HGB). The Group management report includes an analysis of the net assets, financial position and results of operations of the Group, together with explanatory comments thereon, as required by the provisions of the German Commercial Code.

Our efficient internal management and control systems and the use of uniform guidelines throughout the Group ensure the reliability of this data. We have received confirmation from those responsible in each division and from the chief executives of each company of the soundness of the financial data reported to the Corporate Centre and of the effectiveness of the related control systems.

The internal audit department performs reviews on a continuous basis across the Group to ensure compliance with the guidelines and the reliability and effectiveness of the control systems.

The risk management system established for The Linde Group ensures that, in accordance with the requirements of company law, developments that might endanger the continuance of The Linde Group as a going concern are identified early, so that measures may be taken to counter the risks if necessary.

In accordance with the shareholders' meeting resolution, KPMG AG Wirtschaftsprüfungsgesellschaft has audited the Group financial statements drawn up in accordance with International Financial Reporting Standards and the Group management report, and issued an unqualified opinion thereon.

The Group financial statements, the Group management report and the audit report will be discussed in detail in the presence of the auditors at the meeting of the Supervisory Board to approve the financial statements. The Supervisory Board will present the outcome of the audit in its report.

Munich, 4 March 2010

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
Member of the Executive Board
of Linde AG

J. Kent Masters
Member of the Executive Board
of Linde AG

Auditors' report

We have audited the consolidated financial statements, prepared by Linde AG, comprising the income statement, statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in Group equity and notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (HGB) is the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with International Standards on Auditing (ISA). 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of those companies to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements comply with IFRS as adopted in the European Union and with the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (HGB), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 4 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Harald v. Heynitz Wirtschaftsprüfer	Günter Nunnenkamp Wirtschaftsprüfer

Further information

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Responsibility statement

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

Munich, 4 March 2010

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
Member of the Executive Board
of Linde AG

J. Kent Masters
Member of the Executive Board
of Linde AG

Management organisation

(As at 31 December 2009)

Executive Board	Regional/operational responsibilities	Global and central functions
Professor Dr Wolfgang Reitzle, Chief Executive Officer	Gist, non-core businesses	Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal, Innovation Management, Internal Audit, SHEQ (Safety, Health, Environment, Quality), Six Sigma
Dr Aldo Belloni	Operating segments Western Europe and Asia & Eastern Europe, Global Business Unit Tonnage (on-site), Business Area Electronics (electronic gases), Engineering Division	
J. Kent Masters	Operating segments Americas and South Pacific & Africa, Global Business Unit Healthcare, Business Area Merchant & Packaged Gases (liquefied and cylinder gases)	
Georg Denoke		Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Mergers & Acquisitions, Procurement, Risk Management, Tax

Divisions

Gases Division	Engineering Division	Gist
See diagram below for organisation	Werner Schwarzmeier, Chairman	Martin Gwynn
	Dr Markus Raab	
	Dr Bruno Ziegler	
	Dr Samir Serhan	

Gases Division

Operating segment Western Europe	Operating segment Americas	Operating segment Asia & Eastern Europe	Operating segment South Pacific & Africa
RBU[1] Continental & Northern Europe Peter Stocks	RBU North America Pat Murphy	RBU Greater China Steven Fang	RBU South Pacific Colin Isaac
RBU UK & Ireland Mike Huggon	RBU South America Clemis Miki	RBU South & East Asia Sanjiv Lamba	RBU Africa Tjaart Kruger
		RBU Eastern Europe & Middle East Dr Hans-Hermann Kremer	
		Asia Joint Venture Management Peter Owen	

Global Business Units (GBUs) and Business Areas (BAs)

GBU Tonnage (On-site)	GBU Healthcare	BA Electronics	BA Merchant & Packaged Gases
Dr Rainer Schlicher	Dr Walter Koppensteiner	Peter Owen	Steve Penn

[1] RBU: Regional Business Unit.

Global and central functions

Procurement	Christoph Clausen
Group Accounting & Reporting	Björn Schneider
Financial Control, Capital Expenditure, Growth & Performance	Jürgen Nowicki
Group Treasury	Erhard Wehlen
Innovation Management	Dr Andreas Opfermann
Communications & Investor Relations	Dr Harry Roegner
Mergers & Acquisitions	Jens Lühring
Group Information Services	Ronald Geiger
Group Human Resources	Werner Boekels
Group Legal	Dr Christian Rau
Internal Audit	Thomas Müller
Risk Management	Peter Petz
SHEQ (Safety, Health, Environment, Quality)	Phil Graham
Tax	Michael Weißberg
Corporate Strategy	Dr Christian Wojczewski

Review of the year

January

BOC India Limited, the Linde Group's Indian gases company, signs a fifteen-year gases supply contract with Rourkela Steel Plant (RSP). The proposed expansion of the Rourkela integrated steel site operated by Steel Authority of India (SAIL) will require, among other things, the construction by Linde's Engineering Division of two new air separation plants (ASUs) to meet the rising demand for oxygen, nitrogen and argon.

February

The South Korean steel group POSCO, the fourth largest steel producer in the world, commissions Linde to install a REBOX®-DFI system. One of the main advantages of the patented DFI process is the significant improvement in heat transfer, which increases output and reduces fuel consumption and emissions.

Linde enters into a contract with Stena Aluminium, Sweden, to install low-temperature oxyfuel technology. Stena Aluminium is a leading manufacturer of recycled aluminium. With the new plant, Stena will optimise an alloy and casting furnace at its works in Älmhult, Sweden.

March

Linde signs a long-term contract with Masdar PV GmbH to supply all the gases for next-generation thin-film photovoltaic (PV) module production at Masdar's manufacturing site in Erfurt, Germany. Under the contract, Linde will provide a complete gas storage and distribution system, as well as on-site gas management services. Linde will also supply nitrogen (N_2), hydrogen (H_2), silane (SiH_4) and process chamber cleaning gases, as well as argon (Ar) and helium (He).

April

Linde and Sinopec Sichuan Vinylon Works (SVW) enter into a long-term cooperation agreement for the supply of industrial gases to the SVW chemical complex in Chongqing Chemical Industrial Park (CCIP), China. The agreement also involves the construction of gases plants with an initial investment of around EUR 50 m. SVW is a fully-owned subsidiary of China Petrochemical & Chemical Corporation (Sinopec). As a result of their partnership, Linde Gas (Hong Kong) Limited and SVW set up a joint venture in which each company holds 50 percent of the shares.

Under the agreement, Linde's Engineering Division will first build a new air separation plant (ASU) with a capacity of 1,500 tons of oxygen per day. In Chingqing, SVW produces mainly chemicals based on natural gas and it is currently expanding its vinyl acetate monomer (VAM) production there. VAM is an important chemical building block which is used in the manufacture of a wide variety of industrial and consumer products.

May

In Munich, Linde is involved in the inauguration of a pilot plant which will produce up to two tons of bioethanol per annum from cereal straw. The process specially developed for this plant allows biofuels such as ethanol to be extracted from plant matter containing cellulose, for instance wheat straw or maize straw, with the aid of enzymes created using biotechnological methods. These second-generation biofuels are a significant improvement on earlier biofuels in terms of climate balance and energy balance and do not compete with the cultivation of food or animal feed.

June

In a cooperative project with OMV and Daimler, Linde opens the first public hydrogen filling station in the German state of Baden-Württemberg at Stuttgart Airport. The filling station incorporates innovative ionic compressor technology developed by Linde and will enable fuel cell vehicles to be refuelled with 700 bar pressure technology. Within the framework of a public-private partnership, the new hydrogen filling station will provide significant impetus for a future supply network.

Linde begins to build a demonstration plant for the sustainable production of hydrogen from glycerine at the Leuna chemical site in Germany. The feedstock glycerine is a by-product for example of biodiesel production. The plant for the reprocessing, pyrolysis and reforming of raw glycerine, which should come on stream in the middle of 2010, produces a hydrogen-rich gas which is fed into the existing hydrogen plant Leuna II to purify and liquefy the hydrogen.

July

Borouge, a leading provider of innovative high-grade plastics, signs a contract with The Linde Group for USD 1.075 bn. The contract comprises the turnkey construction of an additional ethane cracker with a capacity of 1.5 million tons per annum at its Ruwais production site in Abu Dhabi, United Arab Emirates. Borouge is a joint venture between Abu Dhabi National Oil Company (ADNOC), one of the world's largest oil and gas groups, and Borealis, a leading supplier of chemicals and plastics. With this major contract, Linde reinforces its position as a leading gases and engineering company in the Middle East.

The Linde Group agrees a new two-year EUR 1.6 bn revolving credit line. This forward start facility will be available from 2011. It will succeed the Group's existing EUR 2 bn credit line, currently unutilised, which expires on 3 March 2011. With this new credit line, the Group is securing a solid general liquidity reserve with the banks.

August

The pilot scrubbing plant for power station flue gases at the Coal Innovation Centre of RWE Power in Niederaussem, Germany, comes into operation. The aim of the project is to advance the development of a technology that is key to achieving climate-friendly power generation. All aspects of CO_2 scrubbing will be investigated at the plant under realistic conditions. The companies participating in the project, RWE Power, Linde and BASF, will gather experience for later large-scale plants that will be able to be retrofitted in modern coal-fired or gas-fired power stations from 2020. The aim of the project is to reduce significantly the energy needed to capture CO_2, so that progress can be made with cost-effective solutions for carbon capture.

September

In Berlin, representatives from leading industrial companies sign a Memorandum of Understanding (MoU) to set up an extensive hydrogen infrastructure in Germany. Partners in this H2 Mobility initiative are Linde, Daimler, EnBW, OMV, Shell, Total, Vattenfall and NOW GmbH, the National Organisation for Hydrogen and Fuel Cell Technology. The common objectives for these partners are to prepare for the commercialisation of electric fuel-cell vehicles and to make hydrogen and fuel cell technologies an integral part of the drive mix of the future.

October

Linde enters into a long-term gases supply contract with Tata Steel Ltd, one of the world's largest steel companies. Under the agreement, Linde will build a state-of-the-art air separation plant (ASU) for Tata Steel at its site in Jamshedpur, India. Once it comes on stream at the beginning of 2012, the on-site plant, which will have a capacity of 2,550 tons per day (tpd) will be the largest ASU in India and one of Linde's largest plants of this type in Asia. The investment in the new ASU is around EUR 85 m.

The Swiss asset management company Sustainable Asset Management (SAM) presented Linde with its Sector Mover of the Year award for its successful commitment to corporate responsibility and awarded Linde with SAM Bronze Class status. According to SAM, in a global comparison with other companies in the chemical sector, Linde has made the greatest progress in the past year in the areas of corporate responsibility and sustainability.

November

Linde and the US company Algenol Biofuels LLC agree to collaborate on a joint development project to identify the optimum management of carbon dioxide (CO_2) and oxygen (O_2) for Algenol's algae and photobioreactor technology. The partners in this joint project will develop cost-efficient technologies that capture, transport and supply CO_2 for Algenol's proprietary process for the production of third-generation biofuels from CO_2, saltwater and algae.

Linde Finance B. V. issues a 5-year Eurodollar bond for USD 400 m on the bond market, guaranteed by Linde AG. The issue is used to refinance existing amounts falling due in US dollars and to optimise Linde's maturity profile still further.

December

Linde wins several key contracts for plant construction and gases supply projects in Russia. The combined value of all three contracts is over EUR 530 m.

The Group company Linde-KCA-Dresden GmbH is to build a polypropylene plant with an annual capacity of 500,000 tons in Tobolsk, Western Siberia, for the plastics manufacturer Tobolsk-Polymer LLC, a fully-owned subsidiary of the Russian company SIBUR Holding JSC. With a contract value of around EUR 450 m, this project is currently one of the key investments in the Russian petrochemical industry.

Linde will also be planning and overseeing the assembly of a gas separation and ethylene plant in Novy Urengoy, Western Siberia, for the chemical company Novy Urengoy Gas and Chemical Complex (NGCC), a wholly-owned subsidiary of the Russian company Gazprom. This project is worth around EUR 47 m for Linde.

In addition, Linde will supply the steel company ZAO "Kaluga Research and Production Electrometallurgical Plant" (KNPEMZ) with industrial gases in the long term at its production site in Vorsino (80 kilometres south-west of Moscow). Linde will construct an on-site air separation plant here with an investment volume of EUR 37 m. KNPEMZ belongs to Novolipetsk Steel (NLMK), one of the world's largest steel producers.

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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 info@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.

Financial calendar

Financial calendar

Press Conference on Annual Results
17 March 2010
Linde AG, Carl von Linde Haus, Munich

Interim Report
January to March 2010
4 May 2010

Annual General Meeting 2010
4 May 2010, 10 a.m.
International Congress Center Munich

Dividend Payment
5 May 2010

Interim Report
January to June 2010
2 August 2010

Autumn Press Conference
2 November 2010
Carl von Linde Haus, Munich

Interim Report
January to September 2010
2 November 2010

Annual General Meeting 2011
12 May 2011, 10 a.m.
International Congress Center, Munich

Statements relating to the future

This annual report contains statements relating to the future which are based on management's current estimates about future developments. 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.

Inside cover fold-out:
C4: Five-year summary, C5: Glossary

Five-year summary

		2005	2006	2007	2008	2009
Sales	€ million	9,511	8,113	12,306	12,663	11,211
In Germany	%	20.1	14.6	10.2	10.5	10.8
Outside Germany	%	79.9	85.4	89.8	89.5	89.2
Earnings						
Operating profit [1]	€ million	1,705	1,586	2,424	2,555	2,385
EBIT [2]	€ million	953	989	1,591	1,703	1,460
Earnings before taxes on income (EBT)	€ million	808	363	1,375	1,006	838
Earnings after tax attributable to Linde AG shareholders	€ million	514	1,838	952	717	591
Earnings per share – undiluted [3]	€	4.30	1.45	5.77	4.27	3.51
Dividend	€ million	168	241	283	303	–
Dividend per share	€	1.40	1.50	1.70	1.80	1.80
No. of shares (at 31 December)	in 000s	119,864	160,736	166,347	168,492	168,907
Asset structure						
Intangible, tangible and financial assets	€ million	7,832	20,182	19,247	18,155	19,115
Inventories	€ million	1,050	980	1,062	986	966
Trade receivables [4]	€ million	2,125	2,504	2,470	2,387	2,252
Liquid funds and securities	€ million	911	663	903	1,022	848
Other assets	€ million	700	3,589	1,273	1,274	1,200
Total assets	€ million	12,618	27,918	24,955	23,824	24,381
Capital structure						
Equity	€ million	4,473	8,225	9,210	8,249	9,187
Provisions	€ million	2,598	3,437	2,874	2,724	3,009
Financial debt	€ million	2,416	10,596	7,330	7,445	6,967
Other liabilities	€ million	3,131	5,660	5,541	5,406	5,218
Total equity and liabilities	€ million	12,618	27,918	24,955	23,824	24,381
Cash flow statement						
Cash flow from operating activities (continuing operations)	€ million	1,501	848	1,767	1,876	2,142
Employees as of 31 December		42,229	51,038	50,485	51,908	47,731
In Germany	%	34.6	14.1	14.1	14.7	15.4
Outside Germany	%	65.4	85.9	85.9	85.3	84.6
Key ratios						
Capital expenditure	€ million	864	776	1,035	1,470	1,137
Equity ratio	%	35.4	29.5	36.9	34.6	37.7
Return on capital employed (ROCE)	%	13.7	11.4	10.3	12.4	10.4
EBIT margin [2]	%	10.0	12.2	12.9	13.4	13.0
Cash flow from operating activities as percentage of sales	%	15.8	10.5	14.4	14.8	19.1

[1] EBITDA before non-recurring items including share of income from associates and joint ventures.
[2] EBIT before non-recurring items and before amortisation of fair value adjustments identified in the course of the purchase price allocation.
[3] Continuing operations. Based on the weighted average number of shares.
[4] Includes receivables from financial services.

Glossary

α-SABLIN process®
A process developed by Linde's Engineering Division and the Saudi Arabian company SABIC to produce linear alpha olefins via the oligomerisation (see glossary) of ethylene. In comparison with alternative processes, the distinguishing feature of α-SABLIN is the simplicity of its process management.

CERN
The European Organisation for Nuclear Research (Conseil Européen pour la Recherche Nucléaire) is a major research facility located near the city of Geneva in Switzerland, most commonly known for its particle accelerator. With 1,700 magnets and a circumference of 27 kilometres, CERN's Large Hadron Collider (LHC) is the world's largest particle accelerator.

Clean coal activities
Method of application which aims to reduce by-products such as carbon dioxide, sulphur dioxide and nitrogen oxide to a minimum when coal is used in power stations.

Commercial Paper Programme
Programme for short-term notes on the capital market.

CTL (Coal-To-Liquids) technology
Coal liquefaction or coal hydrogenation is a chemical process which produces liquefied hydrocarbons from coal. Is becoming increasingly important because it replaces oil as a source material in the petrochemical industry.

Currency swaps
Swaps of capital amounts denominated in different currencies.

Debt Issuance Programme
Flexible refinancing programme with a standardised documentation framework. It enables the issuer to cover its funding requirements by raising debt in different currencies and volumes with different maturity periods.

Defined benefit plans
Pension plans under which an enterprise/employer defines an amount of pension benefit to be provided as a function of one or more factors, such as the age, length of service and salary of the employee. The actuarial risk and the investment risk are borne by the employer.

Defined contribution plans
Pension plans under which the legal or constructive obligation of the company or employer is limited to the amount it agrees to contribute to a separate entity, such as an insurance company. The level of benefits received by the employee is determined by the level of contributions paid by the enterprise (and if applicable also by the employee) to the separate entity, together with the investment returns arising from the contributions. The actuarial risk and the investment risk are borne by the employee.

Doping gas
In the doping process, foreign atoms are inserted into the base material of an integrated circuit to change its electrical properties as required. To do this, doping gases such as diborane, arsine and phosphine are used. These are special compounds of hydrogen with boron, arsenic or phosphorus.

Enhanced Gas & Oil Recovery (EGR/EOR)
Tertiary recovery of natural gas and oil enhancing the exploitation of the remaining reserves in a natural gas field or oilfield, using steam, chemicals or flooding with gas such as nitrogen.

Ethane cracker
Steam cracking plant in the petrochemical industry. Hydrocarbons (ethane) are transformed into unsaturated hydrocarbons by thermal cracking using steam. These then serve as raw materials for plastics, varnishes, solvents and pesticides.

Oligomerisation
An oligomer is a molecule comprising several structurally identical or similar units. The process used to link these is known as oligomerisation. In contrast to polymerisation, the number of components in oligomerisation is small (around 2 to 20).

Partial oxidation
In partial oxidation, a mixture of fuel and oxygen is partially burned in a reactor. This produces a hydrogen-rich synthesis gas, which can be used for example in fuel cells.

Product Lifecycle Management (PLM)
PLM is a strategic concept for the management of a product during its entire life-cycle. This concept includes not only supporting IT systems, but also methods, processes and organisational structures.

Purchasing scorecard
The balanced scorecard is a performance management tool based on key data, which makes it possible to break the strategy of a company down into measures which apply to individual performance areas and functional areas, in this case purchasing.

Rectisol technology
The Linde Rectisol® process is increasingly being used in the production of synthesis gases by partial oxidation of heavy oil and coal. This process is a physical acid gas wash, which uses an organic solvent (typically methanol) at low temperatures. In this way, most hydrogen sulphide and carbon dioxide is removed from the synthesis gas.

Red biotechnology
Also called medical biotechnology. It is concerned with biotechnological and genetic engineering processes to cure diseases such as cancer and with the regeneration of tissue which has been destroyed (tissue engineering). Biotechnological diagnostic processes are particularly fast and reliable when used to identify diseases and genetic defects.

Revolver (or revolving credit)
Credit provided over a specific period which can be repaid and utilised repeatedly according to the economic requirements of the borrower.

Structural size
A measurement in semiconductor technology. It describes the edge length of the unit on a microchip.

Term loan
A loan made by a bank to a borrower for temporary use. It has a fixed term and regular periodic payments.

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