Financial Report 2012

Determination

Leading.

THE LINDE GROUP

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LINDE FINANCIAL HIGHLIGHTS

[1]

Linde Financial Highlights		*January to December 2012*	*2011*	*Change*
Share				
Closing price	*€*	132.00	114.95	14.8%
Year high	*€*	136.15	125.80	8.2%
Year low	*€*	114.20	96.16	18.8%
Market capitalisation (at year-end closing price)	*€ million*	24,445	19,663	24.3%
Adjusted earnings per share[1]	*€*	7.89	7.71	2.3%
Earnings per share – undiluted	*€*	7.03	6.88	2.2%
Number of shares outstanding	*(in 000s)*	185,189	171,061	8.3%
Group				
Revenue	*€ million*	15,280	13,787	10.8 %
Operating profit[2]	*€ million*	3,530	3,210	10.0 %
Operating margin	*in %*	23.1	23.3	−20 bp[3]
EBIT	*€ million*	1,992	1,910	4.3 %
Profit for the year	*€ million*	1,324	1,244	6.4 %
Number of employees		61,965	50,417	22.9 %
Gases Division				
Revenue	*€ million*	12,591	11,061	13.8 %
Operating profit	*€ million*	3,403	3,041	11.9 %
Operating margin	*in %*	27.0	27.5	−50 bp[3]
Engineering Division				
Revenue	*€ million*	2,561	2,531	1.2 %
Operating profit	*€ million*	312	304	2.6 %
Operating margin	*in %*	12.2	12.0	+20 bp[3]

[1] Adjusted for the effects of the BOC purchase price allocation.
[2] EBITDA including share of profit or loss from associates and joint ventures.
[3] Basis points.

CORPORATE PROFILE

[2]

THE LINDE GROUP

The Linde Group is a world-leading gases and engineering company with approximately 62,000 employees working in more than 100 countries worldwide. In the 2012 financial year, it generated revenue of EUR 15.280 bn. The strategy of The Linde Group is geared towards long-term, profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. The company 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 three reportable segments – EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These are divided into eight Regional Business Units (RBUs). The Gases Division also includes the two Global Business Units (GBUs) Healthcare (medical gases and related maintenance and advisory services) and Tonnage (on-site supply of gases to major customers), as well as the two Business Areas (BAs) Merchant & Packaged Gases (liquefied and cylinder gases) and Electronics (electronic gases).

GASES DIVISION

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

ENGINEERING DIVISION

Linde Engineering is successful throughout the world, with its focus on promising market segments such as olefin, natural gas, air separation, hydrogen and synthesis gas plants. In contrast to virtually all competitors, the company can rely on its 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.

THE LINDE WORLD

[3]

The Gases Division has three segments – EMEA (Europe, the Middle East and Africa), Asia/Pacific and the Americas. These are divided into eight Regional Business Units (RBUs). The Gases Division also includes the two Global Business Units (GBUs) Healthcare (medical gases) and Tonnage (on-site), as well as the two Business Areas (BAs) Merchant & Packaged Gases (liquefied and cylinder gases) and Electronics (electronic gases). Active the world over, the Engineering Division specialises in olefin, natural gas, air separation, hydrogen and synthesis gas plants.

CUSTOMER SEGMENTATION WITHIN THE GASES DIVISION

[4]

FOOD & BEVERAGES	CHEMISTRY & ENERGY	METALLURGY & GLASS	MANUFACTURING INDUSTRY	ELECTRONICS	HEALTHCARE	OTHERS
Aquaculture & water Beverages Food Other F & B	Energy Fine & petrochemistry Pharma Other chemistry	Glass & fibre optics Heat treatment Non-ferrous Steel Other M & G	Aerospace Automotive Heavy construction & machinery Light metal fab. & prod. Other manufacturing	Solar Semiconductor Chip packaging	Hospital Care Homecare Gas Therapies Care Concepts REMEO®	Education & research Retail Distributors

OUR VISION

[5]

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

OUR COMPANY VALUES

[6]

PASSION TO EXCEL.

INNOVATING FOR CUSTOMERS.

EMPOWERING PEOPLE.

THRIVING THROUGH DIVERSITY.

Group Governance

Corporate Governance

LETTER TO THE SHAREHOLDERS

Ladies and Gentlemen,

The 2012 financial year presented us with the same major macroeconomic challenges which have accompanied us for quite some time: high levels of sovereign debt worldwide, currency fluctuations, very volatile financial markets and political unrest. All these factors are acting as a brake on global economic trends.

We have been able to hold our own in this environment, although conditions have worsened in the course of the year. We succeeded once again in achieving significant increases in Group revenue and Group operating profit. Group revenue grew 10.8 percent to EUR 15.280 bn (2011: EUR 13.787 bn), while Group operating profit was up 10.0 percent to EUR 3.530 bn (2011: EUR 3.210 bn). Lincare, the US homecare company which we purchased in August 2012, contributed for the first time to this relatively robust business performance. The Lincare acquisition has enabled us to become considerably stronger in a stable growth market and as a result we are now the leading global healthcare provider in the gases industry.

Above all, however, the performance indicators for the past financial year demonstrate that our business model, which is geared towards sustainability, is working. Our global footprint and excellent position in the growth markets enabled us to compensate for faltering demand in some markets or the weakness of certain currencies. The rigorous implementation of our efficiency improvement measures also put us in a position to reinforce our profitability at a high level. Given this scenario, our dividend policy will remain earnings-based and geared towards continuity. At the Annual General Meeting on 29 May 2013, the Executive Board and the Supervisory Board will propose that you, our shareholders, be paid a dividend of EUR 2.70 per share. This is an increase of 8 percent compared with last year's dividend of EUR 2.50.

We will carry on doing everything we can in future to stay on track even if economic conditions are unfavourable. There are no signs yet of a strong economic tailwind. The leading economic research institutes may be forecasting growth for 2013, but the pace of growth is expected to be only slightly above 2012 figures.

We want to continue our steady performance and to achieve increases in Group revenue and improvements in Group operating profit in both the 2013 and 2014 financial years. Our target for Group operating profit in 2013 remains EUR 4 bn. In addition, we have set ourselves new medium-term targets. In the 2016 financial year, we are aiming to achieve Group operating profit of at least EUR 5 bn. In that same year, return on capital employed, our core performance indicator, should reach around 14 percent, based on the definition which has been used to date. In the 2012 financial year, the figure we achieved for adjusted ROCE was 11.5 percent.

Over the next few years, we will continue to benefit from megatrends (energy and the environment, and health) as well as from sustained dynamic growth in the emerging economies. We will also continue to improve our processes and to apply our holistic programme for lasting productivity gains. As in previous years, we will use clearly defined performance indicators to measure our success in this area. We want to reduce total gross costs by a further EUR 750 m to EUR 900 m in the years from 2013 to 2016.

These targets are ambitious, but we are confident we can achieve them. We put our trust not least in the skills and dedication of our workforce across the globe, now more than 60,000 strong. Every single day, the commitment of our employees contributes to the successful performance of our Group. And for that I and my colleagues on the Executive Board would like to express our sincere thanks. We are determined to continue to seize opportunities as they arise and to work together consistently to enhance the performance of our Group.

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER OF LINDE AG]

MEMBERS OF THE EXECUTIVE BOARD

PROFESSOR DR WOLFGANG REITZLE
BORN 1949

Chief Executive Officer

Doctorate in Engineering [Dr.-Ing.],
Degree in Economics and Engineering [Dipl.-Wirtsch.-Ing.]

Responsible for the following global and central functions: Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Legal & Compliance, Group Organisation & Information Services, Innovation Management, Internal Audit, Performance Transformation, SHEQ [Safety, Health, Environment, Quality] and Gist
Member of the Executive Board since 2002

PROFESSOR DR ALDO BELLONI
BORN 1950

Doctorate in Chemical Engineering [Dr.-Ing.]

Responsible for the Engineering Division, the EMEA segment [Europe, Middle East, Africa] and the Global Business Unit Tonnage [on-site]
Member of the Executive Board since 2000

THOMAS BLADES
BORN 1956

Bachelor of Science in Electrical Engineering [Dipl.-Ing.]

Responsible for the Americas segment, the Global Business Unit Healthcare and the Business Area Merchant & Packaged Gases [liquefied gases and cylinder gas]
Member of the Executive Board since 2012

GEORG DENOKE
BORN 1965

Degree in Information Science
Degree in Business Administration [BA]

Responsible for the following global and central functions: Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Insurance, Mergers & Acquisitions, Procurement, Risk Management, Tax as well as for Finance/Financial Control for the EMEA, Americas, Asia/Pacific segments
Human Resources Director
Member of the Executive Board since 2006

SANJIV LAMBA
BORN 1964

Chartered Accountant
Bachelor of Commerce

Responsible for the Asia/Pacific segment, the Asian joint ventures and the Business Area Electronics [electronic gases]
Member of the Executive Board since 2011

PROFESSOR DR ALDO BELLONI – THOMAS BLADES
SANJIV LAMBA – PROFESSOR DR WOLFGANG REITZLE – GEORG DENOKE
[FROM LEFT TO RIGHT]

THE SUPERVISORY BOARD

Members of the Supervisory Board

DR MANFRED SCHNEIDER
[CHAIRMAN]
Former Chairman of the Supervisory Board
of Bayer AG

HANS-DIETER KATTE[1]
[DEPUTY CHAIRMAN]
Chairman of the Pullach Works Council,
Engineering Division, Linde AG

MICHAEL DIEKMANN
[SECOND DEPUTY CHAIRMAN]
Chairman of the Board of Management
of Allianz SE

PROFESSOR DR
ANN-KRISTIN ACHLEITNER
Professor at the Technical University Munich (TUM)

DR CLEMENS BÖRSIG
Former Chairman of the Supervisory Board
of Deutsche Bank AG

ANKE COUTURIER[1]
[appointed on 6 December 2012]
Head of Global Pensions,
Linde AG

GERNOT HAHL[1]
Chairman of the Worms Works Council,
Gases Division, Linde AG

THILO KÄMMERER[1]
Trade Union Secretary IG Metall

MATTHEW F. C. MIAU
Chairman of MiTAC-SYNNEX Group, Taiwan

KLAUS-PETER MÜLLER
Chairman of the Supervisory Board
of Commerzbank AG

JENS RIEDEL[1]
Chairman of the Leuna Works Council,
Gases Division, Linde AG

XAVER SCHMIDT[1]
Secretary to the Executive Board of IG Bergbau,
Chemie, Energie Hannover

[1] Employee representative.

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

Supervisory Board committees

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

- DR MANFRED SCHNEIDER [CHAIRMAN]
- HANS-DIETER KATTE[1]
- MICHAEL DIEKMANN
- GERNOT HAHL[1]

Standing Committee

- DR MANFRED SCHNEIDER [CHAIRMAN]
- HANS-DIETER KATTE[1]
- MICHAEL DIEKMANN
- GERNOT HAHL[1]
- KLAUS-PETER MÜLLER

Audit Committee

- DR CLEMENS BÖRSIG [CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- GERNOT HAHL[1]
- HANS-DIETER KATTE[1]
- DR MANFRED SCHNEIDER

Nomination Committee

- DR MANFRED SCHNEIDER [CHAIRMAN]
- MICHAEL DIEKMANN
- KLAUS-PETER MÜLLER

The following member retired from the Supervisory Board in the 2012 financial year:

- JOSEF SCHREGLE[1]
  [retired on 31 October 2012]
  Finance Director EMEA [Europe, Middle East, Africa]
  Engineering Division, Linde AG

[1] Employee representative.

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

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board worked intensively alongside the Executive Board during the 2012 financial year, a year marked by the implementation of important measures for The Linde Group's strategy.

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

Meetings and resolutions of the Supervisory Board

In all, one extraordinary and four regular Supervisory Board meetings were held in the 2012 financial year. One shareholder representative, Mr Matthew Miau, was unable to attend the extraordinary meeting on 20 June 2012, which was convened at short notice, and sent his apologies. All the members of the Supervisory Board were present at the regular meetings held in 2012.

In addition to reviewing current business developments, our meetings also addressed the Group's financial and risk situation, strategy, compliance with legal regulations and with internal guidelines, and key individual business transactions requiring Supervisory Board approval. After a thorough review of the documents submitted and detailed discussions on the proposals of the Executive Board, the Supervisory Board granted all the necessary approvals. Due to time pressure, two proposals were approved outside Supervisory Board meetings in written form and on the basis of extensive documentation. One of these had already been discussed at a plenary meeting. The proposals related to a Gases Division investment project requiring Supervisory Board approval which involved building on-site plants as part of a long-term customer agreement and to the granting of consent to the Gases Division for an acquisition project.

In 2012, the Supervisory Board's advisory and monitoring activities again focused on the Group's growth prospects, its individual lines of business and its operating segments, with global homecare activities representing a major priority. The purchase of the Continental European homecare business of the gases company Air Products was completed in April of the reporting year, with completion of the acquisition of US homecare company Lincare taking place in August 2012. The Supervisory Board welcomes the positioning of The Linde Group as the leading global healthcare provider in the gases industry. Ensuring that these new acquisitions are integrated quickly into The Linde Group is now one of our most pressing tasks. With this in mind, we have been working intensively on the requisite integration measures since September 2012. We were briefed by the Executive Board on the progress made on an ongoing basis and were confident that these processes were advancing apace.

At the Supervisory Board meeting to approve the financial statements on 8 March 2012, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2011 and agreed the proposed appropriation of earnings. We also, in the absence of the Executive Board, discussed and agreed on the targets reached in relation to the variable cash emoluments and total emoluments earned by the individual members of the Executive Board for 2011, based on advice from the Standing Committee. In addition, we issued the declaration of compliance with the German Corporate Governance Code and adopted the Supervisory Board Report and Corporate Governance Report for 2011, as well as the agenda for the Annual General Meeting, including the proposed resolutions. In this regard we also agreed on the proposal for a new remuneration system for the Executive Board to be submitted to the 2012 Annual General Meeting for approval. We adopted this new system in December 2011 and it will apply to all members of the Executive Board with effect from the 2012 financial year. We also dealt with the proposal to be submitted to the Annual General Meeting regarding the abolition of the existing authorised capital and creation of a new authorised capital, the creation of conditionally authorised capital for a successor scheme to the expiring share option scheme for members of the Executive Board and managers (Long Term Incentive Plan 2012), and the related replacement of the company's existing authorisation to acquire and make use of own shares. In addition to its regular reports on business performance and the general position of The Linde Group, the Executive Board also presented us with an updated plan for the 2012 financial year and the updated mid-term business plan. The Executive Board dealt in detail with selected key performance indicators and briefed us on their financial and operational impact on Linde, particularly with regard to the expected impact of efforts to acquire Air Products' Continental European homecare business. Additionally, after detailed explanation by the Executive Board, we also approved a transaction requiring Supervisory Board consent, namely an internal restructuring measure in conjunction with the targeted acquisition of the Continental European homecare business of Air Products.

Immediately before the Annual General Meeting on 4 May 2012, the Executive Board presented the Group financial results for the quarter ended 31 March 2012 and reported on current business development and potential acquisition opportunities. Moreover, on the basis of our resolution in December 2011 and the corresponding proposal to the Annual General Meeting, we adopted the terms and conditions of the new Long Term Incentive Plan 2012 for Executive Board members. The meeting was also used to prepare for the subsequent shareholder meeting.

The Supervisory Board held an extraordinary meeting on 20 June 2012 to discuss the possibility of making an offer to buy Lincare Holdings Inc., US, an acquisition being considered by the Executive Board. The meeting enabled us to form a full picture of the transaction, the related opportunities and risks, the corporate and strategic goals being pursued, the feasibility of the transaction, the intended financing structure and the impact on Linde. Issues discussed particularly intensively included strategic and financial aspects, the economic significance of the transaction and the expected influence on the Group's financial situation. The Supervisory Board subsequently gave its approval in principle to the issuing of an offer in the region of USD 4.6 bn and to the financing plan proposed by the Executive Board, providing for the conclusion of a financing agreement in the form of a bridging loan from a banking consortium, the use of authorised capital and a longer-term financing proposal, as well as to any steps required in accordance with company law. The final decision of the Executive Board published on 2 July 2012 to make an offer to Lincare shareholders of USD 41.50 per Lincare share and covering the related financing arrangements was approved by the Supervisory Board's Standing Committee as authorised by its procedural rules.

At our meeting on 28 September 2012, the Executive Board outlined in detail the economic situation facing The Linde Group and its divisions, and described the outlook for the full 2012 financial year. The Executive Board also briefed the Supervisory Board on the current situation regarding the acquisition of Lincare, completed in August 2012, presenting the integration plan and detailing progress made in integrating the Continental European homecare activities acquired from Air Products in April 2012. At the same time, the Executive Board presented provisional information on the expected impact of the homecare acquisitions on The Linde Group's financial position, net assets and results of operations. The meeting also focused on progress made in implementing the strategies highlighted in earlier years, ongoing strategic development and the company's competitive environment. Key questions discussed included the strategic positioning and direction of Linde and its divisions, and projects considered or launched in this regard, as well as the impact of such projects on The Linde Group's financial position, net assets and results of operations. Taking into account the current general economic climate, the Executive Board outlined the opportunities and risks in an internationally competitive environment, as well as the significance of the process optimisation and efficiency gains programme and further measures to be taken in that direction. Based on verbal reports from the Executive Board, the Supervisory Board is satisfied that the Group's structure and processes are being continually assessed and streamlined in order to increase and consolidate long-term competitiveness across all lines of business. The Supervisory Board was also presented with two transactions requiring its approval, requiring resolutions on internal structural and financing measures in accordance with company law. These were duly approved.

On 7 December 2012, the Executive Board presented us with a report on current business developments and the performance of the Group in comparison with its main competitors. It also presented us with a preview of the 2012 financial statements, the budget for the 2013 financial year and the mid-term business plan, including financial, capital expenditure and human resources plans. The Executive Board submitted a progress report on the integration of the homecare acquisitions in Continental Europe and the United States. We carried out an intensive review of the assumptions made by the Executive Board, particularly with regard to the risks for the company associated with the general economic environment. The Executive Board explained any variances between the plans and targets and the actual results. We also dealt at length with the motion from the Executive Board relating to the 2013 investment programme. After careful examination of the matter, we granted our approval. We also adopted a revised version of our procedural rules, which were adjusted in line with the provisions of the German Corporate Governance Code as last amended on 15 May 2012, and discussed issues in relation to the Supervisory Board elections at the 2013 Annual General Meeting and the structure of the Supervisory Board remuneration.

There were no conflicts of interest involving Supervisory Board members during the year under review. It should be noted that Linde acquired a 100 percent stake in Mr Miau's family company for a purchase price of EUR 2.1 m during the year under review. This transaction was effected on the basis of customary market conditions and did not involve any conflict of interest. Furthermore, this acquisition did not require the Supervisory Board's approval.

Committees and committee meetings

The Supervisory Board continues to have four committees: the Mediation Committee, formed under Section 27 (3) of the German Codetermination Law (MitbestG), the Standing Committee, the Audit Committee and the Nomination Committee. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee. The current members of each committee are listed on PAGE 7. Information about the responsibilities of each committee is given in the Corporate Governance Report on PAGES 14 TO 20.

The Standing Committee of the Supervisory Board held three meetings during the reporting year, and three resolutions were also passed in writing. The Committee prepared decisions on Executive Board remuneration. On the basis of fundamental decisions and having been delegated the right to make the final decisions by the full Supervisory Board, it approved the issuing of an offer to Lincare shareholders. The Standing Committee essentially focused on financing and capital measures and further measures requiring approval in respect of the Lincare transaction and duly gave its consent, thereby authorising the Executive Board to make use of an instalment of EUR 33 m of Authorised Capital II based on the authorisations granted by the 2012 Annual General Meeting subject to the exclusion of subscription rights. The necessary changes were then made to the articles of association. In addition, the Standing Committee adopted changes to the articles of association required as a result of the issuing of shares to fulfil share options and gave its consent to two members of the Executive Board taking up secondary occupations.

The Audit Committee met on four occasions during the year under review. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits, and the audit reports, including the report on the audit focus and the presentation by the auditors of the main results of the audit. The Audit Committee raised no objections on the basis of its reviews. No significant weaknesses in the accounting-related internal control system or in the system for the early identification of risks were detected by the auditors. The Audit Committee also discussed the interim and half-year financial reports prior to their publication based on reports presented by the Executive Board and the auditors. In addition, this Committee prepared the proposal from the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the audit focus and agreed the audit fees. Moreover, the Audit Committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit itself. The Audit Committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision of services not related to the audit, and the auditors informed the Committee at each of its meetings about the fees it had charged in relation to such services. Furthermore, it remained up to date on evolutions in the risk management system and compliance structures, compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The Audit Committee also reviewed the evolution of control systems within the Group based on a presentation by the Executive Board. It received a report on the structure, roles and responsibilities within the Internal Audit department, on its audit work and the audit plan for 2012. The Audit Committee was briefed on the efficiency of the internal control system, risk management system and internal audit system; it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question. The Executive Board also briefed the Audit Committee on a regular basis with regard to the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity. The opening balance sheet and purchase price allocation in relation to the acquisition of Lincare in August 2012 were also discussed. The Committee also dealt with spot checks of the 2011 annual financial statements of Linde Aktiengesellschaft and The Linde Group carried out by the German Financial Reporting Enforcement Panel. No mistakes in the accounts were found as a result of these spot checks. For selected agenda items, department heads and external advisors also attended meetings of the Audit Committee, submitting reports and answering questions. In addition, the Chairman of the Audit Committee held talks on issues of significance in the periods between committee meetings, with the Chief Executive Officer, Chief Financial Officer, the auditors and the Head of Group Legal in particular. The Audit Committee and, where necessary, the Supervisory Board were regularly appraised of the outcome of these discussions.

During the 2012 financial year and at the beginning of 2013, the Nomination Committee consulted on several occasions outside its meetings and in accordance with its remit on candidates for the regular election of shareholders to the Supervisory Board at the 2013 Annual General Meeting. Finally, during a meeting in early 2013, the Committee submitted its recommendation for the Supervisory Board's nomination for the election. The Nomination Committee based its recommendation on the criteria proposed in the German Corporate Governance Code and the terms of the rules of procedure. In particular, in assessing the suitability of candidates who were over the age of 72 or who would turn 72 during their period of office, the Committee took account of age.

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

One committee member was unable to attend a meeting of the Standing Committee but was able to cast his vote in writing. All committee members were otherwise present at all the other committee meetings.

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

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and permanently verify that the provisions are being implemented correctly. In March 2013, the Executive Board and the Supervisory Board issued an updated declaration of compliance in accordance with § 161 of the German Stock Corporation Law (AktG) and made it permanently available to its shareholders on the company's website WWW.LINDE.COM. Further information on corporate governance at Linde can be found in the Corporate Governance Report on PAGES 14 TO 20.

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 2012 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 2012 prepared in accordance with IFRS as adopted by the European Union including the management report in accordance with German generally accepted standards for the audit of financial statements and in supplementary compliance with International Standards on Auditing (ISA). The auditors have confirmed that the Group financial statements and the Group management report meet the requirements set out in Section 315a (1) of the German Commercial Code (HGB) and have issued unqualified opinions on both the Group financial statements and annual financial statements. In accordance with the terms of its engagement, KPMG performed audit reviews of the interim and half-yearly financial reports in the 2012 financial year. At no time did these reviews give rise to any objections. KPMG also confirmed that the system for the early identification of risks complies with legal requirements. No risks that might affect the viability of the company as a going concern were identified. The audit focus during the 2012 financial year was on the accounting-related processes and controls in place at Linde AG in the fast-growing Asian markets. No significant weaknesses in the internal control system were detected by the auditors in relation to the accounting process. Once again during the reporting year, the auditors declared their independence to the Audit Committee.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were then the subject of extensive deliberations at the Audit Committee meeting on 5 March 2013 and the meeting of the Supervisory Board to approve the financial statements on 6 March 2013. The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board. They presented the main results of their audits 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 of the documents submitted and the audit reports and discussed them in detail. After considering the results of the preliminary review by the Audit Committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and the Group financial statements for the year ended 31 December 2012 as drawn up by the Executive Board; the annual financial statements of Linde AG are hereby final. We also approve the Executive Board's proposal for the appropriation of profits.

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

There was one change during the 2012 financial year to the composition of the Supervisory Board and one change to the Executive Board.

Mr Josef Schregle resigned from his position as an employee representative on the Supervisory Board of Linde AG with effect from 1 November 2012. He was replaced by Ms Anke Couturier with effect from 6 December 2012 for the remainder of his period of office as a Supervisory Board member. We have thanked Mr Schregle for his valuable contribution to the Board. The General Meeting on 29 May 2013 will mark the end of the period of office of the current Supervisory Board.

As already reported last year, the Supervisory Board appointed Thomas Blades, a British national, to the Executive Board of Linde AG with effect from 8 March 2012. Mr Blades has international management experience, and was latterly responsible for the Oil & Gas Division of the Energy Sector at Siemens AG. At Linde he bears responsibility for the gases business in the Americas segment as well as for liquefied gases, the cylinder gas business and global healthcare operations. His appointment is for three years.

The Supervisory Board would like to thank the Executive Board and all Linde employees for their highly dedicated approach to their work and for their sense of responsibility and commitment. Over the past financial year they have once again mastered major challenges and achieved very good results.

MUNICH, 6 MARCH 2013
ON BEHALF OF THE SUPERVISORY BOARD

M. Schneider

DR MANFRED SCHNEIDER
[CHAIRMAN]

Corporate Governance

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

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Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code presented by the 'Government Commission on the German Corporate Governance Code' and as amended from time to time. In March 2012, the Executive Board and Supervisory Board of Linde AG issued a declaration of compliance with the recommendations of the German Corporate Governance Code as amended on 26 May 2010 in accordance with § 161 of the German Stock Corporation Law (AktG) and made this declaration permanently available to the public on the Linde website.

The German Corporate Governance Code was amended following the issuing of this declaration of compliance in March 2012.

The Executive Board and Supervisory Board studied the requirements of the German Corporate Governance Code as amended on 15 May 2012 in detail, before issuing the following declaration of compliance in March 2013.

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

All recommendations of the 'Government Commission on the German Corporate Governance Code' in the latest version have been and will be observed in future with the following exception.

In addition to fixed compensation, the members of the Supervisory Board have to date received performance-related compensation whose variable components have a one-year rather than a multi-year assessment basis. Section 5.4.6, para 2, of the German Corporate Governance Code in the version dated 15 May 2012 recommends for the first time that performance-related compensation shall be oriented towards sustainable growth of the enterprise. In accordance with Section 87, para 1, sentence 3, of the German Stock Corporation Law (Aktiengesetz), this can be regarded as a recommendation for a multi-year assessment basis. A decision on the compensation of the members of the Supervisory Board is made by the Annual General Meeting, which was unable to take account of this changed recommendation last year. During the Ordinary Annual General Meeting on 29 May 2013, the Executive Board and the Supervisory Board intend to propose a change to the compensation of the members of the Supervisory Board in the Articles of Association. This change will take account of the new recommendation. This regulation shall take effect from 30 May 2013."

The current declaration of compliance and all past declarations of compliance with the German Corporate Governance Code are available on the company's website at WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE.

Linde AG also complies to the greatest possible extent with the suggestions made in the Code, with only one exception:

The Code suggests that it should be possible for shareholders to follow the Annual General Meeting via modern communication media (e.g. the Internet). We transmit the opening remarks made by the Chairman of the Supervisory Board and also the Chief Executive Officer's speech, but not the general discussion. In principle, the articles of association permit the transmission of the Annual General Meeting in full via electronic media. However, out of respect for shareholders' privacy, we do not transmit the contributions of individual speakers. Nevertheless, we will continue to follow developments closely.

Corporate governance practices

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

Linde upholds high ethical standards. In 2007, the Executive Board developed a corporate philosophy entitled The Linde Spirit and devised a new code of conduct known as the Code of Ethics, launching both throughout the Group. The Linde Spirit describes the corporate culture which is manifested in the Linde vision and the values and principles that underpin day-to-day activities. The Code of Ethics sets out the commitment made by all employees in The Linde Group to comply with legal regulations and to uphold and protect the ethical and moral values of the Group. It is based on Linde's corporate culture and accords with its global values and fundamental principles. The Executive Board has also issued its own guidelines on competition law, antitrust law, the engagement of sales agents, occupational safety, environmental and health protection, quality and procurement. Like the Code of Ethics, these guidelines apply to all employees throughout The Linde Group. In 2012, a new global guideline on corruption prevention was developed. This entered into force in early 2013 and is binding on all employees.

Compliance

To reinforce compliance with both legal regulations and voluntary principles, the Group has a global compliance organisation. Linde's Group-wide compliance activities are focused in particular on antitrust law, the fight against corruption, export control and data protection. The compliance organisation is affiliated to Group Legal. Compliance officers have been appointed in the divisions, business units and operating segments to support Group-wide observance of the compliance programme. The global compliance officer coordinates and implements compliance measures. The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current state of progress in the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating the rules as necessary. Training is provided for Linde employees worldwide. Classroom-based courses are supplemented by a Group-wide e-learning programme. By the end of 2012, more than 36,000 e-learning training sessions had been held on the code of conduct, along with some 3,000 e-learning sessions on antitrust law. In addition, more than 6,000 members of staff were provided with training on site by skilled trainers. We thereby create a working environment in which our employees are entirely familiar with our rules and guidelines.

The Integrity Line reporting system is an important element of the compliance framework at The Linde Group. It enables both internal and external stakeholders to raise issues or report any doubts or suspicions that they might have. In 2012, the Internal Audit department, Human Resources, Group Legal and the department for Safety, Health, Environment and Quality (SHEQ) carried out around 80 investigations on the basis of information received via the Integrity Line. If an internal investigation reveals that the doubts or suspicions raised were justified, Linde examines the measures introduced to tackle the situation, doing so in accordance with a prescribed process and timeframe.

All information on Linde's core values and compliance policy can be found on the company's website at *WWW.LINDE.COM/GUIDELINESCOREVALUES* and *WWW.LINDE.COM/CORPORATEGOVERNANCE*.

Executive Board and Supervisory Board procedures

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

Executive Board

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

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

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

The Executive Board has no committees.

The international composition of the Executive Board also reflects The Linde Group's global footprint and its intercultural diversity. Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on PAGE 214 or on the Linde website. The CVs of Executive Board members are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the number of members specified as the minimum number in the relevant regulations. Currently, the minimum number specified by law 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 closure of the Annual General Meeting in 2013. The Supervisory Board's Nomination Committee is making preparations for the election of shareholder representatives by the 2013 General Meeting. When proposing candidates to the Supervisory Board, it takes into account the targets set by the Supervisory Board in terms of its future composition as well as such criteria as the requirements of the German Stock Corporation Law (AktG), the Corporate Governance Code and the Supervisory Board's procedural rules. The composition of the Supervisory Board is balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All Supervisory Board members must ensure that they have sufficient time to perform those duties. Supervisory Board members who also sit on the executive board of a listed company must not hold more than three supervisory board offices in listed companies or in comparable supervisory bodies of other business entities that do not belong to the same group as the company for which they perform their executive board duties. Linde AG undertakes to support Supervisory Board members as appropriate in the pursuit of any training or professional development necessary for the performance of their duties.

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

- International expertise
  With operations in more than 100 countries, The Linde Group has a global footprint. To reflect this, at least five of the Supervisory Board members should have extensive international expertise.
- Potential conflicts of interest
  At least 75 percent of the Supervisory Board members should have no business or personal ties with the company or its Executive Board that could constitute a

conflict of interest. The mere existence of an employment relationship between employee representatives and the company or its affiliated companies does not preclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of the main competitors of The Linde Group. No more than two former Executive Board members should sit on the Supervisory Board.

- Age limit for Supervisory Board members
  Supervisory Board members should be no older than 72.
- Diversity
  The Supervisory Board is committed to diversity in its composition and to the fair representation of women in particular. The next scheduled elections for both shareholder and employee representatives on the Supervisory Board will take place in 2013. After these elections at the latest, the Supervisory Board should include at least two women.

These objectives were taken into consideration upon the judicial appointment of a member with effect from 6 December 2012 following the resignation of a Supervisory Board member.

More than five members of the current Supervisory Board have acquired extensive international expertise as a result of their careers to date. During the 2012 financial year, Linde acquired a 100 percent stake in the family company of Mr Miau for a purchase price of EUR 2.1 m. This transaction was effected on the basis of customary market conditions. This fact was known to all of the members of the Supervisory Board. The Supervisory Board does not believe that this transaction involves any conflict of interest. Otherwise, there were no conflicts of interest involving Supervisory Board members in the 2012 financial year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No Supervisory Board members currently have management or advisory roles on the executive bodies of any of Linde's major competitors. Four Supervisory Board members are company employees. No other consultancy, service or work contracts have been concluded between Supervisory Board members and the company. No former members of the company's Executive Board are currently members of the Supervisory Board. One Supervisory Board member reached the age limit in the 2010 financial year. At the Annual General Meeting in 2008, the member in question was also elected for a term of five years. When proposing candidates for the 2008 elections, the Supervisory Board was aware of the age limit defined in the procedural rules. However, it had good reason for proposing candidates that would reach the age limit during their term of office. The appointments were approved at the Annual General Meeting. Since the election of Professor Dr Dr Achleitner to the Supervisory Board at the Annual General Meeting held on 12 May 2011 and the judicial appointment of Ms Anke Couturier with effect from 6 December 2012, there have been two women on the Supervisory Board. The target set in 2011 of having two women on the Board by 2013 has thus been met. The Supervisory Board currently considers the inclusion of two women on the Board to be appropriate. This level of representation is in line with the number of female executives with experience in the management of industrial companies, and also reflects the proportion of women in the workforce of The Linde Group, at around 20 percent, and the proportion of women holding senior management positions in the Group, at around 11 percent.

The procedural rules of the Supervisory Board include rules regarding the independence of its members. No member of the Supervisory Board is in a personal or commercial relationship with the company or its bodies that could represent a conflict of interests. In the past financial year, some members of the Supervisory Board have sat on the executive boards of companies with which Linde has business relationships and they continue to hold seats on those boards. Transactions with these companies took place under the same conditions as for non-related third parties. These transactions did not affect the independence of the Supervisory Board members concerned. Linde AG has no controlling shareholder whose relationship with a member of the Supervisory Board could jeopardise that member's independence. Consequently, the Supervisory Board is only composed of individuals with a sufficient level of independence.

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

The Supervisory Board appoints the Executive Board and monitors and advises the Executive Board in the running of its business operations. Executive Board decisions that are of fundamental importance to the Group require the approval of the Supervisory Board. With regard to the composition of the Executive Board, the Supervisory Board considers diversity in addition to the appropriate professional qualifications of candidates. It strives in particular to achieve a suitable age range and proper representation of women. The appointments to the Executive Board also take into account the international operations of The Linde Group. Professor Dr Belloni is Italian, Mr Lamba is an Indian national and Mr Blades is from the UK.

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

Supervisory Board committees

The Supervisory Board has four committees, which do the groundwork for the plenary Supervisory Board. If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees. The Chairman of the Supervisory Board chairs all the committees with the exception of 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, and the total remuneration of individual Executive Board members. Moreover, the Standing Committee is responsible for approving transactions with Executive Board members and related parties, as well as for approving other activities of the Executive Board members, especially the holding of positions on supervisory boards and comparable boards of business entities that are not part of The Linde Group. It also provides advice on long-term succession planning for the Executive Board and reviews the efficiency of the work of the Supervisory Board on a regular basis.

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

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

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

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

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the financial statements were being prepared are given on *PAGE 6 AND 7* or may be consulted on the Internet 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 2012 financial year is given in the Report of the Supervisory Board on *PAGES 8 TO 13*.

Additional corporate governance information

Annual General Meeting

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

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

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

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

Consequential loss and liability insurance

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

Directors' dealings

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

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. On 31 December 2012, Executive Board members held a total of 270,000 shares and share options in Linde AG (0.145 percent of shares issued), while Supervisory Board members held a total of 4,500 shares and share options in Linde AG (0.002 percent of shares issued).

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share-based emoluments, can be found on PAGES 21 TO 32 of this financial report.

Communications and stakeholder relations

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

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

Linde website. The presentations given at these events are also available to view on the website, which additionally contains video and audio recordings of major events.

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

Accounting, audit and risk management

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

In May 2012, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the year ended 31 December 2012 and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2012 financial year. The auditors issued a detailed declaration confirming their independence to the Audit Committee of the Supervisory Board. There were no conflicts of interest. It was agreed with the auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events arising from the audit that have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the Code.

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The Internal Audit department regularly reviews the risk management system and internal audit system to ensure that they are efficient and functioning well. The auditors also assess the system in place for the early identification of risk and provide regular reports on their findings at a global level to the Executive Board and Supervisory Board. Additionally, the Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues in this context. It receives regular reports from the Executive Board about risk management, the risk position, and the identification and monitoring of risks.

In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the Committee any significant weaknesses that they identify in the internal control system in relation to the accounting process and in the system for the early identification of risks. Further details about risk management in The Linde Group are provided in the Risk report on PAGES 80 TO 92. This includes the report on the accounting-related internal control system.

REMUNERATION REPORT

(PART OF THE GROUP MANAGEMENT REPORT)

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

1. Remuneration of the Executive Board

The full Supervisory Board is responsible for determining the total emoluments of each individual member of the Executive Board. In line with the procedural rules of the Supervisory Board, it is incumbent upon the Standing Committee to do the groundwork so that the Supervisory Board can pass resolutions relating to remuneration.

In the 2011 financial year, the Supervisory Board decided, at the suggestion of the Standing Committee, to modify significant elements of the Executive Board remuneration system and structure. The revised remuneration system for members of the Executive Board, which is described in more detail below, applies equally to all members of the Executive Board from 1 January 2012. It was approved with a 96.45 percent majority at the 2012 Annual General Meeting of Linde Aktiengesellschaft.

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

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

The members of the Executive Board receive no remuneration for any Group offices held.

Total emoluments

The remuneration system comprises the following components:

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

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

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

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

The relative weighting of fixed and variable remuneration components is therefore around 25 percent (fixed cash emoluments) to around 75 percent (variable cash emoluments, performance shares and matching shares), while within the variable remuneration components around 40 percent will be determined solely on a one-year basis and around 60 percent on a multi-year basis. As a result, the remuneration system becomes highly performance-related and determined principally on a multi-year basis. 65 percent of the variable emoluments are directly linked with performance indicators or long-term management targets.

Fixed cash emoluments

Each member of the Executive Board receives fixed monthly cash emoluments.

Benefits in kind/Other benefits

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

Variable cash emoluments

Variable cash emoluments are based on two equally-weighted key ratios, return on capital employed (ROCE) and the operating margin, based on the customary definitions employed by the Group PAGES 42 AND 43. For each of the two measurement factors, a minimum target is defined in the form of an ambitious long-term performance hurdle. If this hurdle is not reached in respect of one of the measurement factors, the variable cash emoluments linked to this factor are not paid. If neither minimum target is reached, there is no entitlement at all to variable cash emoluments. The amount of the variable cash emoluments based on reaching the ROCE and operating margin targets may be modified by an individual performance component.

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

Measurement factors for variable cash emoluments

Group ROCE

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

Operating margin

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

Individual performance component

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

Deferral

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

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

Cap

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

Regular reviews

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

Share-based emoluments

Linde Management Incentive Programme 2002

Until the 2006 financial year, members of the Executive Board received a variable component with a long-term incentive in the form of options granted every year, based on the share option scheme approved at the Annual General Meeting in May 2002. This scheme (Linde Management Incentive Programme 2002) applied to members of the Executive Board, members of the management boards of affiliated companies and selected executives. In 2006, the last options were issued under this scheme. In total, 1.2 million subscription rights were granted to members of the Executive Board. Each option confers the right to subscribe to one share in Linde AG at the exercise price. The exercise price for acquiring one new share is 120 percent of the base price. The base price is the average closing price of Linde shares in Xetra trading on the Frankfurt Stock Exchange over the last five trading days before the issue date of the options. The options were issued in five annual tranches from 2002, each with a term of seven years. There was a two-year qualifying period commencing on the issue date. During the remaining five-year term, the options can/could be exercised at any time, except during blocked periods. The seven-year term of the options in the 2005 tranche ended in July 2012.

In the 2012 financial year, two tranches in the scheme were valuable and exercisable. The exercise prices of the two tranches varied between EUR 64.88 and EUR 81.76. The Supervisory Board determined the options to be allocated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board can decide to restrict the exercise of options issued to members of the Executive Board if there are exceptional unforeseen movements in the Linde share price.

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

1 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)	2012	65,000	81.76	65,000	81.76	122.56	–	–	–	–
	2011	130,000	81.76	65,000	81.76	125.93	65,000	81.76	81.76	1.3
Professor Dr Aldo Belloni	2012	40,000	81.76	40,000	81.76	122.13	–	–	–	–
	2011	40,000	81.76	–	–	–	40,000	81.76	81.76	1.3
Georg Denoke	2012	15,000	81.76	15,000	81.76	123.35	–	–	–	–
	2011	25,000	75.01	10,000	64.88	110.41	15,000	81.76	81.76	1.3
TOTAL	2012	**120,000**		**120,000**			–			
	2011	**195,000**		**75,000**			**120,000**			

During the 2011 and 2012 financial years, none of the options held by the Executive Board under the Linde Management Incentive Programme 2002 expired or were forfeited. As at the balance sheet date, the members of the Executive Board had exercised all the options in this scheme. Sanjiv Lamba (a member of the Executive Board from 9 March 2011) and Thomas Blades (a member of the Executive Board from 8 March 2012) are not participants in this scheme as they joined The Linde Group after the last tranche of options 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 board of Linde AG group companies, as well as selected executives of Linde AG and its group companies). The options could 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 determined the allocation of options to members of the Executive Board, while the Executive Board determined the allocation for lower tiers of management. Options were 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 was determined on the basis of the fair value per option according to an actuarial report at the grant date. The term of the options is calculated as three years, two months and two weeks from the issue date. The options in a tranche are exercisable once a vesting period of three years from the date of issue has expired, over a period of four weeks, if and to the extent that certain performance targets are met. Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56.

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

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

At the end of May 2012, the vesting period for the third tranche of this programme ended. 100 percent of the options in this third tranche were exercisable as all three performance targets were reached. In 2011, 88 percent of the options in the second tranche were exercisable.

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

2 OPTIONS – LINDE PERFORMANCE SHARE PROGRAMME 2007

		At 1 January	Granted in the financial year	Exercised in the financial year		Forfeited in the financial year	At 31 December	
					Weighted average share price at exercise date			Weighted average remaining life
		in units	in units	in units	in €	in units	in units	in years
Professor Dr Wolfgang Reitzle (Chairman)	2012	127,175	–	58,754	122.13	–	68,421	0.8
	2011	134,732	29,389	32,512	115.85	4,434	127,175	1.2
Professor Dr Aldo Belloni	2012	42,392	–	19,585	123.09	–	22,807	0.8
	2011	44,911	9,796	10,837	115.85	1,478	42,392	1.2
Georg Denoke	2012	42,392	–	19,585	122.13	–	22,807	0.8
	2011	44,911	9,796	10,837	115.85	1,478	42,392	1.2
Sanjiv Lamba (from 9 March 2011)	2012	14,685	–	2,938[1]	117.40	–	11,747[2]	1.3
	2011	–	9,796	1,942[1]	115.03	265[1]	14,685[2]	1.9
TOTAL	2012	**226,644**[2]	–	**100.862**[2]		–	**125,782**[2]	
	2011	**269,465**[3]	**68,573**[3]	**66.965**[2,3]		**51,525**[3]	**226,644**[2]	

1 Options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.
2 Including options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.
3 This includes the options of J. Kent Masters (member of the Executive Board until 30 September 2011). The individual amounts were disclosed in the 2011 Financial Report. On the retirement of J. Kent Masters from the Executive Board as at 30 September 2011, 43,870 options not yet exercised were forfeited.

The exercise price of all the options is currently EUR 2.56 each. In the 2011 and 2012 financial years, none of the options held by the Executive Board under the Linde Performance Share Programme 2007 expired. All the options held at 31 December 2012 were not yet exercisable. Thomas Blades (a member of the Executive Board from 8 March 2012) is not a participant in this scheme as he joined The Linde Group after the last tranche had been issued.

Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme is given in NOTE [28] of the Notes to the Group financial statements.

Long Term Incentive Plan 2012

It was resolved at the Annual General Meeting on 4 May 2012 to replace the Linde Performance Share Programme 2007 for the Executive Board and other executives with the new Long Term Incentive Plan 2012 (LTIP 2012). Like the Linde Performance Share Programme 2007, this scheme provides for the granting of options to purchase performance shares. A new element in this scheme is that in order to participate in the scheme, Executive Board members and selected executives are required to make a compulsory personal investment in shares of the company at the beginning of the scheme. For each share acquired by a scheme participant as a personal investment and held by the participant throughout the qualifying period, one matching share is granted at the end of the qualifying period, if certain conditions are met. The members of the Executive Board are granted options and rights to matching shares in return for a specified sum. The number of shares to be allocated to each member of the Executive Board is determined on the basis of the fair value per option or per right to a matching share according to an actuarial report at the grant date. 80 percent of the remuneration which may be earned as a result of participating in the LTIP 2012 if the target is reached relates to performance shares and 20 percent to matching shares. The company has the option of making a payment in cash to the scheme participants instead of issuing performance shares and/or matching shares. The first tranche under LTIP 2012 was issued following the 2012 Annual General Meeting. In exceptional circumstances, the Supervisory Board may restrict in terms of content, in part or in full, the rights granted to the executive bodies.

Options to purchase performance shares

The plan participants are granted a certain number of options in various annual tranches. The Supervisory Board determines the allocation of options to members of the Executive Board. Each option confers the right to purchase one share in Linde AG (performance shares) if certain targets are met at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56. The options in each tranche may be issued over a period of five years. If the conditions required for the exercise of the options are met, they may first be exercised once a four-year qualifying period calculated from the issue date has expired (the performance period). Options may only be exercised if certain performance targets are reached, which are based on movements in earnings per share and relative total shareholder return. Equal weighting is given to these two performance targets in terms of the total options allocated. Within each of these performance targets, a minimum target must be reached if the options in a particular tranche are to become exercisable, and there is also a stretch target. If the stretch target for one of these performance targets is reached, all the options relating to that performance target in that particular tranche become exercisable. If the minimum target within a performance target is reached, 12.5 percent of all the options in the relevant tranche may be exercised and the plan participant receives a corresponding number of performance shares on payment of the lowest issue price per share. If the relevant stretch target is reached, 50 percent of all the options to performance shares in the relevant tranche may be exercised. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is dependent on the percentage by which the minimum target is exceeded.

Personal investment and matching shares

The number of Linde shares which must be purchased as a personal investment is determined by the Supervisory Board for each member of the Executive Board and corresponds to 20 percent of the target remuneration which may be earned by participating in the LTIP 2012. For each Linde share acquired by a scheme participant as a personal investment and held by the participant throughout the qualifying period for options, one matching share in Linde AG is granted at no cost to the participant. Conditions which apply to the granting of matching shares include: a personal investment in shares of the company by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period and the existence of a service contract at the end of the qualifying period in respect of which no notice has been given.

Movement in the options and rights to matching shares issued to members of the Executive Board under the Long Term Incentive Plan 2012 were as follows:

3 OPTIONS, MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

	Options			Matching Shares		
	At 1 January 2012	Granted in the financial year	At 31 December 2012	At 1 January 2012	Granted in the financial year	At 31 December 2012
	in units	in units	in units	in units	in units	in units
Professor Dr Wolfgang Reitzle (Chairman)	–	25,258	25,258	–	2,746	2,746
Professor Dr Aldo Belloni	–	8,419	8,419	–	915	915
Thomas Blades (from 8 March 2012)	–	8,419	8,419	–	915	915
Georg Denoke	–	8,419	8,419	–	915	915
Sanjiv Lamba	–	8,419	8,419	–	915	915
TOTAL	–	**58,934**	**58,934**	–	**6,406**	**6,406**

All the options held at 31 December 2012 were not yet exercisable. The exercise price of all the options is currently EUR 2.56 each. During the reporting period, none of the options held by the Executive Board expired or were forfeited. Matching shares were not allocated. The weighted average remaining term of the options and rights to matching shares is 3.6 years.

To meet the conditions for participation in the Long Term Incentive Plan 2012, Professor Dr Wolfgang Reitzle made a personal investment in 2012 of 2,746 shares in the company and the other members of the Executive Board each made a personal investment of 915 shares in the company.

Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme is given in NOTE [28] of the Notes to the Group financial statements.

Information about the rules which apply in the event of a change in control is given on PAGES 94 TO 96 in the Group management report (Disclosures in accordance with § 315 (4) of the German Commercial Code).

Total cost of share-based emoluments

The total cost of share-based emoluments in 2012 was EUR 22 m (2011: EUR 30 m). During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board:

4 COST OF SHARE-BASED PAYMENTS

in €	2012	2011
Professor Dr Wolfgang Reitzle (Chairman)	1,746,305	2,627,017
Professor Dr Aldo Belloni	582,098	875,680
Thomas Blades (from 8 March 2012)	62,508	–
Georg Denoke	582,098	875,680
Sanjiv Lamba (from 9 March 2011)	282,071[1]	216,949[1]
TOTAL	**3,255,080**	**4,698,279**[2]

[1] Including the cost of share-based payments granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.
[2] This includes the cost of share-based payments relating to J. Kent Masters (member of the Executive Board until 30 September 2011) of EUR 102,953. On the retirement of J. Kent Masters from the Executive Board as at 30 September 2011, options not yet exercised were forfeited.

Pension commitments

For members joining the Executive Board of the company on or after 1 January 2012, a defined contribution pension scheme was introduced in the form of a direct commitment, which will provide benefits in the form of old age pensions, disability pensions and surviving dependants' pensions. For new members, the annual contributions made by the company during the period of employment will be 45 percent of the fixed cash emoluments (and therefore around 11 percent of the target emoluments). After 15 years of contributions, a target pension level of around 50 percent of the final fixed cash emoluments would be achieved as an old age pension. The capital is invested with an external provider. The pension commitment is designed to be similar to the Linde Pension Plan (Linde Vorsorgeplan) for employees. Insolvency insurance is provided as a result of the integration of the pension commitments into the existing Contractual Trust Arrangement (CTA). The contributions participate in the performance of the CTA and also participate generally without restriction in potential CTA surpluses. The model provides for guaranteed minimum interest of 3 percent plus any overperformance. The regular old age pension is payable from the age of 65, and in the case of early retirement from the age of 62. The employers' contributions are legally non-forfeitable in accordance with the German Company Pension Law (BetrAVG). When the benefits fall due, the Executive Board member is entitled to the account balance inclusive of guaranteed interest. In the case of death or disability, in principle a minimum benefit is payable for a period of service on the Board of less than ten years. In this case, the amount payable is topped up by the missing contributions to the amount that would have been payable if the Executive Board member had served on the Board for ten years (up to a maximum age of 65). Those entitled to the full pension account are, firstly, the widow, widower or civil partner of the Executive Board member and, secondly, orphans of the Executive Board member in the event that widow, widower or civil partner survives the deceased.

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

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

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

Pension commitments for members of the Executive Board who were already on the Board at 1 January 2012 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 for every year of service completed by the member of the Executive Board by 2 percentage points. The maximum percentage that can be achieved is 50 percent of the last fixed monthly emoluments paid. For pension commitments agreed before 1 July 2002, the percentage rate on entry was 40 percent and the maximum percentage that could be achieved was 60 percent. Payments are made on a monthly basis once the member has retired from the Group and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work and surviving dependants' pension in the event of death). Widowed spouses receive 60 percent of the pension of the deceased member of the Executive Board. The commitments also include benefits for any orphans or children who have lost one parent. Each child entitled to maintenance receives 10 percent (in the case of children who have lost one parent) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until his or her 18th year, although maintenance may continue to be paid until he or she reaches the age of 27. If the deceased has left several children, the amounts are reduced proportionately and limited in total to half of the pension to which the contracting party was entitled. The total maintenance payments to surviving dependants must not exceed the full amount of the pension of the contracting party. Current pensions are adjusted annually to take account of the change in the consumer price index for private households based on information provided by the German Statistical Office. If a member of the Executive Board has reached the age of 55 and completed ten years of service on the Executive Board, and his or her employment contract is terminated early by the Supervisory Board or his or her term of office is not extended for reasons beyond the control of the member of the Executive Board, he or she would immediately receive the pension earned, taking into account other income. If, however, an Executive Board member has not completed ten years of service on the Board or if the employment contract is terminated before he or she reaches the age of 55, he or she acquires entitlement by law to a pension as a supplement to the occupational pension in the amount specified by law, provided the Executive Board member was employed by the company for a minimum period of three consecutive years.

Emoluments of the Executive Board for 2012

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in 2012 was EUR 13,188,329 (2011: EUR 11,785,161). Of this amount, EUR 3,858,540 (2011: EUR 4,266,645) related to fixed remuneration components which are not performance-related and EUR 9,329,789 (2011: EUR 7,518,516) related to variable short-term or long-term performance-related remuneration components. The measurement of benefits in kind and other benefits was based on their value for tax purposes. In accordance with the changes to the remuneration system agreed by the Supervisory Board with effect from 1 January 2012, 60 percent of the variable cash emoluments (EUR 5,597,873) will be paid in 2013, while 40 percent of the variable cash emoluments (EUR 3,731,916) will be converted into virtual shares which are subject to a three-year holding period, thereby becoming a new long-term remuneration component. For the conversion into virtual shares, the price used is the average closing price of Linde shares in the Xetra trading system on the Frankfurt Stock Exchange on the last 60 stock exchange trading days before 31 December 2012. This average price was EUR 131.62. The amount paid out once the qualifying period has expired depends on movements in the price of Linde shares. The total remuneration of the members of the Executive Board was EUR 16,688,205 (2011: EUR 14,785,140). Included in the total remuneration are options and rights to matching shares which were granted to members of the Executive Board under the terms of the Long Term Incentive Plan 2012. In each case, the options and matching shares are shown at their value on allocation. In the 2012 financial year, members of the Executive Board were granted a total of 58,934 (2011: 68,573) options with a value on allocation of EUR 47.51 (2011: EUR 51.04) per option and 6,406 rights to matching shares with a value on allocation of EUR 109.26 per matching share.

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2012, the emoluments for the individual members of the Executive Board for 2012 are as follows:

5 TOTAL REMUNERATION FOR MEMBERS OF THE EXECUTIVE BOARD

in €		Cash emoluments					Long Term Incentive Plan			Pensions	
							Options	Matching shares			
		Fixed emoluments	Benefits in kind/ Other benefits	Variable emoluments		Total cash emoluments[2]	Value on the grant date	Value on the grant date	Total emoluments	Annual amount if pension were paid on balance sheet date	Service cost in financial year[3]
				short-term[1] (60%)	long-term[2] (40%)						
Professor Dr Wolfgang Reitzle (Chairman)	2012	1,250,000	32,746	2,482,620	1,655,080	5,420,446	1,200,008	300,028	6,920,482	750,000	864,795
	2011	1,960,000	111,191	3,281,250	–	5,352,441	1,500,015	–	6,852,456	556,800	835,960
Professor Dr Aldo Belloni	2012	780,000	46,133	1,086,900	724,600	2,637,633	399,987	99,973	3,137,593	324,000	111,628
	2011	720,000	41,630	1,656,050	–	2,417,680	499,988	–	2,917,668	288,000	106,394
Thomas Blades (from 8.03.2012)	2012	488,636	60,697	613,685	409,124	1,572,142	399,987	99,973	2,072,102	–	289,637
	2011	–	–	–	–	–	–	–	–	–	–
Georg Denoke	2012	640,000	26,268	816,288	544,192	2,026,748	399,987	99,973	2,526,708	159,840	117,423
	2011	564,000	22,503	1,226,500	–	1,813,003	499,988	–	2,312,991	138,720	112,981
Sanjiv Lamba (from 9.03.2011)	2012	525,000	9,060	598,380	398,920	1,531,360	399,987	99,973	2,031,320	73,920	114,753
	2011	321,391	452	456,154	–	777,997	499,988	–	1,277,985	55,200	–
TOTAL	2012	**3,683,636**	**174,904**	**5,597,873**	**3,731,916**	**13,188,329**	**2,799,956**	**699,920**	**16,688,205**		**1,498,236**
in %		22	1	34	22	79	17	4	100		
TOTAL	2011	**4,069,391[4]**	**197,254[4]**	**7,518,516[4]**	–	**11,785,161[4]**	**2,999,979**	–	**14,785,140[4]**		**1,264,518[4]**
in %		28	1	51	–	80	20	–	100		

[1] From 2012, 60 percent of the variable cash remuneration is paid directly in the year following the balance sheet date.

[2] From 2012, 40 percent of the variable cash remuneration is converted as at the balance sheet date into virtual shares with dividend entitlement and not paid for at least another three years. The amounts paid in each case are dependent on movements in the Linde share price.

[3] No past service cost arose in the 2012 or 2011 financial years.

[4] This includes the emoluments/service cost recognised of J.Kent Masters up to 30 September 2011, the date of his retirement from the Executive Board (total cash emoluments/total emoluments of EUR 1,424,040, service cost of EUR 209,183). No cost has arisen for the company or the Group as a result of the options granted to him in the 2011 financial year. All the options granted to him which had not yet been exercised were forfeited on his retirement.

The remuneration table reflects the change in remuneration structure which took effect from 1 January 2012 and a different presentation compared with that in the 2011 Financial Report. In connection with the introduction of the new remuneration system, the Supervisory Board also reviewed the level of fixed cash emoluments and the variable remuneration components, as well as the pension entitlements of Professor Dr Wolfgang Reitzle, bringing some of these elements more into line with market practice. When comparing the figures for 2012 and 2011, the appointment of Mr Thomas Blades on 8 March 2012 should be taken into account. In the 2011 financial year, the figures include total cash emoluments/total emoluments of EUR 1,424,040 in respect of Mr J. Kent Masters, who stood down from the Executive Board on 30 September 2011.

In 2012, the service cost for pension obligations in accordance with IFRS was EUR 1,498,236 (2011: 1.264.518 EUR), while the figure in accordance with the German Commercial Code (HGB) was EUR 1,330,199 (2011: EUR 1,190,749). At the balance sheet date, the present value for accounting purposes of pension commitments accruing to the individual Executive Board members was as follows: Professor Dr Wolfgang Reitzle EUR 16,847,344 (2011: EUR 10,052,467) (Group), EUR 12,699,877 (2011: EUR 9,374,072) (Linde AG); Professor Dr Aldo Belloni EUR 5,329,415 (2011: EUR 3,803,260) (Group), EUR 4,176,945 (2011: EUR 3,573,757) (Linde AG); Thomas Blades EUR 2,388,879 (Group), EUR 2,049,567 (Linde AG); Georg Denoke EUR 4,483,999 (2011: EUR 2,525,115) (Group), EUR 2,547,025 (2011: EUR 2,209,171) (Linde AG); Sanjiv Lamba EUR 3,223,287 (2011: EUR 1,600,072) (Group), EUR 1,829,690 (2011: EUR 1,398,169) (Linde AG). The change in the present value of the pension commitments is the result of the unwinding of interest of entitlements acquired in previous years and actuarial losses from changes in interest rates, holdings and mortality tables.

Other remuneration-related arrangements

The Supervisory Board has the right, at its own discretion, to award a special payment to an Executive Board member for exceptional performance.

Benefits in the event of termination of a contract

In the event that they are not reappointed between the ages of 55 and 63 for reasons beyond their control, Executive Board members Georg Denoke and Sanjiv Lamba will receive in accordance with their existing contracts a lump sum severance payment of 50 percent of their annual cash remuneration (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash (i.e. 60 percent)) for the last full financial year before the termination of their employment.

In compliance with the German Corporate Governance Code, all contracts with members of the Executive Board include the following provision. In the event of the early termination of the employment contract of a member of the Executive Board without due cause for that termination, his or her severance pay will be capped at twice the annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash (i.e. 60 percent)). 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 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 an employment contract is terminated within nine months of that date by mutual consent or as a result of a failure to renew the contract at the appropriate time or as a result of the resignation of the Executive Board member due to his or her position on the Board being unduly compromised by the takeover, members of the Executive Board have an entitlement to benefits based on their contractual cash emoluments but limited in extent. However, the burden of proof is on the member of the Executive Board to demonstrate the actual circumstances as a result of which his or her position has been unduly compromised.

The recommendation of the German Corporate Governance Code relating to severance caps in the event of a change of control is also being followed. In accordance with the Code, all Executive Board contracts provide for severance pay in the event of a member retiring early from the Board due to a change in control equivalent to the amount payable in the event of early retirement from the Board without cause under any other circumstances. Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash (i.e. 60 percent)). The additional compensation would not be payable if the member of the Executive Board had served on the Board for less than three years or if he or she had not yet reached the age of 52 or had already reached the age of 63 when the employment contract ended. 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 entitlement is determined in accordance with the rules for the early termination of an employment contract without cause.

If the employment contract of a member of the Executive Board is terminated with due cause, no payments are made to the Board member.

Executive Board members are generally bound by a restraint clause for a period of two years following the termination of their contracts. By way of compensation, the company undertakes to pay former Board members an amount equivalent to 50 percent of their fixed emoluments during the period of restraint. The compensation qualifies in full for pension benefits.

If the member of the Executive Board leaves the company's service as a result of death or disability, he or she or his or her heirs are entitled to the fixed monthly emoluments for the month in which the employment contract ended, and for the following six months. Moreover, he or she or his or her heirs are entitled to that proportion of the variable cash emoluments in respect of that part of the year in which the member of the Executive Board was active. In this case, 100 percent of the amount is paid in cash.

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 2,907,672 in the 2012 financial year (2011: EUR 2,841,716).

A provision of EUR 39,260,114 (2011: EUR 36,903,317) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants. In the annual financial statements of Linde AG, a provision of EUR 33,390,728 (2011: EUR 35,003,558) was made. The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures in the Group financial statements and the annual financial statements.

2. Remuneration of the Supervisory Board

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

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

Fixed emoluments

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

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0.50 per share with full dividend entitlement distributed to the shareholders. The second part of the variable remuneration is EUR 450 for each 0.1 percent by which the return on capital employed (ROCE) of The Linde Group exceeds the rate of 7 percent in the relevant financial year. ROCE is determined on the basis of information in the relevant audited Group financial statements in accordance with IFRS and the articles of association. In 2012, ROCE calculated in this way was 11.5 percent (2011: 13.0 percent).

The variable remuneration is paid on the day after the Annual General Meeting which determines the appropriation of the 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 an additional EUR 20,000. However, if a member of the Supervisory Board holds several offices at the same time which pay a higher level of remuneration, he or she only receives the remuneration for the office which is the most highly paid.

Attendance fees

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

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2012

Based on a dividend of EUR 2.70 (2011: EUR 2.50) per share entitled to dividend and adjusted ROCE for The Linde Group of 11.5 percent (2011: 13.0 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,273,972 (2011: EUR 2,294,493) plus VAT of EUR 432,055 (2011: EUR 435,954). Of the total emoluments, EUR 855,219 (2011: EUR 859,754) related to fixed emoluments and EUR 1,371,753 (2011: EUR 1,392,239) to variable emoluments. The total expenditure on attendance fees was EUR 47,000 (2011: EUR 42,500).

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

6 EMOLUMENTS OF THE SUPERVISORY BOARD

in €		Fixed emoluments	Variable emoluments	Emoluments for sitting on Audit Committee	Attendance fees	Total emoluments[1]
Dr Manfred Schneider (Chairman)	2012	150,000	258,750	–	6,000	414,750
	2011	150,000	261,000	–	6,000	417,000
Hans-Dieter Katte[3] (Deputy Chairman)	2012	75,000	129,375	–	6,000	210,375
	2011	75,000	130,500	–	6,000	211,500
Michael Diekmann (Second Deputy Chairman)	2012	75,000	129,375	–	4,000	208,375
	2011	75,000	130,500	–	3,000	208,500
Professor Dr Ann-Kristin Achleitner (from 12.05.2011)	2012	50,000	86,250	20,000	4,500	160,750
	2011	32,055	55,776	12,384[2]	2,500	102,715
Dr Clemens Börsig	2012	50,000	86,250	40,000	4,500	180,750
	2011	50,000	87,000	40,000	4,500	181,500
Anke Couturier (from 6.12.2012)	2012	3,552	6,128	–	500	10,180
	2011	–	–	–	–	–
Gernot Hahl[3]	2012	75,000	129,375	–	6,000	210,375
	2011	75,000	130,500	–	6,000	211,500
Thilo Kämmerer[3]	2012	50,000	86,250	–	2,500	138,750
	2011	50,000	87,000	–	2,000	139,000
Matthew F. C. Miau	2012	50,000	86,250	–	2,000	138,250
	2011	50,000	87,000	–	1,500	138,500
Klaus-Peter Müller	2012	75,000	129,375	–	4,000	208,375
	2011	75,000	130,500	–	3,000	208,500
Jens Riedel[3]	2012	50,000	86,250	–	2,500	138,750
	2011	50,000	87,000	–	2,000	139,000
Xaver Schmidt[3]	2012	50,000	86,250	–	2,500	138,750
	2011	50,000	87,000	–	2,000	139,000
Josef Schregle (until 31.10.2012)	2012	41,667	71,875	–	2,000	115,542
	2011	50,000	87,000	–	2,000	139,000
TOTAL	2012	**795,219**	**1,371,753**	**60,000**	**47,000**	**2,273,972**
in %		**35**	**60**	**3**	**2**	**100**
TOTAL	2011	**800,137[4]**	**1,392,239[4]**	**59,617[4]**	**42,500[4]**	**2,294,493[4]**
in %		**34**	**61**	**3**	**2**	**100**

[1] Amounts excluding VAT.
[2] Member of the Audit Committee from 20 May 2011.
[3] The employee representatives have decided to forward their remuneration to the Hans Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions.
[4] This includes the emoluments of Supervisory Board member Dr Beiten who retired from the Supervisory Board on 12 May 2011: fixed emoluments of EUR 18,082, variable emoluments of EUR 31,463, emoluments for sitting on the Audit Committee of EUR 7,233, attendance fees of EUR 2,000, which gives total emoluments of EUR 58,778.

Loans and advances

At 31 December 2012, there were no loans or advances to members of the Supervisory Board.

3. Evolution of the system of remuneration for members of the Supervisory Board

The Executive Board and Supervisory Board intend to propose a new remuneration structure for the Supervisory Board at the 2013 Annual General Meeting. Under the new system, the remuneration of the Supervisory Board will change so that it comprises only fixed emoluments. In addition, the emoluments paid for sitting on the Supervisory Board committees will be adjusted so as to take account of the extent of responsibility and actual work involved. In return for 25 percent of the fixed emoluments payable, the Supervisory Board members shall purchase Linde shares (thereby making a personal commitment to the company) and shall in each case hold these shares for the duration of their membership of the Supervisory Board. Details of the revised system will be presented and published at the same time as the Invitation to the 2013 Annual General Meeting as part of the proposed resolution for changes to the articles of association.

LINDE IN THE CAPITAL MARKET

Stock markets finish 2012 well up after a volatile year

The German share index (DAX) had a strong start to the year, rising above 7,000 points in March. Against a background of high levels of volatility in the international financial markets, the index fell back again over the next few months, reaching its lowest level for the year of 5,969 points on 5 June 2012. Powered by increasingly positive investor sentiment, the DAX made a significant recovery as the year continued, reaching 7,612 points at the end of 2012. This was an increase of 29.1 percent when compared to its position at the end of 2011 (5,898 points). This means that the DAX outperformed most other major international stock market indices in 2012.

In comparison, the MSCI Euro Index rose by 11.8 percent and the DJ EURO STOXX by 15.5 percent. Even the most significant national indices in Europe failed to perform as well as the DAX. The CAC 40 Index in Paris rose by 15.2 percent, while the FTSE Eurofirst 300 Index in London increased by 10.1 percent.

Trends in the US stock markets were similar. The S&P 500 Index was up 13.4 percent, while the NASDAQ technology index (NASDAQ Composite) increased by 15.9 percent. A similar rise was seen by investors in the emerging economies. The MSCI Emerging Markets Index, for example, increased by 15.1 percent in the course of 2012.

Linde's market capitalisation rises to EUR 24.4 bn

Linde shares also performed well in this generally positive stock market climate. The closing price of the shares at 31 December 2012 was EUR 132.00, 14.8 percent higher than the figure at the end of 2011 of EUR 114.95. This meant that the Group's market capitalisation rose during the year by almost EUR 5 bn to EUR 24.4 bn (31 December 2011: EUR 19.7 bn). When making the comparison with 2011, it is important to note the successful capital increase in July 2012, which Linde used to refinance its acquisition of US homecare company Lincare Inc. In the course of the capital increase, Linde issued around 13 million new shares.

The movements in the Linde share price in the course of 2012 mirrored closely the performance of the DAX. As in the case of the DAX, the Linde share price rose significantly in the spring. With the announcement of record earnings for the 2011 financial year, the share price increased on 9 March 2012 to EUR 133.05 per share. On 2 April 2012, Linde shares went above EUR 136 for the first time in the company's history, finishing the day on its year high of EUR 136.15.

In the course of the second quarter, the Linde share price fell back virtually in line with the DAX, following renewed uncertainty in the capital markets in reaction to the global sovereign debt crisis. The Linde share price reached its lowest point of EUR 114.20 on 10 July 2012.

A significant upward trend was to be seen in international stock markets in the second half of the year. The Linde share price followed this trend. Boosted by good quarterly figures, it continued to rise. On 1 October 2012, Linde shares reached their highest price for the second half of the year of EUR 135.85.

The overall robust performance of Linde shares is evidence that the capital market recognises attractive growth opportunities in the international gases and engineering business. The market is rewarding the Group for its enhanced stability as a result of the expansion of its healthcare business, its strong footprint in the emerging economies and its promising position in the energy and environment growth area. The rigorous implementation of the Group's holistic HPO (High Performance Organisation) programme, which is designed to achieve lasting efficiency improvements, also contributes to the positive assessment of Linde in the capital market. Market participants' confidence also grew when the Group made the decision to adjust its ambitious medium-term targets as a result of the Lincare acquisition.

Linde was also successful during the financial year in terms of sustainability ratings in the capital market. In September 2012, the Group was included in the global Dow Jones Sustainability Index (DJSI World). Analysts at Sustainable Asset Management Group acknowledged thereby Linde's continuous improvement in the area of sustainability. The Group was recognised in particular for its activities in the fields of climate strategy, environmental management systems and risk and crisis management.

Linde is also a regular participant in the survey conducted by the Carbon Disclosure Project (CDP), an investor initiative which relates to climate protection reporting and performance. In 2012, the Group was included in the regional Carbon Disclosure Leadership Index (CDLI) for Germany, Austria and Switzerland. CDP recognised Linde's achievement as one of the companies which had made the greatest progress compared with the previous year out of the companies included in the index for the first time.

The Linde Group has continued to meet with a very positive response in the credit market. The leading international rating agencies Standard & Poor's and Moody's confirmed Linde's credit ratings and its stable outlook in July and then again in November 2012. By doing so, the agencies have recognised that the Group is continuing to improve its maturity profile, but have also appreciated its secure liquidity reserve.

During the financial year, Linde benefited from its positive ratings and the fact that at times corporate bonds were well received in the international capital markets, despite high levels of volatility. In May 2012, the Group issued a seven-year EUR 500 m bond and in September 2012 it placed an eight-year EUR 1 bn bond as part of the refinancing of the Lincare acquisition.

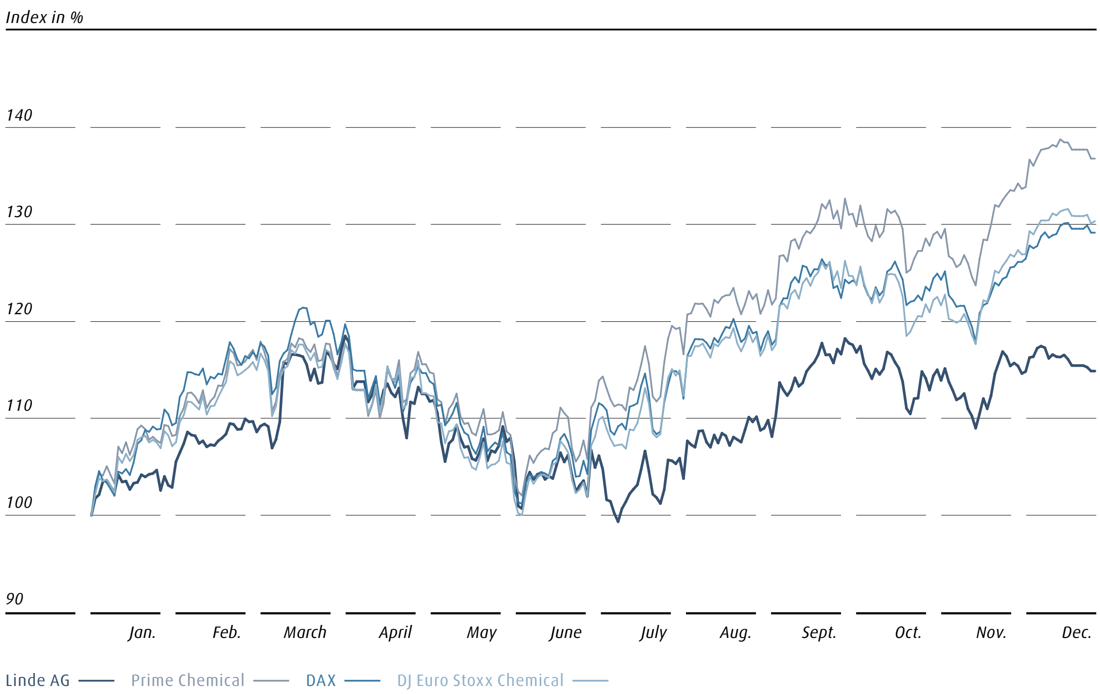
To boost liquidity and enhance the future flexibility of the Group, Linde also placed a five-year NOK 2 bn bond in September 2012. On its issue date, this bond was converted into US dollar debt. In addition, Linde has a solid general liquidity reserve with banks, given its existing EUR 2.5 bn credit facility which is unused at 31 December 2012.

7 CAPITAL MARKET-BASED FIGURES

		2012	2011
Number of shares with dividend entitlement for the financial year	No.	185,188,968	171,061,401
Year-end closing price	€	132.00	114.95
Year high	€	136.15	125.80
Year low	€	114.20	96.16
Total dividend Linde AG	€ million	500	428
Market capitalisation[1]	€ million	24,445	19,663
Average weekly volume	No.	2,789,171	3,069,109
Volatility[1] *(200 days)*	in %	20.8	17.9
Information per share			
Cash dividend	€	2.70	2.50
Dividend yield	in %	2.0	2.2
Operating cash flow	€	13.62	14.18
EARNINGS[2]	€	**7.89**	**7.71**

[1] As at 31 December 2012.
[2] Adjusted for the effects of the BOC purchase price allocation.

1 LINDE SHARE PERFORMANCE IN 2012 COMPARED WITH INDICES

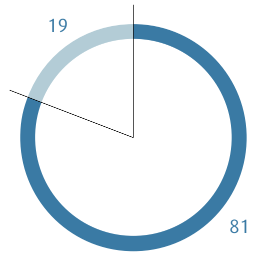


8 LINDE PERFORMANCE IN COMPARISON WITH THE MOST IMPORTANT INDICES[1]

	2012 in percent	Weighting Linde shares in percent
Linde (including dividend)	17.2	–
Linde (excluding dividend)	14.8	–
DAX	29.1	3.66
Prime Chemical	36.7	14.55
DJ EURO STOXX	15.5	0.95
DJ EURO STOXX Chemical	30.3	10.35
FTSE Eurofirst 300	10.1	0.46
FTSE E300 Chemical	28.5	9.07
MSCI Euro	11.8	0.45

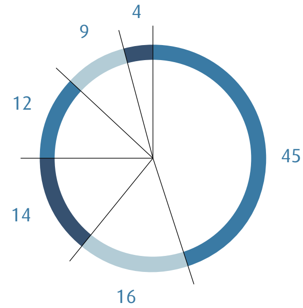
[1] As at 31 December 2012.

1 SHAREHOLDER STRUCTURE IN %



Institutional investors	81 (2011: 80)	Private investors	19 (2011: 20)

2 INSTITUTIONAL INVESTORS – HOLDINGS BY REGION IN %



USA	45 (2011: 43)	Other	12 (2011: 11)
Germany	16 (2011: 17)	France	9 (2011: 8)
UK	14 (2011: 16)	Asia	4 (2011: 5)

Stable shareholder structure

According to the annual shareholder identification survey, the proportion of outstanding Linde shares held by institutional investors at 31 December 2012 remained stable at around 81 percent (2011: around 80 percent). The proportion of Linde shares held by private investors at the year-end was therefore around 19 percent.

The proportion of institutional investors from the United States has risen from 43 percent of the total at the end of 2011 to 45 percent at the end of 2012, while the proportion of shares held by European institutional investors in general has fallen slightly from 52 percent to 51 percent. German institutional investors held 16 percent of Linde's total shares at 31 December 2012, slightly below the prior-year figure of 17 percent. The proportion of British institutional investors fell from 16 percent at the end of 2011 to 14 percent at the end of 2012. The French market strengthened its position slightly, with its holdings increasing to 9 percent of the total (2011: 8 percent). France is therefore the third largest market in Europe for institutional investors in Linde. The proportion of Linde shares held by Asian investors remained relatively constant in the 2012 financial year at 4 percent (2011: 5 percent). The proportion of shareholders who are oriented towards sustainability increased during the reporting period to over 4 percent (2011: 3 percent).

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

Dividend payment

Linde has adopted an earnings-based dividend policy geared towards continuity. The Executive Board and Supervisory Board will recommend the payment of a dividend of 2.70 per share at the Annual General Meeting on 29 May 2013. This is an increase of 8.0 percent over the prior-year dividend of EUR 2.50. This gives a dividend payout ratio of 40.0 percent, based on net income for the year. The dividend yield was 2.0 percent, based on the year-end close.

Resolutions passed at the Annual General Meeting on 4 May 2012

The Executive Board of Linde AG was authorised, with the approval of the Supervisory Board, to acquire own shares equivalent to 10 percent of the capital subscribed until 3 May 2017. Authorised Capital II was abolished in accordance with Article 3.7 of the articles of association and the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 70 m until 3 May 2017 against cash and/or non-cash contributions by issuing, on one or more occasions, up to 27,343,750 new bearer shares (Authorised Capital II). The subscription rights of the shareholders may be excluded.

To encourage continuing loyalty to the Group of management personnel in Linde AG and its affiliated companies, both within Germany and outside Germany, by designing a variable remuneration component in the form of shares which will act as a long-term incentive and which entails an element of risk, the opportunity was created to issue subscription rights to Linde AG shares to members of the Executive Board, members of executive bodies of affiliated companies both within and outside Germany and to selected management personnel. A decision was therefore made to create 2012 conditionally authorised capital in order to be able to issue subscription rights under the terms of the Long Term Incentive Plan 2012 (LTIP 2012).

Investor relations (IR) activities intensified

In the 2012 financial year, Linde continued to intensify its efforts to communicate with participants in the capital markets, conducting more than 700 individual conversations with financial analysts and investors. At 41 conferences and roadshows on three continents, several events for private investors and in the course of plant visits, Linde has offered its shareholders and potential investors the opportunity to speak with representatives of the Group, including members of the Executive Board.

The Group also held its first Capital Market Day. This provided investors and analysts with the opportunity to discuss with members of the Executive Board of Linde AG and a selection of experts from within the Group future challenges facing Linde and the Group's growth prospects.

Linde has been able to convince German and international investors of the potential offered by its products, technologies and services in the promising energy and environment sectors and especially in the healthcare sector. Presentations focused in particular on Linde's acquisitions in the healthcare business. The Group also provided a commentary on its current business performance, highlighting its good position in the emerging economies, especially in Asia. It also described in detail the growing synergies between its gases business and engineering business.

Transparency, continuity and reliability will remain the guiding principles for Linde's investor relations work in 2013. The IR team will put forward the arguments which continue to make an investment in the Group an attractive proposition: a robust, forward-looking business model, financing geared towards the long term and an excellent position in the emerging economies.

All current information about Linde shares can be found on the Group's website at *WWW.LINDE.COM* in the Investor Relations section. Information and answers to any questions you may have can be obtained by calling the IR team on +49.89.35757-1321. You are also welcome to send us your questions online at *INVESTORRELATIONS@LINDE.COM*.

9 LINDE SHARE INFORMATION

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

Group Management Report

MACROECONOMIC ENVIRONMENT

10 GROSS DOMESTIC PRODUCT (GDP) IN REAL TERMS[1]

		% Growth				
	% Weighting	2008	2009	2010	2011	2012
EMEA	34.0	0.8	–4.1	2.3	2.1	0.4
Eurozone	20.0	0.3	–4.2	1.8	1.5	–0.5
Germany	5.8	0.8	–5.1	3.6	3.1	0.9
Asia/Pacific	18.4	5.6	5.2	8.3	6.5	5.5
China	8.0	9.6	9.2	10.4	9.3	7.7
Americas	33.5	0.4	–3.2	3.6	2.3	2.3
USA	25.3	–0.3	–3.5	3.0	1.8	2.2
WORLD	**100.0**	**1.4**	**–2.2**	**4.1**	**2.7**	**2.2**[2]

[1] Source: The Economist Intelligence Unit Ltd., in respect of countries in which Linde operates. The prior-year figures for 2011 have been adjusted on the basis of the latest available data.
[2] In respect of 117 countries.

11 INDUSTRIAL PRODUCTION (IP)[1]

	% Growth				
	2008	2009	2010	2011	2012
EMEA	–1.3	–12.3	6.1	2.8	–1.3
Eurozone	–1.8	–14.4	6.7	2.8	–2.5
Germany	0.6	–16.4	11.2	8.0	–0.5
Asia/Pacific	6.6	4.0	13.5	8.0	5.9
China	12.9	11.0	15.7	13.9	10.1
Americas	–2.7	–10.2	5.6	3.9	3.2
USA	–3.7	–11.2	5.3	4.1	3.7
WORLD	**–0.4**	**–9.3**	**8.1**	**3.6**	**1.5**[2]

[1] Source: The Economist Intelligence Unit Ltd., in respect of countries in which Linde operates. The prior-year figures for 2011 have been adjusted on the basis of the latest available data.
[2] In respect of 117 countries.

Global economic trends

World economic growth slowed in 2012 compared with 2011. Based on data from the international forecasting institute The Economist Intelligence Unit, global gross domestic product (GDP) rose by only 2.2 percent in 2012, following an increase of 2.7 percent in the prior year. Growth in global industrial production (IP) decelerated to an even greater extent. IP growth in 2012 was only 1.5 percent, compared with 3.6 percent in 2011.

The sustained sovereign debt crisis in Europe and in the United States was the main factor to have an adverse impact on economic trends. Economic growth decelerated even in parts of Asia when compared with prior years.

The situation in the international financial markets has improved since the middle of 2012.

EMEA (Europe, Middle East and Africa)

Economic growth in the EMEA region as a whole in 2012 was only 0.4 percent. By way of comparison, GDP increased here in 2011 by 2.1 percent. Once again, there were substantial variations in economic trends in the various sub-regions.

In Western Europe, economic output shrank by 0.1 percent in 2012, following growth of 1.6 percent in 2011. The fall in industrial production was even greater, at 2.3 percent. This compares with a rise in industrial production in Western Europe in 2011 of 2.2 percent.

Within the Western Europe region, the economy in Germany proved relatively robust, with an increase in GDP of 0.9 percent. A number of other countries, such as Switzerland, Sweden and Norway, were able to achieve growth in 2012. In all the peripheral countries, on the other hand, economic output declined.

The economy also slowed down in Eastern Europe. Whereas growth here in 2011 reached 4.2 percent, it fell back to only 2.2 percent in 2012. Industrial production in Eastern Europe rose by 2.5 percent in 2012, compared with 5.4 percent in 2011. The European sovereign debt crisis resulted in weaker trends here too.

In the Middle East, economic growth failed to match the high figure of 6.0 percent achieved in 2011. GDP did, however, rise by 4.7 percent, a respectable figure which represents better than average growth.

The economy in Africa performed better in 2012 than in 2011, with GDP growth of 4.1 percent, compared with 3.0 percent in 2011. There were, however, significant differences here between individual countries: for example, the economy in South Africa grew by only 2.6 percent in 2012, compared with 3.5 percent in the previous year.

Asia/Pacific

Once again in 2012, the Asia/Pacific region saw the fastest rates of economic growth, though the pace of growth has slowed when compared to 2011. GDP rose during the reporting year by 5.5 percent, while the increase in GDP in 2011 was 6.5 percent. Industrial production in this region increased in the 2012 financial year by 5.9 percent (2011: 8.0 percent).

Growth in China, though it remained high, has slowed somewhat as a result of measures taken by the government to fight inflation and prevent the overheating of the property market. Economic output here rose by 9.3 percent in 2011, while the increase in GDP in 2012 was 7.7 percent. There were also stable economic trends in countries such as Indonesia, Malaysia and the Philippines. The stimulus measures adopted by ASEAN countries have been a contributory factor here. In Thailand, a significant recovery was to be seen in the economy in 2012 following the severe floods of the previous year.

The economic situation in Australia improved in the course of 2012. GDP, which rose by 2.5 percent in 2011, achieved an even higher rate of increase (3.6 percent) in 2012. Industrial production, which shrank by 0.8 percent in 2011, rose by 2.5 percent in 2012.

Americas

The economy in the United States remained relatively stable in the 2012 financial year. With economic output expanding by 2.2 percent, the rate of growth was slightly higher than that achieved in 2011 of 1.8 percent. Industrial production, on the other hand, rose by 3.7 percent, a lower rate of increase than the 4.1 percent seen in 2011. Whereas the situation in the labour market and the property market in the US has improved somewhat over the past few months, the problem of the fiscal cliff remained unresolved at the end of 2012.

In South America, economic growth in 2012 was significantly lower than in 2011. The increase in GDP in 2012 was 2.5 percent, compared with 4.5 percent in the previous year. Industrial production rose only slightly, by 0.9 percent (2011: 2.8 percent). This slowdown in economic activity was due mainly to the fall in global demand and a lower level of domestic consumption. In South America too, there were significant differences between the situation in individual countries. Whereas Brazil and Argentina saw considerably lower growth rates than in the previous year, economic trends in Chile and Peru remained virtually stable.

SECTOR-SPECIFIC BACKGROUND

Gases industry

The international gases market continued to grow in the 2012 financial year. However, different rates of growth were to be seen in each region and industry sector.

North America, Europe and Asia remain the largest sales markets. The greatest rise in demand was once again in Asia.

The market environment in the steel industry in 2012 was affected by significant surplus capacity and by the sustained sovereign debt crisis in the eurozone. Demand for steel in Europe was modest. Many steel-producers had to rationalise and focus their production on low-cost locations. The recovery in the steel industry in China and India slowed. In the NAFTA (North American Free Trade Agreement) region, on the other hand, the sector saw high rates of growth. Positive momentum was generated here by strong demand, especially from the construction sector and the automobile industry. The global market for raw steel continued to expand in the course of 2012.

Modest economic trends in Europe and North America were also evident in the chemical sector in the reporting period. Growth here was no more than moderate. Experts are forecasting a more significant rise in demand in North America in the medium term. Positive momentum should be generated here by increasing shale gas production, which will lead to falling natural gas prices. In Asia, the chemical industry continued to grow at a faster rate than average, but not as rapidly as in the 2011 financial year.

In the refinery business, new plants were built in 2012 and existing plants extended so as to rectify regional imbalances of supply and demand. The focus here was on increasing diesel production capacity and improving product quality. In North America and Western Europe, growth slowed for refinery products. In China, industry experts are expecting conditions for refineries to improve as soon as the government introduces product pricing adjustments.

In manufacturing in developed countries, demand for plastics applications rose at a faster rate than demand in the welding sector. In the emerging economies, on the other hand, significant growth was to be seen once again in welding applications. This trend was boosted by improvements in quality and productivity.

The market environment in the semiconductor industry was stable in the first half of 2012. In the second half of the year, the situation worsened.

Demand for LEDS GLOSSARY rose during the financial year in line with demand in general lighting markets. The electronic gases market also benefited here. On the other hand, growth in the screen sector slowed. The phasing out of Chinese government subsidies for MOCVD tools GLOSSARY used in the production of screens had an adverse impact here. OLEDS GLOSSARY are increasingly being used in displays for mobile devices.

In 2012, surplus capacity and consolidation had an impact on the solar cell market. Too much investment in prior years has driven production capacity to over 60 gigawatts, whereas global demand is only half that. As a consequence, the price of solar modules fell so sharply that competitors in Europe, the US and Asia have since deserted the market.

Against a background of sustained population growth, the performance of the food and beverage industry remained relatively steady in 2012. Consumer trends include healthier eating, higher consumption of meat protein and more processed foods. At the same time, the demand for convenience products GLOSSARY continues to rise.

In the healthcare market, the long-term growth drivers remained intact in 2012: a growing, ageing world population, an increase in chronic diseases such as asthma and COPD (chronic obstructive pulmonary disease), and a move towards more patient care in settings other than hospitals. Each of these factors affects the market environment to a different extent in different regions. While rising prosperity in Asia has led to a significant increase in demand for healthcare services, the healthcare business has also been adversely affected by the debt crisis in southern Europe. In North America, it is not yet possible to predict exactly what impact the recent healthcare reforms there will have.

Engineering business

The market for large-scale international engineering projects has been recovering slowly since the 2009/10 economic and financial crisis and saw relatively steady trends in 2012. There was slightly more investment activity during the year than in 2011, although this had not yet returned to the high level set in 2008.

Air separation plants

Demand in the market for air separation plants rose again in 2012. There was new investment in Asia and Eastern Europe in particular. As in 2011, most of the contracts awarded related to on-site projects for the gases industry.

Olefin plants

The olefin plant market segment benefited in 2012 from the increasing production of natural gas from shale gas, especially in the US. Natural gas is an important raw material in the petrochemical industry. As a result of this development, there was a fall in raw material costs for ethane crackers ⌴ GLOSSARY and a number of new projects were started in this field. Existing naphtha crackers ⌴ GLOSSARY are increasingly being converted into ethane crackers.

Positive momentum for plant construction projects in the petrochemical industry was also generated in the United States by the easy availability and low cost of ethane. In Europe and Asia, on the other hand, growth rates in this market were modest.

Natural gas plants

The increased exploitation of shale gas reserves in particular resulted in greater demand for natural gas treatment, processing and liquefaction plants in North America. These plants supply natural gas for both the home market and for export.

Hydrogen and synthesis gas plants

The global market for hydrogen and synthesis gas plants stabilised in 2012. Most projects were realised in the emerging economies of Asia, the Middle East and the CIS countries ⌴ GLOSSARY. In North America, the exploration of shale gas reserves helped revive the hydrogen and synthesis gas segment. The current trend is away from large coal-based projects in favour of projects based on natural gas.

VALUE-BASED AND OPERATIONAL MANAGEMENT

Linde pursues a corporate strategy of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value. To measure the medium-term and long-term financial success of this value-based management strategy, the Group uses return on capital employed (ROCE) as its core performance indicator. To manage its operating business and measure its performance, Linde uses not only ROCE but also other key performance indicators, such as free cash flow before financing activities (operating free cash flow), earnings before interest, tax, depreciation and amortisation (EBITDA adjusted for non-recurring items), earnings before interest and tax (EBIT) and earnings per share (EPS).

The core performance indicator ROCE is calculated as EBIT adjusted for non-recurring items divided by capital employed. To promote sustainable and successful growth, Linde also works together with various customers on the basis of joint venture business models. So that current joint ventures, which are a major operational component of the Gases Division, are included in the management ratios and performance indicators, Linde's share of the income from associates and joint ventures, based on their respective earnings after tax, has been added to the figure for EBIT in the ROCE calculation. In the 2012 financial year, ROCE calculated in this way (reported ROCE) was 10.0 percent (2011: 11.0 percent).

The performance indicators ROCE, EBIT and EPS are also disclosed after eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation (adjusted performance indicators). The acquisition of BOC in the 2006 financial year resulted on the one hand in an increase in capital employed. On the other hand, earnings were adversely affected, particularly in past years, by the amortisation of fair value adjustments identified in the course of the purchase price allocation. This reduced the return on capital, although Linde's operating performance did not change as a result of the identification of fair value adjustments and their amortisation. The adjustment was necessary, especially in the first few years after the acquisition, in order to present the operating performance of the Group in a manner which was transparent and allowed comparisons with its major competitors. In the 2012 financial year, the adjusted ROCE figure achieved by Linde was 11.5 percent (2011: 13.0 percent).

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

DEFINITION OF ROCE

RETURN

EBIT
(including share of profit or loss from associates und joint ventures)[1]

+/–

Non-recurring items

/

CAPITAL EMPLOYED[2]

Equity

+

Financial debt

+

Liabilities from finance leases

+

Net pension obligations

–

Cash & cash equivalents and securities

–

Receivables from finance leases

[1] For the calculation of the adjusted ROCE, the EBIT figure is additionally adjusted for amortisation of fair value adjustments identified in the course of the BOC purchase price allocation.
[2] Each calculated on the basis of the average of the figures at the balance sheet date for the current year and previous year.

A reconciliation between the reported performance indicators and the adjusted performance indicators is given in NOTE [40] of the Notes to the Group financial statements.

In the 2008 financial year, Linde began implementing its HPO (High Performance Organisation) efficiency programme. The Group continued with the rigorous application of this programme in the 2012 financial year. HPO is a holistic concept designed to optimise processes, improve productivity and reinforce the competitiveness of the Group. As a result of applying HPO, the Group was able to achieve total gross cost savings of around EUR 780 m in the financial years from 2009 to 2012. This falls within the range of EUR 650 m to EUR 800 m which the Group had originally sought to achieve. In this context, additional key performance indicators were introduced to measure the productivity of all operating units and were incorporated into Linde's value-based management system. All the individual measures designed to increase efficiency are centrally monitored and reviewed to ensure that they achieve lasting success.

After 2012, the Group will continue to apply the measures it has designed to make constant improvements in efficiency and it plans to achieve further reductions in gross costs of EUR 750 m to EUR 900 m in the years 2013 to 2016.

Operational management

The Group comprises three divisions:

- Gases Division
- Engineering Division
- Other Activities

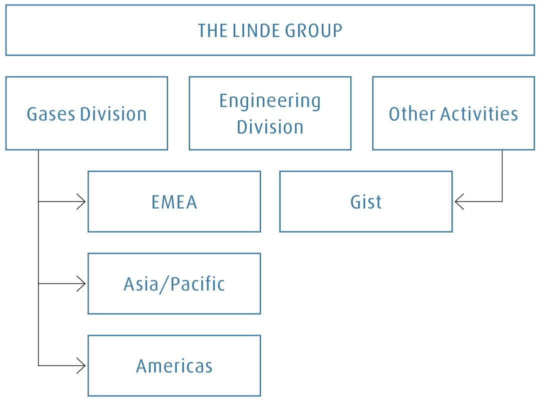
The Gases Division consists of three reportable segments: EMEA, Asia/Pacific and the Americas. Responsibilities are allocated on the basis of a regional structure. The managers within the three reportable segments are responsible for the operating business in eight Regional Business Units (RBUs). This structure allows the Group to take account of the great importance of local and regional market conditions in the gases business.

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

Other Activities consists of the operations of logistics service provider Gist.

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

ORGANISATIONAL STRUCTURE



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

CORPORATE RESPONSIBILITY MANAGEMENT

Strategy

Corporate responsibility (CR) is Linde's contribution to sustainable development. In its global CR policy, the Group is committed to behaving responsibly towards people and the environment, to conserving natural resources and to developing sustainable products. Linde's CR management anchors these objectives in day-to-day business life. Via its global management systems, the Group incorporates its commitment to sustainability into its business processes worldwide. Thereby, Linde puts its foundational principle of sustainability into practice. Sustainability is one of the four strategic principles underlying The Linde Spirit, the Group's corporate philosophy. The Linde Spirit defines the values and foundational principles of the Group and applies to all Linde employees throughout the world. The Group's sustainability activities are based on the following criteria:

Focus on Linde's core business: When developing its corporate responsibility activities, Linde considers its main business processes and the life-cycle of its products. The Group helps its customers to develop more sustainable processes and expects its contractors and suppliers to join it in working towards its corporate responsibility goals.

Continuous improvement: Linde continually analyses how sustainability enables the Group to exploit business opportunities and to minimise risks. It uses key performance indicators to compare sustainability performance across the world and sets itself specific targets.

Engagement with stakeholders: Linde adapts its corporate responsibility activities to reflect the needs of its stakeholders and of its social environment.

Transparency: The Group reports regularly and publicly on the progress it has made in its focus areas for corporate responsibility.

Linde is continuously reviewing its focus, identifying topics which are relevant to the sustainability management of the Group as well as issues of particular interest to its stakeholders. On the basis of this materiality analysis, Linde determines focus areas for its CR strategy and reporting. The Group draws on findings from internal workshops with specialists and strategy experts and on insights from interdisciplinary working groups. During this process, Linde also considers information about environmental and social risks identified by Group risk management.

Organisation

The main decision-making body on sustainability issues is the Corporate Responsibility Council. Its members are Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG, and Professor Dr Aldo Belloni, member of the Executive Board, together with the heads of the Group's global and central functions: Communications & Investor Relations, HR, Legal & Compliance, Internal Audit and SHEQ GLOSSARY. The Council is briefed annually on the progress made in achieving the sustainability goals and determines the focus areas for the Group's global CR strategy. In 2012, the CR Council discussed such issues as sustainability in the supply chain and human rights. The corporate responsibility department coordinates the implementation of the global sustainability strategy, liaising with the relevant departments and those responsible for CR topics in the regions, and is also the point of contact for the stakeholders.

Engaging with stakeholders

The Group maintains regular contact in a number of different ways with its main stakeholders. These include Linde employees, shareholders, customers, suppliers, non-governmental organisations, politicians, the research and scientific community, neighbours and the general public. Linde is also involved in trade associations and scientific collaborations, and with sustainability networks such as the German Global Compact Network. The Group's CR department responded to over 1,600 questions from stakeholders in 2012 on sustainability issues. Main issues raised concerned environmental topics, corporate governance or the supply chain.

Sustainability in the supply chain

Linde expects its suppliers to comply with minimum ecological and social standards. In 2013, the sustainability requirements for suppliers which currently apply in the different divisions are to be amplified and merged into a single policy.

In the 2012 financial year, Linde conducted an analysis of sustainability risks in the supply chain. It is envisaged that a more in-depth analysis will follow in 2013.

Sustainability reporting

Linde publishes sustainability information in its key corporate publications. The Group complies with internationally recognised standards for sustainability reporting, such as the Global Reporting Initiative (GRI) guidelines and the requirements set out in the United Nations Global Compact. In the 2012 financial year, Linde was able to publish its Corporate Responsibility Report 2011 six months earlier. The GRI once again confirmed that the Group's CR report qualified for the highest application level (A+) for sustainability reporting defined in the GRI standard.

Linde uses global performance indicators to provide comparable information about its ecological, economic and social performance, to measure its progress and to identify scope for improvement. KPMG Sustainability has provided limited assurance on selected indicators. Additional key figures on environment and safety were included in the review. The current version of the Corporate Responsibility Report is available online at *WWW.LINDE.COM/CR-REPORT*.

BUSINESS REVIEW OF THE LINDE GROUP

The global economy saw weaker growth in 2012 than in 2011. Major factors having a negative impact on economic trends included high levels of sovereign debt worldwide, currency fluctuations, very volatile international financial markets and political unrest in some countries in the Arab world.

Despite the difficult conditions, Linde was able to continue to generate profitable growth and once again to achieve significant increases in Group revenue and Group operating profit. The Group has used its global presence to its advantage, benefiting in particular from its very good position in the growth markets. Linde's positive business performance was boosted by its acquisition of US company Lincare in August 2012. The rigorous implementation of HPO, the Group's holistic programme for sustainable process optimisation and productivity gains, also contributed towards reinforcing Linde's profitability at a high level.

Revenue and operating profit

In the 2012 financial year, Group revenue rose by 10.8 percent to EUR 15.280 bn (2011: EUR 13.787 bn). After adjusting for exchange rate effects, the increase was 6.4 percent. The contribution to revenue made by the newly-acquired Lincare business was EUR 630 m.

The share of revenue from joint ventures (not included in Group revenue in accordance with the accounting rules) was EUR 535 m in 2012 (2011: EUR 464 m).

Linde achieved an increase in Group operating profit (EBITDA) of 10.0 percent to EUR 3.530 bn (2011: EUR 3.210 bn). The Group operating margin in the 2012 financial year was 23.1 percent, almost as high as the level achieved in 2011 of 23.3 percent.

Results of operations

The statement of profit or loss prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 5.525 bn in the 2012 financial year (2011: EUR 5.021 bn) after deducting cost of sales. The cost of sales and other functional costs (marketing, selling and administration expenses, research and development costs) increased during the reporting period mainly as a result of the expansion in Linde's business activity. At the same time, the rigorous Group-wide implementation of the programme designed to achieve sustainable efficiency gains (HPO) had a positive impact. In the financial years from 2009 to 2012, these activities resulted in total gross cost savings of around EUR 780 m.

It should also be noted that the identification of fair value adjustments in the course of the purchase price allocations undertaken during the reporting year in respect of the acquisitions of Lincare and Air Products' Continental European homecare business resulted in an increase in amortisation of EUR 51 m. Moreover, impairment losses of EUR 46 m were recognised in the 2012 financial year. These arose mainly from the lowering of profit expectations and from adjustments to production capacity, especially in the solar industry. Amortisation and depreciation increased overall by EUR 238 m to EUR 1.538 bn (2011: EUR 1.300 bn).

EBIT improved by 4.3 percent to EUR 1.992 bn (2011: EUR 1.910 bn), while the EBIT margin fell from 13.9 percent to 13.0 percent.

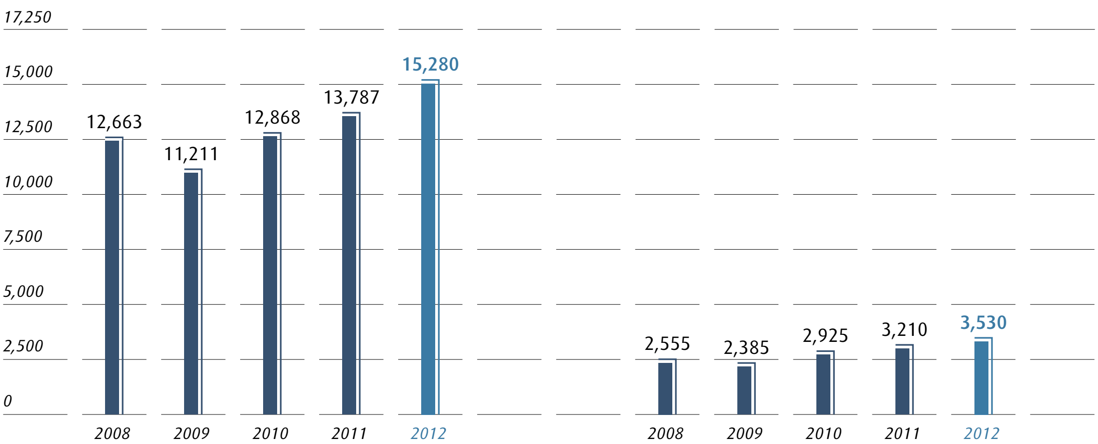
The net financial result (financial income less financial expenses) in 2012 was a net loss of EUR 305 m (2011: net loss of EUR 291 m). Financial expenses increased slightly as a result of the increased investment and acquisition activity during the year. On the other hand, included in financial income in 2012 is a dividend payment of EUR 40 m from a company in which an investment is held. The prior-year figure also included one-off income of EUR 30 m in the form of a penalty arising on the early redemption of a loan made in the 2007 financial year in the course of the sale of BOC Edwards.

Linde was able to achieve a 4.2 percent increase in earnings before tax (EBT) to EUR 1.687 bn (2011: EUR 1.619 bn).

The tax expense fell to EUR 363 m (2011: EUR 375 m). This corresponds to an income tax rate of 21.5 percent (2011: 23.2 percent). Two one-off effects led to the decrease in the tax expense. On the one hand, Linde was able to reduce its tax provisions following the completion of tax audits. On the other hand, the fall in the UK corporation tax rate resulted in an adjustment to the deferred tax liability which was recognised in profit or loss.

Earnings after tax increased by 6.4 percent to EUR 1.324 bn (2011: EUR 1.244 bn). The amount attributable to Linde AG shareholders was EUR 1.250 bn (2011: EUR 1.174 bn). This corresponds to earnings per share of EUR 7.03 (2011: EUR 6.88).

1 GROUP REVENUE AND GROUP OPERATING PROFIT



12 REVENUE AND OPERATING PROFIT BY DIVISION

in € million	2012 Revenue	2012 Operating profit	2011 Revenue	2011 Operating profit
Gases Division	12,591	3,403	11,061	3,041
Engineering Division	2,561	312	2,531	304
Other Activities (including consolidation)	128	–185	195	–135
GROUP	**15,280**	**3,530**	**13,787**	**3,210**

13 RESULTS OF OPERATIONS

	2012 in € million	2012 in percent	2011 in € million	2011 in percent
Revenue	15,280	100.0	13,787	100.0
Cost of sales	9,755	63.8	8,766	63.6
Gross profit	5,525	36.2	5,021	36.4
Marketing and selling expenses	2,303	15.1	2,031	14.7
Research and development costs	101	0.7	98	0.7
Administration expenses	1,354	8.9	1,163	8.4
Other operating income	288	1.9	285	2.1
Other operating expenses	155	1.0	180	1.3
Share of profit or loss from associates and joint ventures (at equity)	92	0.6	76	0.6
EBIT	1,992	13.0	1,910	13.9
Financial result	–305		–291	
Profit before tax (EBT)	1,687		1,619	
Income tax expense	363	21.5	375	23.2
Profit for the year	1,324		1,244	
attributable to Linde AG shareholders	1,250		1,174	
attributable to non-controlling interests	74		70	

GASES DIVISION

Linde is one of the leading companies in the international gases industry and is extremely well-positioned, especially in the emerging economies. On the basis of its global footprint and well-balanced spread across different sectors, Linde is able to compensate better for faltering demand in some markets or the weakness of certain currencies than companies which do not have such a broad international base. Moreover, the continued implementation of the various initiatives designed to increase productivity and standardise processes in all regions of the world (High Performance Organisation, or HPO) contributes towards the long-term reinforcement of the high levels of profitability in the gases business. In addition, the acquisition of US homecare-provider Lincare in the 2012 financial year in particular significantly strengthened the Group in the promising healthcare market. The Lincare business is included in the Americas reportable segment and the Healthcare product area.

Against this background, Linde achieved revenue growth in the Gases Division of 13.8 percent to EUR 12.591 bn (2011: EUR 11.061 bn). When considering this increase, the acquisition of Lincare, a transaction completed in August 2012, should be taken into account. During the reporting period, Lincare contributed EUR 630 m to the total revenue of the Gases Division. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and Lincare's post-acquisition revenue, the increase in revenue was 3.8 percent. The Group's share of revenue from its interests in joint ventures in the gases business (not included in the revenue of the Division) rose by 16.1 percent to EUR 526 m (2011: EUR 453 m). The growth in this revenue was due in part to the two air separation plants relating to the Linde/ADNOC joint venture Elixier in Mirfa, Abu Dhabi, United Arab Emirates, coming on stream. The two plants commenced operations on schedule in the second half of 2011.

Linde's Gases Division achieved an increase of 11.9 percent in operating profit to EUR 3.403 bn (2011: EUR 3.041 bn). The operating margin was 27.0 percent (2011: 27.5 percent). When comparing the operating margin with the figure for the previous year, it should be noted that during the financial year Linde recognised one-off costs resulting from capacity adjustments in the solar industry.

In addition, the up-front investment required to grow the business and employ new staff in the growth market of Asia had an adverse impact on earnings and the operating margin in the Gases Division.

The share of profit or loss from associates and joint ventures in the Gases Division disclosed in operating profit in the 2012 financial year was EUR 101 m (2011: EUR 89 m).

Varying business trends were to be seen in the individual segments in the Gases Division, depending on prevailing economic conditions.

14 GASES DIVISION

in € million	2012	2011
Revenue	12,591	11,061
Operating profit	3,403	3,041
Capital expenditure (excluding financial assets)	1,901	1,439
Number of employees (at the balance sheet date)	50,605	39,031
Revenue from joint ventures	526	453

15 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	2012			2011		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	5,998	1,700	28.3	5,672	1,634	28.8
Asia/Pacific	3,498	935	26.7	3,076	872	28.3
Americas	3,200	768	24.0	2,384	535	22.4
Consolidation	–105	–	–	–71	–	–
GROUP	**12,591**	**3,403**	**27.0**	**11,061**	**3,041**	**27.5**

EMEA (Europe, Middle East, Africa)

In the EMEA reportable segment, the Group's largest sales market, Linde achieved 5.7 percent revenue growth in the 2012 financial year to EUR 5.998 bn (2011: EUR 5.672 bn). On a comparable basis, the growth in revenue was 4.1 percent. Operating profit increased by 4.0 percent to EUR 1.700 bn (2011: EUR 1.634 bn). This resulted in an operating margin of 28.3 percent (2011: 28.8 percent). The Continental European homecare operations acquired by Linde from Air Products at the end of April 2012 were one of the factors in the expansion of the Gases Division's business in the EMEA region. This acquisition includes businesses in Belgium, France, Germany, Portugal and Spain, which generated total revenue in the reporting period of EUR 132 m PAGES 13 TO 19 IN THE LINDE ANNUAL.

Business performance in the EMEA segment was adversely affected by unfavourable economic conditions in the eurozone. A planned stoppage for maintenance at a plant in Southern Europe in the second quarter of 2012 also acted as a brake on revenue trends. In this segment, Linde had to recognise total impairment losses of EUR 43 m in 2012. The impairment losses were mainly the result of adjustments in production capacity in the solar industry. In Eastern Europe and in the Middle East, Linde was able to benefit from a better economic environment in the gases sector.

In the Regional Business Unit Continental & Northern Europe, revenue rose by 5.1 percent to EUR 3.494 bn (2011: EUR 3.325 bn). This region therefore continued to account for the largest proportion of total revenue in the EMEA reportable segment. Declining revenue in the liquefied gases and cylinder gas business was more than offset by the contributions made by not only the newly acquired homecare operations from Air Products, but also by the liquefied natural gas business (LNG, GLOSSARY) in Sweden.

In Duisburg, Germany, the air separation plant built to supply ThyssenKrupp Stahl Europa came on stream in the fourth quarter of 2012. Linde is expecting this on-site project to deliver steady contributions to revenue and earnings especially over the coming years.

In September 2012, Linde opened a new filling plant in Riga, Latvia, for industrial gases, medical gases and gases for the food industry. The plant is the most modern of its type in the Baltic region, highly automated and with particularly environmentally friendly processes. Investment in the plant was almost EUR 10 m. Linde will be able to use this plant to meet rising demand from customers in Latvia, Lithuania and Estonia PAGES 30 TO 35 IN THE LINDE ANNUAL.

The RBU Africa & UK generated revenue in 2012 of EUR 1.631 bn. This was a 7.4 percent rise compared with the prior-year figure of EUR 1.519 bn. Price increases in the liquefied gases and cylinder gas product area, especially in Africa, contributed to this positive trend.

The RBU Eastern Europe & Middle East achieved a 6.1 percent increase in revenue to EUR 909 m (2011: EUR 857 m). The on-site and liquefied gases product areas had the greatest impact on business expansion here. Volume increases were to be seen, for example, as a result of the start-up of the new HyCo plant GLOSSARY on the Kazincbarcika site in Hungary. Linde produces hydrogen and carbon monoxide on this site and supplies these industrial gases to the chemical company BorsodChem. The strategic partnership between Linde and BorsodChem has existed now for over ten years. The first HyCo plant supplied by Linde to BorsodChem was in 2001.

Linde was able to continue to reinforce its position in the Middle East in the 2012 financial year. The Group entered into a contract to supply on-site gases to Sadara Petrochemical Company (Sadara) in Jubail, Saudi Arabia. Linde will invest around USD 380 m to provide Sadara, a joint venture between Saudi Arabian Oil Company and The Dow Chemical Company, with long-term supplies of carbon monoxide, hydrogen and ammonia at one of the world's largest chemical complexes. This is Linde's most significant on-site petrochemical project in the region and its first in Jubail.

In Europe, Linde achieved further success in 2012 in the growth market for liquefied natural gas (LNG). After bringing on stream Sweden's first LNG terminal in the first half of 2011, the Group was awarded a contract in the fourth quarter of 2012 to build a mid-scale LNG import terminal for the Norwegian company Skangass AS ENGINEERING DIVISION.

In the past financial year, Linde also embarked on a promising partnership in the LNG market. The Group formed a joint venture in Hamburg with Bomin, a subsidiary of Marquard & Bahls and one of the leading suppliers of shipping fuels, to create an LNG infrastructure for shipping in north-western Europe. The aim of the new joint venture is to establish a reliable LNG supply chain to provide a safe and environmentally friendly fuel to shipowners and ship operators. The joint venture will build supply stations in a number of major ports in Emission Control Areas (ECAs) in north-western Europe. As ship emissions have to be lowered even further in ECAs from 1 January 2015, the shipping business will be required to make significant reductions in sulphur emissions. As an environmentally friendly fuel, LNG is suitable for this purpose PAGES 43 TO 49 OF THE LINDE ANNUAL.

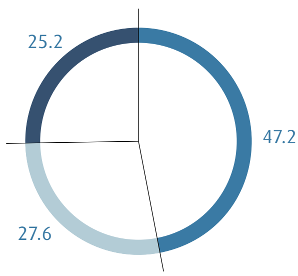
Continuing the theme of environmentally friendly technologies, Linde, the German Ministry of Transport and other industrial partners issued a joint declaration of intent in June 2012 to expand the hydrogen filling station network in Germany. According to this declaration, there will be at least 50 public hydrogen filling stations in Germany by 2015. The German Ministry of Transport has used the Linde/Daimler initiative as an opportunity to widen participation in the establishment of a country-wide hydrogen infrastructure. Already pioneers in this field, Linde and Daimler agreed back in summer 2011 to build 20 hydrogen filling stations in Germany over the coming years.

Linde also made progress during the year on the expansion of its European CO_2 infrastructure. In Salamanca, Spain, Linde will build a plant for the purification and liquefaction of carbon dioxide. The plant will be able to process around 70,000 tonnes of CO_2 per annum and will be supplied with raw carbon dioxide from Abengoa Bioenergy's bioethanol production plant on the same site. Linde is investing around EUR 19 m in the project and production is expected to start in the first half of 2014.

During the reporting period, Linde signed a long-term supply contract with Spanish steel producer Celsa to supply gases to a factory in Norway. Linde will build an air separation plant at the Mo i Rana site which can produce up to 200 tonnes of gaseous oxygen per day. The Group will also supply liquefied oxygen and nitrogen for the regional market. The plant is due to come on stream in May 2014.

In Sweden, Linde also concluded an on-site contract in 2012 with the company Perstorp to build a new air separation plant. The plant on the Stengungsund site is expected to come on stream in the first quarter of 2015. Investment in the project is around EUR 42 m.

3 ANALYSIS OF SALES BY REPORTABLE SEGMENT IN %



EMEA	47.2 (2011: 51.0)
Asia/Pacific	27.6 (2011: 27.6)
Americas	25.2 (2011: 21.4)

Asia/Pacific

Relatively good economic trends prevailed in 2012 in Asia, especially in China, and Linde was therefore able to achieve significant growth in revenue and operating profit in the Asia/Pacific reportable segment. The Group benefited here not only from positive exchange rate effects but also from its leading position in these markets. In the second half of 2012, however, demand weakened slightly in all product areas.

In the 2012 financial year, revenue in the Asia/Pacific segment rose by 13.7 percent to EUR 3.498 bn (2011: EUR 3.076 bn). On a comparable basis, the increase in revenue was 5.0 percent.

Operating profit was up 7.2 percent to EUR 935 m (2011: EUR 872 m). This resulted in an operating margin of 26.7 percent (2011: 28.3 percent). When comparing the figures with those of the prior year, a factor to be taken into consideration is the up-front investment required to grow the business and employ new staff in the rapidly expanding Asian market, especially in China. Business performance in the reporting period was also adversely affected by temporary plant stoppages.

In the RBU Greater China, boosted by positive exchange rate effects, Linde again achieved the fastest rate of business expansion within the Asia/Pacific reportable segment, increasing revenue generated by 18.8 percent to EUR 833 m (2011: EUR 701 m). The main growth driver here was the on-site business. Linde benefited, for example, from its purchase of the existing gas supply assets of the chemical company Dahua Group at its site on Songmu Island in Dalian in north-eastern China. Under this EUR 70 m on-site contract, Linde acquired two existing air separation units (ASUs) from the customer in Dalian and has assumed their operation. Moreover, the two companies have agreed to form a 50:50 joint venture which will ensure the local supply of gases. Linde Dahua (Dalian) Gases Company, Ltd. will also supply gaseous and liquefied gases products to neighbouring industrial complexes. Supplementing the existing joint venture for CO_2 business, this is the second joint venture partnership between the two companies in Dalian. This project will enable Linde to strengthen its position as the leading gases and engineering company in the growth market of China ENGINEERING DIVISION.

Positive business trends were also to be seen in the existing joint venture activities in the RBU Greater China. Linde's share of revenue from its interests in joint ventures, which is not included in Group revenue, rose 18.8 percent in 2012 to EUR 285 m (2011: EUR 240 m). This increase was partly due to the start-up of on-site projects. Gas supplies to Sinopec Sichuan Vinylon Works (SVW) reached full capacity during the reporting period. Linde supplies high purity liquefied gases to SVW on its Chongqing site in China for the production of thin-layer transistors for BOE Display Technology.

In the RBU South & East Asia, revenue rose 10.8 percent to EUR 1.080 bn (2011: EUR 975 m). Positive exchange rate effects contributed to the increase in revenue. The cylinder gas and liquefied gases business performed very well in this region. In the on-site business, lower volumes, especially as a result of temporary plant stoppages, had an adverse effect on revenue growth. This was, however, partially offset by the successful start-up of an air separation plant which Linde had built for its customer Tata Steel at the Jamshedpur site in India under a long-term supply contract. The on-site plant has a capacity of 2,550 tonnes per day and is therefore the largest plant of its type in India. Investment in the plant was around EUR 85 m.

In the RBU South Pacific, Linde generated revenue of EUR 1.587 bn, up 13.3 percent on the prior-year figure of EUR 1.402 bn. One of the main reasons for this increase was price increase in the cylinder gas and liquefied gases business. Particularly dynamic growth was to be seen in the LPG (Liquefied Petroleum Gas) business in Australia.

Looking at the Asia/Pacific region as a whole, the Group succeeded in winning major new on-site contracts in 2012. These will further strengthen Linde's business in the region.

During the reporting period, for example, Linde increased the scope of its existing contract to supply gases to the Chinese LED manufacturer Kaistar. Under the new agreement, Linde will supply the company with liquefied gases and high-purity ammonia on its production site in Xiamen, China. Kaistar requires the high-purity ammonia for the manufacture of high-grade LED devices. Kaistar is a joint venture between Epistar Taiwan, a world-leading manufacturer of LED chips, and China Electronics Corporation.

In the second quarter of 2012, Linde also signed a major long-term supply agreement with Samsung Electronics. Under this agreement, Linde will supply high purity electronic gases by pipeline to Samsung's newest TFT-LCD factory GLOSSARY in the Suzhou Industrial Park in eastern China. Investment in the project is around EUR 50 m and it involves the construction of a turnkey gas supply system for the TFT-LCD manufacture.

In addition, Linde will build a new nitrogen generator for Samsung, supplying nitrogen to the company via a pipeline. Electronic gases are an important element in the production of transistors, which are used to control the pixels on LCD screens. This project will strengthen Linde's position as a leading producer of gases for the TFT-LCD industry.

In the growth market of India, Linde has also been successful in the past year, winning major contracts. The Group will provide long-term supplies of industrial gases to Tata Steel Limited at its site in the Kalinganagar industrial complex in Odisha. A contract to this effect was signed by Linde and Tata Steel in June 2012 ENGINEERING DIVISION.

In August 2012, Linde won the contract for a major project in Vietnam. The Group will provide long-term supplies of industrial gases to the Vietnamese steel-producer POSCO SS-Vina (PSSV). To do so, it will build its largest air separation unit in the country in the Phu My Industrial Park in Ba Ria, Vung Tau province. The proposed investment is around EUR 40 m ENGINEERING DIVISION.

Another contract signed in August 2012 was a major long-term supply agreement with Evonik Methionine SEA Pte. Ltd. in Singapore. Linde will build an on-site plant on Jurong Island, supplying its on-site customer with industrial gases. The integrated approach being adopted for the construction of the plant will make its operation particularly energy-efficient. The environmental impact will also be lessened by the further processing of waste products and the reduction in CO_2 emissions as a result.

Another major on-site contract was signed by Linde in 2012 in New Zealand. This was for the long-term supply of industrial gases to steel-producer New Zealand Steel at its Glenbrook site around 60 kilometres south of Auckland. The agreement comprises a new air separation unit (ASU) and the installation of gas supply systems. Linde will invest around EUR 56 m in this project. With the new gas supply infrastructure, Linde will be able to serve its expanding customer base in New Zealand more efficiently and cost-effectively. In addition to supplying air gases to the steelworks, the ASU will also produce large quantities of liquefied oxygen, nitrogen and argon for the regional market in New Zealand. The plant should be completed in December 2013.

Americas

In the Americas reportable segment, revenue in the 2012 financial year rose 34.2 percent to EUR 3.200 bn (2011: EUR 2.384 bn). This dynamic growth was mainly due to the positive contribution made by US homecare company Lincare. Linde completed its acquisition of this company in August 2012. Lincare operates solely in North America and contributed EUR 630 m to the total revenue of the Americas reportable segment. On a comparable basis, the increase in revenue was 2.8 percent.

Operating profit rose at a faster rate than revenue, by 43.6 percent to EUR 768 m (2011: EUR 535 m). At 24.0 percent, the operating margin significantly exceeded the figure for 2011 of 22.4 percent. The main reason for the increase was the newly-acquired Lincare business. Another factor was the recognition of one-off income of EUR 14 m during the 2012 financial year. This related to pension plan settlements.

As a result of the acquisition of Lincare, Linde was able to achieve a more significant increase in revenue in RBU North America than in RBU South America. Business performance in North America was also boosted by price rises in the liquefied gases product area and the cylinder gas business where Linde is successful in the Canadian market. In addition, the electronic gases business also contributed towards offsetting declining volumes in individual customer segments.

Against this background, revenue in RBU North America rose 44.6 percent to EUR 2.407 bn (2011: EUR 1.665 bn).

In RBU South America, Linde generated revenue of EUR 797 m as a result of relatively robust demand in the Healthcare product area and for liquefied gases and cylinder gas. This is an increase of 10.4 percent when compared with the figure for 2011 of EUR 722 m. Business performance in South America slowed due to falling growth rates in Brazil and a stoppage at an on-site plant in Venezuela.

In the Americas region as a whole, 2012 saw Linde pressing ahead with a number of projects for the supply of gases from air separation plants.

During the financial year, for example, Linde commenced the construction of a new air separation unit (ASU) in Lewisville, Arkansas, in the United States. The ASU, which is due to come on stream in the fourth quarter of 2013, will produce 350 tonnes of liquefied nitrogen and 115 tonnes of oxygen per day. This will enable Linde to meet the growing demand from customers in the US states of Arkansas, Louisiana and Texas.

In Curitiba, Brazil, Linde will build a new ASU for EUR 50 m to provide long-term supplies of nitrogen and oxygen to Peróxidos do Brasil, the largest producer of hydrogen peroxide in the country. Linde will also sell a significant proportion of the nitrogen and oxygen on the open market, reinforcing its strong position in this field in Brazil. The plant is expected to come on stream in the first quarter of 2014.

Product areas

As explained above in the commentaries on the reportable segments, the individual product areas in the Gases Division contributed in varying degrees to the performance of the division.

In the cylinder gas product area, revenue rose on a comparable basis by 1.6 percent to EUR 4.254 bn (2011: EUR 4.188 bn). In the liquefied gases product area, revenue increased on a comparable basis by 2.6 percent to EUR 3.381 bn (2011: EUR 3.296 bn). In the on-site business (where Linde supplies gases on site to major customers), revenue rose on a comparable basis by 4.0 percent to EUR 2.921 bn (2011: EUR 2.809 bn). Plant stoppages acted as a brake on trends in this product area. It is also worth noting that most of the growth in the on-site product area was achieved through joint ventures and that the Group's share of revenue from these joint ventures is not disclosed in the revenue of the Gases Division.

In comparison with the other product areas, the fastest rate of growth was to be seen, as expected, in the Healthcare business. Revenue here, after adjusting for exchange rate effects, rose by 65.4 percent to EUR 2.035 bn (2011: 1.230 bn). The main reason for the increase was the acquisition by Linde of US homecare company Lincare, a transaction which was completed in August 2012. The newly acquired business contributed EUR 630 m to the total revenue of the Healthcare product area in the 2012 financial year. Without this contribution, the growth in the Healthcare business would have been 14.2 percent. Linde is the industry leader in the US, the region with by far the largest homecare market in the world. With 11,000 employees, the company serves about 800,000 patients and generated revenue of around EUR 1.5 bn in the 2011 financial year.

The purchase of Lincare was Linde's second strategic acquisition during the 2012 financial year in the promising healthcare sector, which encompasses the medical gases and medical device business, as well as related maintenance and advisory services. Back in April, the Group completed its acquisition of Air Products' Continental European homecare operations, gaining 850 employees, 260,000 new patients and annual revenue of over EUR 200 m.

With Lincare and the business units it has acquired from Air Products, Linde is now the only gases company in the homecare business with a global footprint. These acquisitions have transformed The Linde Group into the leading global healthcare provider in the gases industry.

Health, the global megatrend, remains intact. This promising market is boosted by underlying demographic trends and ever better diagnostic and therapy options. Moreover, access to medical care is improving all the time for patients in the emerging economies.

Linde's healthcare activities cover Hospital Care and Homecare. The Hospital Care business is concerned with offering hospitals and healthcare institutions a complete medical gas solution – covering the full range of medical gases, medical gas related services, installations, devices and equipment. Homecare focuses both on the supply of medical gases and the provision of medical services to patients with chronic respiratory diseases in settings other than hospitals. Therapies offered by Linde include respiratory therapies such as oxygen therapy and sleep therapy.

Revenue generated by Linde's homecare business increased significantly in the 2012 financial year as a result of the acquisitions described above to EUR 1.077 bn (2011: EUR 307 m).

A growing proportion of revenue relates to REMEO®, an integrated care path for patients requiring ventilation for long periods outside the acute care setting and at home. In the past year, Linde has continued to expand this service, especially in the major homecare market of Europe, with new centres being established for example in Germany and Italy PAGES 22 TO 23 OF THE LINDE ANNUAL.

During the reporting period, the Group also expanded its network of treatment centres for patients with sleep apnoea by opening two new care centres in Portugal.

Hospital Care revenue rose 3.8 percent to EUR 958 m (2011: EUR 923 m), reinforcing Linde's position in major markets such as Asia/Pacific and the Americas. In Europe, the Group also scored some major successes in the 2012 financial year. LIVOPAN®/Entonox®, a gas mixture which is an inhaled analgesic, was launched successfully in the Czech Republic, Slovakia and Slovenia. In Poland, the product has been established as an effective pain relief solution for women during childbirth PAGES 20 TO 21 OF THE LINDE ANNUAL.

16 GASES DIVISION: REVENUE BY PRODUCT AREA

in € million	*2012*	*2011*[1]	*Change in percent*
Liquefied gases	3,381	3,296	2.6
Cylinder gases	4,254	4,188	1.6
On-site	2,921	2,809	4.0
Healthcare	2,035	1,230	65.4[2]
TOTAL	**12,591**	**11,523**	**9.3**[3]

[1] Adjusted for exchange rate effects and changes in the price of natural gas.
[2] Adjusted for Lincare's post-acquisition revenue the increase is 14.2 percent (the 2012 revenue figure was adjusted).
[3] Adjusted for Lincare's post-acquisition revenue the increase is 3.8 percent (the 2012 revenue figure was adjusted).

ENGINEERING DIVISION

In its international engineering project business, Linde continued to see relatively steady trends in the 2012 financial year. There was a slight increase in revenue of 1.2 percent in the Engineering Division to EUR 2.561 bn (2011: EUR 2.531 bn).

Operating profit improved by 2.6 percent from EUR 304 m in 2011 to EUR 312 m in 2012. The operating margin was 12.2 percent, exceeding the high level achieved in 2011 of 12.0 percent.

There was a strong upward trend in order intake. This rose to EUR 2.815 bn in 2012, 26.0 percent above the figure for 2011 of EUR 2.235 bn. Contributing to this significant increase was the higher number of orders from the Group's Gases Division, confirmation of the success of Linde's integrated business model.

Order intake was characterised not only by major projects in the four core lines of business (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants), but also by a number of small and medium-sized new orders.

More than a third of new orders came from the Asia/Pacific region. Around a quarter of new orders came from Europe and a quarter from North America. In North America, projects for the efficient exploitation of shale gas reserves had a substantial impact on Linde's business.

Almost 60 percent of the new business in the division in 2012 related to air separation plants and natural gas plants, with the rest evenly spread across the other plant types.

Linde's order backlog remains high. At 31 December 2012, it stood at EUR 3.700 bn (2011: EUR 3.600 bn).

17 ENGINEERING DIVISION

in € million	2012	2011
Revenue	2,561	2,531
Order intake	2,815	2,235
Order backlog	3,700	3,600
Operating profit	312	304
Capital expenditure (excluding financial assets)	30	26
Number of employees (at the balance sheet date)	6,564	6,319

18 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY REGION

	Revenue		Order intake	
in € million	2012	2011	2012	2011
Europe	647	601	685	438
North America	376	314	670	467
South America	93	37	75	59
Asia/Pacific	864	633	1,007	985
Middle East	472	773	346	192
Africa	109	173	32	94
TOTAL	**2,561**	**2,531**	**2,815**	**2,235**

19 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE

	Revenue		Order intake	
in € million	2012	2011	2012	2011
Olefin plants	684	986	322	354
Natural gas plants	471	328	758	524
Hydrogen and synthesis gas plants	419	350	539	480
Air separation plants	704	644	898	574
Other	283	223	298	303
TOTAL	**2,561**	**2,531**	**2,815**	**2,235**

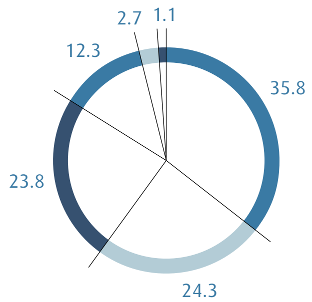
Olefin plants

The increasing exploitation of large shale gas reserves is resulting in falling prices for the feedstock natural gas in the petrochemical industry. It is also contributing to a revival in investment activity in the market for olefin plants. Linde is well-placed in this field and has all the skills required at its disposal.

In the 2012 financial year, Linde won an engineering contract for the licensing and front end engineering design (FEED) of one of the world's largest ethylene plants. The contract for this project in Tobolsk, Western Siberia, was awarded by SIBUR LLC, Russia's largest petrochemical company. The new plant will produce around 1.5 million tonnes per annum (tpa) of ethylene, 500,000 tpa of propene and 100,000 tpa of butadiene from the feedstocks ethane, propane and n-butane. These products are important base materials for the plastics manufacturing industry.

Linde was also awarded a contract in the 2012 financial year by Russian chemical company Nizhnekamskneftekhim (NKNH) to build a new alpha-SABLIN® plant for the production of linear alpha olefins in Nizhnekamsk, Russia. Linde will be responsible for the engineering and supply of plant components for this project. The plant is expected to be completed by mid-2014. Linear alpha olefins are important feed materials in the production of plastics.

4 ORDER INTAKE BY REGION IN %



Asia/Pacific	35.8 (2011: 44.1)	Middle East	12.3 (2011: 8.6)
Europe	24.3 (2011: 19.6)	South America	2.7 (2011: 2.6)
North America	23.8 (2011: 20.9)	Africa	1.1 (2011: 4.2)

Natural gas plants

The market for natural gas treatment and processing plants has benefited greatly from the increased exploitation of shale gas reserves, especially in North America. In 2012, Linde won orders for the design and construction of this type of plant worth USD 591 m from this region alone.

In the growth market for liquefied natural gas (LNG), Linde was awarded major projects in Asia and Europe in 2012.

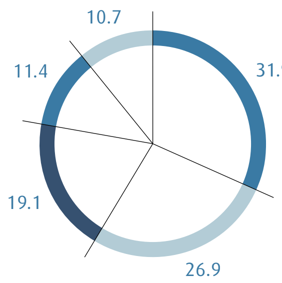
One such project is that awarded to Linde by Malaysia LNG Sdn. Bhd., a subsidiary of Malaysia's state-owned oil and gas company PETRONAS, to build a mid-scale natural gas liquefaction plant. The new boil-off gas reliquefaction plant GLOSSARY has a maximum design capacity of 1,840 tonnes of liquefied natural gas (LNG) per day and will be located in the Bintulu LNG complex in the state of Sarawak in eastern Malaysia. Linde is responsible for the detail engineering, procurement, construction and installation of the new plant, which is expected to come on stream at the end of 2014.

Linde is also due to supply the main technical equipment and the basic engineering for an LNG plant with a liquefaction capacity of 300,000 tonnes of liquefied natural gas per year to Sichuan Tongkai Energy & Technology Development Co. Ltd. in Banzhong, China.

Cryogenic compressors and heat exchangers required for the operation of LNG-powered transport ships are to be manufactured by Linde for South Korean and Japanese shipyards. These projects are worth a total of around EUR 100 m.

In 2012, Linde was awarded a contract to build a mid-scale LNG import terminal for Norwegian company Skangass AS in Lysekil on the west coast of Sweden, 100 kilometres north of Gothenburg. This project reinforces Linde's leading position in the growing market for small and mid-scale LNG plants. Services supplied under the contract, which is worth around EUR 44 m, include engineering, procurement, construction and installation (ECPI). Linde will also be responsible for the integration of the cryogenic tank structures to be erected by a third party. The new LNG terminal, which is due to come on stream in spring 2014, will supply natural gas to the nearby Preem refinery as well as LNG for industrial applications and for use as fuel. Gothenburg, which is close to the new terminal, is one of Sweden's key industrial centres and the largest port in Northern Europe for exports.

5 ORDER INTAKE BY PLANT TYPE IN %



Air separation plants	31.9 (2011: 25.7)	Olefin plants	11.4 (2011: 15.8)
Natural gas plants	26.9 (2011: 23.4)	Other	10.7 (2011: 13.6)
Hydrogen and synthesis gas plants	19.1 (2011: 21.5)		

Air separation plants

The air separation plant business continued to recover in 2012. Against this background, Linde was able to win a number of significant contracts, especially in Asia.

In India, for example, Linde will build two large air separation units for Tata Steel Limited, one of the world's largest steel companies, at its site in the Kalinganagar industrial complex in Odisha. Around EUR 80 m will be invested in this project. The construction of the two plants is part of a long-term agreement for the on-site supply of gases by Linde to Tata Steel signed by both companies in June 2012. Each of the two new ASUs will have a production capacity of 1,200 tonnes of air gases per day. Once the plants have come on stream, which is expected to be in 2014, they will supply Tata's steelworks (currently under construction) with gaseous oxygen, nitrogen and argon, as well as producing liquefied gases for the regional market. Linde also intends to establish an extensive pipeline network in the Kalinganagar industrial complex, so that it can supply industrial gases to other steel-producers there in future.

Linde will also be building two large ASUs for the Indian steel company NMDC Ltd. on the Nagarnar site. These projects are reinforcing Linde's position as the leading supplier of gases in India.

In 2012, Linde also won a major project in Vietnam. It has been commissioned by Vietnamese steel-producer POSCO SS-Vina (PSSV) to build the largest air separation unit in the country in the Phu My Industrial Park in Ba Ria in the province of Vung Tau. The amount of the investment is around EUR 40 m. This is the largest single investment Linde has ever made in Vietnam. The new ASU will have a production capacity of 35,000 normal cubic metres of air gases per hour. When the plant comes on stream, which is expected to be in 2014, the ASU will supply PSSV's new steelworks in Phu My (currently under construction) with gaseous oxygen, nitrogen and argon. In addition, it will supply products for the regional market in southern Vietnam.

In Vietnam, Linde will also build two air separation plants for a steelworks owned by the Taiwanese Formosa Group. Each plant will have a capacity of 67,000 normal cubic metres of oxygen per hour.

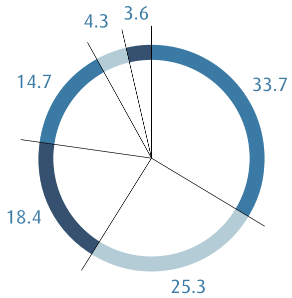
On the basis of an on-site contract agreed by Linde during the financial year with chemical company Dahua Group, Linde's Engineering Division is building a new air separation unit (ASU) at Dahua's site on Songmu Island in Dalian in north-eastern China GASES DIVISION. The new ASU is due to come on stream in 2014 and will have a production capacity of 38,000 normal cubic metres of oxygen per hour (nm^3/h). It will replace both the old plants and will supply additional quantities of gaseous oxygen to meet the rising demand for gases from the chemical company in Dalian. The new ASU will also produce liquefied gases for the regional gases market.

A high level of demand for air separation plants was also to be seen in 2012 in Russia and the CIS countries. Linde has, for example, been awarded a contract by Norilsk Nikel to supply a new ASU at its Monchegorsk site in northern Russia. In Stary Oskol in central Russia, Linde has been commissioned to build an oxygen plant for holding company Metalloinvest, one of Russia's largest steel producers. The ASU ordered in the past year from Linde by the company BMZ in Zlobin, Belarus, is already the third plant of this type to be built for BMZ by Linde.

In Samara, Russia, Linde set up an engineering subsidiary and is supporting the implementation of the projects in this region by local know-how.

In addition, during the past financial year, Linde's Engineering Division was awarded numerous additional contracts by the Group's Gases Division to build air separation plants: e.g. in Sweden, Norway, Australia and Brazil. These projects are further confirmation of the success of Linde's integrated business model and examples of the way in which Linde's Engineering Division supports the targeted expansion of the on-site business in the Group's Gases Division.

6 SALES BY REGION *IN %*



Asia/Pacific	33.7 (2011: 25.0)	North America	14.7 (2011: 12.4)
Europe	25.3 (2011: 23.7)	Africa	4.3 (2011: 6.8)
Middle East	18.4 (2011: 30.6)	South America	3.6 (2011: 1.5)

Hydrogen and synthesis gas plants

The market for hydrogen and synthesis gas plants remained stable in the 2012 financial year. There was robust investment activity, especially in major projects.

In the Middle East, the chemical industry is transforming from a basic industry into an increasingly specialised industry. This has a positive impact on demand for air separation plants and synthesis gas plants. Linde was able to benefit from this in 2012. It was, for example, awarded a USD 380 m contract to supply on-site gases to Sadara Petrochemical Company (Sadara) which involves building a two-stream HyCo plant plus a single-stream ammonia plant with a large storage tank.

The new plants will enable Linde to provide Sadara, a joint venture between Saudi Arabian Oil Company and The Dow Chemical Company, with long-term supplies of carbon monoxide, hydrogen and ammonia at one of the world's largest chemical complexes in Jubail, Saudi Arabia. This is Linde's most significant on-site petrochemical project in the region and its first in Jubail GASES DIVISION.

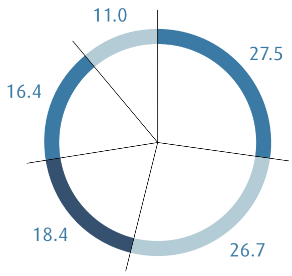
This project reinforces the Group's world-leading position in the production and supply of carbon monoxide for MDI and TDI production at integrated chemical sites. Dynamic growth is to be seen in the petrochemical segment in Saudi Arabia. Linde believes that this major project will generate considerable momentum for the continuing expansion of its gases and plant construction business in the Middle East. Linde's Engineering Division will design and supply the new turnkey gases plants. They are expected to be able to commence production in 2015.

In 2012, Linde also completed and brought on stream a hydrogen plant for the ORL refinery in Israel and a synthesis gas plant based on natural gas for Sasol in South Africa.

Linde, IGP Energy and Haldor Topsoe A/S set up an exclusive partnership in 2012 for the joint development and commercial exploitation of a new synthetic process for the recovery of isobutanol. Isobutanol and other higher alcohols are used as fine chemicals and are seen as the next generation of environmentally friendly fuel additives. Under the terms of the cooperation agreement, a demonstration plant will be built in China and, if tests prove successful, further large-scale plants will be built.

Madertenco Ltd has awarded Linde a contract to supply two steam reformers for its Novokuybischevsk site in Russia. These reformers belong to a new hydrogen production plant from which the Rosneft refinery will produce environmentally friendly fuels. Linde will also supply a cold box for the separation of carbon monoxide from synthesis gas at the Rosneft site in Angarsk, Russia.

7 SALES BY PLANT TYPE *IN %*



Air separation plants	27.5 (2011: 25.4)	Hydrogen and synthesis gas plants	16.4 (2011: 13.8)
Olefin plants	26.7 (2011: 39.0)	Other	11.0 (2011: 8.8)
Natural gas plants	18.4 (2011: 13.0)		

Other types of plant

In the 2012 financial year, Linde continued to focus on developing promising technologies in the field of renewable raw materials and entered new markets.

One example of these activities is the new Fraunhofer Centre for Chemical Biotechnological Processes (CBP) in Leuna, Germany, which began operations during the reporting period. As general contractor, Linde's Engineering Division was responsible for building the process units and the appropriate infrastructure. The aim of CBP is to upscale innovative biotechnological and chemical processes for commercial production, enabling companies to manufacture chemical base materials from renewable raw materials.

Linde is also working with a partner at the Leuna site on developing a plant concept for the production of green hydrogen. The concept is based on the gasification of solid biogenic raw materials and can be geared not only towards the production of hydrogen, but also towards the production of energy, if required.

Linde has also made progress on the development of its process designed to produce hydrogen from liquid biogenic raw materials such as glycerine. The technology is now being upscaled to demonstration level in preparation for commercial use.

In addition, Linde acquired Carbo-V® technology from the company Choren Industries GmbH in Freiberg, Germany. This process for biomass gasification may be used by Linde as licensor or by Linde itself.

Linde's Engineering Division was awarded a contract in the 2012 financial year from Spain to supply carbon dioxide to a food processing plant. Linde is to supply engineering, procurement, construction and installation of the plant (EPCI). Production is expected to start in 2014.

Linde was also awarded major contracts in the promising market for the liquefaction of helium, including one from Gazprom Gaznergoset in Orenburg, Russia.

Furthermore, Linde was able to continue to expand its thermal energy storage business. It is to build a system for storing solar energy for the Indian company Cargo Solar Power Gujarat Pvt. Ltd. which will secure the supply of electricity to a 25 megawatt power station even when there are low levels of solar radiation.

OTHER ACTIVITIES

In the 2012 financial year, the Other Activities segment comprised Linde's logistics services company Gist.

Gist specialises in the distribution of chilled and frozen food and beverages and operates in a relatively stable market environment. Gist generated revenue in 2012 of EUR 596 m, up 2.4 percent on the prior-year figure of EUR 582 m.

Linde's subsidiary continued to strengthen its long-term partnerships with coffee company Starbucks UK & Ireland and retail chain Marks & Spencer (M & S). This meant that Gist was able to more than compensate for the expiry of some other supply contracts.

Gist is working with Starbucks on consolidating the company's various supply chains. Coordinating the supply to branches of frozen goods, dairy produce and other products scales down the number of deliveries required and thereby reduces transport volumes. This improves the customer's environmental balance sheet and cost structure.

As a result of its partnership with Marks & Spencer, Gist has assumed responsibility for managing the company's food supply chain in the UK and the Republic of Ireland. This includes the delivery of frozen goods and bread products to M & S stores.

During the reporting year, Gist also concluded a number of new, smaller new supply contracts in the UK.

NET ASSETS AND FINANCIAL POSITION

Net assets

During the 2012 financial year, Linde boosted the continuing evolution of its business through targeted capital expenditure and acquisitions. The expansion of the Healthcare product area was the Group's particular focus. Linde was able to strengthen its position in this promising market considerably with the acquisition of US homecare company Lincare and the purchase of Air Products' Continental European homecare operations.

Total assets increased significantly in 2012 to EUR 33.477 bn, a 15.8 percent rise compared with the figure at 31 December 2011 of EUR 28.915 bn. Non-current assets comprised a substantial proportion of total assets (EUR 26.795 bn at 31 December 2012 and EUR 23.071 bn at 31 December 2011). Within the figure for non-current assets, goodwill increased by EUR 2.752 bn to EUR 10.620 bn, mainly as a result of additions relating to acquisitions. The goodwill arising on the acquisition of Lincare was EUR 2.605 bn. The purchase of Air Products' Continental European homecare business resulted in an increase in goodwill of EUR 248 m.

Intangible assets also rose, from EUR 3.300 bn to EUR 3.580 bn. As in the case of goodwill, this was mainly due to additions relating to acquisitions and investments. The figure for customer relationships and brand names, for example, increased by EUR 344 m as a result of acquisitions. Amortisation had the opposite effect, reducing the intangible assets figure.

Tangible assets rose from EUR 9.030 bn to EUR 10.188 bn. This increase was mainly due to additions as a result of capital expenditure in the Gases Division of EUR 1.901 bn (2011: EUR 1.439 bn). The capital expenditure related principally to on-site projects. Depreciation had the opposite effect, reducing the tangible assets figure.

Investments in associates and joint ventures increased during the reporting period by EUR 62 m to EUR 816 m, due to positive earnings trends in these companies.

Other financial assets fell by EUR 636 m to EUR 282 m (2011: EUR 918 m). The reason for this was the reclassification of securities (the strategic liquidity reserve) as current assets, as they were due within one year.

Receivables from finance leases, which almost exclusively relate to long-term gas supply contracts classified as leases in accordance with IFRIC 4, fell by EUR 58 m to EUR 244 m. The decrease was due to amortisation of these lease receivables.

Current assets rose by EUR 838 m from EUR 5.844 bn at 31 December 2011. Here, the increase of EUR 569 m in trade receivables (from EUR 2.030 bn at 31 December 2011) should be taken into consideration. Additions as a result of acquisitions also had an impact on the current assets figure.

Short-term securities fell overall by EUR 250 m to EUR 823 m (2011: EUR 1.073 bn). The net decrease is explained by two different factors. On the one hand, Linde used EUR 850 m of its short-term securities to finance acquisitions during the financial year. On the other hand, the strategic liquidity reserve of EUR 600 m was reclassified as short-term securities, which led to an increase in the figure for short-term securities in the fourth quarter of 2012.

At 31 December 2012, equity stood at EUR 13.658 bn, EUR 1.514 bn above the figure at 31 December 2011 of EUR 12.144 bn. Factors which had a positive impact on equity were the capital increase in July 2012 of EUR 1.391 bn and the good earnings after tax figure of EUR 1.324 bn. (2011: EUR 1.244 bn). Actuarial losses on the remeasurement of pension provisions of EUR 193 m and dividend payments of EUR 476 m had a negative impact on equity. The offsetting of non-controlling interests (arising mainly from the Lincare acquisition) in revenue reserves led to a decrease in equity of EUR 500 m.

The net pension obligation increased in 2012 from EUR 611 m to EUR 830 m. The main reason for the rise was the change in actuarial assumptions relating to the measurement of pension provisions.

Financial position

Financial management at Linde comprises capital structure management, cash and liquidity management and the management of market price risks (e.g. currencies, interest) and of counterparty risk and country risk. Group Treasury GLOSSARY controls centrally the global financial management of all the Group companies. More detailed information about this can be found on PAGES 63 AND 64.

The capital structure of the Group is determined in such a way as to optimise cost and risk. At 31 December 2012, the ratio of equity to total capital was 40.8 percent (2011: 42.0 percent). The ratio of financial debt to total capital rose accordingly to 59.2 percent (2011: 58.0 percent).

Against the background of the acquisitions made by Linde in the course of the financial year, gross financial debt rose (when compared with the figure at the end of 2011) by EUR 2.356 bn to EUR 10.124 bn at 31 December 2012. In the course of its acquisition of Lincare in July 2012, Linde agreed a syndicated loan of EUR 3.6 bn (USD 4.5 bn). As a result of the capital increase of EUR 1.391 bn which followed immediately afterwards, a large portion of the syndicated loan was repaid. In addition, to refinance the syndicated loan, Linde issued an eight-year EUR 1 bn bond in September 2012 with a coupon of 1.75 percent. Moreover, in the same month, the Group placed a five-year NOK 2 bn bond at a coupon of 2.75 percent. This bond was converted on its issue date into USD debt and was also used for the refinancing of the loan. At 31 December 2012, the acquisition loan had therefore been reduced to EUR 922 m.

During the reporting period, a EUR 724 m bond which matured in April 2012 was also redeemed on schedule and a GBP 100 m bond was redeemed early on 2 October 2012 by exercising a call option GLOSSARY. In addition, in May 2012, Linde Finance B.V. issued a new EUR 500 m bond.

Net financial debt comprises gross financial debt less securities intended to be held long term, short-term securities and cash and cash equivalents. At 31 December 2012, it stood at EUR 8.083 bn, an increase of EUR 2.989 bn compared with the figure at 31 December 2011.

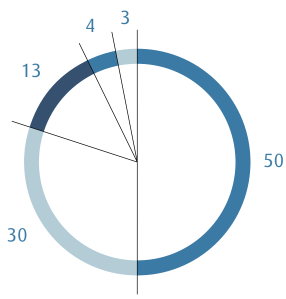
The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) of 2.3 at 31 December 2012 was higher than the equivalent figure at 31 December 2011 of 1.6, as expected. It should be noted here that only Lincare's post-acquisition revenue is included in Group operating profit, whereas the financing is reflected in full in net financial debt. The Group's gearing (the ratio of net debt to equity) rose accordingly to 59.2 percent (31 December 2011: 41.9 percent).

The maturity profile of the financial debt demonstrates that The Linde Group continues to be financed on a long-term basis, even after the acquisition activity during the reporting year. Of the gross financial debt of EUR 10.124 bn (31 December 2011: EUR 7.768 bn), EUR 1.262 bn (31 December 2011: EUR 1.277 bn) is disclosed as current and EUR 8.862 bn (31 December 2011: EUR 6.491 bn) as non-current financial debt. Of the non-current financial debt, EUR 4.848 bn (31 December 2011: EUR 4.344 bn) is due in more than five years.

Gross financial debt repayable within one year is matched by short-term securities of EUR 823 m, cash and cash equivalents of EUR 1.218 bn and a EUR 2.5 bn syndicated credit facility available until 2015 which is not currently drawn down. At 31 December 2012, available liquidity was therefore EUR 3.279 bn.

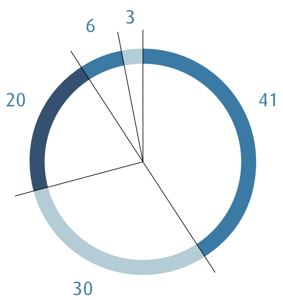
8 BALANCE SHEET ITEMS AS A PERCENTAGE OF TOTAL ASSETS OF EUR 33.477 BN (2011: EUR 28.915 BN)

Assets in percent



Other non-current assets	50 (2011: 49)
Tangible assets	30 (2011: 31)
Other current assets	13 (2011: 9)
Cash and cash equivalents	4 (2011: 7)
Inventories	3 (2011: 4)

Equity and liabilities in percent



Equity	41 (2011: 42)
Financial debt	30 (2011: 27)
Other liabilities	20 (2011: 21)
Other provisions	6 (2011: 7)
Provisions for pensions	3 (2011: 3)

CASH FLOW STATEMENT

Cash flow from operating activities in the 2012 financial year of EUR 2.522 bn was slightly higher than the prior-year figure of EUR 2.426 bn. The significant improvement in Group operating profit from EUR 3.210 bn to EUR 3.530 bn was partly offset by the change in working capital. The increase in trade receivables of EUR 160 m and the increase in inventories of EUR 37 m had a negative impact on working capital, while at the same time trade payables fell by EUR 101 m, which led to a cash outflow and also had a negative impact on cash flow from operating activities. This was due to both higher business volumes and lower advance payments received from customers in the Engineering Division. In addition, mainly as a result of the positive earnings trend, there was a significant increase in income taxes paid of EUR 101 m to EUR 462 m, compared with the 2011 figure of EUR 361 m.

Operating free cash flow fell to a negative figure of EUR 2.141 bn due to the acquisitions made by Linde during the reporting period (2011: positive operating free cash flow of EUR 1.141 bn). In addition to payments for investments in tangible assets, intangible assets and financial assets in 2012 of EUR 1.820 bn exceeding the figure for 2011 of EUR 1.426 bn, the biggest increase was to be seen in the figure for cash outflows for investments in consolidated companies. This rose during the reporting period to EUR 2.997 bn, substantially higher than the figure for 2011 of EUR 28 m. The most significant transactions to note here were the purchase of 83.9 percent of the shares in US homecare company Lincare for a net purchase price payment (purchase price payment less liquid funds acquired) of EUR 2.299 bn and the acquisition of Air Products' Continental European homecare business at a net purchase price of EUR 622 m. Payments for other acquisitions in the 2012 financial year totalled EUR 76 m.

In 2012, proceeds from investments in securities exceeded payments for investments in securities, giving net proceeds of EUR 850 m, mainly the result of the sale of short-term securities. In 2011, payments for investments in securities exceeded proceeds from investments in securities, giving a net payment of EUR 1.652 bn. The cash inflow in 2012 was used to redeem part of the Group's financial debt.

The amount by which the proceeds of loans and capital market liabilities exceeded redemptions was EUR 1.439 bn (2011: 1.079 bn), and this surplus, together with the Linde AG capital increase of EUR 1.391 bn, was used primarily to finance the acquisitions made in the course of 2012.

The main component of the payments of EUR 501 m for the purchase of non-controlling interests was EUR 475 m relating to the buy-out of minority shareholders in Lincare.

After deducting dividend payments of EUR 476 m (2011: EUR 419 m) and net interest payments of EUR 377 m (2011: EUR 307 m) as well as other changes such as exchange rate effects and proceeds from the issue of employee shares, the change in cash and cash equivalents in 2012 was an increase of EUR 225 m (2011: decrease of EUR 144 m).

20 CASH FLOW STATEMENT (SUMMARY)

in € million	*2012*	*2011*
CASH FLOW FROM OPERATING ACTIVITIES	**2,522**	**2,426**
Cash outflows for investments in tangible assets, intangible assets and financial assets (excluding securities)	–1,820	–1,426
Payments for investments in consolidated companies	–2,997	–28
Cash inflows from the disposal of assets	154	169
OPERATING FREE CASH FLOW	**–2,141**	**1,141**
Payments for/proceeds from investments in securities	850	–1,652
Net cash inflows/outflows from the proceeds/repayment of loans and capital market debt	1,439	1,079
Cash inflows from capital increase	1,391	–
Cash inflows/outflows due to changes of non-controlling interests	–501	–11
Dividend payments to Linde AG shareholders and non-controlling interests	–476	–419
Net interest payments	–377	–307
Other changes	40	25
CHANGE IN CASH AND CASH EQUIVALENTS	**225**	**–144**

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 international financial crisis has made it clear how important it is for companies to procure sufficient liquidity.

External financial headroom is maintained primarily by the capital markets and a major international banking group. Within the Group, the principle of internal financing applies: i. e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans. In accordance with this guiding principle, the subsidiaries were again financed in 2012 mainly by 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. This strengthens the Group's negotiating position with banks and other market participants and ensures that the subsidiaries are financed in a cost-efficient manner.

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

In view of the financial crisis, Linde maintained an adequate liquidity position. In addition to cash and cash equivalents of EUR 1.218 bn, Linde also holds securities totalling EUR 823 bn. These securities are mainly German government bonds with maturities of less than one year.

Syndicated credit facility

To ensure flexible financing, Linde has a EUR 2.5 bn revolving credit line at its disposal GLOSSARY: REVOLVER which runs until May 2015. Twenty-five major German and international banks used by Linde are involved in the syndicated facility. With this credit line, the Group has ensured that it has a solid general liquidity reserve with the banks. The facility is unutilised at the end of the 2012 financial year and also serves as back-up for Linde's EUR 2 bn Commercial Paper Programme GLOSSARY. At 31 December 2012, there were commercial papers of EUR 275 m outstanding under this programme.

Financing the acquisition of Lincare

In the 2012 financial year, Group Treasury was principally concerned with arranging the acquisition financing for the purchase of US homecare company Lincare and subsequent refinancing.

The Lincare acquisition was secured in July 2012 with credit facilities totalling USD 4.5 bn (EUR 3.6 bn) provided by two banks. This financing commitment was then successfully syndicated to twenty-six banks worldwide.

The acquisition financing is structured as follows. Tranche A comprises USD 2.5 bn with a one-year maturity (and the option to extend by a further twelve months). Tranche B comprises USD 1.0 bn with a three-year maturity. Tranche C comprises USD 1.0 bn with a three-year maturity (and the option to extend by a further two years).

Immediately after the official announcement of its acquisition of Lincare, Linde indicated that it would increase share capital by EUR 1.4 bn and successfully placed shares in the market with exclusion of the subscription rights of shareholders. As a result, it was able to reduce its syndicated credit facility to USD 2.8 bn (EUR 2.2 bn). In the period between the capital increase and 31 December 2012, the Linde share price rose by 21.1 percent.

In September 2012, Linde AG issued both a EUR 1 bn bond and a 2 billion Norwegian krone (NOK) bond. The eight-year eurobond has a coupon of 1.75 percent. The five-year NOK bond has a coupon of 2.75 percent. These funds were converted by means of derivatives into fixed-interest financing in US dollars.

Linde used the funds from these two bonds and the proceeds of the capital increase to reduce the USD acquisition loan to USD 1.225 bn (EUR 922 m) at 31 December 2012.

Other capital market activities

In 2012, Linde also made successful use of the capital markets for refinancing and improved the maturity profile of its financial debt, thereby ensuring the long-term financing of the Group.

In May 2012, Linde Finance B. V. issued a new EUR 500 m bond under the EUR 10 bn Debt Issuance Programme GLOSSARY. The seven-year bond has a fixed-interest coupon of 1.75 percent and is guaranteed by Linde AG.

Under the EUR 10 bn Debt Issuance Programme, issues totalling EUR 6.1 bn in various currencies were outstanding at 31 December 2012 (31 December 2011: EUR 5.2 bn).

21 SELECTION OF OUTSTANDING PUBLIC BONDS

Issuer	Rating	Nominal amount	Coupon rate in percent	Maturity date	ISIN
Linde Finance B. V.	A3/A	€ 216 m	5.375	12.09.2013	XS0387377756
Linde Finance B. V.	A3/A	$ 400 m	3.625	13.11.2014	XS0465484938
Linde Finance B. V.	A3/A	€ 600 m	6.750	08.12.2015	XS0403540189
Linde Finance B. V.[1]	A3/A	£ 200 m	6.500	29.01.2016	XS0123544529
Linde Finance B. V.	A3/A	€ 1.000 m	4.750	24.04.2017	XS0297699588
Linde Finance B. V.	A3/A	£ 300 m	5.875	24.04.2023	XS0297700006
Linde Finance B. V.	A3/A	A$ 150 m	3-M BBSW[2] + 0.850	19.08.2015	XS0531121290
Linde Finance B. V.	A3/A	€ 750 m	3.125	12.12.2018	XS0718526790
Linde Finance B. V.	A3/A	€ 600 m	3.875	01.06.2021	XS0632659933
Linde Finance B. V.	A3/A	€ 500 m	1.750	11.06.2019	XS0790015548
Linde AG	A3/A	€ 1.000 m	1.750	17.09.2020	XS0828235225
Linde AG	A3/A	NOK 2.000 m	2.750	28.09.2017	XS0835302513
Subordinated bonds[1]					
Linde Finance B. V.	Baa2/BBB+	€ 400 m	6.000	Undated Call right from 2013	XS0171231060
Linde Finance B. V.	Baa2/BBB+	€ 700 m	7.375	14.07.2066 Call right from 2016	XS0259604329
Linde Finance B. V.	Baa2/BBB+	£ 250 m	8.125	14.07.2066 Call right from 2016	XS0259607777

[1] These bonds were not issued under the Debt Issuance Programme.
[2] 3-month BBSW (Australian Bank Bill Swap Rate).

Rating

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies Moody's and Standard & Poor's (S&P). The rating is an essential requirement for a successful and sustainable presence in the capital market. The Group's stated objective remains a stable "investment grade" rating.

Since the BOC acquisition in 2006, Linde's ratings have continued to improve. In May 2012, S&P increased its rating from A- to A. Moody's most recent rating adjustment (from Baa1 to A3) was in spring 2010. Both rating agencies confirmed their existing ratings for Linde in August 2012, following the Lincare acquisition. The subordinated bonds are currently rated at BBB+ by S&P and Baa2 by Moody's.

22 RATING 2012

Rating agencies	Long-term rating	Outlook	Short-term rating
Moody's	A3	Stable	P-2
Standard & Poor's	A	Stable	A-1

CAPITAL EXPENDITURE

In the 2012 financial year, Linde again focused its capital expenditure strategy on continuity. The capital expenditure decision and allocation process is centralised in The Linde Group. Every major item of capital expenditure requires the approval of a central investment committee or of the Linde AG Executive Board. The Group has again invested specifically in those areas in which opportunities exist for above-average growth and which contribute towards increasing the profitability and competitiveness of the Group. The acquisition of Lincare and the purchase of Air Products' Continental European homecare business were important steps in enhancing Linde's position in the healthcare structural growth market. The Group also again invested a large sum (EUR 361 m in 2012) in the growth region of Greater China.

Investment in tangible and intangible assets in the 2012 financial year (excluding financial assets) totalled EUR 1.952 bn (2011: EUR 1.367 bn). The investment ratio was 12.8 percent of Group revenue (2011: 9.9 percent). Not all capital expenditure was recognised in respective financial years in the statement of cash flows as items affecting the movement of funds. EUR 164 m was recognised at the balance sheet date as liabilities and therefore does not yet affect the movement of funds. Most of the Group's capital expenditure (2012: EUR 1.901 bn; 2011: EUR 1.439 bn) was once again incurred for the global expansion of its gases business. As in prior years, the Group's focus was on developing its fast-growing on-site business. The investment ratio in the Gases Division in 2012 was 15.1 percent of revenue (2011: 13.0 percent).

In addition, Linde continued to strengthen its good competitive position in the international market by spending EUR 3.244 bn on acquisitions and investments in financial assets (2011: EUR 69 m). Investments in consolidated companies during the reporting period totalled EUR 3.149 bn (2011: EUR 32 m). Of the EUR 3.149 bn, EUR 2.458 bn related to the purchase of Lincare and EUR 639 m to the purchase of Air Products' Continental European homecare business.

The remaining investment in financial assets of EUR 95 m (2011: EUR 37 m) related mainly to capital increases in associates and joint ventures and to asset deals GLOSSARY. If these investments are included, total capital expenditure in the 2012 financial year rose to EUR 5.196 bn (2011: EUR 1.436 bn).

23 CAPITAL EXPENDITURE BY DIVISION

in € million	2012	2011
Gases Division	1,901	1,439
Engineering Division	30	26
Other Activities[1]	21	–98
GROUP (EXCLUDING FINANCIAL ASSETS)	**1,952**	**1,367**
Financial assets	3,244	69
GROUP	**5,196**	**1,436**

[1] Including consolidations.

24 CAPITAL EXPENDITURE OF THE GASES DIVISION BY REPORTABLE SEGMENT (EXCLUDING FINANCIAL ASSETS)

	2012		2011	
	in € million	in percent	in € million	in percent
EMEA	778	40.9	627	43.6
Asia/Pacific	687	36.2	587	40.8
Americas	436	22.9	225	15.6
TOTAL GASES DIVISION	**1,901**	**100.0**	**1,439**	**100.0**

EXECUTIVE BOARD SUMMARY OF THE 2012 FINANCIAL YEAR

High levels of sovereign debt worldwide, currency fluctuations and volatile financial markets in the 2012 financial year formed the background to a slowdown in growth when compared with the previous year.

As in 2011, most of the impetus in the global economy in the past financial year came once again from the emerging economies of Asia. However, even in these regions, the pace of growth was slower in 2012 than in the previous year. The more mature economies saw modest growth at best in the 2012 financial year.

Even in this environment, Linde's steady performance continued and it succeeded in achieving its targets. The Group once again achieved increases in Group revenue and Group operating profit and exceeded the record figures it achieved in the 2011 financial year. Group revenue rose by 10.8 percent to EUR 15.280 bn (2011: EUR 13.787 bn), while Group operating profit was up 10.0 percent to EUR 3.530 bn (2011: EUR 3.210 bn). The Group operating margin was 23.1 percent, almost as high as the figure of 23.3 percent achieved in 2011.

Linde achieved a return on capital employed (ROCE) of 10.0 percent (2011: 11.0 percent). When comparing the figures for 2012 and 2011, it should be noted earnings have been adversely affected by impairment losses and the amortisation of fair value adjustments identified in the course of the purchase price allocations relating to the acquisitions made by the Group during the 2012 financial year. Another factor to be considered is that many large-scale projects in the on-site business are still in the construction phase and were therefore not yet able to contribute to earnings.

Adjusted return on capital employed (i.e. ROCE adjusted to eliminate the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation) was 11.5 percent (2011: 13.0 percent).

Earnings per share improved by 2.2 percent to EUR 7.03 (2011: EUR 6.88). When comparing the EPS figures for 2012 and 2011, the Lincare acquisition also needs to be taken into account. In July 2012, Linde carried out a capital increase to refinance the acquisition loan, as a result of which there was a rise in the number of shares.
This relatively robust performance overall is confirmation of the Group's business model, which is geared towards stability and sustainability. Linde is a global player and extremely well-placed, especially in the emerging economies: i.e. in those markets in which the greatest economic growth was to be seen once again in 2012. It is this position which enables the Group to compensate for faltering demand in some markets or the weakness of certain currencies.

With its acquisition of Lincare, Linde has strengthened its position in 2012 in the fast-growing healthcare sector. Given demographic trends, the healthcare market is a global megatrend in which Linde will be able to play a part to an even greater extent than before now that it has acquired Lincare. At the same time, this acquisition has enabled Linde to strengthen its position in North America significantly and to create an even better balance in its currency portfolio.

Furthermore, the rigorous implementation of the wide variety of efficiency improvement measures included in the holistic HPO programme contributed again in 2012 towards reinforcing the high level of profitability achieved by the Group.

PURCHASING

The Linde Group

Linde pursues a Group-wide portfolio strategy for procurement. In the 2012 financial year, the Group spent around EUR 10.9 bn (2011: around EUR 10.7 bn) on purchasing in various markets worldwide. Around EUR 9.2 bn of this amount related to the Gases Division and around EUR 1.7 bn to the Engineering Division.

Gases Division

The Gases Division purchases an extremely broad range of goods and services, including energy, gases, gas cylinders and valves, tanks and tank equipment, vehicles, healthcare equipment, components for large-scale plants and complete small plants, IT hardware and software, plus a great variety of services.

In 2012, Linde was able to meet its ambitious procurement targets. There were improvements once again in the relevant performance indicators. As a result of the continued rigorous implementation of HPO (High Performance Organisation), its holistic concept designed to achieve sustainable increases in efficiency, the Group was able to improve its purchasing performance. At the same time, Linde embarked on a large number of new projects to make its procurement more efficient and to develop ever more transparent purchasing management systems. These measures focused, for example, on optimising the management of "A" category suppliers (which make up around 80 percent of Linde's purchasing volume), on improving energy management and on developing more effective processes. Process optimisation measures included the introduction of an electronic cataloguing system, which will enable Linde to meet its requirements from individual suppliers on the best possible terms and significantly reduce process costs. With the global purchasing scorecard GLOSSARY, the results of these activities will be presented in transparent form.

The acquisitions in the Healthcare segment in the 2012 financial year GASES DIVISION will provide a good basis for further improvements in Linde's cost structure in this Global Business Unit due to the resultant economies of scale.

By continuing to develop its organisation, Linde is aiming to create a positive impact on cost and cash flows in the area of purchasing which is sustainable in the future, both in relation to expenditure and to processes. The Group will not only make structural changes, but also continue to work on optimising its supplier and product portfolios in order to reduce costs and avoid risks.

Engineering Division

The decline in economic momentum in the course of 2012 has resulted in easing in the international procurement markets. By way of example, steel prices (which had risen in the first half of 2012) fell back in the second half of the year due to weakening demand. Linde was able at all times to secure supplies of goods for its Engineering Division.

In 2012, the Group continued with the successful implementation and expansion of its Global Procurement Initiative, launched in 2009. Procurement centres in Europe, India, China, Korea, Abu Dhabi and in the United States were strengthened further through targeted measures which significantly improved access to the markets. The global network of procurement centres has been instrumental in increasing competition between suppliers. At the same time, Linde has succeeded in achieving faster and better results. Clearly-defined procurement strategies also enabled Linde to optimise supplier selection. Linde's main aim here is to improve efficiency.

The Group also opened a new procurement centre in the 2012 financial year in Russia. From its Samara site, Linde will service future projects in the growth market of Russia and throughout Eastern Europe.

In 2013, Linde will place more of its orders in best cost countries GLOSSARY, especially in India and China. The Group expects to achieve further significant cost reductions by pursuing global negotiation strategies. Price increases in the procurement market are most likely to be the result of rising energy costs.

RESEARCH AND DEVELOPMENT

The Linde Group

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

During the last financial year, Linde spent a total of EUR 101 m on research and development (2011: EUR 98 m). As at 31 December 2012, there were 385 Linde employees in total working in this field (2011: 342), of which 246 in the Gases Division and 139 in the Engineering Division. To protect its innovations from the competition, Linde filed 269 new patents across the Group over the course of the past financial year. As at 31 December 2012, Linde technologies were protected by a total of 2,513 patents.

By drawing on the findings of its pure research, the Group is continuously moving into new areas of application for its gases and is constantly striving to make further improvements in its processes and plant technologies. Application development at Linde is always set in the context of customer commissions and therefore involves close liaison with customers, taking into account their individual requirements. The Linde Group pays particular attention to the environmental compatibility of its production processes. Key priorities include making technological processes and plants more energy-efficient and reducing emissions arising from manufacturing processes, in relation to both Linde's own operations and those of its customers.

As a technology leader in this area, Linde has worked on pooling the skills of its engineers to an even greater extent, intensifying its activities in 2012 in the centralised Clean Energy Group. This team, which operates across the different business areas, develops innovative products and processes that help to make renewable energies economically viable, to reduce consumption of natural resources and to cut emissions which are harmful to the climate.

To achieve this, Linde combines the skills in its Gases Division with those in its Engineering Division, whilst also involving leading institutions and companies in cooperation projects. The Group is focusing in particular on the following areas which hold promise for the future: carbon capture & storage and carbon capture & usage (CCS/CCU, GLOSSARY), enhanced oil and gas recovery (EOR/EGR, GLOSSARY), and the production, storage, distribution and filling of merchant liquefied natural gas. Further priorities include hydrogen fuel cells, large-scale energy storage and the conversion of biomass into fuels or into basic materials for use in the chemical industry.

One initiative designed to promote the creativity and inventiveness of the Group's engineers and technicians, the Linde Innovators Club, has now become quite an institution. During the past financial year, Linde awarded the Linde Group Patent & Innovation Award to the best innovations for the seventh time. The Linde Innovators Club now has around 140 members. In addition, 2012 saw the staging of the first Linde Technology Day, which heightened employee awareness of the crucial significance of innovation. As part of this event, a new career model for employees working in research and development was unveiled for the first time. This aims to promote innovative approaches and ensure even greater reward for outstanding performances.

Gases Division

In its Gases Division, Linde invested EUR 74 m in research and development in 2012 (2011: EUR 72 m), focusing its activities on six areas of particular strategic importance: environmentally sound practices, efficient industrial processes and clean energy, healthy eating, convenience food, geographic and demographic shifts, and performance materials. The project portfolio is encompassed in four R & D areas: chemicals & energy, metal & glass, food and drink, and manufacturing.

In the area of metal & glass, Linde developed a process in the 2012 financial year for reducing emissions of environmentally harmful oxides of nitrogen during the manufacture of glass. The new technology, known by the product name COROX®LowNOx, involves feeding additional oxygen into the glass furnace under high pressure. This improves the quality of the burner flame, lowers the required temperature level, thereby cutting emissions of nitrogen oxides.

Moreover, Linde pressed ahead with the establishment of its metal & glass research centre in China. This project is being developed in response to ever increasing demand in China for steel, aluminium and glass.

During the reporting year, Linde yet again expanded its modular CRYOLINE® range of products for its customers in the food industry. This range includes products that can be used for the cryogenic shock-freezing of food with nitrogen or carbon dioxide. New developments during the past year include the expansion of the CRYOLINE® XF (cryogenic spiral freezer) and CRYOLINE CW product lines.

Linde has also developed an innovative refrigeration system for the transportation of foodstuffs by truck. This has been launched onto the market under the product name FROSTCRUISE®. The cooling technology uses liquid nitrogen as the refrigerant at a temperature of -196°C to keep the in-transit food constantly cool. The benefits of this new process compared with conventional technologies are greater transport safety, less noise pollution during delivery and lower carbon dioxide emissions.

Meanwhile, in Norway, Linde opened its own research and innovation centre devoted to the long-term optimisation of oxygen supplies for fish farms. Globally, fish is the most important source of protein in the human diet. Fish farming therefore has a vital part to play in feeding the world's growing population PAGES 54 TO 59 IN THE LINDE ANNUAL.

Linde has also stepped up its development of technologies and processes designed to help increase efficiency in the manufacturing industries and to improve the environmental compatibility of production processes.

Once again in 2012, Linde confirmed its pioneering role in the ongoing development of environmentally friendly hydrogen technology. To ensure this forward-looking technology makes a real breakthrough, Linde has become involved in a number of initiatives across the world. Germany occupies a leading position in this field. Linde is, for example, a founding member of the Clean Energy Partnership (CEP) and of H_2 Mobility. These public/private partnerships are working towards the commercialisation of hydrogen as a fuel and the creation of Germany's first countrywide hydrogen infrastructure. The companies from the energy, transport and automotive sectors involved in these projects are therefore supporting the series production of hydrogen fuel cell cars, which vehicle manufacturers have announced will commence over the coming years.

As part of these activities, more new H_2 filling stations equipped with Linde technology opened for business during 2012, including the largest and most modern in Europe in the HafenCity docklands development in Hamburg, Germany. This station has the capacity to fill up to 20 buses and numerous cars with hydrogen per day. Half of the environmentally friendly fuel is produced on site using regenerative energy from electrolysis. Austria's very first public hydrogen filling station was opened during the reporting year, the turnkey project having been implemented by Linde for its customer OMV. In the UK, meanwhile, Linde expanded its network of hydrogen filling stations, commissioning a filling plant on the Honda site.

As a fuel, hydrogen also has the potential to store energy produced using wind power. With this in mind, Linde, ENERTRAG AG and Total Deutschland GmbH have set up a joint pilot project in the area of wind-hydrogen. The plan is to produce hydrogen via electrolysis from wind energy at what is known as a multi-energy filling station at the German capital's prospective new airport Berlin Brandenburg (BER). Linde is responsible for developing, installing and commissioning the hydrogen filling station.

The promotion of research and development remains a high priority for the healthcare business particularly in the field of medical gases and therapies. Ongoing improvements to tried-and-tested products, coupled with new products and services, enable Linde to tap consistently into new markets in this promising sector. In particular, Linde backs research that focuses on the medical applications of gases and on the development of devices and services that address the needs of patients with chronic respiratory diseases.

Engineering Division

In the 2012 financial year, Linde's Engineering Division spent a total of EUR 27 m on research and development activities (2011: EUR 26 m). As in previous years, this money was allocated to the development of existing and new technologies in the product lines of natural gas plants, air separation plants, olefin plants, and hydrogen and synthesis gas plants. Linde is always looking for ways of making further improvements in the energy efficiency and environmental credentials of its installations PAGES 36 TO 39 IN THE LINDE ANNUAL. The central research and development department helps the units responsible for individual plant lines to make continuous improvements to their processes and to develop innovative technologies to tap into new lines of business.

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

The need for energy storage options will only increase over the coming years as the importance of wind energy and solar energy within the electricity mix continues to rise. This is why Linde is working intensively on the development of high- temperature thermal energy storage, launching its first feasibility studies in this area.

Together with partner companies, Linde has been making further progress on developing processes for the production of hydrogen from water electrolysis under various electricity procurement scenarios during the year under review. Potential areas of application for hydrogen obtained using this method being considered by Linde in its R&D projects include: reconversion to electricity, use as an energy source for emission-free mobility, conversion to hydrocarbons together with CO_2 to create a CO_2 sink GLOSSARY, conventional applications in the chemical industry and as a direct feed into the natural gas network.

Linde is also researching processes that produce hydrogen from biogenic raw materials in order to provide energy which is sustainable and climate-friendly. The progress made at the pilot plant for the production of hydrogen from glycerine at the Leuna site in Germany was sufficient for the plant to be upscaled to demonstration level during the reporting year.

Another possible route for the production of green hydrogen is the thermo-chemical conversion of solid biomass and biogenic waste materials. Linde is working together with an industrial partner on testing this technology, which converts a broad spectrum of biogenic raw materials into synthesis gas, which is suitable for use both as feedstock and in energy production.

The Group has made further improvements to its Carbo-V® technology. This process converts wood and wood biomass, which can already be obtained in a way which conserves resources and do not compete with food production, into biofuels, such as biodiesel.

Under the auspices of a joint research project, Linde, BASF and other partners are currently working on a new production process for alternative fuels. The aim of the project, which is being supported by the German Federal Research Ministry, is to produce the liquefied gas dimethyl ether (DME) from carbon monoxide and hydrogen. DME is an environmentally friendly alternative to conventional diesel and can also be used in the petrochemical sector PAGES 50 TO 53 IN THE LINDE ANNUAL.

Moreover, Linde is always striving to improve and expand its range of products for hydrogen and synthesis gas plants. One particular focus of this work is the development of small reformers such as HYDROPRIME® for decentralised hydrogen production.

In the research and development field of air separation units (ASUs), Linde focused in particular in the 2012 financial year on the increasing standardisation and modularisation of its ASUs and will continue to drive such activities forward over the coming years PAGES 27 TO 29.

Global efforts to reduce carbon dioxide emissions (CO_2) to combat climate change have opened up a promising new area for Linde in the form of the technologies needed to separate, store and use CO_2 contained in the flue gases emitted by power plants (carbon capture & storage and carbon capture & usage, or CCS/CCU).

One of these processes with a promising future is post-combustion capture technology GLOSSARY. This is used to separate and store the CO_2 after the combustion process in the power plant. Linde has already been successfully testing this technology for three years now at a pilot plant in Niederaussem, Germany.

Based on this positive experience, the US Department of Energy (DoE) decided to grant funding of USD 15 m to Linde in 2011 for the further development of the post-combustion capture process. With the DoE's support, Linde is currently constructing a pilot plant in Wilsonville, Alabama, with the aim of testing innovative CO_2 scrubbing processes there from 2014 and demonstrating that they are ready for the market. In 2012, Linde was able to conclude the basic engineering phase and proceed to the detail engineering part of the project.

In the area of petrochemical plants, Linde continued to concentrate during the reporting period on increasing the flexibility of raw materials for olefin production plants and on product optimisation for these plants. As part of these efforts, new concepts based on alternative feedstock such as methane were pursued. In close cooperation with Saudi Basic Industries Corporation (SABIC) and the Leibniz Institute for Catalysis (LIKAT) at Rostock University, Linde's Engineering Division developed an improved process for the selective production of 1-hexene. This has now moved to the pilot stage.

25 RESEARCH AND DEVELOPMENT

	Expenditure (in € million)					Number of employees				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Gases Division	74	72	68	66	73	246	220	199	206	267
Engineering Division	27	26	26	23	31	139	122	125	140	117[1]
GROUP	**101**	**98**	**94**	**89**	**104**	**385**	**342**	**324**	**346**	**384**

[1] Adjusted.

EMPLOYEES AND SOCIETY

Strategy

With around 62,000 employees, The Linde Group operates successfully worldwide. The aim of human resources management is to acquire the employees best suited to the Group, to nurture them and to build up long-term loyalty. To do this, it is Linde's goal to offer its staff safe and attractive working conditions, fair and respectful treatment, and reward for excellent performance. In return, Linde expects its employees to assume responsibility, both for the success of the company and for the implementation of Linde's corporate values.

One of the cornerstones of the global HPO programme designed to improve efficiency is "People Excellence". As part of this initiative, Linde has pinpointed three priorities that are particularly important to sustainable HR efforts: developing talent, a performance-oriented approach and corporate culture.

Employees across the world

As at 31 December 2012, The Linde Group employed a total of 61,965 members of staff, an increase of 11,548 compared with the previous year-end. The acquisitions carried out during the financial year resulted in the addition of 11,499 new employees. On average, 6.9 percent of employees worldwide left the company during the year under review at their own request. Depending on the region, this turnover rate ranged from 2.7 percent in the RBU Continental & Northern Europe to 13.3 percent in the RBU South & East Asia.

Remuneration and social benefits

Personnel expenses during the reporting year totalled EUR 3.096 bn (2011: EUR 2.653 bn). Remuneration packages include various elements and are designed to encourage the employees' focus on the Group's long-term strategic aims. These include the target-based and performance-based system of remuneration at managerial level and the global performance management system, designed to allow a comparable and fair appraisal for all staff. The variable remuneration components are based on the extent to which the Group meets its targets and on employees' individual performance levels. For the purposes of supporting this system, Linde introduced an IT module in 2012 which enables performance evaluations, which are binding on all managers worldwide, to be carried out uniformly across the Group.

By means of the Linde Long Term Incentive Plan, managers may also acquire Linde share options and thus participate directly in the company's growth in value.

Linde currently offers defined benefit pension plans in 32 countries and defined contribution plans GLOSSARY in the same number of countries. Overall, this means that employees in 46 countries have access to company pension schemes or healthcare benefits. During the 2012 financial year, Linde spent a total of EUR 241 m (2011: EUR 190 m) on pensions. Through defined benefit plans, 29,069 active employees are being paid an occupational pension, 19,380 former employees have acquired a vested claim to a company pension and 31,118 pensioners are drawing an occupational pension within the Group. The main pension plans – accounting for around 92 percent of the Group's global obligations – are held in the United Kingdom, Germany, the United States, Australia, the Netherlands, South Africa and Switzerland. In addition, Linde provides its employees with additional benefits governed by local regulations. These include medical screening and support for pre-emptive programmes such as seminars on avoiding burn-out or preventing addiction.

Winning and developing talent

In the global competition for the best talent, the recruitment of well-trained experts, especially highly qualified engineers, plays a particularly important role at Linde. The Group cooperates with universities and research institutions across the world. Thereby, Linde seeks to attract newly qualified graduates. During the year under review, the Group launched an initiative at eleven Chinese universities to recruit graduates for its operating business, sales, and research and development departments. More than 2,000 students attended the presentations put on by Linde.

Worldwide, Linde provides training opportunities in various technical and commercial areas. In Germany, for example, it offers training in 17 different careers. In 2012, depending on the division concerned, between 90.4 and 100 percent of apprentices and trainees in Germany from the same intake who completed their training were offered at least a fixed-term contract. The number of apprentices and trainees as a proportion of the total number of employees in The Linde Group was 1.1 percent in 2012, of which more than 57 percent were working in non-German companies.

Key components of Linde's long-term approach to HR development include not only recruitment of the right talent, but also succession planning for the Group's management team. In 2012, Linde held a planning workshop for around 100 strategic positions. The aim is to recognise and nurture potential, and to ensure knowledge transfer.

Linde offers a range of programmes designed to help the continuing professional development of its employees and to support them in their learning and change processes. The Group also provides training and development programmes through Linde University. As part of its related Global Talent Circle development programme for middle managers, Linde set up a cooperation project, for example, with the China Europe International Business School. Over 14,000 courses have been delivered through Linde University since these training programmes were established.

Workshops on change management are held to give employees the chance to discuss the issues at stake. Since these workshops were introduced in 2010, around 3,400 members of staff have attended them. Mentoring schemes are used to make it easier for new employees in particular to integrate into the Group. In North America, for example, Linde runs a mentoring programme which has more than 200 participants.

Achieving a work-life balance

Linde helps its employees to reconcile their personal and professional goals. Staff have the option of a number of different flexible working models, ranging from flexitime or part-time hours to teleworking, and can also obtain assistance in finding childcare or care solutions for other family members. The various initiatives are based on specific local requirements. The Flexible Futures programme in the UK, for example, gives employees the opportunity to take up to twelve months off if they wish to complete a training course or pursue a private project. Part-time employees in the Group accounted for 1.9 percent of the workforce in the reporting year. In Germany, more than 300 employees took parental leave in 2012, of which around 37 percent were men.

In addition, Linde offers its employees in Germany and North America a childcare organisation service. In 2012, the Group increased its budget for a share of daycare places in Greater Munich. This means that the number of daycare places here can be increased from 20 to 45. In other German locations, more than 100 employees received a subsidy towards their childcare place.

Labour and social standards

In its globally binding Code of Conduct, Linde commits to the principles of the Human Rights Charter of the United Nations and the core labour standards of the International Labour Organization (ILO). Compliance with social standards is reviewed as part of a multi-layered process, a key component of which is a worldwide survey of systems for fair working conditions. Another tool is the Integrity Hotline, which employees and external stakeholders can use to report instances of misconduct. Furthermore, labour standards are the subject of consultations with the employee representatives. Once again in 2012, Linde collated information uniformly across all the Group's sites on its processes for adhering to social standards and observing human rights. The findings cover all the countries in which Linde operates.

Diversity and equal opportunities

Linde has identified diversity as one of the essential ingredients in the Group's success. Indeed, its aim is to assemble the best possible teams across the world. These should understand customers' needs on the ground, have an overview of the local market, and know and respect the specific cultural identity. As at 31 December 2012, the Group employed staff from around 130 different countries. More than 60 nations are represented in the German companies alone. The proportion of senior managers in The Linde Group from countries other than Germany exceeded 65 percent in 2012, with more than 40 nations represented at this level. At the Linde sites in the emerging markets of China, India and South-East Asia, over 70 percent of the executive staff are from that particular region. In 2012, more than 250 Linde employees were sent on secondment to subsidiaries abroad.

One of Linde's main priorities in the area of diversity and equal opportunities is the promotion of female managers. The proportion of women in the major talent development programme for middle managers, the Global Talent Circle, was raised during the reporting year, from 26.8 percent to 29 percent. Linde has set itself the target of raising the proportion of women in managerial positions to between 13 and 15 percent by 2018. During the year under review, an engineering and IT careers magazine in North America awarded Linde the title of "Best Diversity Company".

The Family and Career working group has been looking at demographic issues at Linde since 2008.

Involving employees

Linde works together with employee representatives and trade unions on the basis of partnership. In 2012, 53.8 percent of Linde employees were employed on the basis of collective wage agreements (2011: 53.5 percent). Linde's system of employee representation in Germany is two-tiered, consisting of works councils in the decentralised units and a central works council for the Group as a whole. In addition, for some years now, Linde has also had a European Works Council, currently with 24 members. In 2012, the European Works Council joined a project aimed at improving cross-border cooperation and supported by the European Union.

Honest feedback from employees is crucial to Linde's HR approach. In 2012, the Group conducted a global employee survey for the second time. 86 percent of employees took part in the voluntary survey. Compared with the last survey in 2010, there was an improvement in results across the board. 82 percent of employees stated that they were proud to work for Linde. The Group's commitment to environmental protection and its openness in addressing safety issues were cited as particularly positive characteristics by the staff. Meanwhile, aspects such as communication between managers and their staff and cooperation across different departments were mentioned as areas for improvement.

Occupational safety and health protection

Linde implements a variety of measures to protect its employees from potential risks associated with their work for the company. The Group uses its global management system for safety, health, environmental protection and quality (SHEQ) to identify potential hazard sources in the workplace and to set risk control standards and guidelines. Defined key performance indicators are used to assess performance levels in the areas of occupational safety and health protection, and performance in these areas is also audited. In 2012, audits were conducted at 62.4 percent of Linde's operating sites (2011: 54.5 percent). Linde also involves the employees of companies which are working at its sites, with its customers or in the area of transport (contractors) in the application of its occupational safety and health protection measures. In 2012, the number of work-related accidents per million hours worked resulting in a lost working day was cut further to 1.3 (2011: 1.4). Despite this positive trend, it is with the deepest regret that the Group must report that three Linde employees and four workers employed by contractors lost their lives whilst working for the Group during the reporting year. Six of these fatalities occurred in relation to transport activities and one employee lost her life in a car accident.

Over the coming years, Linde is looking to expand its occupational health management programme and to work towards global harmonisation in this area. The health risks associated with manual and repetitive work are a particular focus in this regard. The proportion of industrial incidents and chronic illnesses that can be attributed to manual activities lies between approximately 30 and 50 percent per year.

In seeking to improve its occupational health management still further, Linde is also counting on employee participation. In 2012, Linde recognised innovative solutions for handling gas cylinders in the RBU Continental & Northern Europe through its Manual Handling Award. Teams from two German filling plants were the winners, chosen from around 70 entries submitted for the award. The winning teams had designed rolling aids to ease the strain on workers' backs when moving small gas cylinders around. With a view to preventing stress-related illness, subsidiaries in some countries have introduced training sessions for employees on stress management techniques.

Social commitment

Linde is involved in a variety of projects in proximity to the Group's sites around the world, providing assistance locally in the form of donations, sponsorship and volunteering on the part of Linde employees. The Group's strategy includes a focus on sustainable initiatives related to the Group's business activities. In particular, Linde supports projects in the fields of education and science. Other priorities include such issues as safety, environmental protection and social affairs. Cross-regional involvement in such projects is coordinated by the Group's Corporate Centre, with local initiatives being organised on a decentralised basis by the region concerned.

In the field of education, Linde focuses in particular on supporting training for the next generation of engineers and natural scientists. One example of this commitment is the Carl von Linde Academy at the Technical University of Munich, which is funded by the Group. This establishment provides up-and-coming engineers, IT experts and natural scientists with knowledge that extends beyond the limits of their theoretical subject, by touching on areas such as business ethics. By the end of 2012, more than 11,000 students had made use of the Academy's programmes.

For several years, Linde has been supporting the Schloss Hansenberg boarding school in Hesse via a public-private partnership. The aim of this partnership is to foster the talent of pupils with especially strong academic and social skills.

Linde also sponsors scientific exhibitions, experiments and competitions in various countries. In Munich, home to the Group's Corporate Centre, Linde is one of the founding members of the Deutsches Museum Future Initiative, the aim of which is to modernise the largest technology museum in the world. Linde is supporting the initiative with a donation which will total EUR 5 m by 2018.

Education also plays an important role in other regions. Linde's South African subsidiary Afrox, for example, supported some 40 projects – and thus almost 3,800 children – through its Community Involvement Programme during the year under review. Over the course of 2012, Afrox invested around EUR 540,000 in social projects.

As one of the founding members of a road safety initiative, Linde offers young people in Australia and New Zealand safety training shortly before they sit their driving test. More than 250,000 school pupils had taken up this offer by the end of 2012. Worldwide, Linde helped more than 65,000 children, school pupils and students through its initiatives during the reporting year.

The Group helps its employees to get involved in volunteering by giving them time off work, financial assistance or matching their donations. After Hurricane Sandy in the United States, Linde's regional business unit and its employees in the stricken region together donated in excess of USD 75,000 in 2012. In North America, Linde and its employees donated a total of more than USD 550,000 to a variety of charitable organisations.

26 EMPLOYEES[1]

	2012	2011
Employees by reportable segment (at the balance sheet date)		
Gases Division	50,605	39,031
EMEA	21,614	20,920
Asia / Pacific	11,037	10,868
Americas	17,954	7,243
Engineering Division	6,564	6,319
Other activities	4,796	5,067
GROUP	61,965	50,417
Structure of the workforce		
Age structure of the staff		
Staff up to 30 years old *(in %)*	17.0	16.0
Staff between 31 and 50 years old *(in %)*	58.8	59.0
Staff over 50 years old *(in %)*	24.2	25.0
Female employees in total workforce *(in %)*	20.1	19.5
Male employees in total workforce *(in %)*	79.9	80.5
Female employees in senior management positions *(in %)*	11.3	11.0
Female employees in development programmes for middle manager *(in %)*	29.0	26.8
Apprentices and trainees in total workforce *(in %)*	1.1	1.3
Apprentices and trainees in Germany *(in %)*	3.2	3.6
Severely disabled employees in Germany *(in %)*	3.1	3.6
Part-time employees *(in %)*	1.9	2.0
Temporary staff *(in %)*	7.5	6.4
Staff covered by collective wage agreements *(in %)*	53.8	53.5
Employee retention		
Staff turnover rate[2] *(in %)*	6.9	6.3
Average length of service *(in years)*	10.1	9.8
Employee training[3]		
Employees who have taken up training opportunities *(in %)*	75.6	64.4
Average training days per employee	2.0	2.3
Average expenditure on training programmes (per employee, in €)	291.5	268.0
Pension costs *(in € million)*	241	190
Occupational health and safety[3]		
Workplace accidents with at least one day of absence *(per million hours worked)*	1.3	1.4
Workplace accidents with at least one day of absence	136	144
Number of working days lost due to industrial accidents *(per million hours worked)*	31.6	26.1
Number of days sick leave *(per employee)*	5.3	5.0
Fatal industrial accidents of employees	3	5
Fatal industrial accidents of contractors	4	3

[1] In 2012, Linde completed the acquisition of Lincare Holdings Inc. and Air Products' Continental European homecare business. Unless required by financial reporting standards (employees at the balance sheet date, personnel expenses, pension costs), figures of Lincare Holdings on employees will only be reported after they have been fully consolidated for one financial year. Figures on employees of the acquired homecare business of Air Products are fully reported for the financial year 2012, unless otherwise indicated.

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

[3] Indicators on employee training and on occupational health and safety do not include numbers from the Air Products' Continental European homecare business, which was acquired in 2012.

SAFETY AND ENVIRONMENTAL PROTECTION

EMPLOYEES AND SOCIETY <71
SAFETY AND ENVIRONMENTAL PROTECTION 76
RISK REPORT >80

Strategy

Safety is a top priority for Linde, both in its own business processes and the use of its products by customers. The aim of the Group-wide safety and environmental protection management systems is to keep people and the environment from harm. Linde is focused on minimising safety risks, minimising the Group's environmental impact and ensuring the efficient use of energy, resources and materials. Linde's innovative technologies and products help its customers tackle ecological challenges, such as climate protection and water resource management.

Linde has developed global guidelines and standards for safety and environmental protection. The Group conducts audits to verify compliance with these voluntary commitments. In 2012, more than 1,400 safety, environmental protection and health protection audits were carried out at Linde sites, either by the Group itself or by third parties. Linde's internal audits follow international standards on quality, environmental management and health protection, ISO 9001, ISO 14001 and OHSAS 18001. External certification also endorses the high standard of the Group's safety, environmental protection and quality systems.

Moreover, Linde has implemented a global process to evaluate and communicate safety, health, environment and quality incidents worldwide. Near-misses from which the Group can learn lessons for the future are also recorded in this way. In 2012, the Group circulated internally 38 information sheets with a description of the relevant incident or near-miss, the main reasons for its occurrence and the measures that were introduced as a result. In addition, Linde prepares global risk avoidance plans. These are designed to protect employees and neighbours as well as the Group's property and information.

The Group systematically trains its employees in occupational health and safety, product safety and environmental risks. Moreover, Linde devises schemes to raise employees' awareness of safety and environmental issues and to encourage them to display greater initiative in these areas. During the financial year, for example, Linde held employee workshops worldwide on how to handle acetylene safely. When it comes to safety and environmental issues, the Group also works with local communities. In 2012, for instance, Linde launched a series of safety talks in China at the invitation of local authorities. Linde received several awards in the course of the year in recognition of its activities in the area of environmental and safety management, including its successful approach to safety management in Thailand and its responsible handling of hazardous substances in China.

Site safety

Risks that might be posed by the operation of plants to employees, local residents or neighbouring companies are identified and evaluated on the basis of an established process. In addition, over the past few years Linde has introduced a Group-wide management system so that major potential hazards of its plants can be recorded on a uniform basis worldwide. This programme, known as the Major Hazards Review Programme (MHRP, GLOSSARY), sets out the control mechanisms Linde has designed to limit these risks as far as possible. By the end of 2012, 67 percent of the sites concerned had been certified in accordance with the MHRP. In order to be prepared for critical incidents, the Group has set up emergency plans on a global scale. These take into account major adverse events such as fires and explosions, whilst also considering the potential impact of natural disasters, crime and pandemics on the Group's sites and business processes. So that the Group can react to these events, responsibilities have been allocated and decision-making channels have been established at local, regional and Group-wide level. During the reporting year, Linde introduced a new global guideline relating to the safety of employees who work in buildings on production sites.

Transport safety

Transport incidents are one of the key safety issues focused on by Linde. The Group is constantly working on reducing the number and frequency of transport-related incidents still further, both for its own transport operations and for transportation services provided by third parties. As part of the global package of improvement measures on transport safety, Linde has set itself four goals:

- to revise all local and global minimum standards for transport safety and to integrate these into the Group's global standards database,
- to provide the employees concerned with training in the revised standards,
- to introduce an audit programme to verify compliance with these standards and
- to introduce new safety training for drivers entitled "ActSafe for Drivers".

By the end of 2015, the aim is to have audited at least 60 percent of Linde sites with transport operations to determine the level of compliance with the standards. The ActSafe for Drivers security training is scheduled for implementation in at least 30 percent of sites by 2015. In the course of 2012, Linde trained and certified 40 transport auditors. The Group also works closely with local government and authorities on transport safety. In 2012, for example, Linde joined forces with local authorities in Bangladesh to conduct an emergency response exercise for transport incidents.

Product stewardship

Linde systematically identifies and controls risks along the product value chain, from the procurement of materials to production through to use by the customer. To this end, the Group analyses such aspects as the ecological impact and toxicity of substances. Linde documents the results in a database, which also serves as a central source of facts and figures for transport safety measures and for the preparation of safety information for customers and the general public. Linde holds data safety sheets in all the languages used in the countries in which the Group operates. It also offers its customers safety training. In Germany and Austria, for example, Linde ran training sessions for around 2,200 participants during the reporting year on the responsible handling of gases, holding 113 seminars dedicated to its own customer safety programme, LIPROTECT®. A range of services covering all aspects of the supply of gases is also available, extending from hazard assessment through to inspection, maintenance and repairs. Depending on the risk, specially trained Linde staff assess whether the conditions are in place for proper gas handling prior to delivery to the customer's site. Linde's emergency teams are available to support customers should help be required. This is also the case outside business hours or at weekends.

Linde complies with the requirements of REACH GLOSSARY, the EU regulation on chemicals. To achieve this, the Group has established a dedicated team of more than 30 experts across Europe to implement the REACH rules. Linde is also actively working together with the European Industrial Gases Association (EIGA) and other trade bodies to implement the REACH process in accordance with the rules and bring it to a successful conclusion with the assistance of customers and suppliers. The Group's product stewardship programme extends well beyond statutory requirements. With this programme, Linde also supports the Global Product Strategy (GPS) devised by the International Council of Chemical Associations for the safe handling of chemical substances and the United Nations' Globally Harmonised System of Classification and Labelling of Chemicals (GHS)

Energy and the efficient use of resources

Linde relies on innovative technologies and the efficient use of energy in order to conserve resources and reduce greenhouse gases while remaining commercially successful. The Group uses internal audits to analyse the energy efficiency of its plants and processes across the globe. Potential for cost savings is exploited wherever possible. In 2012, all the production plants operated by Linde Gas Germany were certified to ISO 50001. The new standard is evidence of the Group's systematic approach to energy management with well-defined remits and aims. Around 80 percent of Linde's energy needs are met with electricity and natural gas. The production of air gases in air separation plants accounts for the greatest proportion of the Group's electricity consumption (over 85 percent). This is why Linde is particularly focused on improving energy efficiency and productivity here and has set itself a global target in this area.

As one of the world's leading producers of air gases, Linde's most important raw material is air from Earth's atmosphere. The Group also uses other raw materials, ancillary materials and consumables. These include metals, required for example in the production of components. The Group also needs cylinders and tanks, as well as various packaging materials. Gas cylinders are reused and refilled. A typical Linde cylinder will be used three and a half times a year on average and can last for decades.

The Group also works together with its customers and other business partners to promote a responsible approach to the consumption of resources. In California, Linde and another company operate the world's largest plant for the production of biofuel using landfill gases. The biogas from this plant helps to avoid thousands of tonnes of transport-related greenhouse gases every year.

Linde offers its customers solutions covering many areas of sustainable electricity and fuel production, from solar energy to the use of biological raw materials and environmentally friendly hydrogen as energy storage. Industrial gases from Linde can also be used to reduce emissions and energy requirements compared with conventional recycling processes when processing various materials, such as aluminium and rubber. Furthermore, Linde technologies help promote the use of renewable raw materials: for example, in the production of green hydrogen using energy from renewable sources.

Climate protection

Linde's commitment to climate protection is centred on resource-efficient processes and climate-friendly products and technologies. This is based on a systematic analysis of the relevance of the Group's activities and processes to climate protection. For this purpose, Linde records and evaluates emissions along the value chains of its products worldwide. When accounting for greenhouse gases, Linde takes into consideration the guidance set out in the Greenhouse Gas Protocol GLOSSARY. With regard to climate protection measures in its own business processes, the Group focuses in particular on those areas which are responsible for the bulk of the CO_2 emissions or which offer the opportunity to make substantial cuts in emissions. These areas include the Group's air separation plants and product transportation.

Linde set the global goal of improving the installed design energy intensity of its air separation plants per air gas produced by 2013 – by 3 percent compared with the reference year 2008. In 2012, the Group has continued to make progress towards this target. In 2013, Linde has extended this goal to a 5 percent improvement between 2008 and 2017.

In addition, in 2013 Linde set a global target for its installed hydrogen (HyCo) plants. By 2015, the aim is to have increased the actual energy efficiency of its hydrogen plants by 2 percent compared with the 2009 level.

Linde is achieving its greatest positive impact on climate protection through its products. Across numerous sectors, the Group offers gases applications and technologies which make its customers' production processes more environmentally sound, and help renewable energy sources to become a viable option and to reduce significantly the consumption of natural resources.

In 2012, Linde once again took part in the survey organised by the Carbon Disclosure Project (CDP) on climate protection reporting and performance. Linde has been included in the regional Carbon Disclosure Leadership Index (CDLI) for Germany, Austria and Switzerland. CDP recognised Linde's achievement as one of the companies which had made the greatest progress compared with the previous year out of the companies included in the index for the first time.

Emissions to air

Alongside greenhouse gas emissions, Linde also monitors emissions of air pollutants. Normally, the Group's air separation plants produce hardly any direct emissions to air. In Linde's other production processes, however, inorganic gases such as carbon monoxide (CO), sulphur oxides (SO_x), nitrogen oxides (NO_x), ammonia (NH_3) and volatile organic compounds (VOCs) are released as emissions into the air. VOC emissions are mainly released during the coating and cleaning of metals, such as gas cylinders, storage tanks and plant components. Key figures on air emissions are published by Linde in its Corporate Responsibility Report. Together with its customers, Linde develops solutions for reducing emissions into the air. The use of pure oxygen, for example, is advantageous from an environmental perspective in foundries, during heat treatment, in the steel industry, during the production of non-ferrous metals and for waste treatment and recycling processes. Using oxygen instead of air improves energy efficiency while at the same time reducing CO_2 emissions and emissions of nitrogen oxides.

Waste

Linde works continuously on reducing the amount of waste it produces or avoiding the creation of waste in the first place. Where possible, waste products arising are recycled. The rest is disposed of in an environmentally sound manner in compliance with local regulations. The amount of waste is classified as hazardous or non-hazardous in accordance with national laws. Linde's main waste products are oil and oleaginous materials, chemicals, waste containing metal and gas cylinders which have reached the end of their useful life. Closed loop systems for products help to increase material and resource efficiency and to cut the volume of waste produced. Lime slurry, for example, a by-product of acetylene production, can be used in other industries without any further treatment being required. Linde's waste management targets are determined by regional requirements, as the type of waste produced differs greatly from one site to another depending on the processes being carried out.

Water

Linde strives to use water sustainably at its sites. Only a small proportion of the water needed by Linde is used up or contaminated in production. Over 85 percent of the total water is used for cooling. Most of this cooling water is simply heated and can be fed back into the water system without any further treatment. The maximum temperature reached does not pose any risk to the surrounding ecosystem. As well as continuous flow systems, Linde also makes use of closed loop systems in which the water can be used several times. This means that only a small amount of the water needs to be replaced. The amount of water replaced depends on the water quality and the equipment used in the plants. Linde's water consumption in 2012 was in the region of 41 million cubic metres. This water is used in the manufacture of products, as a source of steam and in office buildings. Waste water arising is either purified at the Group's own treatment plants or fed into municipal or industrial treatment systems. In compliance with official rules, Linde measures emissions of phosphates, nitrogen and organic compounds. Key figures on emissions into water can be found in the Group's Corporate Responsibility Report. Linde offers its customers solutions for improving the quality of drinking water, optimising waste water treatment and recycling water through closed loop systems.

In 2012 Linde completed the acquisition of Lincare Holdings Inc. and Air Products' Continental European homecare business. The environmental performance data of the acquisitions will only be reported in the following table after they have been consolidated for a full financial year.

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	2012	2011
Use of resources		
Electricity consumption *(in million MWh)*	20.0	20.3
of which by air separation plants	17.7	17.9
Natural gas consumption *(in million MWh)*	25.9	25.4
of which by HyCo plants	22.3	21.7
Consumption of other energy sources[1] *(in million MWh)*	8.7	11.7
Total energy consumption *(in million MWh)*	54.6	57.4
Water consumption[2] *(in million m^3)*	41.2	42.6
Emissions		
Direct CO_2 emissions *(in million t)*	5.3	5.7
of which by HyCo plants	4.2	4.3
Linde transport fleet *(in million t CO_2e)*	0.39	0.42
Indirect CO_2 emissions *(in million t)*	9.8	10.2
of which by air separation plants	8.9	8.9
Emissions of other greenhouse gases[3] *(in million t CO_2e)*	0.4	0.6
Total emissions *(in million t CO_2e)*	15.9	16.9
Waste *(in thousand t)*	68.5	64.4
Audits und Training		
Sites certified to ISO 9001 *(in %)*	80	76
Sites certified to ISO 14001 *(in %)*	31	33
Sites certified to OHSAS 18001 or SCC *(in %)*	25	22
Employees of Linde Gas who have taken up HSE training opportunities *(in %)*	49.1	50.3
Sites where occupational health and safety audits have been conducted[4] *(in %)*	62.4	54.5
Sites where environmental audits have been conducted[4] *(in %)*	53.6	49.1
Transport safety		
Serious traffic incidents involving trucks *(per 1 million km)*	0.075	0.077

[1] Other energy sources include for example heating oil, biofuel energy, propane and butane.
[2] The water consumption relates to drinking water and industrial water used. Once-through water is drawn from a natural or other source, solely warmed and ultimately piped back to the original source with a temparature not posing any risk to the surrounding ecosystem.
[3] Includes greenhouse gases specified in the Kyoto protocol: methane (CH_4), nitrous oxide (laughing gas, N_2O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs) and sulphur hexafluoride (SF_6). We monitor compliance with local regulatory requirements worldwide and report our data for all sites legally obliged to report emissions.
[4] The figures disclosed relate to internal and external audits conducted at production sites worldwide.

RISK REPORT

Risk management

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

Regular strategy workshops are held by the Executive Board with operational executives in the divisions to identify, evaluate, manage and control opportunities. The opportunities identified are an important building block of Linde AG's strategy development. The corporate strategy and the resultant corporate goals form the basis on which the risk management strategy is built.

The purpose of risk management is to make it more certain that growth and earnings targets as well as strategic objectives are met.

The Linde AG Executive Board has established a comprehensive, systematic and efficient risk management system (Enterprise Risk Management or ERM), the basic principles of which are laid down in Group guidelines. The ERM system has been tailored to suit Linde's corporate structure. It is a vital component of the Group's management process and takes into consideration not only economic risks but also ecological and social risks.

The key elements of the ERM concept are the risk management system and the internal control system, which are interrelated.

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

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

Organisation, responsibilities and risk management tools

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

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

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

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

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

- **Capital expenditure guideline:** The decision and allocation process for capital expenditure in The Linde Group is centralised. Each major item of capital expenditure is approved by a central investment committee and/or by the Executive Board of Linde AG.
- **Treasury guideline:** The Treasury guideline, which applies worldwide, essentially addresses the financial risks which may be encountered by a group with global operations, such as counterparty risk, liquidity

risk and risks arising from changes in interest rates and exchange rates. Clear guidelines are set for the subsidiaries, to minimise these risks and to manage them actively. A monthly report on these risks is produced by the Treasury committee, which is chaired by the member of the Executive Board responsible for finance.

- **Purchasing guideline:** Global purchasing activities present The Linde Group with a complex set of requirements in terms of its business conduct. Linde adheres to the principles of free and fair competition. The Group therefore rejects any illegal business practices when purchasing goods and services. Linde has supplemented its employee code of conduct with a purchasing guideline which applies equally to all Group personnel. In these rules, Linde sets out principles relating to business conduct and the avoidance of conflicts of interest. Linde is currently developing a new code of conduct which sets out mandatory ethical and legal principles for its suppliers.
- **Corporate responsibility guideline:** Linde is committed to responsible behaviour in all its activities. The corporate responsibility guideline defines the principles for sustainability in the Group. In individual areas such as safety and environmental protection, Linde has devised supplementary guidelines and standards which provide concrete examples of how to incorporate the CR guideline into the everyday life of the Group.

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

Accounting-related internal control system

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

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

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

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

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

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

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

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

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

Risk recognition, evaluation and management

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

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

Risk workshops involving the management teams of the operating units are an important tool when identifying and evaluating risks and determining the measures to be taken to reduce those risks. When identifying risks, a great variety of areas which might entail risk, both within and outside the Group, is taken into consideration. The areas covered by the risk assessments include not only internal processes and resources as well as the economic, financial, legal and regulatory environment, but also social and ecological aspects.

The units within the Group record all the risks identified in risk registers which are updated on a quarterly basis. Documented in the risk registers, for each risk, are the measures taken to reduce the risk and an assessment of the probability of occurrence of the risk and its loss potential in a clear, summarised form, so that the decision-makers have an overview of the risk position in their unit.

Risk reporting

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

Every quarter, the Executive Board is presented with a risk report prepared by the central risk management department, which is then discussed at Executive Board meetings. The Executive Board presents a report on the risk situation in the Group at the quarterly meetings of the Audit Committee.

The risk report submitted to the Executive Board comprises an overall summary of all the risks reported within the Group and a status report on all Linde AG Group risks. Each Group risk is allocated to a member of the Executive Board, which ensures that the individual responsible for handling the risk has additional close support from a designated Board member. For each Group risk, the report includes an up-to-date quantitative assessment of the probability of occurrence and loss potential of the risk identified. The risk report also includes a description of the business risks in the Group. The reporting of business risks reflects Linde's organisational structure.

In line with this structure, the most significant risks identified in each organisational unit are reported, using an identical reporting format. The risks reported have previously been identified by those responsible for risks in the divisions, RBUs, GBUs and BAs, supported by the central risk management department, in a process of consolidation which takes all the risks in the relevant organisational unit into consideration.

Audit

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

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

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

Continuous improvement

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

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

Risk areas

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

Strategic risk

Linde AG has devised a long-term strategy for growth, based inter alia on the megatrends energy, the environment and health, and on dynamic trends in the emerging economies. Achieving the growth targets in these strategic areas entails risks both within and outside the Group. Risks arise on the one hand from uncertainty about future trends in these strategic areas, which are influenced by social, legal and economic factors. On the other hand, there are also risks associated with the internal measures adopted by the Group to implement its strategy. This applies particularly to measures adopted in the following areas: acquisitions and investments, R&D, innovation and personnel. These risk areas are described in more detail in the sections below.

The Executive Board, Supervisory Board and Group management personnel therefore hold regular meetings to evaluate the Group's strategy and implement any corrective measures required.

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

Projects in the energy and environment strategic area often differ from normal capital expenditure projects in terms of their size and complexity and the level of innovation associated with them. The approaches adopted by Linde to cover such risks are discussed in the sections below on "Risks associated with R&D and innovation" and "Project risks".

In the strategic area of health, the level of state control and regulation of products and treatments is constantly increasing. Linde deals with potential risks in this area by ensuring that it analyses changes in the regulatory environment on an ongoing basis. Further information about Linde's approaches to handling risk can be found in the section below entitled "Risks arising from the economic, regulatory and sector-specific environment".

In the emerging economies strategic area, Linde will continue to increase its commitment. The greater opportunities for growth offered in these countries when compared to the established industrial regions are nevertheless sometimes associated with higher levels of country risk. The measures Linde has adopted and the risk management tools it employs to manage this type of risk are described in the section entitled "Country risk".

Risks arising from the economic, regulatory and sector-specific environment

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

Linde operates in many countries and regions, supplying almost all industry sectors. It is not exposed to the volatility of a single end customer market due to the high level of diversification of its end customers, both in terms of applications and their geographical situation. The impact of economic cycles on the Group is reduced as a result of Linde's dual focus on gases and plant construction, sectors which may be affected differently in terms of revenue and earnings when there are changes in certain economic conditions.

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

Global competition, evidenced in particular by increased downward pressure on prices, means that Linde is exposed to the risk of losing market share and experiencing a decline in its market profile. Cost disadvantages and competitive disadvantages might also arise for Linde if it does not react appropriately and in good time to changes in the regulatory environment. Examples of this are the design of the European Emissions Trading System in the third trading period and further burdens on the energy-intensive production of industrial gases in the form of rising electricity prices and additional levies.

Competition is increasing in the healthcare sector, even though it is largely state-regulated. Potential budget cuts in this area and the increasing trend towards outsourcing by government agencies and health insurance funds have given rise to highly competitive tendering processes and this has intensified the downward pressure on prices and the risk of losing contracts. In addition, changes in the law (for example, with regard to case-based lump sums or outsourcing and tendering processes) may have the effect of reducing revenue or the opportunities for new business in certain countries.

Linde is countering these risks by constantly conducting analyses of its market environment, its situation in relation to the competition and the legal framework in each business segment. The Group obtains vital information about customers' requirements by maintaining regular contact with customers, reinforcing its proximity to the market. Linde uses the information it receives to develop and supply products tailored to suit the needs of the market and to enhance its competitive position and continue to raise its market profile.

In the Healthcare product area in particular, Linde's research and development activities focus on the development of products and services which take account of the increasing downward pressure on costs in the healthcare sector. These include, for example, new forms of treatment which reduce the length of time spent in hospital by acute care outpatients as well as new therapy plans.

Moreover, the Group is continuing with the rigorous implementation of its schemes to reduce costs and improve the efficiency of its processes, with the aim of enhancing its competitiveness.

Country risk

A fundamental risk for Linde, as for all companies, is posed by potential radical changes in the political, legal and social environment. Linde is a global group operating in around 100 countries worldwide. Potential risks the Group might encounter in different countries include the nationalisation or expropriation of assets, legal risks, the prohibition of capital transfers, bad debts with government institutions, war and other unrest. There is also the fundamental risk that embargoes might be agreed for certain countries in which Linde operates, which could have an adverse impact on existing trading relations or investment plans which are in place before the embargo comes into force. To manage these risks, Linde employs risk assessment tools to evaluate the Group's risk situation in terms of the impact of risk on its net assets, financial position and results of operations and to ensure capital adequacy and cross-border financing at optimal levels of risk. Individual capital expenditure projects are evaluated for political risk and target returns on investment are set accordingly. On the basis of this evaluation, the risks are covered, if appropriate, by German government guarantees for direct foreign investment, tailored insurance solutions or similar financial instruments available in the market. Counterparty risk for export business is also assessed, and limited if necessary by hedging instruments such as Hermes guarantees.

Other external risks

A risk to Linde's employees and to the net assets, financial position and results of operations of the Group also exists in the form of natural disasters, pandemics, and terrorist or other criminal attacks. These risks, which are covered in some cases by insurance, are addressed by Business Continuity Management. In the business units, under the direction of the Group-wide SHEQ (Safety, Health, Environment, Quality) function, local risk reduction measures and contingency plans are implemented. The aim is to minimise as far as possible the potential consequences of serious events and to ensure the fastest possible return to normal operations, even in the case of highly improbable events or losses of a grave nature.

Financial risks

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

Due to its global operations, Linde is exposed to a number of financial risks. In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates and exchange rates. These risks continue to be monitored very closely, given the uncertainty in the financial markets and especially in the eurozone.

One of the main criteria for the management of counterparty risk is the credit rating of the counterparty. The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps GLOSSARY or in the market capitalisation of counterparties. Trading and position limits are defined on this basis. Regular reviews of these limits are performed by a supervisory unit which is independent of the trading entity. The Group also concludes Credit Support Annexes (or CSAs) with its principal banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B. V. are collateralised with cash on a regular basis. This significantly reduces counterparty risk. With regard to the management of liquidity risk, Linde has for years pursued a prudent and conservative policy of safeguarding liquidity and has continued to have access to the capital markets in the 2012 financial year. Linde also has access to agreed unutilised financing commitments of EUR 2.5 bn, a syndicated credit facility available until 2015 provided by an international banking group. This diversification of financing sources ensures that a concentration of risk in the area of liquidity is avoided.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. These fluctuations affect both the interest expense borne by The Linde Group and the fair value of financial instruments. Interest rate risk is centrally managed. On the basis of the operational business model and using the results of sensitivity and scenario analyses, the Treasury committee determines ranges for the fixed-floating ratio of the financial liabilities in the main currencies: Euro (EUR), British Pounds (GBP), US Dollars (USD) and Australian Dollars (AUD). Group Treasury manages the rates within the agreed ranges and submits regular reports to the Treasury committee about the measures implemented. Means of hedging exposure to the risk include entering into trading transactions with banks (interest rate derivatives) and using long-term fixed-interest bonds and loans. In 2012, on average 67 percent of the exposure of the Group was financed at fixed rates, while at 31 December 2012 the figure was 64 percent.

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

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

Translation risks are hedged within authorised ranges.

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

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

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

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

For further information, NOTE [29] of the Notes to the Group financial statements.

Pension risks

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

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

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

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

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

Risks arising from acquisitions and investments

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

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

In the course of the past financial year, Linde has completed a variety of corporate acquisitions and sales. Of particular note were the acquisition of Air Products' Continental European homecare operations at the end of April 2012 and the purchase of US-based homecare company Lincare Holdings Inc. in August 2012. The acquisitions made are the result of deliberate steps taken by the Group to implement its long-term growth strategy. The investments focused on areas offering opportunities for attractive levels of growth and for sustainable increases in the profitability and competiveness of the Group.

Risks associated with R & D and innovation

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

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

The Group addresses this risk in a number of different ways. The Clean Energy & Innovation Management Global Support Function keeps an eye on major technological trends, known as megatrends, checking constantly to see whether innovative projects within the Group accord with its overall strategy and have the potential to generate profitable growth. This work is supported by cooperation with leading companies and universities and by strategies to protect the Group's intellectual property.

The Group also bundles together its development activities. In the Global Business Unit Healthcare, for example, Linde has assembled its expertise in medical therapies, gases and devices within a single innovation and development unit. This has allowed optimisation of knowledge sharing and streamlining of developmental processes, resulting in both an increase in the velocity of innovation and a reduction in the technological risks associated with executing it.

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

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

Purchasing risks

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

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

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

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

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

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

Production risks

A lengthy stoppage at one of Linde's main plants or at a customer's on-site plant could adversely affect the results of operations and reputation of the Group. This would be particularly true if the interruption to the business were to be caused by an accident which also resulted in personal injury or damage to the environment. Therefore, Linde gives high priority to measures to prevent business interruptions. These include, in particular, the monitoring and maintenance of plants so that such incidents may be avoided, and the provision of spare parts of strategic importance. If, despite these preventive measures, a business interruption should occur, the Group has supply networks operating between its production plants so that any business interruption would have only a limited effect or no effect at all on its customers.

In the liquefied gases and cylinder gas product area, the key plants are filling plants. They offer very high levels of flexibility and the filling processes can be adapted to meet individual customer requirements. Most filling plants double as important logistics and distribution centres for whole regions. The plants supply gases from nearby production plants to customers and distribution partners. The availability of filling plants ensures high standards of delivery, short delivery times and minimal transport costs in each region.

A lengthy stoppage at a filling plant might therefore have an adverse impact on various products and a number of different customers in a region. Strict compliance with quality and safety standards and environmental protection standards during the manufacture, storage, transport and use of Linde's products is an important element in the avoidance of business interruptions. Moreover, the modular construction of the sites and their fitting out with abundant and versatile filling systems contribute to the robustness of the sites and their processes. As with on-site plants, Linde also has a supply network in most regions with filling plants which would help to reduce or avoid the negative impact of a business interruption on a particular site.

Environmental and safety risks

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

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

High safety standards for production processes and service processes is one of the Group's main preventive strategies. Strict safety requirements form the basis of processes with a particularly high exposure to risk. One of the ways Linde has dealt with this was to develop and introduce a Major Hazards Review Programme. This programme is used for the systematic evaluation of risks which might lead to accidents or damage to property or the environment. It helps the Group minimise the risk of incidents that might occur if the safety levels being maintained in its processes were inadequate and it is constantly being updated to address potential new risks.

Linde understands and knows about the environmental impact of its processes and is therefore in a position to develop and implement plans to limit and control such effects. The Group focuses in particular on reducing emissions and on making continual improvements to its operations to ensure the efficient use of resources, materials and energy. Linde is involved, for instance, in improving the energy efficiency of its production plants and in increasing the performance of its transport fleet.

Product risks

Potential product risks, such as liability claims and loss of reputation due to product defects, are countered by the high quality and safety levels of Linde's products, product information and services. To ensure that products are safe, risk management is based on the concept of product stewardship. The potential hazards and risks which might arise for human beings and the environment from a product during its life-cycle are analysed and the relevant potential risk is determined. Linde takes the necessary measures to avoid the risks which have been identified or, if that is not possible, to reduce the risks to an acceptable level.

Product stewardship begins at the moment when key raw materials and supplies and services are purchased. The Group favours suppliers who aim to achieve the same high standards in occupational safety, health protection, environmental protection and quality as Linde itself, and who can demonstrate this, for example, by the fact that they have the appropriate management systems in place.

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

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

To ensure the highest possible levels of safety for patients over the entire life-cycle of Linde's pharmaceutical products, such products are monitored on a continuous basis using the Vigilance Signal Detection System GLOSSARY. Regular analyses are performed on the safety of pharmaceutical products in Periodic Safety Update Reports (PSURs).

Project risks

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

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

In the Engineering Division as well, Linde places great emphasis on the uniform integration of safety, health and environmental protection and quality into plant construction and project execution processes. Clearly structured, process-based management standards ensure that relevant aspects, from the engineering design to the assembly and commissioning of the plants on the project sites, are planned, implemented and monitored.

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

Personnel risks

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

To address these risk factors, Linde is adopting a holistic approach towards attracting and supporting its employees. The approach is based on the Group's existing corporate culture, which seeks to strike a balance between trust and supervision, and focuses on employee development and performance. Linde places special emphasis on its employees assuming personal responsibility and thinking and acting in an entrepreneurial way.

In past years, Linde has paid particular attention to succession planning for management positions, establishing personnel development schemes as a result. Staff development, the cornerstone of long-term employee loyalty, enhances the skills of management personnel and fosters their commitment to the Group. Key aspects of Linde's management development programme are the variety of opportunities on offer for professional development, the provision of support and advice to target groups, the early identification and advancement of high achievers and those with potential, and attractive remuneration schemes in line with market rates.

Linde's range of staff development schemes is supplemented by extensive opportunities for gaining qualifications and for professional development. These are all tools which help the Group address the issue of the shortage of skilled personnel. This strengthens Linde's position as an attractive employer in the competitive market for skilled workers. The Group is drawing up new professional development schemes for engineering in particular, further enhancing its attractiveness as an employer.

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

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

A new global employee survey was conducted in 2012, under the People Excellence banner. Employee satisfaction levels were shown to have improved significantly since the previous survey. The detailed results of the new survey will be analysed in depth in 2013, to identify actions required for positive change. Linde will be able to use the survey to identify any shifts in levels of employee loyalty at an early stage and to take suitable measures to address them.

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, procurement law, tax legislation and environmental protection. The outcome of any currently pending or future proceedings can often not be predicted with any certainty. Legal or regulatory judgements or agreed settlements might give rise to expenses which are not covered, or are not fully covered, by insurance benefits. These expenses might have an impact on the Group's business and its earnings.

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

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

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

Certain subsidiaries in The Linde Group are parties to lawsuits in the United States for alleged injuries arising from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process. In these cases, the subsidiaries are typically one of several or many other defendants. The subsidiaries named in these cases believe that they have strong defences to the claims asserted in the various cases and intend to defend vigorously such claims. Based on the litigation experience to date, together with current assessments of the claims being asserted and applicable insurance, Linde believes that the continued defence and resolution of the welding fumes litigation will not have a material adverse effect on the financial position or results of operations of the Group. Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict. The subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims. A group of defendants has brought most of the manganese cases to an end by reaching a global resolution agreement with the plaintiffs' lawyers. The resolution agreement was signed on 18 January 2012 and came into force on 27 April 2012.

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

IT risks

Information technology is vitally important for maintaining high-quality processes throughout the Linde organisation.

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

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

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

The IT security process is structured and defined by a number of policies, standards and recommendations. These are based for the most part on internationally recognised security standards such as ISO 27001/27002 and ISO 27005. Industry-specific standards are also used to enhance IT security, process maturity and cover: for example, protecting patient data in the course of the Group's healthcare activities (which expanded in 2012 due to the acquisitions made in the course of the year).

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

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

In addition, measures are continually being adopted to keep the current IT landscape technically up to date, based on a long-term programme of consolidation. So, for example, high-risk systems are identified, and updated or replaced with new systems. Targeted outsourcing activities during the reporting period have enabled Linde to achieve significant improvements in its capacity for data recovery, data production and data protection. Therefore, the Group is better equipped to deal with any outages or malicious attacks. Working parties regularly analyse process risks which might arise from the outsourcing of IT resources and these are reduced, if necessary, by implementing organisational or technical measures.

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

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

Risk transfer

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

Executive Board summary of the risk situation of The Linde Group

Based on the risks and future prospects of the Group outlined in this report and given the risk management procedures in place, the Executive Board has not identified any risks in the 2012 financial year which might have a lasting or significant negative impact on the net assets, financial position and results of operations of The Linde Group.

The total amount which relates to individual risks within the risk fields will not adversely affect the viability of The Linde Group as a going concern.

If there is a change in circumstances, risks which are currently unknown or deemed to be immaterial might have a negative impact on business operations.

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

DECLARATION IN ACCORDANCE WITH § 289a OF THE GERMAN COMMERCIAL CODE (HGB)

The Executive Board and Supervisory Board of Linde AG have issued a declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Law (AktG) and made it permanently available to shareholders. The declaration of compliance is available on the Internet at *WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE.*

The declaration on corporate governance is available on the Internet at *WWW.LINDE.COM/CORPORATEGOVERNANCE.*

More information about corporate governance at Linde is given in the section entitled Corporate Governance on *PAGES 14 TO 20* of the Annual Report.

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 474,176,962.56 which is fully paid up. This is divided into 185,225,376 at a notional par value of EUR 2.56 per share. The shares are bearer shares. Each share, with the exclusion of 36,408 own shares held by the company at 31 December 2012 (§ 71b of the German Stock Corporation Law (AktG)), confers a voting right and is entitled to dividend.

Restrictions affecting voting rights or the transfer of shares

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

Shareholdings exceeding 10 percent of the voting rights

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

Shares with special rights

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

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

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

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

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

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

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

Powers of the Executive Board to issue and repurchase shares

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

The Executive Board is further authorised, with the approval of the Executive Board, to increase capital subscribed by up to EUR 37,119,265.28 until 3 May 2017 against cash or non-cash contributions by issuing, on one or more occasions, up to 14,499,713 new bearer shares with a notional par value of EUR 2.56 (Authorised Capital II).

The issued share capital can be increased by up to EUR 2,221,189.12, divided into 867,652 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, exercise their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

The issued share capital can be increased by up to EUR 6,142,215.68 by the issue of up to 2,399,303 new bearer shares with a notional par value of EUR 2.56, if certain conditions are met (2007 conditionally authorised capital). The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other executives 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 issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares at a notional par value of EUR 2.56, if certain conditions are met (2010 conditionally authorised capital). The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds or warrant-linked bonds, to which were added convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders and obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

The issued share capital can be increased by up to EUR 10,240,000 by the issue of up to 4,000,000 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital). The conditionally authorised increase in capital is approved solely for the purpose of granting subscription (share options) to members of the Executive Board of the company, members of the executive bodies of affiliated companies within Germany and outside Germany and to selected executives in the company and in affiliated companies within Germany and outside Germany in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 4 May 2012. 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 issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

The Executive Board is authorised until 3 May 2017 by a resolution passed at the Annual General Meeting on 4 May 2012 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised. These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers. The own shares acquired under this authorisation may:

- be sold via the stock exchange or by an offer to all shareholders,
- with the approval of the Supervisory Board, also be sold otherwise,
- with the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect

acquisition of companies, businesses or investments in companies, and on the formation of business combinations,

- be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
- be granted, in the case of a sale of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation,
- be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
- be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7),
- 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 4 May 2012 (agenda item 8),
- be issued to members of the Executive Board and to persons currently or formerly employed by the company, and to members of executive bodies of Linde's affiliated companies, or be used to service rights or obligations to purchase own shares attributable to the persons named heretofore or
- be redeemed, with the approval of the Supervisory Board.

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

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

In each of the financial years 2007 to 2012, Linde issued benchmark bonds under its Debt Issuance Programme via Linde Finance B.V. Under the terms and conditions of the issue, in the event of a change of control, the bond debtor may demand immediate repayment if the change of control leads to a withdrawal of the rating or to a deduction in the rating to or below certain rating levels for unsubordinated unsecured liabilities.

There are also significant financing agreements in place, each of which includes specific rules which apply in the event of a change of control. These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party.

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

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

Under the terms and conditions of the Linde Long Term Incentive Plan (LTIP 2012) for management boards and lower tiers of management, in the event of a change of control, special rules maybe adopted. The special rules which apply to the share options issued in 2012 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined.

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

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

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred for The Linde Group between the balance sheet date and 21 February 2013.

DIVIDENDS

The Executive Board recommends that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 6 March 2013, the Supervisory Board proposes that the appropriation of profit of EUR 500,010,213.60 (2011: EUR 427,653,502.50) be voted on the Annual General Meeting on 29 May 2013:

- payment of a dividend of EUR 2.70 (2011: EUR 2.50) per no-par value share entitled to dividend. The total dividend payout for 185,188,968 (2011: 171,061.401) no-par value shares entitled to a dividend amounts to EUR 500,010,213.60 (2011: EUR 427,653,502.50)

The 36,408 treasury shares held by the Company without any dividend entitlement at the time of the proposal are not included in the calculation of the amount distributed.

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 German Federal Gazette.

OUTLOOK

Macroeconomic trends

Economists are expecting general economic growth to be only slightly higher in 2013 than in 2012. In their view, the global sovereign debt crisis continues to pose the greatest risk to macroeconomic development. The global economy could also be adversely affected by the unresolved fiscal cliff problem in the United States. Other factors which might have a negative impact are a potential tailing-off of the economy in China and the uncertain political situation in some countries in the Arab world.

Against this background, the international forecasting institute The Economist Intelligence Unit (EIU) is predicting growth in global gross domestic product (GDP) for 2013 of 2.4 percent, following a rise of 2.2 percent in 2012. Global industrial production (IP) is forecast to increase in 2013 by 2.7 percent. In 2012, this rose by only 1.5 percent.

It is expected that there will continue to be considerable variations in economic trends in different regions of the world in 2013. In the EMEA region (Europe, Middle East, Africa), economists are expecting a modest increase in economic output of 0.7 percent. The actual figure achieved in 2012 was 0.4 percent. A slight increase in industrial production of 0.2 percent is being forecast for 2013. In 2012, the EMEA region had to deal with a decline in IP of 1.3 percent.

In Western Europe and the eurozone, the impact of the debt crisis is still being felt in many countries. As a result, economists are predicting that economic output in the eurozone will shrink by 0.2 percent in 2013. In 2012, GDP in the eurozone fell by 0.5 percent. The experts are forecasting virtual stagnation for Western Europe (GDP growth of 0.1 percent in 2013, compared with a decline in GDP in 2012 of 0.1 percent), while in Germany a slight increase in GDP of 0.8 percent is expected, compared with actual GDP growth in 2012 of 0.9 percent.

The economy in the Middle East and Eastern Europe should see much more robust trends. Economists are forecasting GDP growth of 4.0 percent in the Middle East (compared with actual GDP growth in 2012 of 4.7 percent), while in Eastern Europe GDP is expected to increase by 2.5 percent (2012: 2.2 percent). The forecasting institute is also expecting the economic environment in South Africa to be relatively favourable and is predicting GDP growth of 3.1 percent (2012: 2.6 percent).

In the view of the EIU, economic prospects in the US are stable. The institute is forecasting growth in GDP here of 2.1 percent in 2013 (2012: 2.2 percent), while industrial production is expected to increase by 2.7 percent (2012: 3.7 percent).

In South America, dynamic growth this year is being forecast by the economists, with GDP expected to rise by 3.6 percent (2012: 2.5 percent). IP here is expected to rise by 2.9 percent (2012: 0.9 percent).

As in previous years, the strongest growth rates in 2013 are expected to be seen in the Asia/Pacific region. The EIU is predicting that economic output will rise here by 6.2 percent (2012: 5.5 percent). An increase in industrial production of 7.6 percent is expected, compared with the actual rise in 2012 of 5.9 percent. Within the Asia/Pacific region, it is anticipated that China will have the fastest rate of growth. Economists are predicting that economic output here will be up 8.5 percent in 2013 (2012: 7.7 percent). The EIU is forecasting an increase in Chinese industrial production of 11.8 percent in 2013 (2012: 10.1 percent).

Industry sector outlook

Gases industry

Against the background of predicted global economic trends, it is to be expected that the worldwide gases market will grow at a slightly faster pace in 2013 than was the case in 2012. Nevertheless, it is important in this industry as well to distinguish between individual regions. Whereas the forecast is for a rather modest increase in demand in most developed economies, significant growth is expected in the emerging economies, especially in Asia.

Engineering business

Industry experts are forecasting a slight increase in investment activity in 2013 in the international market for large-scale plant construction. This should derive principally from ever brisk demand in the growth markets of Asia, the Middle East and Eastern Europe. New plant construction projects in the petrochemical industry and in the market for natural gas, hydrogen and synthesis gas plants are also expected to come out of North America in view of the increasing exploitation of unconventional sources of natural gas, such as shale.

Long-term growth trends, such as the rise in global energy requirements, increasing demand for environmentally friendly technologies and the growing use of unconventional sources of energy, will remain intact in 2013.

Outlook – Group

Leading economic research institutes are forecasting a slight economic recovery in 2013. They expect increases somewhat above those seen in 2012 in both global gross domestic product (GDP) and global industrial production (IP). Uncertainty remains, however, as to the sustainability and pace of economic growth. The main factors which might impede robust global economic growth include high levels of public debt worldwide, monetary instability and the prevailing uncertain political situation in some countries in the Arab world. In addition, the global economy is becoming increasingly dependent on economic trends in China.

Based on current economic predictions, Linde's objective is to continue to achieve increases in Group revenue in the 2013 and 2014 financial years and to improve Group operating profit in both years. It continues to aim to generate Group operating profit of at least EUR 4 bn in the 2013 financial year.

The Group has also set itself new medium-term targets. In the 2016 financial year, Linde is seeking to generate Group operating profit of at least EUR 5 bn and return on capital employed (based on the definition of ROCE used to date: i. e. adjusted for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation) of around 14 percent. Without the adjustment, this corresponds to a reported ROCE figure of 13 percent.

The medium-term targets are also based on current economic forecasts, according to which the global economy will continue to grow in the coming years. The outlook is also based on the assumption that there will not be any significant shifts in exchange rates during the same period.

Linde anticipates that it will continue to benefit in the coming years from megatrends such as energy, the environment and health, and dynamic growth in the emerging economies. The Group will also continue to improve its business processes and remains committed to the systematic implementation of its holistic concept for sustainable productivity gains (High Performance Organisation or HPO). As a result of applying the HPO programme, Linde has reduced gross costs in the four-year period from 2009 to 2012 by a total of around EUR 780 m. The Group will continue to apply the measures it has designed to make constant improvements in efficiency and plans to achieve further reductions in total gross costs of between EUR 750 m and EUR 900 m in the years 2013 to 2016.

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a somewhat faster rate in 2013 than in 2012. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline, which will continue to make a substantial contribution to revenue and earnings trends in the coming years.

The Group expects its liquefied gases and cylinder gas product areas to perform in line with macroeconomic trends.

In the Healthcare product area, Linde is expecting to achieve significant increases in revenue and earnings as a result of the acquisitions it has concluded, especially Lincare.

Against this background, Linde expects that revenue generated by the Gases Division in the 2013 and 2014 financial years will continue to increase and that operating profit will improve in both years.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business over the next few years. At EUR 3.7 bn, the order backlog in Linde's Engineering Division remains high, creating a good basis for a solid business performance over the next two years. The Group expects to generate the same level of revenue in its plant construction business in the 2013 and 2014 financial years as in 2012. Linde anticipates that it will achieve an operating margin in 2013 of around 10 percent.

Linde is well-positioned in the international market for olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants and will derive lasting benefit in particular from investment in two structural growth areas: energy and the environment.

Capital expenditure

Linde's investment strategy targets opportunities which offer above-average growth prospects. In the 2013 financial year, the Group will pursue the same strategy.

Based on the investment decisions it has already made and the great number of investment opportunities still available (including those in the promising energy sector), Linde expects to invest more in its Gases Division in 2013 than in 2012. Capital expenditure in this division will probably again exceed 13 percent of the division's revenue.

However, this benchmark of 13 percent remains the medium-term target in the Gases Division.

Financing

In the 2013 financial year, Linde will continue to apply its strategy of safeguarding liquidity and maintaining long-term financing. Gross financial debt repayable within one year is matched by securities and cash and cash equivalents of EUR 2.041 bn, as well as a EUR 2.5 bn syndicated credit facility available until 2015 which was not drawn down at 31 December 2012.

The dynamic indebtedness factor (net financial debt to operating profit) increased from 1.6 at the end of 2011 to 2.3 at the end of 2012 due to the financing of the Lincare acquisition in the 2012 financial year. At 31 December 2012, net financial debt was EUR 8.086 bn.

Depending on developments in the financial markets and the growth opportunities available, Linde regards 2.5 as the upper limit for its dynamic indebtedness factor.

The profitable growth defined as one of the Group's medium-term targets should continue to be financed mainly by the cash flow from operating activities. Linde intends to use the cash flow remaining after deducting capital expenditure to cover both its financing costs, future rises in dividend payments expected at the current time and to repay its financial debt.

Dividends

Continuity and prudence will continue to be the most important criteria for Linde's dividend policy in the future. As in previous years, the Group will determine the level of the dividend for the 2013 financial year on the basis of the operating profit figures, while at the same time taking wider macroeconomic trends into account.

Research and development

Linde is planning to spend over EUR 100 m on research and development in 2013. The Group will channel most of these funds into energy, the environment and healthcare in order to strengthen its foothold in these fast-growing market segments.

In close collaboration with its customers, Linde intends to continue to work in the current financial year on developing and improving gases applications and processes. Following the systematic bundling of R&D activities in the Gases Division, Linde will increasingly focus on the six main technical trends it has identified as relevant to its business PAGE 68. In addition to updating its existing portfolio, the Group will concentrate above all on innovations in chemicals & energy and metal & glass, and in the food and processing industries.

In the Healthcare product area, Linde will continue in the 2013 financial year to provide its greatest support to research focusing on the medical application of gases and the development of medical devices for intensive respiratory disease therapy.

In the Engineering Division, the Group will continue to work on further improvements to various plant technologies, concentrating in particular on increasing the energy efficiency of plants and enhancing their environmental credentials.

Innovative projects to expand Linde's existing product portfolio and tap into new lines of business in collaboration with various partners in industry and science are already off the ground.

In addition, the Group plans to consolidate its pioneering role in the promising field of hydrogen technology as well as in the energy and environmental sectors.

Purchasing

Gases Division

In the 2013 financial year, Linde anticipates a number of different price trends in the procurement markets relevant to the Gases Division. Linde expects, for example, to continue to see slight falls in the prices of products which are affected by the price of steel.

In 2013, the Group's aim is to continue to reduce purchasing costs across the entire portfolio of products and services in the Gases Division. There will continue to be a focus on bundling purchasing activities together with those of the Engineering Division.

Engineering Division

Shortages in raw materials are expected to result in price increases for input materials during the current financial year and beyond. In addition, price fluctuations in the raw material markets make it difficult to project long-term pricing.

Linde is countering this trend through the systematic implementation of its Global Procurement Strategy. The Group is in a position to achieve very good prices for international projects as a result of constant improvements in processes and the introduction of globally harmonised IT systems.

The key elements of standardised procedures throughout the procurement process in Linde's Engineering Division are streamlined and efficient structures, a reduction in the number of suppliers and the global bundling of purchasing volumes. In 2013, the Group will continue to work on further improvements to its procurement strategy. As a result, Linde expects purchasing costs in the Engineering Division to be lower in 2013 than they were in 2012.

Statements relating to the future

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

Group Financial Statements

Notes to the Group Financial Statements

GROUP STATEMENT OF PROFIT OR LOSS

28 *GROUP STATEMENT OF PROFIT OR LOSS*

in € million	*Note*	*2012*	*2011*
Revenue	[8]	15,280	13,787
Cost of sales		9,755	8,766
GROSS PROFIT		**5,525**	**5,021**
Marketing and selling expenses		2,303	2,031
Research and development costs		101	98
Administration expenses		1,354	1,163
Other operating income	[9]	288	285
Other operating expenses	[9]	155	180
Share of profit or loss from associates and joint ventures (at equity)		92	76
Financial income	[11]	354	359
Financial expenses	[11]	659	650
PROFIT BEFORE TAX		**1,687**	**1,619**
Income tax expense	[12]	363	375
PROFIT FOR THE YEAR		**1,324**	**1,244**
attributable to Linde AG shareholders		1,250	1,174
attributable to non-controlling interests		74	70
Earnings per share *in €* – undiluted	[13]	7.03	6.88
Earnings per share *in €* – diluted	[13]	6.97	6.82

GROUP STATEMENT OF COMPREHENSIVE INCOME

29 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million NOTE [22]	2012	2011
PROFIT FOR THE YEAR	**1,324**	**1,244**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**–317**	**–117**
Unrealised gains/losses on available-for-sale financial assets	–4	5
Unrealised gains/losses on derivative financial instruments	82	–107
Currency translation differences	–202	138
Actuarial gains/losses on pension provisions	–219	–151
Change in effect of the limit on a defined benefit asset (asset ceiling under IAS 19.58)	26	–2
TOTAL COMPREHENSIVE INCOME	**1,007**	**1,127**
attributable to Linde AG shareholders	953	1,074
attributable to non-controlling interests	54	53

GROUP STATEMENT OF FINANCIAL POSITION

GROUP STATEMENT OF COMPREHENSIVE INCOME <105
GROUP STATEMENT OF FINANCIAL POSITION 106
GROUP CASH FLOW STATEMENT >108

30 GROUP STATEMENT OF FINANCIAL POSITION

in € million	*Note*	*31.12.2012*	*31.12.2011*
Assets			
Goodwill	[14]	10,620	7,868
Other intangible assets	[14]	3,580	3,300
Tangible assets	[15]	10,188	9,030
Investments in associates and joint ventures (at equity)	[16]	816	754
Other financial assets	[16]	282	918
Receivables from finance leases	[18]	244	302
Other receivables and other assets	[18]	592	526
Income tax receivables	[18]	4	5
Deferred tax assets	[12]	469	368
NON-CURRENT ASSETS		26,795	23,071
Inventories	[17]	1,098	1,036
Receivables from finance leases	[18]	47	50
Trade receivables	[18]	2,599	2,030
Other receivables and other assets	[18]	709	558
Income tax receivables	[18]	181	97
Securities	[19]	823	1,073
Cash and cash equivalents	[20]	1,218	1,000
Non-current assets classified as held for sale and disposal groups	[21]	7	–
CURRENT ASSETS		6,682	5,844
TOTAL ASSETS		**33,477**	**28,915**

31 GROUP STATEMENT OF FINANCIAL POSITION

in € million	Note	31.12.12	31.12.11
Equity and liabilities			
Capital subscribed		474	438
Conditionally authorised capital € 104 million (2011: € 97 million)			
Capital reserve		6,698	5,264
Revenue reserves		5,889	5,752
Cumulative changes in equity not recognised through the statement of profit or loss		33	150
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	[22]	**13,094**	**11,604**
Non-controlling interests	[22]	564	540
TOTAL EQUITY		**13,658**	**12,144**
Provisions for pensions and similar obligations	[23]	1,105	938
Other non-current provisions	[24]	471	445
Deferred tax liabilities	[12]	2,186	2,012
Financial debt	[25]	8,862	6,491
Liabilities from finance leases	[26]	56	33
Trade payables	[27]	6	6
Other non-current liabilities	[27]	237	194
Liabilities from income taxes	[27]	85	96
NON-CURRENT LIABILITIES		**13,008**	**10,215**
Current provisions	[24]	1,565	1,455
Financial debt	[25]	1,262	1,277
Liabilities from finance leases	[26]	24	13
Trade payables	[27]	2,790	2,712
Other current liabilities	[27]	1,003	996
Liabilities from income taxes	[27]	167	103
CURRENT LIABILITIES		**6,811**	**6,556**
TOTAL EQUITY AND LIABILITIES		**33,477**	**28,915**

GROUP CASH FLOW STATEMENT

32 GROUP STATEMENT OF CASH FLOWS

in € million NOTE [30]	*2012*	*2011*
Profit before tax	1,687	1,619
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,538	1,300
Impairments of financial assets	–	2
Profit/loss on disposal of non-current assets	–25	–45
Net interest	353	285
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	21	24
Income from associates and joint ventures (at equity)	–92	–76
Distributions/dividends received from associates and joint ventures	52	44
Income taxes paid	–462	–361
Changes in assets and liabilities		
Change in inventories	–37	–79
Change in trade receivables	–160	–179
Change in provisions	–27	–191
Change in trade payables	–101	183
Change in other assets and liabilities	–225	–100
CASH FLOW FROM OPERATING ACTIVITIES	**2,522**	**2,426**
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/ IAS 17	–1,788	–1,376[1]
Payments for investments in consolidated companies	–2,997	–28
Payments for investments in financial assets	–32	–50
Payments for investments in securities	–3	–1,655
Proceeds on disposal of securities	853	3
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	109	115
Proceeds on disposal of non-current assets held for sale and disposal groups	–	12
Proceeds on disposal of financial assets	45	42
CASH FLOW FROM INVESTING ACTIVITIES	**–3,813**	**–2,937**

[1] Adjusted for capitalised borrowing costs NOTE [30].

33 GROUP STATEMENT OF CASH FLOWS

in € million NOTE [30]	2012	2011
Dividend payments to Linde AG shareholders and non-controlling interests	–476	–419
Cash inflows from capital increase	1,391	–
Cash inflows/outflows due to changes of non-controlling interests	–501	–11
Proceeds from issue of employee shares	58	30
Cash outflows for the purchase of own shares	–5	–
Interest received	190	182
Interest paid	–567	–489[1]
Proceeds of loans and capital market debt	6,381	2,030
Cash outflows for the repayment of loans and capital market debt	–4,942	–951
Change in liabilities from finance leases	–13	–5
CASH FLOW FROM FINANCING ACTIVITIES	**1,516**	**367**
NET CASH INFLOW/OUTFLOW	225	–144
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,000	1,159
Effects of currency translation	–7	–15
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,218	1,000

[1] Adjusted for capitalised borrowing costs NOTE [30].

STATEMENT OF CHANGES IN GROUP EQUITY

34 STATEMENT OF CHANGES IN GROUP EQUITY

in € million NOTE [22]	*Capital subscribed*	*Capital reserve*
AT 1 JAN. 2011	**436**	**5,205**
Profit for the year	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	2	59
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	2	59
Addition of non-controlling interests	–	–
Acquisition of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**438**	**5,264**
Profit for the year	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	3	76
Repurchase of own shares	–	–
Capital increase	33	1,358
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	36	1,434
Addition of non-controlling interests	–	–
Acquisition of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 31 DEC. 2012	**474**	**6,698**

Revenue reserves		*Cumulative changes in equity not recognised through the statement of profit or loss*					
Actuarial gains/ losses	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Derivative financial instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
−200	**5,308**	**121**	**−1**	**−21**	**10,848**	**514**	**11,362**
–	1,174	–	–	–	1,174	70	1,244
−151	–	154	5	−108	−100	−17	−117
−151	**1,174**	**154**	**5**	**−108**	**1,074**	**53**	**1,127**
–	−375	–	–	–	−375	−44	−419
–	–	–	–	–	61	–	61
–	**−375**	**–**	**–**	**–**	**−314**	**−44**	**−358**
–	−4	–	–	–	−4	−8	−12
–	–	–	–	–	–	25	25
–	**−4**	**–**	**–**	**–**	**−4**	**17**	**13**
−351	**6,103**	**275**	**4**	**−129**	**11,604**	**540**	**12,144**
–	1,250	–	–	–	1,250	74	1,324
−180	–	−195	−4	82	−297	−20	−317
−180	**1,250**	**−195**	**−4**	**82**	**953**	**54**	**1,007**
–	−428	–	–	–	−428	−48	−476
–	–	–	–	–	79	–	79
–	−5	–	–	–	−5	–	−5
–	–	–	–	–	1,391	–	1,391
–	**−433**	**–**	**–**	**–**	**1,037**	**−48**	**989**
–	−10	–	–	–	−10	−8	−18
–	−490	–	–	–	−490	26	−464
–	**−500**	**–**	**–**	**–**	**−500**	**18**	**−482**
−531	**6,420**	**80**	**–**	**−47**	**13,094**	**564**	**13,658**

SEGMENT INFORMATION

PART OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS

35 SEGMENT INFORMATION

	Reportable segments	
	Total Gases Division	
in € million NOTE [31]	*2012*	*2011*
Revenue from third parties	12,583	11,052
Revenue from other segments	8	9
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**12,591**	**11,061**
OPERATING PROFIT	**3,403**	**3,041**
of which share of profit or loss from associates/joint ventures (at equity)	101	89
Amortisation of intangible assets and depreciation of tangible assets	1,489	1,247
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	216	220
of which impairments	46	26
EBIT (EARNINGS BEFORE INTEREST AND TAX)	**1,914**	**1,794**
Capital expenditure (excluding financial assets)	1,901	1,439

in € million
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
of which share of profit or loss from associates/joint ventures (at equity)
Amortisation of intangible assets and depreciation of tangible assets
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation
of which impairments
EBIT (EARNINGS BEFORE INTEREST AND TAX)
Capital expenditure (excluding financial assets)

	Reportable segments							
	Engineering Division		Other Activities		Reconciliation		Total Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	2,101	2,151	596	584	–	–	15,280	13,787
	460	380	–	–	–468	–389	–	–
	2,561	**2,531**	**596**	**584**	**–468**	**–389**	**15,280**	**13,787**
	312	**304**	**65**	**64**	**–250**	**–199**	**3,530**	**3,210**
	–	–	–	–	–9	–13	92	76
	36	37	35	33	–22	–17	1,538	1,300
	8	8	14	14	–	–	238	242
	–	–	–	–	–	–	46	26
	276	**267**	**30**	**31**	**–228**	**–182**	**1,992**	**1,910**
	30	26	18	17	3	–115	1,952	1,367

	Reportable segments							
	Gases Division							
	EMEA		Asia/Pacific		Americas		Total Gases Division	
	2012	2011	2012	2011	2012	2011	2012	2011
	5,978	5,663	3,488	3,066	3,117	2,323	12,583	11,052
	20	9	10	10	83	61	8	9
	5,998	**5,672**	**3,498**	**3,076**	**3,200**	**2,384**	**12,591**	**11,061**
	1,700	**1,634**	**935**	**872**	**768**	**535**	**3,403**	**3,041**
	31	12	45	50	25	27	101	89
	642	588	459	389	388	270	1,489	1,247
	56	62	114	104	46	54	216	220
	43	21	2	–	1	5	46	26
	1,058	**1,046**	**476**	**483**	**380**	**265**	**1,914**	**1,794**
	778	627	687	587	436	225	1,901	1,439

36 REVENUE BY LOCATION OF CUSTOMER

in € million	2012	2011
Europe	6,405	5,987
Germany	1,298	1,245
Great Britain	1,519	1,396
Asia/Pacific	4,665	4,379
China	706	482
Australia	1,391	1,229
North America	2,619	1,890
USA	2,288	1,568
South America	864	746
Africa	727	785
GROUP REVENUE	**15,280**	**13,787**

37 NON-CURRENT SEGMENT ASSETS BY LOCATION OF COMPANY

in € million	2012	2011
Europe	9,937	9,444
Germany	1,207	1,147
Great Britain	1,552	1,550
Asia/Pacific	6,961	6,466
China	921	689
Australia	1,651	1,565
North America	5,758	2,563
USA	2,160	1,424
South America	886	856
Africa	846	869
NON-CURRENT SEGMENT ASSETS	**24,388**	**20,198**

Note: The information disclosed by country excludes goodwill.

Notes to the Group Financial Statements

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 Aktiengesellschaft. The registered office of Linde AG is in Munich (Munich Commercial Register, ref. HRB 169850).

The consolidated financial statements of Linde Aktiengesellschaft for the year ended 31 December 2012 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 statement of profit or loss has been prepared using the cost of sales method.

The financial statements which are included in the consolidated financial statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. 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 Aktiengesellschaft.

[2] Principles of consolidation

Companies are consolidated using the acquisition method. The cost of an acquisition is measured at the fair value of the assets acquired and the liabilities assumed or transferred at the date of acquisition. Acquisition-related costs are recognised in profit or loss when they arise. The identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are recognised at their fair values at the date of acquisition, irrespective of the extent of any non-controlling interests. Adjustments regarding contingent consideration after the one-year adjustment period, disclosed as a liability at the date of acquisition, are recognised in profit or loss. Non-controlling interests are measured either at fair value or at the appropriate share of the identifiable net assets in the company acquired. To date, non-controlling interests have always been measured in Linde at the appropriate share of the identifiable net assets in the company acquired.

Where non-controlling interests are acquired, any remaining balance between the acquisition cost and the share of net assets acquired is offset directly in equity.

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

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

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

[3] Acquisitions

Major acquisitions in the course of the financial year were:

38 MAJOR ACQUISITIONS

	Group holding in percent as at 31.12.2012	Cost in € million	Acquisition date
Lincare	100.0	2,458	08.08.12
Air Products' homecare business	100.0	535	30.04.12
Puyang (asset deal)	–	60	30.04.12
Dahua (asset deal)	–	15	01.06.12
Hefei	99.0	13	31.05.12
PSG	51.0	10	31.05.12

Acquisitions are considered major if the cost of the acquisition exceeds EUR 10 m.

Lincare Holdings Inc.

On 8 August 2012, The Linde Group acquired 83.9 percent of Lincare Holdings Inc., USA, under the terms of a tender offer. From that date, the date of acquisition, the business was fully consolidated in The Linde Group. The purchase price per share was USD 41.50. The price paid to acquire 83.9 percent of the shares was EUR 2.458 bn. The remaining shares were acquired in three further stages by 14 August 2012 and treated as a transaction with non-controlling shareholders. At the acquisition date, the share of the non-controlling shareholders in the net assets of the company restated at their fair value was a negative figure of EUR 28 m. The same purchase price of USD 41.50 per share was paid to acquire the shares from the non-controlling shareholders as for the other shares. The difference between the non-controlling interests restated at fair value and the purchase price was offset in revenue reserves. The post-tax effect on revenue reserves was EUR 490 m. The total acquisition cost was settled in cash.

The business acquired generated revenue of USD 1.847 bn in 2011 with around 11,000 employees. As a result of the acquisition, The Linde Group was able to continue to expand its Healthcare product area and to increase its presence and market share in the strategically important North American market.

The fair values of the assets and liabilities acquired were as follows:

39 IMPACT ON NET ASSETS OF ACQUISITION OF LINCARE

Opening balance at 8 August 2012

in € million	Fair value
Non-current assets	909
Inventories	20
Other current assets	259
Cash and cash equivalents	159
Equity (attributable to Linde AG)	–147
Non-controlling interests	–28
Liabilities	1,522

The goodwill of EUR 2.605 bn remaining after the purchase price allocation comprises global synergies with Linde's existing homecare business, going concern synergies arising from the business acquired and other benefits not recognised as specific intangible assets (especially personnel). Of the goodwill, EUR 368 m is tax-deductible.

The fair value of the receivables acquired at the acquisition date was EUR 226 m. Most of these receivables are trade receivables. The gross value of the trade receivables is EUR 285 m. The difference between the gross value of the receivables and their fair value is the provision for bad debts. Given the complexity of the transaction, the results of the purchase price allocation should be regarded as provisional.

Air Products' homecare business

On 30 April 2012, The Linde Group acquired the Continental European homecare business of the gases company Air Products. With effect from that date, the business was fully integrated into the consolidated financial statements of The Linde Group. The transaction comprised Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain. The operations in each country are conducted in separate companies and Linde acquired all the shares in each company (100 percent of the shares with voting rights): Air Products Sud Europa S.L. (Spain), GASIN – Gases Industriais S.A. (Portugal), Air Products Healthcare France S.A.S. (France), Air Products Medical GmbH (Germany), Air Products Healthcare Belgium S.P.R.L. (Belgium). The business which has been acquired generated revenue of EUR 210 m in 2011 with around 850 employees. The aim of the acquisition was to root Linde even more firmly in the healthcare structural growth market.

After making certain adjustments relating to liquidity and debt, the purchase price was EUR 604 m, an amount which was settled in cash. Part of the purchase price will be refunded if certain parts of the business fail to perform over a period of two years from the acquisition date at the level assumed in the purchase negotiations (contingent consideration repayable). In addition, the Group has current contingent obligations for purchase price payments which relate to receivables which are to be collected by Linde and passed on to the seller. At the acquisition date, the contingent consideration repayable was recognised at a fair value of EUR 101 m and this amount was offset against the purchase price paid for the purpose of deriving the acquisition cost. The current contingent obligations for purchase price payments, which have the effect of increasing the acquisition cost, were measured on the acquisition date at a fair value of EUR 32 m. The net contingent consideration repayable lies in a range between EUR 38 m and EUR 79 m. The total acquisition cost is therefore EUR 535 m. The contingent obligations for purchase price payments of EUR 32 m were paid in full during the 2012 financial year. At the balance sheet date, the contingent purchase price repayment claim was EUR 99 m.

The goodwill of EUR 248 m remaining after the purchase price allocation comprises mainly expected synergies with Linde's existing homecare business in Europe and going concern synergies arising from the business acquired. None of the goodwill is tax-deductible.

The fair values of the assets and liabilities acquired were as follows:

40 IMPACT ON NET ASSETS OF ACQUISITION OF HOMECARE BUSINESS FROM AIR PRODUCTS

Opening balance at 30 April 2012

in € million	Fair value
Non-current assets	133
Inventories	9
Other current assets	201
Cash and cash equivalents	16
Equity (attributable to Linde AG)	287
Non-controlling interests	–
Liabilities	72

The results of the purchase price allocation and the calculation of goodwill derived from those results should be regarded as provisional, given the significant extent of contingent purchase price components.

The fair value of the receivables acquired is EUR 185 m. All these receivables are trade receivables and most of them are due from public healthcare providers. The gross value of the debts is EUR 202 m. The difference between the gross value of the receivables and their fair value is the provision for bad debts. Of the amounts outstanding, EUR 157 m has been received since the acquisition date.

Asset deal with Hebei Puyang Iron & Steel Ltd. (decaptivation)

On 30 April 2012, The Linde Group assumed responsibility for supplying gases to the steel company Hebei Puyang Iron & Steel Co. Ltd., Wu'an, China (Puyang Steel) under the terms of a long-term gases supply agreement concluded with Puyang Steel which also includes the purchase of that company's existing air separation plants (decaptivation).

The purchase price for the acquisition of the production business was EUR 60 m, of which EUR 37 m was paid in cash. The remainder of the purchase price is disclosed as a liability. Under the asset deal, only non-current assets were acquired, mainly air separation plants and customer relationships. No goodwill arose on this transaction. No receivables were acquired.

Purchase of the existing gas supply of Dahua Group in Dalian (decaptivation)

On 1 June 2012, The Linde Group assumed responsibility for the existing gas supply of the chemical company Dahua Group at its site on Songmu Island in Dalian in north-eastern China (decaptivation). To do so, Linde formed a production company together with Dahua Group. Linde controls this company. The consideration of EUR 15 m for the purchase of the gas production was settled in the form of shares in the production company granted to Dahua and therefore had no cash impact on Linde. By building a new, more efficient air separation plant in this production company, Linde will secure future gas supplies for Dahua Group. When The Linde Group assumed responsibility for the existing gas production of Dahua Group, it acquired only non-current assets (mainly air separation plants and customer relationships) and no goodwill arose on the transaction. No receivables were acquired.

Hefei

On 31 May 2012, The Linde Group acquired 99 percent of the shares in Hefei Ju Wan Industrial Gases Co. Ltd., China. In August, this company was fully consolidated in The Linde Group for the first time with effect from its date of acquisition. The purchase price was EUR 13 m, which was settled in cash. This acquisition will enable Linde to increase its presence in Hefei province significantly.

The goodwill of EUR 6 m remaining after the purchase price allocation comprises mainly going concern synergies arising from the business acquired and other benefits not permitted to be recognised as specific intangible assets. None of the goodwill is tax-deductible.

The receivables acquired have a fair value of EUR 3 m. All the receivables are trade receivables. The fair value is virtually the same as the figure for gross receivables.

PSG Co. Ltd.

On 31 May 2012, The Linde Group acquired 51 percent of the shares in PSG Co. Ltd., South Korea. In August, this company was fully consolidated in The Linde Group for the first time with effect from its date of acquisition.

The purchase price of the shares was EUR 10 m, which was settled in cash. The non-controlling interests were recognised at the fair value of the net assets attributable to minority shareholders, which was EUR 10 m at the date of acquisition. No significant goodwill arose on this transaction. The aim of the acquisition is to strengthen the Group's position in South Korea and to make The Linde Group one of the leading suppliers in South Korea.

Other acquisitions

In 2012, The Linde Group made further acquisitions to expand its industrial gases business and Healthcare business in the EMEA, Asia/Pacific and Americas reportable segments. The total purchase price for these acquisitions was EUR 28 m, of which EUR 25 m was settled in cash. EUR 7 m of the cash amount was paid in the 2011 financial year. The total purchase price includes contingent purchase price adjustments. There were liabilities of EUR 3 m which related to contingent purchase price payments. These amounts are payable within two years and are dependent on positive business performance in the business acquired.

Other acquisitions involve additions to non-current assets such as customer relationships, cylinders, tanks and vehicles as well as additions to inventories and other current assets. Total goodwill on these acquisitions was EUR 12 m. Receivables of EUR 2 m were acquired, all of which are trade receivables.

41 IMPACT ON NET ASSETS OF ACQUISITION OF PSG AND HEFEI AND OF OTHER ACQUISITIONS

Opening balance at acquisition date	*Fair value*		
in € million	*PSG*	*Hefei*	*Other*
Non-current assets	34	10	16
Inventories	4	1	1
Other current assets	15	3	2
Cash and cash equivalents	2	1	1
Equity (attributable to Linde AG)	10	7	16
Non-controlling interests	10	–	–
Liabilities	35	8	4

The impact of the transactions on the results of operations of The Linde Group was as follows:

42 IMPACT OF ACQUISITIONS ON RESULTS OF OPERATIONS OF THE LINDE GROUP

in € million	*Revenue since acquisition date*	*Revenue from 1 January to 31 December 2012*
Lincare	630	1,556
Air Products' homecare business	132	206
Puyang	21	36
Dahua	18	26
PSG	38	53
Hefei	8	12
Other	17	36

43 IMPACT OF ACQUISITIONS ON RESULTS OF OPERATIONS OF THE LINDE GROUP

in € million	*Profit for the period since acquisition date*	*Profit for the period from 1 January to 31 December 2012*
Lincare	45	97
Air Products' homecare business	17	27
Puyang	–5	–3
Dahua	–	1
PSG	–	1
Hefei	–	1
Other	1	3

[4] Scope of consolidation

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

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

Subsidiaries not included in the consolidated financial statements are immaterial in aggregate from the Group's point of view, both in terms of equity and in terms of net income or net loss for the year. Therefore, they do not have a significant impact on the net assets, results of operations and financial position of the Group. For that reason, they are not consolidated.

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

44 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.12.2011	Additions	Disposals	As at 31.12.2012
CONSOLIDATED SUBSIDIARIES	**488**	**68**	**24**	**532**
of which within Germany	22	1	3	20
of which outside Germany	466	67	21	512
OTHER INVESTMENTS	**59**	**12**	**9**	**62**
of which within Germany	2	–	–	2
of which outside Germany	57	12	9	60
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**53**	**2**	**2**	**53**
of which within Germany	–	–	–	–
of which outside Germany	53	2	2	53

Most of the additions to the companies included in the consolidation during the reporting period are subsidiaries in the United States acquired in the course of the Lincare acquisition and subsidiaries brought into the Group as a result of the purchase of Air Products' Continental European homecare business.

During the financial year, Linde also increased its stake in its subsidiary Abelló Linde S.A., Barcelona, Spain, by 15 percent to 99.9 percent by acquiring shares from non-controlling shareholders. The purchase price for the shares acquired was EUR 29 m. The EUR 10 m difference between the share of net assets acquired from the non-controlling shareholders and the purchase price of the additional shares was offset in revenue reserves.

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 prepare full annual financial statements and a management report in accordance with the rules for corporations set out in §§ 264 ff. HGB and to have them audited and publish them.

45 COMPANIES EXEMPT FROM THE DUTY TO PREPARE FINANCIAL STATEMENTS AS PERMITTED BY § 264 (3) HGB

Name	Location
Cleaning Enterprises GmbH	Munich
Commercium Immobilien- und Beteiligungs-GmbH	Munich
Heins & Co. GmbH	Bremen
Hydromotive GmbH & Co. KG	Leuna
Linde Electronics GmbH & Co. KG	Pullach
Linde Engineering Dresden GmbH	Dresden
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach
Linde Gas Therapeutics GmbH	Unterschleissheim
Linde Medical GmbH	Bochum
Linde Remeo Deutschland GmbH	Mahlow
Linde Welding GmbH	Pullach
Martens Schweißtechnik GmbH	Rastede
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf
Selas-Linde GmbH	Pullach
Tega – Technische Gase und Gasetechnik GmbH	Würzburg
Unterbichler Gase GmbH	Munich

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

[5] Foreign currency translation

Transactions in foreign currency are translated into the relevant functional currency of the individual entity on the transaction date. After initial recognition, foreign currency fluctuations relating to monetary items are recognised in profit or loss. For non-monetary items, historic translation rates continue to form the measurement basis. Translation differences arising from the translation of items into the reporting currency continue to be recognised in "Cumulative changes in equity not recognised through the statement of profit or loss". The financial statements of foreign subsidiaries, including any fair value adjustments identified in the course of a purchase price allocation, are translated in accordance with the functional currency concept set out in IAS 21 The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities, contingent liabilities and other financial commitments are translated at the mid-rate on the balance sheet date (closing rate method). Items in the statement of profit or loss and the net income for the year are translated at a rate which approximates to the translation rate on the date of the transaction (the average rate).

Differences arising from the translation of equity are included in the Statement of financial position under the heading "Cumulative changes in equity not recognised through the statement of profit or loss".

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

The financial statements of subsidiaries outside Germany whose functional currency is the currency of a hyperinflationary economy are adjusted for the change in purchasing power arising from the inflation. Since 1 January 2010, Venezuela has been classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. As a result, the activities of Linde in that country are no longer accounted for on a historic cost basis but after adjustments for the effects of inflation. The local inflation index INPC (Indice Nacional de Precios al Consumidor) is used for this purpose.

[6] Currencies

The following principal exchange rates have been used:

46 PRINCIPAL EXCHANGE RATES

		Mid-rate on balance sheet date		Average rate for the year	
Exchange rate € 1 =	ISO code	31.12.2012	31.12.2011	2012	2011
Argentina	ARS	6.48740	5.57540	5.83784	5.74644
Australia	AUD	1.26957	1.26830	1.24172	1.34778
Brazil	BRL	2.70330	2.41410	2.49880	2.32598
Canada	CAD	1.30936	1.32320	1.28724	1.37634
China	CNY	8.22182	8.15510	8.12132	8.99921
Czech Republic	CZK	25.08853	25.59900	25.14343	24.58228
Hungary	HUF	291.37212	315.54000	289.83858	279.35962
Malaysia	MYR	4.03549	4.10740	3.97311	4.25590
Norway	NOK	7.34583	7.74920	7.48773	7.79760
Poland	PLN	4.08320	4.46750	4.18844	4.11901
South Africa	ZAR	11.16087	10.48220	10.53348	10.08627
South Korea	KRW	1,403.63253	1,502.04000	1,450.54184	1,540.82074
Sweden	SEK	8.57786	8.91400	8.71373	9.03115
Switzerland	CHF	1.20834	1.21540	1.20547	1.23315
Turkey	TRY	2.35386	2.44240	2.31719	2.33658
UK	GBP	0.81194	0.83430	0.81264	0.86786
USA	USD	1.31965	1.29570	1.28732	1.39235

[7] Accounting policies

The Group financial statements have been prepared under the historical cost convention, with the exception of derivative financial instruments, available-for-sale financial assets, and plan assets relating to externally funded defined benefit pension obligations, which are stated at their fair values.

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

Recently issued accounting standards

The IASB and IFRIC have revised numerous standards and have issued many new ones in the course of their projects to develop IFRS and achieve convergence with US GAAP. Of these, the following standards are mandatory in the consolidated financial statements of The Linde Group for the year ended 31 December 2012:

- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

These standards had no significant impact on the consolidated financial statements of The Linde Group.

Recently issued accounting standards which have not yet been applied

In addition, the following standards have been issued by the IASB, but have not been applied in the consolidated financial statements of The Linde Group for the year ended 31 December 2012, as they are either not yet effective or have not yet been adopted by the European Union:

- IFRS 9 Financial Instruments,
- IFRS 10 Consolidated Financial Statements,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosures of Interests in Other Entities,
- IFRS 13 Fair Value Measurement,
- IAS 19 Employee Benefits (revised 2011),
- IAS 27 Separate Financial Statements,
- IAS 28 Investments in Associates and Joint Ventures,
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income,
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets,
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities,
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities,
- Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance,
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
- Improvements to IFRSs (2009 – 2011).

IFRS 9

The rules for the recognition and measurement of financial instruments set out in IAS 39 will be replaced by those set out in IFRS 9.

In future, financial assets will be divided into only two classifications: those measured at amortised cost and those measured at fair value. The group of assets measured at amortised cost will comprise those financial assets for which the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and in respect of which the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. All other financial assets are included in a group which is measured at fair value. IFRS 9 contains an option, as before, to designate a financial asset in the first category as measured at fair value through profit or loss if certain conditions apply (the fair value option).

Value changes for financial assets measured at fair value are recognised in profit or loss, except for those equity instruments for which the entity has elected to report value changes in other comprehensive income. However, dividend income relating to these financial assets is recognised in profit or loss.

The rules which apply to financial liabilities are mostly the same as those set out in IAS 39. The most significant difference concerns the recognition of gains and losses on financial liabilities designated as at fair value through profit or loss. In future, such gains and losses will be split into the amount of the change in fair value of the liability that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability, which shall be presented in the statement of profit or loss.

Towards the end of the reporting period, the IASB published an Exposure Draft entitled "Classification and Measurement: Limited amendments to IFRS 9", which proposes the introduction of a third classification of financial assets. According to the Exposure Draft, this third group should comprise financial instruments which are recognised at fair value but in respect of which the value changes are recognised in other comprehensive income. This Exposure Draft is currently open for comment.

IFRS 9 is not expected to become effective until the 2015 financial year and it may result in changes in the classification and measurement of financial assets in the consolidated financial statements of The Linde Group.

IFRS 10, 11 and 12

In IFRS 10, the term "control" is redefined. If one entity controls another entity, the parent entity shall consolidate the subsidiary. Under the new definition, control is established if the potential parent entity has power over the potential subsidiary (investee) as a result of voting rights or other rights, is exposed or has rights to positive or negative variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of its returns.

IFRS 11 sets out new rules for accounting for joint arrangements. Under these new rules, arrangements subject to joint control are classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (the joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. The rights and obligations are recognised in the consolidated financial statements of the joint operator in relation to its interest in the joint operation. In a joint venture, on the other hand, the parties that have joint control of the arrangement (the joint venturers) have rights to the net assets of the arrangement. This right is accounted for in the consolidated financial statements using the equity method. The option of proportionate consolidation in the consolidated financial statements is no longer applicable.

IFRS 12 sets out the disclosure requirements for interests in other entities. This standard requires a much wider range of disclosures than those previously required by the rules set out in IAS 27, IAS 28 and IAS 31.

IFRS 10, IFRS 11 and IFRS 12 will become effective from the 2014 financial year. Early adoption is permitted. The new standards are to be applied retrospectively.

The Linde Group will early adopt IFRS 10, IFRS 11 and IFRS 12 from 1 January 2013. The application of these standards will lead to changes in the companies included in the consolidation and/or changes in the measurement of investments in the consolidated financial statements of The Linde Group. Some joint ventures which have been accounted for to date using the equity method will be included in the consolidated financial statements of The Linde Group, either fully or in accordance with Linde's interest in the joint venture. In the case of the remaining joint ventures, the application of the new standards will not result in a change of treatment. The application of the new standards will lead to an increase in revenue and operating profit. The quantitative effect of the changes described above on the consolidated financial statements of The Linde Group is currently being determined.

IFRS 13

IFRS 13 sets out in a single IFRS a unified framework for measuring fair value in financial statements prepared in accordance with International Financial Reporting Standards. It will apply in future to all other standards that require or permit fair value measurements. Exemptions to IFRS 13 are allowed only in the case of IAS 17 and IFRS 2, with some rules set out in these two standards continuing to apply.

Fair value is defined according to IFRS 13 as the exit price: i. e. the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy for fair value measurements is being introduced, a system which is familiar from the measurement at fair value of financial assets. The three levels identified in the hierarchy are based on the extent to which observable market prices are available in order to determine fair value. The fair values determined under the new rules may differ from those determined under the old rules.

IFRS 13 will become effective from the 2013 financial year. This standard is to be applied prospectively. The Linde Group has concluded bilateral credit support annexes (CSAs) with most of the banks with which financial instruments recognised at fair value are traded, thus minimising the default risk arising from these instruments NOTE [29] FINANCIAL INSTRUMENTS. Linde therefore expects that the application of IFRS 13 will not have a significant impact on the consolidated financial statements of The Linde Group.

IAS 19

The main changes in IAS 19 (revised 2011) relate to the abolition of recognition and measurement options in respect of defined benefit pension plans. The changes here which are relevant to The Linde Group are the abolition of the expected return on plan assets and the introduction of a rate of return for the plan assets which is the same as the discount rate applied to the corresponding defined benefit obligation. This will lead to a net measurement of the net obligation or net asset and to a net interest expense in respect of defined benefit plans. Other changes in IAS 19 (revised 2011) which are relevant to The Linde Group are the recognition in profit or loss of unvested past service cost when it arises, as well as the requirement to make additional disclosures in the Notes to the Group financial statements.

IAS 19 (revised 2011) will become effective from the 2013 financial year. The changes are to be applied retrospectively. IAS 19 (revised 2011) will lead to a slight decrease in the interest income on plan assets recognised in the financial result.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

Revenue recognition

Revenue comprises 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, revenue is recorded on a straight-line basis over the period of the contract.

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

For revenue and earnings recognition relating to lease transactions, see the section below on accounting for leases.

Long-term construction contracts

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

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

Cost of sales

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

Research and development costs

Research costs and development costs which cannot be capitalised are recognised immediately in profit or loss.

Financial result

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

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

Intangible assets

Intangible assets comprise goodwill, customer relationships, brand names, 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. An internally generated intangible asset is recognised if it can be identified as an asset, if it is probable that the future economic benefits that are attributable to the asset will flow to Linde, and if the cost of the asset can be measured reliably. Amortisation of intangible assets is recognised under the heading in the statement of profit or loss which corresponds to its functional features. It is important to determine whether the intangible assets have finite or indefinite useful lives. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet ready for use are not amortised, but are subject instead to an impairment test once a year, or more often if there is any indication that an asset may be impaired.

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

According to IAS 36 Impairment of Assets, goodwill is allocated to the cash-generating unit (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. In the Gases Division, this is the level of the Regional Business Units (RBUs), which are the equivalent of the operating segments before their aggregation into reportable segments. Outside the Gases Division, goodwill is tested for impairment at the level of the reportable segments. The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount. If the carrying amount of the cash-generating unit exceeds the value in use, a test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount. Any impairment losses relating to an intangible asset with an indefinite useful life are recognised in the statement of profit or loss and disclosed in functional costs.

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

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

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

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

Tangible assets

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

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

47 USEFUL LIVES FOR TANGIBLE ASSETS

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

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

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

Associates and joint ventures

Associates and joint ventures are accounted for under the equity method at cost at the date of acquisition. In subsequent periods, the carrying amount is adjusted up or down to reflect Linde's share of the results of operations of the investee. Any distributions received from the investee reduce the carrying amount of the investment. If the losses of an associate or joint venture attributable to The Linde Group equal or exceed the value of the interest held in this associate or joint venture, no further losses are recognised unless the Group incurs an obligation or makes payments on behalf of the associate or joint venture. If there are any indications of impairment in the investments in associates or joint ventures, the carrying amount of the relevant investment is subject to an impairment test. If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the investment is increased to a maximum figure of the share of net assets in the associate or joint venture.

Inventories

Inventories are reported at the lower of acquisition or manufacturing cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Manufacturing cost includes both direct costs and appropriate indirect material and production costs, as well as production-related depreciation charges. Administrative expenses and social costs are included if they can be allocated to production. In addition, for inventories where the purchase or manufacture takes more than one year, the borrowing costs are capitalised. Recognition at manufacturing cost is based on the assumption of normal output. Inventories are generally measured on an average basis or using the FIFO (first in, first out) method.

Financial instruments

Financial assets and liabilities are only recognised in the Group balance sheet when Linde becomes bound by the contractual provisions of the financial instrument.

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

According to IAS 39 Financial Instruments: Recognition and Measurement, financial instruments must be categorised as financial instruments held for trading or at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, or loans and receivables. No financial instruments were reclassified in the 2012 financial year. The Linde Group does not avail itself of the fair value option, whereby financial assets or financial liabilities are classified as at fair value through profit or loss when they are first recognised.

Available-for-sale financial assets include equity instruments and debt instruments. If equity instruments are not held for trading or measured at fair value through profit or loss, they are classified as available-for-sale financial assets. Debt instruments are included in this category if they are held for an unspecified period and can be sold depending on the market situation.

Financial instruments are initially recognised at fair value. Transaction expenses which are directly attributable to the acquisition or issue of financial instruments are only included in the determination of the carrying amount if the financial instruments are not recognised at fair value through profit or loss.

The subsequent measurement of available-for-sale financial assets is based on the separate recognition in equity as other comprehensive income of unrealised gains and losses, inclusive of deferred tax, until they are realised. Equity instruments for which no price is quoted in an active market and for which the fair value cannot be reliably determined are reported at cost. If the fair value of available-for-sale financial assets falls below cost and if there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is transferred to profit or loss. Impairment reversals are recognised in equity for equity instruments and in profit or loss for debt instruments.

Loans and receivables and held-to-maturity financial investments are measured at amortised cost using the effective interest rate method. Where there is objective evidence that the asset is impaired, they are recognised at the present value of expected future cash flows if this is lower than amortised cost. The present value of expected future cash flows is calculated using the original effective interest rate of the financial asset.

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

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

A financial asset is eliminated if Linde loses its contractual entitlement to cash flows from such an asset or if it transfers virtually all the risks and opportunities associated with that financial asset. In the 2012 financial year, no financial assets that would qualify for elimination were transferred by Linde.

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

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

Provisions for pensions and similar obligations

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

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

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

Other provisions

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

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

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

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

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

Cost of sales also includes additions to the provisions for warranties and provisions for onerous contracts. Warranty provisions are established for the estimated cost at the date of sale of that particular product. Provisions for onerous contracts are made in full in the reporting period in which the estimated cost of the particular contract exceeds the expected revenue.

To cover insurance risks, mainly through general and business insurance, insurance contracts are entered into with an insurer outside the Group. The costs arising from these insurance contracts are recognised in functional costs.

In previous years, companies in The Linde Group acted as reinsurers in respect of some of the 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 insurance claims which have arisen by the balance sheet date but which have not yet been settled. Provisions for claims which have been notified by the balance sheet date are based on estimates of the future costs of the claims including loss adjustment expenses. These are set up on the basis of individual obligations. Provisions for claims incurred but not reported (IBNR) at the balance sheet date are set up to take account of the estimated cost of claims. Due to the fact that no information is available about the extent of these claims, estimates are made based on industry experience. The provision is calculated using actuarial and statistical models.

Accounting for leases

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

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

When Linde is the lessee under a finance lease agreement, the assets are disclosed at the beginning of the lease under tangible assets at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, while the corresponding liabilities to the lessor are recognised in the balance sheet as Liabilities from finance leases. When the present value is calculated, the interest rate underlying the lease agreement is used or, if that is not available, the incremental borrowing rate. Depreciation charged on this tangible asset and the reduction of the lease liability are recorded over the lease term. If the useful life of the asset is shorter than the lease term, this should be used to determine the depreciation period instead. Whereas the leased property is depreciated on a straight-line basis over the lease term, the related lease liability is amortised using the effective interest rate method. Over the course of the lease term, this results in a difference between the lease obligation and the carrying amount of the leased property.

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

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

In the case of operating leases or embedded operating leases, if the economic ownership of the leased asset is not transferred to the customer as lessee, but remains with Linde as lessor, the lease income from the operating lease is recognised in revenue on a straight-line basis over the lease term.

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

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

Discretionary decisions and estimates

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

- the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories *NOTES [14], [15] AND [17]*,
- the recognition and measurement of pension obligations *NOTE [23]*,
- the recognition and measurement of Other provisions *NOTE [24]*,
- the assessment of the stage of completion of long-term construction contracts *NOTES [18] AND [27]*,
- the assessment of lease transactions,
- the assessment of assets acquired and liabilities assumed on the formation of business combinations *NOTE [3]*.

Any change in the key factors which are applied in impairment reviews of goodwill, other intangible assets, tangible assets or inventories may possibly result in higher or lower impairment losses or no impairment losses at all being recognised. See *NOTE [14]* for sensitivity information.

The obligation arising from defined benefit pension commitments is determined on the basis of actuarial assumptions. An increase or decrease in the discount rate of 1 percent would lead to a reduction or increase in pension obligations of EUR 1.188 bn or EUR 776 m respectively. An increase or decrease in the inflation assumption of 1 percent would lead to an increase or reduction in pension obligations of EUR 528 m or EUR 946 m respectively. This change in assumptions would have no effect on earnings, as actuarial gains and losses are recognised directly in equity, offset against revenue reserves. During the reporting period, the method for determining the discount rate for defined benefit obligations was refined. This did not lead to any significant changes in the measurement of defined benefit obligations.

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

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

Discretionary decisions are required to be made, for example, in assessing whether all the risks and rewards incidental to the ownership of an asset have in fact been transferred to the lessee. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. If the measurement was made on a different basis, this could lead to a different classification of the plants.

Business combinations require estimates to be made when determining fair values for assets, liabilities and contingent liabilities acquired, as well as for contingent components of the purchase price. The nature of the estimates depends on the measurement methods applied. When discounted cash flow methods are used, primarily to measure intangible assets (but which are also used to calculate contingent consideration), discretionary aspects include the length and breadth of the cash flow and the determination of an appropriate discount rate. If cost-based methods are used, the main discretionary element is the assessment of the comparability of the reference objects with the objects to be measured. When making discretionary decisions about purchase price allocations in the case of significant business combinations, Linde takes advice from experts in the field, who assist in arriving at the decisions and provide reports backing their opinions.

NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS

GENERAL PRINCIPLES <115
NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS 130
NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION >134

[8] Revenue

Revenue is analysed by activity in the segment information in the Group financial statements.

Revenue is derived from the following activities:

48 REVENUE

in € million	2012	2011
Revenue from the sale of goods and services	13,552	11,920
Revenue from long-term construction contracts	1,728	1,867
GROUP	**15,280**	**13,787**

[9] Other operating income and expenses

49 OTHER OPERATING INCOME

in € million	2012	2011
Exchange gains	34	44
Profit on disposal of non-current assets	39	52
Income arising from changes to pension schemes	17	22
Ancillary revenue	16	33
Income from release of provisions	21	25
Financial income from long-term construction contracts	13	11
Income from freestanding foreign currency hedges	10	14
Miscellaneous operating income	138	84
GROUP	**288**	**285**

The heading "Income arising from changes to pension schemes" comprises income from plan settlements in the Americas segment of EUR 14 m and income from plan curtailments in the EMEA segment of EUR 3 m. See NOTE [23] for further information about the Group's pension schemes.

The profit on disposal of non-current assets primarily relates to profits on disposal of land and buildings.

Miscellaneous operating income includes indemnity payments from customers which fell due as a result of the early termination of supply contracts and insurance recoveries.

50 OTHER OPERATING EXPENSES

in € million	2012	2011
Exchange losses	42	49
Expenses from freestanding foreign currency hedges	7	8
Loss on disposal of non-current assets	14	6
Expenses related to pre-retirement part-time work schemes	3	2
Miscellaneous operating expenses	89	115
GROUP	**155**	**180**

Miscellaneous operating expenses in 2011 included an expense of EUR 35 m in compensation for the economic advantage which, according to the Munich public prosecutor's findings, had arisen for the Engineering Division of the Group as a result of possible legal breaches committed by external business partners.

[10] Other information on the Group statement of profit or loss

During the 2012 financial year, personnel costs of EUR 3.096 bn (2011: EUR 2.653 bn) were recognised in functional costs. The increase in the amount is due mainly to the rise in the average number of employees in the course of the financial year. The figures for amortisation and depreciation are given in the segment information.

[11] Financial income and expenses

51 FINANCIAL INCOME

in € million	2012	2011
Expected return on plan assets NOTE [23]	240	254
Finance income from embedded finance leases in accordance with IFRIC 4/IAS 17	21	24
Income from a redemption penalty	–	30
Income from reversal of impairment on financial assets	–	2
Income from investments	40	1
Other interest and similar income	53	48
GROUP	**354**	**359**

Income from investments in 2012 includes dividend payments from a company in which an investment is held of EUR 40 m.

The income of EUR 30 m in 2011 arising from a redemption penalty was in respect of the early repayment of a loan granted in relation to the disposal of BOC Edwards in the 2007 financial year.

52 FINANCIAL EXPENSES

in € million	2012	2011
Interest cost of pension obligations NOTE [23]	254	253
Impairment of financial assets	6	6
Other interest and similar charges	399	391
GROUP	**659**	**650**

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

[12] Taxes on income

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

53 INCOME TAX EXPENSE

in € million	2012	2011
Current tax expense (+) and income (–)	522	382
Tax expense (+) and income (–) relating to prior periods	–59	–27
Deferred tax expense (+) and deferred tax income (–)	–100	20
GROUP	**363**	**375**

Included under the "Tax expense and income relating to prior periods" heading in the 2012 financial year are current tax income of EUR 70 m (2011: EUR 7 m) and a deferred tax expense of EUR 11 m (2011: deferred tax income of EUR 20 m). Of the total amount of deferred tax income, EUR 68 m (2011: EUR 22 m) relates to the change in temporary differences.

The income tax expense disclosed for the 2012 financial year of EUR 363 m is EUR 99 m lower than the expected income tax expense of EUR 462 m, a theoretical figure arrived at by applying the German tax rate of 27.4 percent (2011: 27.4 percent) to Group earnings before taxes on income. Tax effects recognised directly in equity are shown in detail in NOTE [22].

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

54 EXPECTED AND DISCLOSED TAX EXPENSE

in € million	2012	2011
Earnings before taxes on income	1,687	1,619
Income tax rate of Linde AG (including trade tax) *(in %)*	27.4	27.4
EXPECTED INCOME TAX EXPENSE	**462**	**443**
Foreign tax rate differential	–30	–33
Effect of associates	–22	–18
Reduction in tax due to tax-free income	–57	–52
Increase in tax due to non-tax-deductible expenses	43	40
Tax expense and income relating to prior periods	–59	–27[1]
Effect of changes in tax rate	–33	–38
Change in other permanent differences	37	40[1]
Other	22	20
INCOME TAX EXPENSE DISCLOSED	**363**	**375**
Effective tax rate *(in %)*	21.5	23.2

[1] The allocation of the prior-year figures has been adjusted.

In the 2012 financial year, the corporate income tax rate in Germany was 15.0 percent (2011: 15.0 percent). Taking into account an average rate for trade earnings tax of 11.6 percent (2011: 11.6 percent) and the solidarity surcharge (0.8 percent in both 2012 and 2011), this gives a tax rate for German companies of 27.4 percent (2011: 27.4 percent). The rate used to calculate deferred tax for German companies was 27.4 percent (2011: 27.4 percent).

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

Temporary differences relating to investments in subsidiaries of EUR 129 m (2011: 116 m) have not led to the recognition of deferred tax, either because the differences are not expected to reverse in the near future as a result of their realisation (due to distributions or the disposal of the company) or the profits are not subject to taxation.

In the reporting period, other changes consists of an expense arising from a change in the valuation allowance of EUR 22 m (2011: EUR 9 m).

55 DEFERRED TAX ASSETS AND LIABILITIES

in € million	2012 Deferred tax assets	2012 Deferred tax liabilities	2011 Deferred tax assets	2011 Deferred tax liabilities
Intangible assets	9	975	8	888
Tangible assets	219	982	175	811
Financial assets	80	168	77	150
Current assets	481	590	505	440
Provisions	324	253	210	219
Liabilities	724	653	684	838
Tax loss carryforwards and tax credits	67	–	43	–
Amounts offset	–1,435	–1,435	–1,334	–1,334
	469	**2,186**	**368**	**2,012**

The tax credits in the 2012 financial year relate mainly to investment incentives, as in the prior year.

Deferred tax assets of EUR 219 m (2011: 132 m) were disclosed in equity not affecting profit or loss. Of this amount, EUR 201 m (2011: 121 m) related to provisions and EUR 18 m (2011: EUR 11 m) related to current assets.

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 423 m (2011: EUR 202 m) was therefore reduced by EUR 73 m (2011: EUR 54 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 400 m (2011: EUR 192 m) and deductible temporary differences of EUR 23 m (2011: EUR 10 m) will be utilised. Of the revised figure for total potential reductions in the tax base of EUR 400 m (2011: EUR 192 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 69 m (2011: EUR 33 m) may be carried forward for up to ten years and EUR 331 m (2011: EUR 159 m) may be carried forward for longer than ten years.

56 TAX LOSS CARRYFORWARDS

in € million	2012	2011
May be carried forward for up to 10 years	46	45
May be carried forward for longer than 10 years	13	–
May be carried forward indefinitely	286	199
	345	**244**

The increase in tax loss carryforwards is mainly due to additions in Brazil and in the United States. There are also tax loss carryforwards relating to US state tax of EUR 230 m (2011: EUR 23 m). The main reason for the increase in this figure is the Lincare acquisition.

Distributions to Linde AG shareholders do not have any impact on taxes on income at the level of Linde AG.

[13] Earnings per share

57 EARNINGS PER SHARE

in € million	*2012*	*2011*
Profit for the year attributable to Linde AG shareholders	1,250	1,174
Shares in thousands		
Weighted average number of shares outstanding	177,853	170,649
Dilution as a result of share option schemes	1,394	1,599
Weighted average number of shares outstanding – diluted	179,247	172,248
EARNINGS PER SHARE *in €* – **UNDILUTED**	**7.03**	**6.88**
EARNINGS PER SHARE *in €* – **DILUTED**	**6.97**	**6.82**

Included in the figure for diluted earnings per share is the issue of shares relating to the employee share option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (fully diluted), on a weighted basis until the date they are exercised.

See NOTE [40] for the calculation of the adjusted earnings per share.

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

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[14] Goodwill / Other intangible assets

Movements in the intangible assets of The Linde Group during the 2012 financial year and in the previous year were as follows:

58 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACQUISITION COST

in € million	*Goodwill*	*Customer relationships*	*Brands*	*Other intangible assets*	*Total*
AT 1 JAN. 2011	**7,806**	**3,317**	**437**	**919**	**12,479**
Currency adjustments	43	10	–1	2	54
Additions due to acquisitions	26	9	–	–	35
Additions	–	–	–	67	67
Disposals	–	–	–	10	10
Transfers	–	–	–	2	2
Reclassification as assets held for sale	–	–	–	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**7,875**	**3,336**	**436**	**980**	**12,627**
Currency adjustments	–118	3	–2	–3	–120
Additions due to acquisitions	2,871	249	95	151	3,366
Additions	–	–	–	102	102
Disposals	–	–	–	2	2
Transfers	–1	1	–	12	12
Reclassification as assets held for sale	–	–	–	–1	–1
AT 31 DEC. 2012	**10,627**	**3,589**	**529**	**1,239**	**15,984**

59 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACCUMULATED AMORTISATION

in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
AT 1 JAN. 2011	**7**	**579**	**63**	**525**	**1,174**
Currency adjustments	–	11	4	3	18
Additions due to acquisitions	–	–	–	–	–
Amortisation	–	142	44	87	273
Impairments	–	–	–	3	3
Reversal of impairments	–	–	–	–	–
Disposals	–	–	–	10	10
Transfers	–	–	–	1	1
Reclassification as assets held for sale	–	–	–	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**7**	**732**	**111**	**609**	**1,459**
Currency adjustments	–	–3	–1	–	–4
Additions due to acquisitions	–	–	–	–	–
Amortisation	–	191	39	97	327
Impairments	–	1	–	14	15
Reversal of impairments	–	–	–	–	–
Disposals	–	–	–	9	9
Transfers	–	–	–	–3	–3
Reclassification as assets held for sale	–	–	–	–1	–1
AT 31 DEC. 2012	**7**	**921**	**149**	**707**	**1,784**
NET BOOK VALUE AT 31 DEC. 2012	**10,620**	**2,668**	**380**	**532**	**14,200**
NET BOOK VALUE AT 31 DEC. 2011	**7,868**	**2,604**	**325**	**371**	**11,168**

In the statement of financial position at 31 December 2012, the total figure for goodwill is EUR 10.620 bn (2011: EUR 7.868 bn). Of this amount, EUR 4.843 bn relates to the acquisition of The BOC Group in the 2006 financial year, EUR 3.064 bn relates to other acquisitions in previous financial years and EUR 2.713 bn relates to acquisitions in the 2012 financial year. The acquisitions in the 2012 financial year include goodwill of EUR 2.448 bn for the purchase of US homecare provider Lincare and EUR 248 m for the acquisition of Air Products' Continental European homecare business. The goodwill arising from the acquisition of the AGA Group in 1999 was EUR 2.167 bn at the balance sheet date.

The total net book value of trademarks acquired in the course of acquisitions was EUR 380 m at the balance sheet date. The brand names acquired in the course of the BOC acquisition and other acquisitions have been classified as intangible assets with finite useful lives since the 2011 financial year. These brand names are amortised on a straight-line basis over a period of twelve years. At 31 December 2012, their net book value was EUR 287 m (2011: EUR 325 m). The brand names acquired in the course of the Lincare acquisition have indefinite useful lives. The net book value of these brand names at 31 December 2012 was EUR 93 m.

During the financial year, impairment losses of EUR 14 m (2011: EUR 3 m) were recognised in respect of Other intangible assets. These impairment losses relate principally to purchase rights relating to products in the solar industry.

Most of the amortisation expense of EUR 327 m for intangible assets with finite useful lives is disclosed as part of functional costs in marketing and selling expenses.

Additions to Other intangible assets during the financial year include development costs of EUR 10 m (2011: EUR 10 m) related to internally generated software solutions for the Group's own use in the SAP environment. Furthermore there were more of EUR 7 m which were the development costs for internally generated sales-related software applications. At the balance sheet date, the assets concerned were still in development and have therefore not yet been amortised.

An impairment test of goodwill was carried out at 30 September 2012. No impairment losses were recognised as a result.

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

- A detailed five-year plan was used as the basis for the calculation of the cash flows. The growth rates assumed for the detailed planning period are based on the latest estimates from international economic research institutes regarding trends in gross domestic product in the relevant Regional Business Unit and take into account current expectations regarding future business trends. For subsequent periods, an annual growth rate below those determined in the detailed planning period was assumed, which was based on long-term expectations for inflation and was between 1 and 2 percent.
- The corporate planning was complemented by an examination of alternative scenarios concerning the potential development of The Linde Group. These scenarios were also used for the purpose of the impairment test. The main aspects to be taken into account in the alternative scenarios are an increase in WACC of 1 percentage point and a decrease in the growth rates in the perpetual annuity of 1 percentage point respectively. Even if these changes in parameters were to be adopted, there would be no need to recognise impairment losses in respect of goodwill.
- At the level of the South America cash-generating unit an increase of 1.5 percentage points in Linde's WACC would result in the value in use equalling the carrying amount. In the remaining CGUs, if this increase in WACC were applied, the value in use would still significantly exceed the carrying amount.
- A decrease in Linde's operating profit margin of 3.2 percentage points over all periods including perpetuity would result in the value in use equalling the carrying amount at the level of CGU South America. Assuming the same percentage decline in operating profit in the remaining CGUs in the Gases Division, the value in use would still significantly exceed the carrying amount.

A detailed five-year plan was used as the basis for the calculation of the cash flows. Revenue figures included in this plan are based on average annual rates of increase (depending on the CGU) of between 2.7 percent and 18.7 percent. The average annual growth rates assumed for operating profit were between 3.4 percent and 20.4 percent, except in the Engineering Division, where the assumptions made were more conservative. These growth rates relate mainly to projects in respect of which contracts have already been agreed and on which a not inconsiderable amount of work may already have been done. They are therefore subject to only a moderate forecasting risk.

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

60 ASSUMPTIONS FOR THE IMPAIRMENT TEST OF GOODWILL

	Book value of allocated goodwill	Pre-tax WACC based on region-specific premiums and discounts at impairment test date 30.09.2012	Post-tax WACC based on region-specific premiums and discounts at impairment test date 30.09.2012	Long-term growth rate
	at 31.12.2012	in percent	in percent	in percent
EMEA				
RBU Africa & UK	1,200	7.8	6.1	1.5
RBU Continental & Northern Europe	2,977	7.3	5.7	1.0
RBU Eastern Europe & Middle East	428	8.8	7.8	2.0
ASIA/PACIFIC				
RBU Greater China	219	7.3	6.4	2.0
RBU South & East Asia	392	9.6	7.7	2.0
RBU South Pacific	1,342	7.6	5.6	1.0
AMERICAS				
RBU North America[1]	3,373	7.7	5.4	1.0
RBU South America	111	12.4	9.5	2.0
ENGINEERING DIVISION	**270**	**14.0**	**10.1**	**1.5**
OTHER ACTIVITIES	**308**	**8.8**	**7.0**	**1.5**
TOTAL	**10,620**			

[1] The goodwill arising on the Lincare acquisition is included in RBU North America. As at 30 September 2012, the allocation of the Lincare goodwill to the cash-generating units had not yet been completed. Therefore, the impairment test conducted at that date did not include a review of the goodwill arising on the Lincare acquisition.

[15] Tangible assets

Movements in the tangible assets of The Linde Group in the 2012 financial year were as follows:

61 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACQUISITION COST

in € million	*Land, land rights and buildings*	*Technical equipment and machinery*	*Fixtures, furniture and equipment*	*Plants under construction*	*Total*
AT 1 JAN. 2011	**2,573**	**17,000**	**1,271**	**1,020**	**21,864**
Currency adjustments	30	103	–	9	142
Additions due to acquisitions	9	38	1	1	49
Additions	52	380	63	797	1,292
Disposals	39	169	27	2	237
Transfers	56	740	24	–804	16
Reclassification as assets held for sale	–	–	–	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**2,681**	**18,092**	**1,332**	**1,021**	**23,126**
Currency adjustments	39	86	22	–7	140
Additions due to acquisitions	37	499	18	9	563
Additions	32	397	67	1,354	1,850
Disposals	18	246	38	16	318
Transfers	78	695	93	–873	–7
Reclassification as assets held for sale	–22	–7	–1	–	–30
AT 31 DEC. 2012	**2,827**	**19,516**	**1,493**	**1,488**	**25,324**

62 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACCUMULATED DEPRECIATION

in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
AT 1 JAN. 2011	**1,136**	**11,017**	**979**	**9**	**13,141**
Currency adjustments	17	87	2	7	113
Additions due to acquisitions	3	17	2	–	22
Depreciation	74	847	91	–	1,012
Impairments	1	21	–	1	23
Reversal of impairments	3	8	–	–	11
Disposals	29	160	27	–	216
Transfers	4	15	–6	–1	12
Reclassification as assets held for sale	–	–	–	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**1,203**	**11,836**	**1,041**	**16**	**14,096**
Currency adjustments	27	94	15	1	137
Additions due to acquisitions	–	–	–	–	–
Depreciation	80	992	93	–	1,165
Impairments	1	20	–	10	31
Reversal of impairments	–	–	–	–	–
Disposals	13	221	39	–	273
Transfers	16	–41	32	–4	3
Reclassification as assets held for sale	–15	–7	–1	–	–23
AT 31 DEC. 2012	**1,299**	**12,673**	**1,141**	**23**	**15,136**
NET BOOK VALUE AT 31 DEC. 2012	**1,528**	**6,843**	**352**	**1,465**	**10,188**
NET BOOK VALUE AT 31 DEC. 2011	**1,478**	**6,256**	**291**	**1,005**	**9,030**

Tangible assets include leased land, land rights and buildings, technical equipment and machinery, and fixtures, with a carrying amount totalling EUR 86 m (2011: EUR 45 m). Due to the form of the underlying finance leases, these tangible assets are attributable to The Linde Group in its capacity as the economic owner of the assets. Of the total of EUR 86 m, EUR 33 m (2011: EUR 30 m) relates to land, land rights and buildings, EUR 4 m (2011: EUR 8 m) to technical equipment and machinery and EUR 49 m (2011: EUR 7 m) to vehicles. The increase in leased vehicles is mainly as a result of the acquisition of Lincare.

Also included in tangible assets is technical equipment held under embedded operating leases. Of the total minimum lease payments from such embedded operating leases, EUR 29 m is due within one year (2011: EUR 15 m), EUR 251 m is due within one to five years (2011: EUR 57 m) and EUR 1.185 bn is due in more than five years (2011: EUR 124 m).

Impairment tests were based on the recoverable amount of the assets tested, whereby generally the value in use was applied. The discount rates used (WACC) are based on those used in the impairment test for goodwill. Impairment losses of EUR 31 m were recognised in respect of tangible assets in 2012 (2011: EUR 23 m), mainly due to lower profit expectations. The impairment losses related mainly to production plants and were allocated to the following reportable segments of The Linde Group: EUR 28 m (2011: EUR 21 m) to EMEA, EUR 2 m (2011: EUR 0 m) to Asia/Pacific and EUR 1 m (2011: EUR 2 m) to the Americas.

There were no reversals of impairment losses in 2012, whereas in 2011 reversals of impairment losses totalled EUR 11 m.

Borrowing costs for construction periods over one year of EUR 44 m (2011: EUR 31 m) were capitalised, based on an interest rate of 3.7 to 5.6 percent (2011: 4.5 to 4.9 percent).

The cost of tangible assets was reduced in the 2012 financial year by government grants for air separation plants of EUR 6 m (2011: EUR 3 m).

Land, land rights and buildings of EUR 87 m (2011: EUR 89 m) were pledged as security.

[16] Investments in associates and joint ventures / Other financial assets

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

63 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACQUISITION COST

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans[1]
AT 1 JAN. 2011	**688**	**101**	**258**
Currency adjustments	45	1	7
Additions due to acquisitions	–	–	–
Additions	97	13	16
Disposals	37	–	51
Transfers	–29	–12	1
Reclassification as assets held for sale	–	–	–
AT 31 DEC. 2011 / 1 JAN. 2012	**764**	**103**	**231**
Currency adjustments	–10	–	–1
Additions due to acquisitions	1	–	–
Additions	109	1	35
Disposals	38	1	60
Transfers	–1	–10	–
Reclassification as assets held for sale	–	–	–
AT 31 DEC. 2012	**825**	**93**	**205**

[1] EUR 192 m (2011: EUR 220 m) of the non-current loans relates to loans to associates and joint ventures.

64 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACCUMULATED IMPAIRMENTS

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans
AT 1 JAN. 2011	**10**	**21**	**–**
Currency adjustments	–	–	–
Additions due to acquisitions	–	–	–
Impairments	–	1	1
Disposals	–	–	–
Transfers	–	–6	–
AT 31 DEC. 2011 / 1 JAN. 2012	**10**	**16**	**1**
Currency adjustments	–	–	–
Additions due to acquisitions	–	–	–
Impairments	–	–	–
Disposals	–	1	–
Transfers	–1	–	–
AT 31 DEC. 2012	**9**	**15**	**1**
NET BOOK VALUE AT 31 DEC. 2012	**816**	**78**	**204**
NET BOOK VALUE AT 31 DEC. 2011	**754**	**87**	**230**

65 NET BOOK VALUE OF FINANCIAL ASSETS

	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans	Strategic liquidity reserve	Total
NET BOOK VALUE AT 31 DEC. 2012	816	78	204	–	1,098
NET BOOK VALUE AT 31 DEC. 2011	754	87	230	601	1,672

There were unrecognised gains of EUR 1 m at 31 December 2012 relating to investments in associates and joint ventures (2011: unrecognised gains of EUR 2 m). In addition, there were charge-free guarantee agreements at the balance sheet date in respect of associates and joint ventures of EUR 16 m (2011: EUR 28 m). These are disclosed as contingent liabilities in NOTE [38].

Associates and joint ventures are listed in NOTE [41]. The aggregate amounts of the share of net assets and results of operations of the associates and joint ventures were as follows:

66 STATEMENT OF FINANCIAL POSITION

in € million	Investments in associates and joint ventures (at equity) 31.12.2012	31.12.2011
Non-current assets	1,328	1,358
Inventories	13	7
Other current assets	142	152
Cash and cash equivalents	72	61
TOTAL ASSETS	1,555	1,578
Equity excluding non-controlling interests	601	535
Non-current liabilities	791	868
Current liabilities	163	175
TOTAL EQUITY AND LIABILITIES	1,555	1,578

67 STATEMENT OF PROFIT OR LOSS

in € million	Investments in associates and joint ventures (at equity) 2012	2011
Revenue	535	464
Cost of sales	381	371
GROSS PROFIT	154	93
Other operating income and expenses	–40	5
PROFIT FROM OPERATIONS	114	98
Financial result	16	18
PROFIT BEFORE TAX	130	116
Income tax expense	30	23
PROFIT FOR THE YEAR	100	93

[17] Inventories

68 INVENTORIES

in € million	31.12.2012	31.12.2011
Raw materials and supplies	101	103
Work in progress, unfinished goods and services	207	238
Finished goods	474	447
Merchandise	204	159
Payments in advance to suppliers	112	89
GROUP	1,098	1,036

At 31 December 2012, an aggregate amount of EUR 91 m was recognised as an inventory allowance (2011: EUR 88 m).

[18] Receivables from finance leases, Trade receivables, Other receivables and assets and Income tax receivables

69 RECEIVABLES AND OTHER ASSETS

in € million	Current		Non-current		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
RECEIVABLES FROM FINANCE LEASES	47	50	244	302	291	352
Receivables from percentage of completion contracts	222	102	–	–	222	102
Other trade receivables	2,377	1,928	–	–	2,377	1,928
TRADE RECEIVABLES	2,599	2,030	–	–	2,599	2,030
Other tax receivables	211	175	40	22	251	197
Derivatives with positive fair values	99	129	202	87	301	216
Prepaid pension costs	–	–	275	327	275	327
Miscellaneous receivables and assets	399	254	75	90	474	344
OTHER RECEIVABLES AND OTHER ASSETS	709	558	592	526	1,301	1,084
INCOME TAX RECEIVABLES	181	97	4	5	185	102

Receivables from finance leases

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

The data relating to receivables from finance leases is as follows:

70 RECEIVABLES FROM FINANCE LEASES

in € million	31.12.2012	31.12.2011
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	359	440
due within one year	65	71
due in one to five years	219	248
due in more than five years	75	121
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	291	352
due within one year	47	50
due within one to five years	178	195
due in more than five years	66	107
UNEARNED FINANCE INCOME INCLUDED IN THE MINIMUM LEASE PAYMENTS	68	88

Receivables from percentage of completion contracts

Receivables from percentage of completion (PoC) contracts comprise the aggregate amount of costs incurred and recognised profits, less advance payments received.

At the balance sheet date, costs incurred and profits recognised on long-term construction contracts amounted to EUR 3.535 bn (2011: EUR 4.450 bn), offset against advance payments of EUR 3.788 bn (2011: EUR 4.888 bn), giving rise to receivables of EUR 222 m (2011: EUR 102 m) and liabilities of EUR 475 m (2011: EUR 540 m).

Other trade receivables

Other trade receivables are due from a large number of customers in a wide variety of industry sectors and many different regions. To assess the recoverability of accounts receivable, the creditworthiness of customers is subject to constant review. Credit loss insurance is taken out if required.

71 FINANCIAL ASSETS PAST DUE BUT NOT IMPAIRED

2012, in € million	30–60 days	60–90 days	90–180 days	>180 days
Trade receivables	85	42	10	12
Miscellaneous receivables and assets	–	–	–	–
2011, in € million				
Trade receivables	55	24	5[1]	7[1]
Miscellaneous receivables and assets	1	–	–	–

[1] Adjusted

In the case of financial assets which are neither past due nor impaired, there were no indications at the balance sheet date of any potential impairment.

[19] Securities

Short-term securities fell during the reporting period from EUR 1.073 bn to EUR 823 m. The decrease was mainly as a result of the Group financing its acquisitions in 2012.

There were held-to-maturity securities at the balance sheet date of EUR 11 m (2011: EUR 10 m). Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set.

[20] Cash and cash equivalents

Cash and cash equivalents of EUR 1.218 bn (2011: EUR 1.000 bn) comprise mainly cash at banks and money market funds which have maturities of three months or less.

72 CASH AND CASH EQUIVALENTS

in € million	31.12.2012	31.12.2011
Bank balances	661	431
Money market funds	477	488
Cheques	4	2
Cash	2	2
Cash equivalents	74	77
GROUP	**1,218**	**1,000**

The Linde Group concludes Credit Support Annexes (CSAs) with banks to reduce counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The amount disclosed in cash equivalents as a result of these agreements was EUR 24 m (2011: EUR 45 m).

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

Non-current assets classified as held for sale and disposal groups comprises land and buildings from the EMEA reportable segment. It is highly probable that these assets will be sold in their current condition within a period of twelve months from the date of their reclassification. No impairment losses were recognised when the assets were reclassified under this heading.

[22] Equity

73 EQUITY

in €	31.12.2012	31.12.2011
Capital subscribed	474,176,962.56	437,917,186.56
Nominal value of own shares	93,204.48	–
ISSUED SHARE CAPITAL	**474,270,167.04**	**437,917,186.56**
AUTHORISED CAPITAL (TOTAL)	**57,119,265.28**	**100,000,000.00**
Authorised Capital I	20,000,000.00	20,000,000.00
Authorised Capital II	37,119,265.28	80,000,000.00[1]
CONDITIONALLY AUTHORISED CAPITAL (TOTAL)	**103,603,404.80**	**96,742,446.08**
2002 conditionally authorised capital	2,221,189.12	3,988,958.72
2007 conditionally authorised capital	6,142,215.68	7,753,487.36
2010 conditionally authorised capital	85,000,000.00	85,000,000.00
2012 conditionally authorised capital	10,240,000.00	–

[1] At the Annual General Meeting on 4 May 2012, Authorised Capital II of EUR 80,000,000 was abolished and it was resolved to create a new Authorised Capital II of EUR 70,000,000.

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 474,176,962.56 and is fully paid up. It is divided into 185,225,376 shares at a notional par value of EUR 2.56 per share. The shares are bearer shares. Each share, with the exclusion of 36,408 own shares held by the company at 31 December 2012 (§ 71b of the German Stock Corporation Law (AktG)), 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 2012 financial year, 690,535 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 1,767,769.60. As a result of the issue of 629,403 new shares out of 2007 conditionally authorised capital to service the Long Term Incentive Plan, share capital increased by EUR 1,611,271.68.

The company increased its share capital in the 2012 financial year against cash contributions, using part of Authorised Capital II, with exclusion of the subscription rights of shareholders. 12,844,037 new shares were issued. Share capital increased by EUR 32,880,734.72. The capital increase became effective when it was recorded in the commercial register on 12 July 2012.

Overall, share capital in the 2012 financial year increased by EUR 36,259,776.00 from EUR 437,917,186.56 to EUR 474,176,962.56, divided into 185,225,376 shares.

74 NUMBER OF SHARES

	2012	2011
NUMBER OF SHARES AT 1 JAN.	**171,061,401**	**170,296,941**
Exercise of Management Incentive Programme (MIP 2002)	690,535	412,015
Exercise of Long Term Incentive Plan (LTIP 2007)	629,403	352,445
Increase in share capital	12,844,037	–
NUMBER OF SHARES AT 31 DEC.	**185,225,376**	**171,061,401**
Own shares	36,408	–
NUMBER OF SHARES OUTSTANDING AT 31 DEC.	**185,188,968**	**171,061,401**

Authorised capital

At 31 December 2012, the authorised capital comprised the following:

Authorised Capital I:

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

Authorised Capital II:
At the Annual General Meeting held on 4 May 2012, the authorisation provided to the Executive Board, with the approval of the Supervisory Board, at the Annual General Meeting on 5 June 2007 to increase the capital subscribed of the company by up to EUR 80,000,000.00 until 4 June 2012 was revoked, and Authorised Capital II which was based on a resolution passed at the Annual General Meeting on 5 June 2007 in accordance with Article 3.7 of the articles of association was abolished.

As a result of a resolution passed at the Annual General Meeting on 4 May 2012, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 70,000,000.00 until 3 May 2017 by issuing, on one or more occasions, up to 27,343,750 new bearer shares at a notional par value of EUR 2.56.

After effecting the ordinary capital increase in the 2012 financial year out of Authorised Capital II, the Executive Board was also authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 37,119,265.28 until 3 May 2017 against cash or non-cash contributions by issuing, on one or more occasions, up to 14,499,713 new bearer shares at a notional 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 options or convertible bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of the capital subscribed which relates to those shares which are used to service the options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with §186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or on the formation of business combinations. 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 2012 comprised the following:

2002 conditionally authorised capital:

The issued share capital can be increased by up to EUR 2,221,189.12, divided into 867,652 new shares with a notional par value of EUR 2.56, if certain conditions are met. It was resolved at the Annual General Meeting on 14 May 2002 to create conditionally authorised capital of EUR 15,360,000.00, divided into 6,000,000 new shares. The Executive Board was authorised, with the approval of the Supervisory Board, to issue by 14 May 2007 up to 6,000,000 subscription rights to shares to members of the Executive Board of the company, members of the management boards of affiliated companies as defined by §§ 15 ff. of the German Stock Corporation Law (AktG) and to selected executives, each with a term of seven years (Management Incentive Programme). The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board at the Annual General Meeting on 14 May 2002, exercise their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

In the 2012 financial year, options under the Management Incentive Programme were exercised. As a result, 2002 conditionally authorised capital was reduced by EUR 1,767,769.60, from EUR 3,988,958.72 to EUR 2,221,189.12, divided into 867,652 shares. The issued share capital increased in 2012 as a result.

2007 conditionally authorised capital:

The issued share capital can be increased by up to EUR 6,142,215.68 by the issue of up to 2,399,303 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met. The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other executives in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies, in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007 (Long Term Incentive Plan). The conditionally authorised share capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares. The new shares will participate in profit from the beginning of the financial year in which they are issued. If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year.

In the 2012 financial year, options from the Long Term Incentive Plan were exercised. As a result, the 2007 conditionally authorised share capital was reduced by EUR 1,611,271.68, from EUR 7,753,487.36 to EUR 6,142,215.68, divided into 2,399,303 shares. The issued share capital increased in 2012 as a result.

2010 conditionally authorised capital:

The issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2010 conditionally authorised capital). The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds or warrant-linked bonds, both existing bonds and in addition convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, exercise their conversion or option rights or (ii) if the holders and obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 3 May 2015, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 4 May 2010, settle their conversion obligation, 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.

2012 conditionally authorised capital:
The issued share capital can be increased by up to EUR 10,240,000.00 by the issue of up to 4,000,000 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital). The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company, members of the executive bodies of affiliated companies within Germany and outside Germany and to selected executives in the company and in affiliated companies within Germany and outside Germany in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 4 May 2012 (Long Term Incentive Plan 2012). 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 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.

Authorisation to purchase own shares:
The Executive Board is authorised until 3 May 2017 by a resolution passed at the Annual General Meeting on 4 May 2012 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

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

The own shares acquired under this authorisation may:

- be sold via the stock exchange or by an offer to all shareholders,
- with the approval of the Supervisory Board, also be sold otherwise,
- with the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies, and on the formation of business combinations,
- be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
- be granted, in the case of a sale of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation,
- be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8),
- be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7), or be redeemed, with the approval of the Supervisory Board,
- 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 4 May 2012 (agenda item 8),
- be issued to members of the Executive Board and to persons currently or formerly employed by the company, and to members of executive bodies of Linde's affiliated companies, or be used to service the rights or obligations to purchase own shares attributable to the persons named heretofore or
- be redeemed, with the approval of the Supervisory Board.

On 14 December 2012, the company purchased 36,408 shares at an average price of EUR 134.0481, on the basis of the resolution passed at the Annual General Meeting on 4 May 2012. The total price was EUR 4,880,423.22. Own shares comprised EUR 93,204.48 (or 0.02 percent) of capital subscribed. The shares are being used to fulfil the rights to transfer shares of the company under the Matching Share Plan to all participants in the plan, including the members of the Executive Board.

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. In 2012, transaction costs of EUR 9 m relating to the capital increase were recognised in the capital reserve.

Revenue reserves

Included under this heading are the past earnings of the companies included in the Group financial statements, to the extent that these have not been distributed. In addition, actuarial gains and losses relating to pension provisions are allocated directly to revenue reserves and form a component thereof. This makes it quite clear that these amounts will not be transferred to profit or loss in future periods.

In the 2012 financial year, a total amount of EUR 500 m was offset against revenue reserves. This was partly the result of the Group increasing its stake in its subsidiary Abelló Linde, Barcelona, Spain, in which an additional 15 percent of the shares was acquired. In addition, an amount of EUR 490 m was offset against revenue reserves which related to the purchase of non-controlling interests in the course of the Lincare acquisition. The amount offset against revenue reserves is the difference between the purchase price of the additional shares and the share of net assets relating to the non-controlling interests.

In addition, a deferred tax asset of EUR 81 m (2011: deferred tax asset of EUR 48 m) was recognised in the movement in revenue reserves as a result of actuarial gains and losses and the effect of the limit on a defined benefit asset (asset ceiling as set out in IAS 19.58).

Cumulative changes in equity not recognised through the statement of profit or loss

Disclosed under this heading are the differences arising on the translation of the financial statements of foreign subsidiaries and gains or losses on the remeasurement of securities and financial instruments, accounted for in equity rather than being recognised in the statement of profit or loss.

Movements in Cumulative changes in equity not recognised through the statement of profit or loss were as follows:

75 MOVEMENTS IN CUMULATIVE CHANGES IN EQUITY NOT RECOGNISED THROUGH THE STATEMENT OF PROFIT OR LOSS

	2012			2011		
in € million	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Movement in currency translation differences	–202	–	–202	138	–	138
Movement in unrealised gains/losses on available-for-sale financial assets	–5	1	–4	6	–1	5
Movement in accumulated unrealised gains/losses	–5	1	–4	6	–1	5
Realised gains/losses	–	–	–	–	–	–
Movement in unrealised gains/losses on derivative financial instruments	76	6	82	–116	9	–107
Movement in accumulated unrealised gains/losses	95	1	96	–108	7	–101
Realised gains/losses	–19	5	–14	–8	2	–6

Non-controlling interests

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

76 NON-CONTROLLING INTERESTS

in € million	31.12.2012	31.12.2011
BOC Lienhwa Industrial Gases Co. Ltd., Taiwan	232	218
African Oxygen Limited, South Africa	93	107
MIG Production Co. Ltd., Thailand	34	33
Saudi Industrial Gas Co. Ltd., Saudi Arabia	27	30
Linde Gas Algérie S. p. A., Algeria	25	24
Linde Engineering Dalian Co. Ltd., China	20	18
BOC India Ltd., India	19	19
Linde-Huayi (Chongqing) Gases Co. Ltd. China	17	17
Linde Dahua (Dalian) Gases Co., Ltd.	14	–
BOC Bangladesh Ltd., Bangladesh	8	8
Various other companies	75	66
	564	540

Capital employed

To ensure the medium-term and long-term success of the Group, return on capital employed (ROCE) is used as the core performance indicator. Capital employed is defined for this purpose as the average of the figures at the balance sheet date for the current financial year and the prior financial year:

CAPITAL EMPLOYED

Equity

\+

Financial debt

\+

Liabilities from finance leases

\+

Net pension obligations

–

Cash & cash equivalents and securities

–

Receivables from finance leases

The return figure used in the calculation of ROCE comprises EBIT before non-recurring items plus the share of income from associates and joint ventures. Adjusted ROCE is calculated by additionally eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation (PAGE 42 in the Group management report). See NOTE [40] for information about the calculation of ROCE.

[23] Provisions for pensions and similar obligations

77 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in € million	31.12.2012	31.12.2011
Provisions for pensions	1,079	912
Provisions for similar obligations	26	26
TOTAL PROVISIONS	**1,105**	**938**
Pension assets	275	327

Pension provisions are recognised in accordance with IAS 19 Employee Benefits for obligations relating to future benefits and current benefits payable to 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 fiscal conditions applicable in each country. These are generally based on the remuneration and length of service of the employees.

The provisions for similar obligations include bridging payments in Germany as well as other obligations.

Occupational pension schemes can be either defined contribution or defined benefit schemes. In the case of defined contribution plans, the company incurs no obligation other than the payment of contributions to an external pension fund. The total of all pension costs relating to defined contribution plans in 2012 was EUR 162 m (2011: EUR 124 m). Of this amount, contributions to state pension schemes in 2012 totalled EUR 87 m (2011: EUR 66 m).

In the case of defined benefit plans GLOSSARY, the company's obligation is to meet the defined benefit commitments to current and former employees. Two different methods can be distinguished: the recognition of provisions for pensions and the use of externally financed pension schemes.

For the external financing of defined benefit obligations, The Linde Group uses standard international models for the transfer of pension assets (e.g. pension funds and contractual trust arrangements). Pension plans financed via external pension funds exist principally in Australia, Canada, Germany, Hong Kong, Ireland, the Netherlands, New Zealand, Norway, South Africa, Spain, Switzerland, the UK and the US.

The amount of the pension obligation (actuarial present value of the defined benefit obligation, or DBO) is calculated using actuarial valuation methods, which require the use of estimates.

In addition to assumptions about mortality and disability, the following assumptions which depend on the economic situation in that particular country are also relevant, so that for countries outside Germany weighted average figures based on the obligation are given:

78 ASSUMPTIONS USED TO CALCULATE THE PROVISIONS FOR PENSIONS

	Germany		UK		Other Europe		USA & Canada		Other countries	
in percent	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Discount rate	3.50	4.60	4.60	4.80	2.04	3.80	2.98	4.72	5.05	5.57
Expected return on plan assets	4.70	5.00	4.80	6.00	4.59	4.99	4.94	5.63	7.71	7.61
Growth in future benefits	2.50	2.50	2.50	2.50	3.49	2.97	3.00	3.00	4.90	4.53
Growth in pensions	2.00	2.00	3.00	3.10	0.95	1.11	1.96	2.14	3.61	2.83

The growth in future benefits comprises expected future increases in salaries, which are estimated annually, taking inflation and the economic situation into account. The information about the sensitivity of individual actuarial parameters is given in NOTE [7] Accounting policies under the heading “Discretionary decisions and estimates”.

The actuarial present value of the pension obligations, calculated on the basis of the projected unit credit method, is reduced by the fair value of the plan assets where these are held in an externally financed pension fund. If the plan assets exceed the obligations from the pension commitments, an asset is disclosed in accordance with IAS 19 Employee Benefits. According to IAS 19.58, an asset may be recognised where a defined benefit plan has been overfunded only if The Linde Group, under its obligation as an employer, has the right to receive a refund of the contributions in cash or to reduce future contributions.

If the assets do not cover the obligation, the net obligation after deducting any past service cost is recognised under provisions for pensions.

Increases or decreases in the present value of the defined benefit obligation or in the fair value of the plan assets may give rise to actuarial gains or losses, which might be caused, for example, by changes in the parameters used in the calculation, changes in estimates with regard to risk trends of defined benefit obligations of differences between the actual and expected return on plan assets.

In some countries, Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements. In certain countries, however, these increases in plan assets will not lead to the recognition of an asset because of the asset ceiling described in IAS 19.58 (IFRIC 14). Therefore, during the reporting period, there was no increase in the pension provision or decrease in pension assets not affecting income for plans with contribution obligations of this type.

Reconciliation of the defined benefit obligation and the plan assets:

79 RECONCILIATION OF THE DBO AND OF THE PLAN ASSETS

	Germany		UK	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
AT 1 JAN. 2011	**915**	**325**	**2,586**	**2,683**
Current service cost	16	–	31	–
Interest cost	43	–	141	–
Expected return on plan assets	–	16	–	160
Employers' contributions	–	–	–	117
Employees' contributions	8	8	1	1
Actuarial gains/losses	21	27	253	171
Effects of changes in exchange rates	–	–	84	89
Pension payments made	–48	–	–102	–102
Past service cost	–	–	–16	–
Changes in Group structure/other changes	–	–	–	–
Plan curtailments	–	–	–	–
Plan settlements	–	–	–	–
AT 31 DEC. 2011 / 01. JAN. 2012	**955**	**376**	**2,978**	**3,119**
Current service cost	17	–	37	–
Interest cost	43	–	145	–
Expected return on plan assets	–	17	–	152
Employers' contributions	–	1	–	72
Employees' contributions	10	10	1	1
Actuarial gains/losses	162	23	35	–25
Effects of changes in exchange rates	–	–	83	86
Pension payments made	–49	–1	–121	–121
Past service cost	–	–	2	–
Changes in Group structure/other changes	–	–1	–	–
Plan curtailments	–	–	–	–
Plan settlements	–	–	–	–
AT 31 DEC. 2012	**1,138**	**425**	**3,160**	**3,284**

	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
	652	**496**	**492**	**575**	**326**	**388**	**4,971**	**4,467**
	15	–	17	–	9	–	88	–
	26	–	25	–	18	–	253	–
	–	25	–	31	–	22	–	254
	–	17	–	3	–	6	–	143
	6	6	–	–	1	1	16	16
	46	−2	13	−30	2	−13	335	153
	6	4	16	16	−21	−32	85	77
	−31	−26	−22	−20	−26	−24	−229	−172
	–	–	–	–	–	–	−16	–
	–	–	–	–	−96	−96	−96	−96
	−1	–	−3	–	–	–	−4	–
	–	–	–	–	−2	–	−2	–
	719	**520**	**538**	**575**	**211**	**252**	**5,401**	**4,842**
	15	–	17	–	10	–	96	–
	28	–	24	–	14	–	254	–
	–	23	–	28	–	20	–	240
	–	18	–	2	–	8	–	101
	6	6	–	–	1	1	18	18
	79	54	83	24	23	7	382	83
	7	3	−9	−9	−5	−6	76	74
	−32	−25	−46	−45	−23	−20	−271	−212
	–	–	–	–	–	–	2	–
	−2	−2	–	–	–	−10	−2	−13
	−6	–	–	–	–	–	−6	–
	–	–	−14	–	1	–	−13	–
	814	**597**	**593**	**575**	**232**	**252**	**5,937**	**5,133**

Funding status of the defined benefit obligation:

80 FUNDING STATUS OF THE DEFINED BENEFIT OBLIGATION

	Germany		UK	
in € million	*2012*	*2011*	*2012*	*2011*
Actuarial present value of pension obligations (defined benefit obligation)	1,138	955	3,160	2,978
of which unfunded pension obligations	424	345	–	–
of which funded pension obligations	714	610	3,160	2,978
Fair value of plan assets	425	376	3,284	3,119
NET OBLIGATION	**713**	**579**	**–124**	**–141**
Cumulative effect of asset ceiling	–	–	–	–
Past service cost	–	–	–	–
AT 31 DECEMBER	**713**	**579**	**–124**	**–141**
of which pension provision (+)	713	579	5	–
of which pension asset (–)	–	–	–129	–141

81 PORTFOLIO STRUCTURE OF PENSION ASSETS

in percent	*31.12.2012*	*31.12.2011*
Shares	22	20
Fixed-interest securities	61	64
Property	4	3
Insurance	3	1
Other	10	12
	100	**100**

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

82 PENSION EXPENSE RELATING TO DEFINED BENEFIT PLANS

	Germany		UK	
in € million	*2012*	*2011*	*2012*	*2011*
Current service cost	17	16	37	31
Interest cost	43	43	145	141
Expected return on plan assets	–17	–16	–152	–160
Amortisation of past service cost	–	–	2	–16
Plan curtailments/plan settlements	–	–	–	–
	43	**43**	**32**	**–4**

	Other Europe		USA & Canada		Other countries		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	814	719	593	538	232	211	5,937	5,401
	138	97	97	76	13	13	672	531
	676	622	496	462	219	198	5,265	4,870
	597	520	575	575	252	252	5,133	4,842
	217	**199**	**18**	**-37**	**-20**	**-41**	**804**	**559**
	–	26	–	–	–	–	–	26
	–	–	–	–	–	–	–	–
	217	**225**	**18**	**-37**	**-20**	**-41**	**804**	**585**
	217	230	120	83	24	20	1,079	912
	–	-5	-102	-120	-44	-61	-275	-327

	Other Europe		USA & Canada		Other countries		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	15	15	17	17	10	9	96	88
	28	26	24	25	14	18	254	253
	-23	-25	-28	-31	-20	-22	-240	-254
	–	–	–	–	–	–	2	-16
	-6	-1	-14	-3	1	-2	-19	-6
	14	**15**	**-1**	**8**	**5**	**3**	**93**	**65**

In the US, a plan settlement for certain parts of the defined benefit commitments resulted in income from plan settlements of EUR 14 m.

In the UK, changes were made to the pension plan in 2011 to ensure the long-term financial viability of the scheme. These changes included restrictions to pensionable earnings and a cap on inflation increases for new pension entitlements.

In South Africa, funding surpluses of EUR 10 m from defined benefit plans were used to fund defined contribution plans.

Actual income from plan assets in external pension funds was EUR 323 m (2011: EUR 407 m). The result from plan assets was significantly higher than the expected return on plan assets of EUR 240 m (2011: EUR 254 m). The expected return on plan assets was determined in 2012 on the basis of market yields on long-term government bonds at the beginning of the year 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 represent the effect of differences between previous actuarial assumptions and what has actually occurred on the pension obligation and the plan assets as at 31 December of the relevant reporting year.

83 EXPERIENCE ADJUSTMENTS

in € million	2012	2011	2010	2009	2008
Pension obligation (as at 31 Dec.)	5,937	5,401	4,971	4,744	4,097
Experience adjustment	–5	34	–54	29	–40
Plan assets (as at 31 Dec.)	5,133	4,842	4,467	3,896	3,453
Experience adjustment	83	153	141	253	–947
Net obligation	804	559	504	848	644

Payments to increase plan assets in external pension funds in the 2013 financial year are expected to amount to EUR 98 m. These include EUR 30 m (2011: EUR 30 m) which relates to special payments in the UK to close the ongoing shortfall in the UK pension plans in the medium term in accordance with local valuation rules. The payments in the 2012 financial year were EUR 100 m. From 2012 on, Linde is no longer required to make special payments to the UK pension fund included in the BOC acquisition agreement. In 2011, payments of EUR 80 m were made. The expense for newly acquired pension entitlements in the financial year and the interest cost for each respective financial year are determined each year on the basis of the prior year's defined benefit obligation at the relevant valuation date.

[24] Other provisions

At the balance sheet date, Other provisions had the following maturity structure:

84 OTHER PROVISIONS

in € million	Current 2012	Current 2011	Non-current 2012	Non-current 2011	Total 2012	Total 2011
PROVISIONS FOR TAXES	589	602	–	–	589	602
Obligations from delivery transactions	128	116	92	96	220	212
Warranty obligations and risks from transactions in course of completion	120	112	113	66	233	178
Obligations relating to personnel	484	396	58	83	542	479
Insurance obligations	–	–	10	10	10	10
Dismantling obligations	8	17	149	116	157	133
Other obligations	236	212	49	74	285	286
MISCELLANEOUS PROVISIONS	976	853	471	445	1,447	1,298
OTHER PROVISIONS	**1,565**	**1,455**	**471**	**445**	**2,036**	**1,900**

The provisions for warranty obligations and risks from transactions in course of completion consist principally of provisions for anticipated losses on transactions, for litigation and for guarantees and warranty obligations. The provisions for warranty obligations relate mainly to the Engineering Division and are generally utilised within three years.

The provisions for obligations relating to personnel comprise mainly provisions for pre-retirement part-time work, 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 in the 2012 financial year related solely to Priestley Dublin Reinsurance Company Limited.

The provisions for dismantling obligations are stated at the discounted settlement amount on the date the plant comes on stream. A corresponding item is recognised in tangible assets and is subject to depreciation. The provision is compounded over the duration of the underlying contracts. Due to the wide range of residual terms of the contracts, the residual term of the provision falls mainly in a range of between one and twenty years. Changes in estimates, where these involve a change in assumptions about future cost trends or changes in interest rates are adjusted for under the relevant balance sheet headings without affecting profit or loss.

The unwinding of interest applied to miscellaneous long-term provisions amounted to EUR 8 m (2011: EUR 8 m).

85 MOVEMENTS IN OTHER PROVISIONS

in € million	At 01.01.2012	Changes in Group structure[1]	Utilisation	Release	Addition	Transfer	At 31.12.2012
PROVISIONS FOR TAXES	602	1	32	80	98	–	589
Obligations from delivery transactions	212	2	56	8	70	–	220
Warranty obligations and risks from transactions in course of completion	178	7	21	70	117	22	233
Obligations relating to personnel	479	63	240	36	278	–2	542
Insurance obligations	10	–1	–	1	–	2	10
Dismantling obligations	133	–4	5	–	33	–	157
Other obligations	286	23	50	64	112	–22	285
MISCELLANEOUS PROVISIONS	1,298	90	372	179	610	–	1,447
OTHER PROVISIONS	**1,900**	**91**	**404**	**259**	**708**	–	**2,036**

[1] Including currency differences.

[25] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group, analysed as follows:

86 FINANCIAL DEBT

in € million	Current: Due within one year 2012	Current: Due within one year 2011	Non-current: Due in one to five years 2012	Non-current: Due in one to five years 2011	Non-current: Due in more than five years 2012	Non-current: Due in more than five years 2011	Total 2012	Total 2011
Subordinated bonds	–	–	–	–	1,469	1,461	1,469	1,461
Other bonds	383	796	2,830	1,923	3,300	2,880	6,513	5,599
Commercial papers (CP)	358	132	–	–	–	–	358	132
Bank loans and overdrafts	521	349	1,184	224	79	3	1,784	576
GROSS FINANCIAL DEBT	**1,262**	**1,277**	**4,014**	**2,147**	**4,848**	**4,344**	**10,124**	**7,768**
Less: Securities	823	1,073	–	601	–	–	823	1,674
Less: Cash and cash equivalents	1,218	1,000	–	–	–	–	1,218	1,000
NET FINANCIAL DEBT	**–779**	**–796**	**4,014**	**1,546**	**4,848**	**4,344**	**8,083**	**5,094**

Of the subordinated bonds and other bonds at 31 December 2012, EUR 735 m and EUR 2.539 bn respectively (2011: EUR 742 m and EUR 2.201 bn respectively) were in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships outstanding at the year-end which had been agreed, the subordinated bonds of EUR 1.469 bn would have been EUR 60 m lower and the other bonds of EUR 6.513 bn would have been EUR 137 m lower. In total, financial debt has increased by a total of EUR 197 m (2011: EUR 167 m) as a result of fair value hedging relationships.

EUR 366 m (2011: EUR 167 m) of the other bonds was in a cash flow hedging relationship at 31 December 2012.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The amount arising from these agreements which is disclosed in bank loans and overdrafts within financial debt is EUR 121 m (2011: EUR 95 m), while the amount disclosed in cash equivalents is EUR 24 m (2011: EUR 45 m).

In the 2012 and 2011 financial years, there were no defaults or breaches of loans payable.

The bonds are analysed as follows:

87 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 / Linde AG, Munich	EUR 6,043 m	6,130	4.9	4.4
Linde Finance B. V., Amsterdam	GBP 750 m	995	6.1	6.9
Linde Finance B. V., Amsterdam	USD 400 m	303	1.9	3.7
Linde AG, Munich	NOK 2,000 m	272	4.7	2.8
African Oxygen Limited, Johannesburg	ZAR 100 m	9	0.3	12.4
		7,709		

[1] Includes adjustments relating to hedging transactions.
[2] Subordinated bonds issued by Linde are included only until the end of the period when Linde may first exercise its right to call in the bond.
[3] Effective interest rate in the relevant currency.

88 VARIABLE-INTEREST BONDS

Issuer	Nominal volume in relevant currency (ISO code)	€ million	Weighted average residual term (in years)	Weighted average coupon (in percent)[1]
Linde Finance B.V., Amsterdam	AUD 150 m	117	2.6	4.3
Linde Finance B.V., Amsterdam	USD 140 m	106	3.5	1.0
Linde Finance B.V., Amsterdam	EUR 50 m	50	5.4	0.8
		273		

[1] Current coupon in the relevant currency.

Subordinated bonds

There is a right to call the EUR 700 m and GBP 250 m subordinated bonds issued in July 2006, which have a final maturity date of 14 July 2066. This right applies as from 14 July 2016. If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (three-month Euribor + 4.125 percent for the euro bond and three-month Libor + 4.125 percent for the bond in British pounds). The right to call the loan will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended on any due date for interest payment. Coupon payments not made will be made up if The Linde Group makes payments for securities pari passu or subordinated securities or Linde AG makes dividend payments.

The EUR 400 m subordinated bond issued in July 2003 has no final maturity date, although there is a right to call the loan from 3 July 2013. If the right to call the loan right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (three-month Euribor + 3.375 percent). The right to call the loan will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended as soon as Linde AG fails to pay a dividend. Coupon payments may be suspended for a maximum period of five years. If Linde AG resumes the dividend payment, or if Linde AG or Linde Finance B.V. make other payments for securities pari passu or subordinated securities before a period of five years has elapsed, all the cancelled coupon payments are made up.

Other bonds

In May 2012, Linde Finance B.V. issued a new EUR 500 m bond under the EUR 10 bn Debt Issuance Programme. The seven-year bond has a fixed interest coupon of 1.75 percent and is guaranteed by Linde AG.

An eight-year EUR 1 bn bond issued in September 2012 with a coupon of 1.75 percent was used as part of the refinancing of the acquisition loan for the purchase of US homecare company Lincare (see also BANK LOANS AND OVERDRAFTS). Moreover, in September 2012 Linde placed a five-year NOK 2 bn bond at a coupon of 2.75 percent. This bond was converted on its issue date into USD debt and also used to redeem part of the acquisition loan.

In addition, a EUR 724 m bond which matured in April was redeemed on schedule and a GBP 100 m bond was redeemed early in October 2012 by exercising a call option.

Euro commercial papers

The Linde Group uses a Euro Commercial Paper Programme for short-term financing. Under the programme, the issuers are Linde AG and Linde Finance B.V. with a guarantee from Linde AG. The volume of the programme is EUR 2 bn. At 31 December 2012, there were commercial papers issued by Linde Finance B.V. of EUR 275 m outstanding.

Bank loans and overdrafts

To finance the acquisition of US homecare company Lincare, a syndicated credit facility of USD 4.5 bn (around EUR 3.6 bn) was underwritten. This was subsequently reduced significantly as a result of the capital increase which was concluded immediately afterwards and by the issue of bonds during the reporting period. At 31 December 2012, the outstanding loan was EUR 922 m (USD 1.225 bn).

In addition, the Linde Group currently has an agreed unutilised syndicated revolving credit facility of EUR 2.5 bn, which also serves as back-up for its EUR 2 bn Commercial Paper Programme.

The five-year revolving credit facility was agreed in May 2010 with a consortium consisting of twenty-five of the major German and international banks used by Linde.

Financial covenants

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 2012 and 2011 financial years.

No financial covenants are contained in the agreements relating to the acquisition loan or to the EUR 2.5 bn syndicated credit facility.

[26] Liabilities from finance leases

Liabilities from finance leases are repaid over the lease term. They have the following residual lease terms at the balance sheet date:

89 LIABILITIES FROM FINANCE LEASES

in € million	31.12.2012	31.12.2011
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	**128**	**93**
due within one year	28	15
due in one to five years	38	17
due in more than five years	62	61
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**80**	**46**
due within one year	24	13
due in one to five years	28	8
due in more than five years	28	25
FINANCE CHARGE INCLUDED IN THE MINIMUM LEASE PAYMENTS	**48**	**47**

The carrying amounts of assets held under finance leases are disclosed principally under Tangible assets NOTE [15]. These assets comprise distribution equipment, vehicles and other fixtures and fittings. Land, land rights and buildings are also included here. Some of the lease agreements contain extension clauses, purchase options or price adjustment clauses customary in the market.

[27] Trade payables, Other liabilities, Liabilities from income taxes

90 TRADE LIABILITIES AND OTHER LIABILITIES

	Current		Non-current		Total	
in € million	2012	2011	2012	2011	2012	2011
Percentage of completion (PoC)	475	540	–	–	475	540
Other	2,315	2,172	6	6	2,321	2,178
TRADE PAYABLES	2,790	2,712	6	6	2,796	2,718
Advance payments received from customers	204	193	18	14	222	207
Other taxes	159	154	3	2	162	156
Social security	57	54	1	1	58	55
Derivatives with negative fair values	82	140	113	97	195	237
Sundry liabilities	501	455	102	80	603	535
OTHER LIABILITIES	**1,003**	**996**	**237**	**194**	**1,240**	**1,190**
INCOME TAX PAYABLES	**167**	**103**	**85**	**96**	**252**	**199**
	3,960	3,811	328	296	4,288	4,107

Percentage of completion trade payables of EUR 475 m (2011: EUR 540 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 2012

It was resolved at the Annual General Meeting of Linde AG held on 4 May 2012 to introduce a performance share programme for management (Long Term Incentive Plan 2012), under which up to 4,000,000 options can be issued over a total period of five years. For this purpose, the issued share capital can be increased by up to EUR 10,240,000 by the issue of up to 4,000,000 bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital).

The aim of LTIP 2012 is to encourage continuing loyalty to The Linde Group of management personnel in Linde AG and its affiliated companies within and outside Germany by creating a variable remuneration component in the form of shares which will act as a long-term incentive and which entails an element of risk.

The options may be issued in annual tranches during the authorised period. 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 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. Each individual tranche may be issued within a period of 16 weeks after the Annual General Meeting of Linde AG. The options may not be exercised until a qualifying period has expired. The qualifying period begins on the issue date which has been determined and ends on the fourth anniversary of the issue date. If options are to be exercised, this must take place during a period of twelve months from the end of the relevant qualifying period (the exercise period).

Performance targets

Options may only be exercised if and to the extent that performance targets are reached. The performance targets for each individual tranche of options are based on movements in (i) earnings per share and (ii) relative total shareholder return. Within each individual tranche of options, equal weighting is given to the "earnings per share" performance target and the "relative total shareholder return" performance target. Within each of these performance targets, a minimum target must be reached if the options are to become exercisable, and there is also a stretch target. If the stretch target for one of these performance targets is reached, all the options relating to that performance target become exercisable.

"Earnings per share" performance target

The minimum target for the "earnings per share" performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the expiry of the qualifying period achieves a compound average growth rate (CAGR) of 6 percent when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options. The stretch target for the "earnings per share" performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the expiry of the qualifying period achieves a CAGR of 11 percent when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options. The calculation of the "earnings per share" performance target is derived from the diluted earnings per share of the company adjusted for non-recurring items disclosed in the audited Group financial statements of The Linde Group for the appropriate financial year. If no adjustment for non-recurring items has been made in the Group financial statements concerned, the relevant figure is the diluted earnings per share disclosed in the Group financial statements. Non-recurring items are items which, due to their nature, frequency and/or scope, might have a positive or negative impact on the extent to which the diluted earnings per share figure provides an informative picture of the ability of The Linde Group to sustain its profitability in the capital market. Adjusting diluted earnings per share for non-recurring items is designed to increase transparency in respect of the Group's ability to sustain profitability. If the minimum target is reached, 12.5 percent of all the options in the relevant tranche may be exercised. If the stretch target is reached, 50 percent of all the options in the relevant tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

Details of the calculation of earnings per share are given in NOTE [40]. The "earnings per share" performance target is regarded as a performance condition as defined by IFRS 2.

"Relative total shareholder return" performance target

The minimum target for the "relative total shareholder return" performance target is reached if the total shareholder return of the Linde AG share exceeds the median of the values for total shareholder return in the control group (described below) in the period between the issue date and the beginning of the exercise period. If the control group contains an even number of values, the average of the two values lying in the middle is deemed to be the median. The stretch target for the "relative total shareholder return" performance target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the values for total shareholder return in the control group in the period between the issue date and the beginning of the exercise period. The total shareholder return of the Linde AG share comprises (i) the absolute increase or decrease in the price of a Linde AG share when compared to its initial value and (ii) the dividend per share paid plus the value of any statutory subscription rights attributable to one Linde AG share (as a result of capital increases). In each case, the calculation relates to the period between (and inclusive of) the issue date and the third last stock exchange trading day in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange before the exercise period. The absolute increase or decrease in price of the Linde AG share corresponds to the difference between the average of the closing prices (or of equivalent successor prices) of Linde shares in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange over the period between (and inclusive of) the 62nd stock exchange trading day to the third last stock exchange trading day before the exercise period (the final value) and the initial value. The initial value of the share for the determination of the total shareholder return is the average of the closing prices (or of equivalent successor prices) of Linde shares on the last 60 stock exchange trading days in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange before the issue date of the subscription rights. For the purposes of the LTIP 2012, the value of one statutory subscription right is the volume-weighted average of the closing prices in that period in which the subscription rights are traded in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange. The control group comprises companies in the DAX 30 at that time, with the exception of Linde itself. Companies which are excluded from or included in the DAX 30 during the period on which the calculation of the total shareholder return is based are ignored for the purposes of the calculation. When determining the total shareholder return for shares in the control group, Linde may have recourse to data supplied by a recognised independent provider of financial data. If a company in the control group trades different classes of share or shares with differing profit entitlements on the stock exchange, only the shares which form the basis for the determination of the DAX 30 value are taken into consideration. If the minimum target is reached, 12.5 percent of all the options in that tranche may be exercised. If the stretch target is reached, 50 percent of all the options in that tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

The "relative total shareholder return" target is regarded as a market condition as defined by 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 qualifying period. The other side of the entry is made directly in equity (capital reserve).

Movements during the financial year in share options outstanding are disclosed in the table below:

91 OPTIONS – LONG TERM INCENTIVE PLAN 2012

	LTIP – Number of options
AT 1 JAN. 2012	–
granted	410,154
exercised	–
forfeited	3,954
expired	–
AT 31 DEC. 2012	**406,200**
of which exercisable at 31 Dec. 2012	–

The average remaining period in the LTIP 2012 is 43 months. The exercise price for the first tranche of LTIP 2012 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:

92 MONTE CARLO SIMULATION MODEL – LTIP 2012

	1st tranche 2012
Date of valuation	*02.07.2012*
Expected share volatility *(in %)*	22.54
Risk-free interest rate *(in %)*	0.44
Expected dividend yield *(in %)*	2.50
Initial value of Linde share	120.60
Exercise price *(in %)*	2.56
Number of participants	1,001

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of the share options into account.

93 OPTIONS PER EXERCISE HURDLE – LONG TERM INCENTIVE PLAN 2012

	Option price	*Weighting*	*Total value*	*Probability*	*Value at 31.12.*
1st tranche 2012	*in €*	*in percent*	*in €*	*in percent*	*in €*
Earnings per share	106.74	50	53.37	40	21.35
Relative total shareholder return	52.31	50	26.16		26.16
TOTAL		**100**	**79.53**		**47.51**

The volatility figure underlying the valuation is based on the historical volatility of Linde shares. The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options.

Personal investment, matching shares

A pre-condition of participation in the LTIP 2012 for plan participants in Band 5 or above in Linde's internal management structure is compulsory personal investment in shares of the company at the beginning of the scheme. In the case of members of the Executive Board, the number of shares that each individual Board member must purchase is determined by the Supervisory Board. For other Linde executives in Band 5 or above, it is the Executive Board which determines the number of shares that must be purchased by each individual. For each share acquired by a scheme participant as a personal investment and held by the participant throughout the qualifying period for options, one matching share in Linde Aktiengesellschaft will be granted at the end of the qualifying period at no cost to the participant. However, Linde is permitted to pay an amount in cash to those entitled to options instead of granting them matching shares. Conditions which apply to the granting of matching shares include: a personal investment in Linde Aktiengesellschaft shares by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period and, except in the event of the termination of the service or employment contract of the scheme participant before the end of the qualifying period (special cases) when different rules shall apply, the existence of a service or employment contract with the scheme participant at the end of the qualifying period in respect of which no notice has been given. Plan participants in Band 4 of Linde's internal management structure may make a voluntary personal investment in Linde AG shares and will be granted matching shares accordingly, subject to the aforementioned conditions. The value of the entitlement to one matching share at the balance sheet date is EUR 109.26.

94 MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

	LTIP – Number of matching shares
AT 1 JAN. 2012	–
granted	36,408
expired	–
forfeited	26
allocated	–
AT 31 DEC. 2012	**36,382**

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group was as follows:

95 PERSONNEL EXPENSES – LONG TERM INCENTIVE PLAN 2012

in € million	2012	2011
TOTAL	3	–

Linde Performance Share Programme 2007

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

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

Participants are granted options on an annual basis to subscribe to Linde shares, each with a maximum term of three years, two months and two weeks. The Supervisory Board determines the allocation of options to the members of the Executive Board of Linde AG. Otherwise, the Executive Board determines the participants in the scheme and the number of options to be issued. Options relating to this scheme were granted for the last time in 2011.

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

It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met in each case will be made by the appropriate executive bodies of the company. The company plans to meet option entitlements in future by issuing new shares, as in 2012.

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

"Adjusted earnings per share" performance target

A 40 percent weighting applies to the "adjusted earnings per share" performance target. The minimum target is reached if the adjusted diluted earnings per share achieves a compound annual growth rate (CAGR) of 7 percent during the vesting period. The stretch target is reached if a CAGR of 12 percent is achieved. If the minimum target is reached, 10 percent of the options in a tranche may be exercised and, if the stretch target is reached, 40 percent of the options in a tranche. If the CAGR is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. Details of the calculation of "adjusted earnings per share" are given in NOTE [40]. The "adjusted earnings per share" performance target is regarded as a performance condition as defined by IFRS 2.

"Absolute total shareholder return" performance target

A 30 percent weighting applies to the "absolute total shareholder return" performance target. The minimum target is reached if the total shareholder return during the vesting period is 20 percent of the initial value. The stretch target is reached if the total shareholder return is 40 percent. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. The first component of total shareholder return over the three-year period is the change in the share price of Linde AG over the vesting period, which is determined by comparing the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system of the Frankfurt Stock Exchange before the issue date of the options in the relevant tranche and the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system before the third last stock exchange trading day before the exercise period. The other components of total shareholder return are dividends paid and the value of any statutory subscription rights relating to the shares (e.g. as a result of increases in share capital). The "absolute total shareholder return" performance target is regarded as a market condition as defined in IFRS 2 and is included in the measurement of the option price.

"Relative total shareholder return" performance target

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 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:

96 OPTIONS – LONG TERM INCENTIVE PLAN 2007

	LTIP – Number of options
AT 1 JAN. 2011	**1,649,518**
granted	416,320
exercised	352,445
forfeited	143,356
expired	1,267
AT 31 DEC. 2011 / 1 JAN. 2012	**1,568,770**
of which exercisable at 31 Dec. 2011	–
granted	–
exercised	629,403
forfeited	72,776
expired	–
AT 31 DEC. 2012	**866,591**
of which exercisable at 31 Dec. 2012	–

In 2012, 629,403 options in the 2009 tranche were exercised, which increased capital subscribed by EUR 1 m (2011: EUR 1 m).

The average remaining period in the LTIP 2007 is 11 months (2011: 15 months). The exercise price for all the tranches in the LTIP 2007 is EUR 2.56. The average share price when the options were exercised was EUR 120.68.

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:

97 MONTE CARLO SIMULATION MODEL – LTIP 2007

	1st tranche 2007	*2nd tranche 2008*	*3rd tranche 2009*	*4th tranche 2010*	*5th tranche 2011*
Date of valuation	*02.08.07*	*05.06.08*	*20.05.09*	*01.06.10*	*01.06.11*
Expected share volatility *(in %)*	20.26	22.58	34.60	35.27	34.06
Risk-free interest rate *(in %)*	4.31	4.28	1.88	0.85	1.89
Expected dividend yield *(in %)*	1.90	1.90	3.10	2.50	2.50
Initial value of Linde share	88.45	96.10	59.75	84.54	116.45
Exercise price *(in €)*	2.56	2.56	2.56	2.56	2.56
Number of participants	840	871	862	868	915

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of these share options into account.

98 OPTIONS PER EXERCISE HURDLE – LONG TERM INCENTIVE PLAN 2007

	Option price in €	Weighting in percent	Total value in €	Probability in percent	Value at 31.12. in €
1st tranche 2007					
Earnings per share	81.30	40	32.52	–	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		**100**	**56.53**		**24.01**
2nd tranche 2008					
Earnings per share	88.52	40	35.41	94	33.43
Absolute total shareholder return	41.27	30	12.38		12.38
Relative total shareholder return	46.85	30	14.06		14.06
TOTAL		**100**	**61.85**		**59.87**
3rd tranche 2009					
Earnings per share	52.10	40	20.84	100	20.84
Absolute total shareholder return	26.38	30	7.91		7.91
Relative total shareholder return	30.93	30	9.28		9.28
TOTAL		**100**	**38.03**		**38.03**
4th tranche 2010					
Earnings per share	79.64	40	31.86	100	31.86
Absolute total shareholder return	38.85	30	11.66		11.66
Relative total shareholder return	46.78	30	14.03		14.03
GESAMT		**100**	**57.55**		**57.55**
5th tranche 2011					
Earnings per share	105.72	40	42.29	40	16.92
Absolute total shareholder return	52.57	30	15.77		15.77
Relative total shareholder return	61.17	30	18.35		18.35
TOTAL		**100**	**76.41**		**51.04**

In 2011, the probability that the "adjusted earnings per share" performance target would be reached in respect of the third and fourth tranche (allocated in the 2009 and 2010 financial years) of the LTIP 2007 was adjusted. As a result, there was a negative impact on earnings in the 2011 financial year of EUR 6 m, which was recognised in functional costs.

The volatility figure underlying the valuation is based on the historical volatility of Linde shares. The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options.

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group was as follows:

99 PERSONNEL EXPENSES – LONG TERM INCENTIVE PLAN 2007

in € million	2012	2011
TOTAL	19	**30**

Linde Management Incentive Programme 2002

It was resolved at the Annual General Meeting of Linde AG held on 14 May 2002 to introduce a share option scheme for management (Linde Management Incentive Programme 2002 – MIP 2002), under which up to six million subscription rights could be issued. The Linde Management Incentive Programme 2002 expired in the 2006 financial year. Options relating to this scheme were exercised for the last time in December 2012.

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

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

The option conditions provide for a qualifying period for the share options of two years from their date of issue. At the end of this period, the options can be exercised during the entire option term: i. e. during the five years from the end of the qualifying period, excluding any blocked periods. These are the periods from three weeks before to two days after the public reporting dates of the company, and the last two weeks before the end of the financial year until two days after the announcement of the annual results, and 14 weeks before until the third banking day after the Annual General Meeting. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the Xetra closing price of Linde shares on the exercise date. These arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and the company. As in previous years, the company plans to meet option entitlements in future by issuing new shares. For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options if there are exceptional unforeseen movements in the Linde share price. This was not the case in the 2012 and 2011 financial years.

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

In accordance with IFRS 2 Share-based Payment, the total value of share options granted to management 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 qualifying period. The other side of the entry is made directly in equity (in the capital reserve).

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

100 OPTIONS – LINDE MANAGEMENT INCENTIVE PROGRAMME 2002

	Number of options	*Average exercise price in €*
AT 1 JAN. 2011	**1,173,050**	**76.58**
granted	–	–
exercised	412,015	71.61
forfeited	–	–
expired	4,500	47.91
AT 31 DEC. 2011 / 1 JAN. 2012	**756,535**	**79.45**
of which exercisable at 31 Dec. 2011	756,535	–
granted	–	–
exercised	690,535	79.68
forfeited	–	–
expired	66,000	77.03
AT 31 DEC. 2012	**–**	**–**
of which exercisable at 31 Dec. 2012	–	–

As a result of the exercise of 690,535 options (2011: 412,015 options), capital subscribed increased by EUR 2 m (2011: EUR 1 m) and the capital reserve by EUR 53 m (2011: EUR 29 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 124.19 (2011: EUR 115.80). The range of exercise prices of options exercisable at the balance sheet date was between EUR 64.88 and EUR 81.76.

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining terms of the share options into account.

As in 2011, the Linde Management Incentive Programme 2002 had no effect on earnings in 2012.

[29] Financial instruments

The following table shows the fair values of financial instruments by category and includes a comparison of the fair values of the financial instruments with their carrying amounts.

101 FINANCIAL ASSETS AT 31 DECEMBER 2012

	Financial instruments	
	Fair value	Carrying amount
in € million		Cash and cash equivalents
Investments and securities at fair value	862	–
Investments and securities at amortised cost	23	–
Receivables from finance leases	398	–
Trade receivables	2,377	–
Receivables from percentage of completion contracts	222	–
Derivatives with positive fair values	301	–
Miscellaneous receivables and assets	749	–
Cash and cash equivalents	1,218	1,218
TOTAL	**6,150**	**1,218**

102 FINANCIAL LIABILITIES AT 31 DECEMBER 2012

in € million
Financial debt
Liabilities from finance leases
Trade payables
Derivatives with negative fair values
Sundry liabilities
TOTAL

	Financial instruments						Balance sheet figures	
	Carrying amount							
	Loans and receivables	*Held-to-maturity financial assets*	*Freestanding derivatives*	*Derivatives designated as hedging instruments*	*Available-for-sale financial assets*	*Total*	*Financial instruments outside scope of IAS 39*	*Total*
	–	–	–	–	862	862	–	862
	10	13	–	–	–	23	–	23
	–	–	–	–	–	–	291	291
	2,377	–	–	–	–	2,377	–	2,377
	222	–	–	–	–	222	–	222
	–	–	31	270	–	301	–	301
	319	–	–	–	–	319	430	749
	–	–	–	–	–	1,218	–	1,218
	2,928	**13**	**31**	**270**	**862**	**5,322**	**721**	**6,043**

		Financial instruments					Balance sheet figures	
		Fair value	Carrying amount					
			Financial liabilities at amortised cost	*Freestanding derivatives*	*Derivatives designated as hedging instruments*	*Total*	*Financial instruments outside scope of IAS 39*	*Total*
		10,752	10,124	–	–	10,124	–	10,124
		80	–	–	–	–	80	80
		2,321	2,321	–	–	2,321	–	2,321
		195	–	62	133	195	–	195
		603	466	–	–	466	137	603
		13,951	**12,911**	**62**	**133**	**13,106**	**217**	**13,323**

103 FINANCIAL ASSETS AT 31 DECEMBER 2011

	Financial instruments	
	Fair value	Carrying amount
in € million		Cash and cash equivalents
Investments and securities at fair value	1,713	–
Investments and securities at amortised cost	20	–
Receivables from finance leases	424	–
Trade receivables	1,928	–
Receivables from percentage of completion contracts	102	–
Derivatives with positive fair values	216	–
Miscellaneous receivables and assets	671	–
Cash and cash equivalents	1,000	1,000
TOTAL	**6,074**	**1,000**

104 FINANCIAL LIABILITIES AT 31 DECEMBER 2011

in € million
Financial debt
Liabilities from finance leases
Trade payables
Derivatives with negative fair values
Sundry liabilities
TOTAL

	Financial instruments						Balance sheet figures	
	Carrying amount							
	Loans and receivables	Held-to-maturity financial assets	Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
	–	–	–	–	1,713	1,713	–	1,713
	7	13	–	–	–	20	–	20
	–	–	–	–	–	–	352	352
	1,928	–	–	–	–	1,928	–	1,928
	102	–	–	–	–	102	–	102
	–	–	98	118	–	216	–	216
	203	–	–	–	–	203	468	671
	–	–	–	–	–	1,000	–	1,000
	2,240	**13**	**98**	**118**	**1,713**	**5,182**	**820**	**6,002**

		Financial instruments					Balance sheet figures	
		Fair value	Carrying amount					
			Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
		8,274	7,768	–	–	7,768	–	7,768
		46	–	–	–	–	46	46
		2,178	2,178	–	–	2,178	–	2,178
		237	–	49	188	237	–	237
		535	429	–	–	429	106	535
		11,270	**10,375**	**49**	**188**	**10,612**	**152**	**10,764**

The fair value of financial instruments is generally determined using stock exchange prices. If stock exchange prices are not available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments is determined as follows. Options are valued by external partners using the Black-Scholes option pricing model. Futures are measured with recourse to the stock exchange price in the relevant market. All other derivative financial instruments are measured by discounting expected future cash flows using the net present value method. As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources.

These calculations are based on the following interest curves:

105 INTEREST CURVES

in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2012								
Interest for six months	0.26	0.45	0.61	0.22	3.31	1.67	7.60	0.33
Interest for one year	0.32	0.34	0.55	0.24	2.78	1.19	7.39	0.51
Interest for five years	0.77	0.83	1.02	0.31	3.18	1.52	7.45	0.93
Interest for ten years	1.57	1.75	1.86	0.84	3.74	2.04	7.63	1.67
2011								
Interest for six months	1.56	0.75	1.31	0.27	4.65	2.67	7.46	1.19
Interest for one year	1.41	0.69	1.08	0.36	3.87	2.07	7.28	1.11
Interest for five years	1.72	1.27	1.55	0.48	4.29	1.95	7.49	1.58
Interest for ten years	2.36	2.05	2.26	0.98	4.46	2.25	7.49	2.22

For loans and receivables which are measured at amortised cost, there are no liquid markets. For current loans and receivables and liabilities recognised at amortised cost, it is assumed that the fair value corresponds to the carrying amount. For all other loans and receivables, the fair value is determined by discounting future expected cash flows. The interest rates applied to the loans are the same as those that would apply to new loans secured with the same risk structure, original currency and maturity.

Fair value is determined using the discounted cash flow method, taking into account individual credit ratings and other market circumstances in the form of credit and liquidity spreads generally applied in the market.

In the 2012 financial year, there were no differences between the fair value of a financial instrument when it was first recognised and the amount which would have been recognised at that time had the valuation method described above been used.

The following table shows the financial instruments in The Linde Group which are measured at fair value. Linde uses the following hierarchy to determine and disclose fair values, based on the method used to ascertain the fair values:

- Level 1: Quoted prices in active markets for the same financial instrument.
- Level 2: Valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

106 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31 DECEMBER 2012

in € million	Level 1	Level 2	Level 3
INVESTMENTS AND SECURITIES	814	–	–
FREESTANDING DERIVATIVES WITH POSITIVE FAIR VALUES	–	31	–
Derivatives designated as hedging instruments with positive fair values	–	270	–
FREESTANDING DERIVATIVES WITH NEGATIVE FAIR VALUES	–	62	–
Derivatives designated as hedging instruments with negative fair values	–	133	–

107 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31 DECEMBER 2011

in € million	Level 1	Level 2	Level 3
INVESTMENTS AND SECURITIES	1,664	–	–
FREESTANDING DERIVATIVES WITH POSITIVE FAIR VALUES	–	98	–
Derivatives designated as hedging instruments with positive fair values	–	118	–
FREESTANDING DERIVATIVES WITH NEGATIVE FAIR VALUES	–	49	–
Derivatives designated as hedging instruments with negative fair values	–	188	–

In 2012, there were no transfers of the fair value calculations between Levels 1, 2 and 3. Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 49 m (2011: EUR 49 m) for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

In the 2012 financial year, net financial gains/losses arose as follows:

108 NET FINANCIAL GAINS AND LOSSES

in € million	2012	2011
From freestanding derivatives	–74	54
From held-to-maturity financial assets	–	–
From loans and receivables	–98	1
From available-for-sale financial assets	–4	3
of which: transfers to profit or loss	–	–3
of which: transfers to cumulative changes in equity	–4	6
From financial liabilities at amortised cost	106	–114
TOTAL	**–70**	**–56**

The net financial gains and losses on financial instruments arise from changes in fair value, the recognition of impairment losses and reversals of impairment losses, eliminations and exchange rate differences. In 2011, the net financial gains and losses from loans and receivables included income of EUR 30 m arising from a redemption penalty in respect of the early repayment of a loan relating to the disposal of BOC Edwards in the 2007 financial year.

The net financial gains and losses correspond to the valuation gains and losses of the financial instruments, but exclude interest and dividends.

Freestanding derivatives comprise all those derivatives which are not designated as hedging instruments. They include those derivatives in economic hedging relationships not designated as hedges in respect of which gains and losses arising from the underlying transaction and the hedged item are recognised at the same time in the statement of profit or loss even without applying hedge accounting.

The financial result includes fees and other costs of capital of EUR 26 m (2011: EUR 12 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:

109 IMPAIRMENT LOSS ON FINANCIAL ASSETS AT 31 DECEMBER 2012

in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2012 financial year
Investments and securities at fair value	866	4	862	–
Investments and securities at amortised cost	24	1	23	–
Receivables from finance leases	291	–	291	–
Trade receivables	2,680	303	2,377	63
Receivables from percentage of completion contracts	222	–	222	–
Derivatives	301	–	301	–
Miscellaneous receivables and assets	756	7	749	3
Cash and cash equivalents	1,218	–	1,218	–

110 IMPAIRMENT LOSS ON FINANCIAL ASSETS AT 31 DECEMBER 2011

in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2011 financial year
Investments and securities at fair value	1,717	4	1,713	–
Investments and securities at amortised cost	21	1	20	1
Receivables from finance leases	352	–	352	–
Trade receivables	2,132	204	1,928	43
Receivables from percentage of completion contracts	102	–	102	–
Derivatives	216	–	216	–
Miscellaneous receivables and assets	675	4	671	1
Cash and cash equivalents	1,000	–	1,000	–

The carrying amounts of the financial assets recognised take into account the highest possible risk of default. A summary of financial assets past due but not impaired is presented in NOTE [18].

The interest income and interest expense from financial instruments not measured at fair value through profit or loss were as follows:

111 INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

in € million	2012	2011
Interest income	52	54
Interest expense	357	336
GROUP	**–305**	**–282**

Not included here are the interest income and expense from derivatives or the interest income and expense from assets and liabilities outside the scope of IFRS 7.

Risk positions and risk management

The Linde Group is exposed to a variety of financial risks. These include in particular: counterparty risk, liquidity risk, interest rate risk, exchange rate risk and other market price risks. These are described below. For further information about risk management in The Linde Group, see the Group management report.

Counterparty risk

Counterparty risk is the risk that a counterparty does not meet his or her contractual payment obligations and that this leads to a loss for The Linde Group.

The Linde Group deals in principle with counterparties who have good credit ratings. Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set. Experience during the economic crisis has shown that credit standings can change very quickly. It is therefore possible that, despite the Group's monitoring process, counterparties might delay payments or fail to make them at all. The Linde Group does not believe that it has any significant exposure to default risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to the Group's broad and uncorrelated customer base. The single largest debtor constitutes less than 1 percent of the total figure for Trade receivables in The Linde Group, with one exception which constitutes around 2 percent of the total.

The risk positions outstanding are subject to strict limits and are continually monitored. The carrying amounts of financial assets reported in the balance sheet, taking into account impairment losses, represent the highest possible default risk, without including the value of any collateral.

A significant criterion for the management of counterparty risk relating to financing and capital market transactions is the credit ratings of counterparties. Linde limits the extent and duration of any commercial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading department to ensure compliance with all the limits set. The Linde Group has concluded bilateral credit support annexes (CSAs) with the majority of the banks with which financial instruments are traded. On the basis of such agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. for the purpose of interest rate and currency management are collateralised with cash on a regular basis. In this way, the default risk arising from these instruments is minimised. A willingness to enter into CSAs with Linde AG and Linde Finance B.V. is an essential prerequisite to being accepted as a counterparty by Linde. In this connection, EUR 24 m (2011: EUR 45 m) was pledged as collateral by The Linde Group for derivatives with negative fair values, and EUR 121 m (2011: EUR 95 m) was received as collateral for derivatives with positive fair values. The Linde Group also has financial assets with a carrying amount of EUR 2 m (2011: EUR 6 m) which are pledged as collateral for liabilities or contingent liabilities. In the 2012 and 2011 financial years, no additional significant collateral was held by The Linde Group apart from the CSAs described above.

Liquidity risk

Liquidity risk is the risk that the Group will no longer be able to meet its financial payment obligations. Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below:

112 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES

in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
2012			
Cash outflows from non-derivative financial liabilities	4,552	5,144	5,141
Cash outflows from derivatives with negative fair values	141	692	163
of which settled gross	134	649	37
related cash inflows as a result of gross settlement	108	565	33
2011			
Cash outflows from non-derivative financial liabilities	4,440	4,661	3,184
Cash outflows from derivatives with negative fair values	102	780	143
of which settled gross	102	769	77
related cash inflows as a result of gross settlement	71	646	70

In the case of derivative financial instruments, only those with negative fair values are included in the cash flows presented above in accordance with IFRS 7.39 (b). In the case of derivatives settled gross, both the cash outflow and the cash inflow on the settlement of the derivative are included in the analysis to avoid distortions in the presentation.

Interest rate risks

Interest rate risks arise from market fluctuations in interest rates. As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2012, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 7.956 bn (2011: EUR 5.027 bn). Of these, EUR 2.862 bn (2011: EUR 1.098 bn) related to instruments bearing interest at variable interest rates and EUR 5.094 bn (2011: EUR 3.929 bn) to instruments bearing interest at fixed rates. This is equivalent to a fixed-rate ratio of 64 percent (2011: 78 percent).

The Linde Group sees British Pounds, Euro, Australian Dollars and US Dollars as the currencies which have a significant impact on its financing activities. At the balance sheet date, The Linde Group had total holdings of interest-bearing instruments in British Pounds of GBP 316 m (2011: GBP 281 m) [fixed-rate ratio: 73 percent (2011: 91 percent)], in Euro of EUR 4.625 bn (2011: EUR 2.971 bn) [fixed-rate ratio: 54 percent (2011: 77 percent)], in Australian Dollars of AUD 670 m (2011: AUD 578 m) [fixed-rate ratio: 82 percent (2011: 90 percent)] and in US Dollars of USD 2.540 bn (2011: USD 1.076 bn) [fixed-rate ratio: 75 percent (2011: 63 percent)].

Based on instruments bearing interest at variable rates and financial instruments hedging interest rate risks which The Linde Group holds or has issued, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects (if exchange rates remained constant):

113 EFFECT OF CHANGES IN INTEREST RATES – 2012

in € million	Change	Income statement	Recognised in equity
Currency			
EUR	+100 bp	–26	23
	–100 bp[1]	6	–36
GBP	+100 bp	–1	–8
	–100 bp[1]	1	7
USD	+100 bp	–4	57
	–100 bp[1]	1	–55
AUD	+100 bp	–1	14
	–100 bp[1]	1	–14
Other currencies	+100 bp	–	–8
	–100 bp[1]	–6	8

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero. No negative interest rates were allowed.

114 EFFECT OF CHANGES IN INTEREST RATES – 2011

in € million	Change	Income statement	Recognised in equity
Currency			
EUR	+100 bp	–9	–
	–100 bp	10	–2
GBP	+100 bp	–1	–9
	–100 bp	1	9
USD	+100 bp	1	5
	–100 bp[1]	–2	–5
AUD	+100 bp	–1	16
	–100 bp	1	–17
Other currencies	+100 bp	1	9
	–100 bp	–1	–10

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero. No negative interest rates were allowed.

Exchange rate risks

Due to its activities as an international group, The Linde Group is exposed to exchange rate risks. Its broad spread of activities over many different currency areas and its local business model result in a low concentration of risk for the Group.

The Linde Group monitors and manages its exchange rate risk, a risk which has an impact on its operations. The gross exchange rate risk comprises all the operating activities of the Group. This gross exchange rate risk is reduced by around 94 percent (2011: 90 percent) as a result of hedging operations. Therefore, The Linde Group is exposed at the balance sheet date to a net exchange rate risk of 6 percent of the total of all operating activities involving foreign currency (2011: 10 percent).

The risk of exchange rate movements is monitored for internal management purposes on the basis of a value-at-risk, which related to positions in currencies other than the relevant functional currency.

The value-at-risk is calculated on the basis of historical data (250 working days) in accordance with international banking standards. The value-at-risk presents the maximum potential loss based on a probability of 97.5 percent for a holding period of twelve months. The calculation takes into account correlations between the transactions being considered; the risk of a portfolio is generally lower than the total of the respective individual risks.

At 31 December 2012, the value-at-risk was EUR 10 m (2011: EUR 12 m).

Other market price risks

As a result of its energy purchases, The Linde Group is exposed to risks arising from changes in commodity prices. The Linde Group monitors and manages these commodity price risks arising from the purchase of electricity and natural gas for use in production. These hedging operations are governed by strict risk management guidelines, compliance with which is constantly being monitored. Commodity price risks are hedged in the main by long-term supply contracts or limited by the form and structure of sales contracts. Derivatives are also used to a much lesser extent to hedge against the exposure to changes in the price of electricity, natural gas and propane gas. The commodity price risk from financial instruments is therefore not material.

Hedge accounting

Cash flow hedges

The Linde Group hedges cash flows at both Group and company levels, based on agreed minimum hedging rates. At the company level, future transactions which are highly probable are hedged against foreign exchange rate risks. A rolling 15-month budget or the budgets for individual customer-specific projects are used for this purpose.

In general, these hedges are accounted for as cash flow hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity and released to the statement of profit or loss when the hedged cash flows are also recognised in the statement of profit or loss or if a hedged future transaction is no longer expected to occur. In addition, the risks associated with changes in interest rates relating to certain financial liabilities or future financing measures are hedged by derivative financial instruments and accounted for as cash flow hedges.

The Linde Group also hedges the exposure to commodity price risks which arise in the normal course of business from its procurement transactions and results in open risk positions. To reduce the extent of the risk, The Linde Group enters into a small number of electricity, natural gas and propane gas derivatives. Usually, hedging relationships of this type are also designated as cash flow hedging relationships, if this accords with the facts.

If the hedged future transactions (forecast transactions as defined by IAS 39) result in the recognition of a non-financial asset or 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:

115 RESERVE FOR CASH FLOW HEDGES

in € million	*2012*	*2011*
AT 1 JANUARY	**–67**	**–31**
Additions	–13	–28
Transfers to the statement of profit or loss	–19	–8
of which relating to revenue	–	–1
of which relating to cost of sales	–14	–5
of which relating to financial income	–5	–2
AT 31 DECEMBER	**–99**	**–67**

In the 2011 financial year, an expense of EUR 1 m was recognised in the financial result which related to forecast transactions which did not take place. The amount was in respect of interest rate hedges on proposed borrowings.

No amounts were recognised in 2012 or 2011 as a result of ineffectiveness in cash flow hedges.

Cash flows and the gains and losses from those hedging instruments are expected to be as follows:

116 CASH FLOWS, GAINS AND LOSSES FROM CASH FLOW HEDGES

in € million	Within one year	In one to five years	In more than five years	Total
2012				
Cash flows from hedged transactions	–143	19	80	–44
Cash flows from hedging instruments	7	–21	–28	–42
Gain/loss	–29	–42	–28	–99
2011				
Cash flows from hedged transactions	–223	–19	–53	–295
Cash flows from hedging instruments	–51	–97	–13	–161
Gain/loss	–31	–26	–10	–67

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.

117 FAIR VALUE HEDGES

in € million	2012	2011
From hedged transactions	–77	–17
From hedging instruments	76	17
INEFFECTIVENESS	–1	–

Hedges of a net investment in a foreign operation

The Linde Group hedges its exposure to translation risk by taking out loans in foreign currency and by entering into forward exchange contracts. These hedges generally qualify as hedges of net investments in foreign operations (referred to below as net investment hedges) in accordance with IAS 39 Financial Instruments: Recognition and Measurement and hence the effective portion of the hedge is transferred to equity. If the foreign operation is subsequently sold or relinquished, the amount recognised in equity is released to the statement of profit or loss.

No amounts were recognised in the 2012 or 2011 financial years as a result of ineffectiveness in net investment hedges.

Fair value of financial instruments designated as hedges:

118 FAIR VALUE OF FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

in € million	2012	2011
Cash flow hedges		
Forward exchange transactions	–	–8
Interest rate swaps	–63	–71
Commodities	–25	–25
Financial liabilities	94	59
Fair value hedges		
Interest rate swaps	166	105
Net investment hedges		
Forward exchange transactions	59	–71
Financial liabilities in foreign currencies	1,815	780
TOTAL	2,046	769

[30] Group statement of cash flows

The statement of cash flows 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 statement of cash flows comprise all cash and cash equivalents disclosed in the balance sheet: i.e. cash in hand, bank balances and money market funds with a maturity of three months or less. Cash and cash equivalents of EUR 10 m (2011: EUR 8 m) are subject to drawing restrictions as a result of currency export restrictions. The cash flows from investing and financing activities are calculated on the basis of payments, while the cash flow from operating activities is derived indirectly from earnings before taxes on income.

When the cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation and changes in Group structure. As a result, it is not possible to reconcile the figures to the differences between the headings in the published Group statement of financial position.

Distributions received and income taxes paid included in cash inflow from operating activities are disclosed separately. Cash inflows from associates and joint ventures are disclosed in cash inflow from operating activities. Finance income from embedded finance leases (IFRIC 4/IAS 17) has been included in cash inflow from operating activities, due to the fact that such income is clearly related to the operating business of The Linde Group. From the 2012 financial year, capitalised borrowing costs for qualifying assets of EUR 44 m (2011: EUR 31 m) are being disclosed in cash flow from investing activities. Capitalised borrowing costs have until now been disclosed in cash flow from financing activities. This change in presentation gives a clearer picture in the cash flow statement. The prior-year figure has been adjusted accordingly. All other interest payments are disclosed in cash flow from financing activities.

See the Group cash flow statement for cash outflows relating to newly consolidated companies. In the Group statement of financial position, an amount of EUR 26 m (2011: EUR 4 m) has been recognised as liabilities which are not included in the cash outflows for consolidated companies. This relates to contingent purchase price payments.

The total increase in cash and cash equivalents as a result of acquisitions was EUR 179 m (2011: EUR 1 m). There was no change in cash and cash equivalents as a result of disposals.

Investing activities comprise additions to and disposals of tangible assets, financial assets, intangible assets and consolidated companies. Additions and disposals in foreign currency have been translated at average rates.

[31] Segment information

IFRS 8 Operating Segments requires operating segments to be defined primarily on the basis of internal management within the organisation. The scope of the financial information prepared for segment reporting corresponds to the information made available on a regular basis to the full Executive Board.

The organisational structure in the gases business is derived from management at regional level. The operating segments within the Gases Division therefore comprise the following eight Regional Business Units (RBUs): North America, South America, Continental & Northern Europe, Africa & UK, Eastern Europe & Middle East, South & East Asia, Greater China and South Pacific. These operating segments are aggregated to form the following three reportable segments:

¬ EMEA (Europe, Middle East and Africa)
¬ Asia/Pacific
¬ Americas

The Engineering Division and Other Activities are managed separately on a global basis. In accordance with IFRS 8, The Linde Group therefore reports in five reportable segments. The “Reconciliation” column comprises corporate activities and consolidation adjustments.

A brief description of the reportable segments is given below:

Gases Division (EMEA, Asia/Pacific and the Americas):

Production, sale and distribution of gases for applications in industry, medicine, environmental protection and in research and development. In addition, this division offers technical application know-how, specialised services and the necessary hardware to use the various gases. The business model in the three reportable segments within the Gases Division (EMEA, Asia/Pacific and the Americas) is largely identical in each segment.

Engineering Division:

Design and realisation of turnkey olefin plants and plants for the production of hydrogen and synthesis gases and the processing of natural gas, as well as the design and realisation of air separation plants and pharmaceutical plants. This division also develops and manufactures plant components and offers specialised services.

Other Activities:

Other Activities comprises Gist, a leading supplier of logistics and supply chain solutions with business operations mainly in the UK.

Segment accounting policies

For the reportable segments, the same accounting policies apply as those set out in NOTE [7]. Exceptions apply to Group financing which is generally allocated to Corporate. Pension obligations are allocated to the segment in which the relevant employees work. The provision for existing pension obligations arising from the BOC pension plan in respect of the legal entities in the UK is allocated to the EMEA segment. The service cost was charged to the EMEA and Corporate segments. Transactions between the reportable segments described above are conducted under the same conditions as for non-related third parties.

To arrive at the figure for the Gases Division as a whole from the figures for the three reportable segments within the Gases Division, consolidation adjustments of EUR 105 m (2011: EUR 71 m) have been applied to revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the figures for the reportable segments in the Gases Division.

Segment profit is calculated on the basis of operating profit, which is defined as earnings before interest, tax, depreciation and amortisation (EBITDA), including the share of income 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 reconciliation of segment revenue to Group revenue and segment operating profit to Group earnings before taxes on income are shown below:

119 RECONCILIATIONS OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	2012	2011
Revenue		
Total revenue from the reportable segments	15,748	14,176
Consolidation	–468	–389
GROUP REVENUE	**15,280**	**13,787**
Operating profit		
Operating profit from the reportable segments	3,780	3,409
Operating profit from corporate activities	–203	–130
Amortisation and depreciation	1,538	1,300
of which fair value adjustments identified in the course of the BOC purchase price allocation	238	242
of which impairments	46	26
Financial income	354	359
Financial expenses	659	650
Consolidation	–47	–69
PROFIT BEFORE TAX	**1,687**	**1,619**

[32] Employees

The average number of employees (including part-time employees pro-rata) can be analysed as follows:

120 EMPLOYEES BY REPORTABLE SEGMENT

	2012	2011
Gases Division	45,109	38,469
EMEA	21,438	20,819
Asia/Pacific	11,032	10,515
Americas	12,639	7,135
Engineering Division	6,454	6,110
Other Activities	4,739	4,963
GROUP	**56,302**	**49,542**

[33] Recommendation for the approval of the annual financial statements and appropriation of profit of Linde AG

The unappropriated profit of Linde AG was EUR 500,010,213.60 (2011: EUR 427,653,502.50).

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 and filed in the German Federal Gazette (Bundesanzeiger).

121 BALANCE SHEET OF LINDE AG – ASSETS

in € million	31.12.2012	31.12.2011
Intangible assets	92	76
Tangible assets	358	335
Financial assets	17,439	13,661
NON-CURRENT ASSETS	17,889	14,072
Inventories	1,468	2,232
Less advance payments received from customers	–1,468	–2,232
Receivables and other assets	1,411	1,018
Securities	801	1,050
Liquid assets	587	499
CURRENT ASSETS	2,799	2,567
PREPAID EXPENSES AND DEFERRED CHARGES	17	11
TOTAL ASSETS	20,705	16,650

122 BALANCE SHEET OF LINDE AG – EQUITY AND LIABILITIES

in € million	31.12.2012	31.12.2011
Capital subscribed	474	438
Conditionally authorised capital of € 104 million (2011: € 97 million)		
Capital reserve	6,561	5,141
Revenue reserves	2,073	2,017
Unappropriated profit	500	428
EQUITY	9,608	8,024
Provisions for pensions and similar obligations	471	455
Other provisions	898	886
PROVISIONS	1,369	1,341
LIABILITIES	9,728	7,285
TOTAL EQUITY AND LIABILITIES	20,705	16,650

123 INCOME STATEMENT OF LINDE AG

in € million	2012	2011
REVENUE	3,153	2,028
Cost of sales	2,264	1,204
GROSS PROFIT	889	824
Marketing and selling expenses	298	292
Research and development costs	140	135
General administration expenses	352	329
Other operating income	404	328
Other operating expenses	237	198
Investment income	467	422
Other interest and similar income	279	201
of which from affiliated companies € 250 million (2011: € 170 million)		
Amortisation of financial assets and securities held as current assets	23	3
Interest and similar charges	403	297
of which to affiliated companies € 292 million (2011: € 247 million)		
PROFIT ON ORDINARY ACTIVITIES	586	521
Extraordinary income	15	–
Income tax expense	40	50
PROFIT FOR THE YEAR	561	471
Transfer to revenue reserves	–61	–43
UNAPPROPRIATED PROFIT	500	428

The Executive Board recommends that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 6 March 2013, the Supervisory Board proposes that the appropriation of profit of EUR 500,010,213.60 (2011: EUR 427,653,502.50) be voted on the Annual General Meeting on 29 May 2013:

- payment of a dividend of EUR 2.70 (2011: EUR 2.50) per no-par value share entitled to dividend. The total dividend payout for 185,188,968 (2011: 171,061.401) no-par value shares entitled to a dividend amounts to EUR 500,010,213.60 (2011: EUR 427,653,502.50).

The 36,408 treasury shares held by the Company without any dividend entitlement at the time of the proposal are not included in the calculation of the amount to be distributed.

[34] Related party transactions

In addition to the subsidiaries included in the Group financial statements, Linde AG is related, directly or indirectly, while carrying out its normal business activities to non-consolidated subsidiaries, joint ventures and associates. The business relationships with these companies are generally 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 NOTE [41] has been filed in the German Federal Gazette. The information about the remuneration of the Executive Board and the Supervisory Board is set out in NOTE [35].

The volume of transactions of The Linde Group with these related parties was as follows.

Services provided by the Group to related parties:

124 REVENUE WITH RELATED PARTIES

in € million	2012 Non-consolidated subsidiaries	2012 Associates or joint ventures	2012 Other related parties	2012 Total	2011 Non-consolidated subsidiaries	2011 Associates or joint ventures	2011 Other related parties	2011 Total
Sales of goods	–	8	–	8	–	18	–	18
Revenue based on PoC	–	82	–	82	1	93	–	94
Other revenue	–	40	–	40	–	43	–	43

Services provided by related parties to the Group:

125 PURCHASED GOODS AND SERVICES FROM RELATED PARTIES

in € million	2012 Non-consolidated subsidiaries	2012 Associates or joint ventures	2012 Other related parties	2012 Total	2011 Non-consolidated subsidiaries	2011 Associates or joint ventures	2011 Other related parties	2011 Total
Goods purchased from related parties	9	38	–	47	–	7	–	7
Services purchased from related parties	11	98	–	109	–	127	–	127

Related parties include the members of the Executive Board and Supervisory Board. In 2012, Linde purchased a 100 percent interest in an investment from the family company of a member of the Supervisory Board at a purchase price of EUR 2.1 m. The transaction was conducted under the usual market conditions. Other than this, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board which are outside the bounds of existing employment, service and appointment agreements or remuneration contracts.

At the balance sheet date, receivables from and liabilities to related parties were as follows:

126 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

in € million	31.12.2012 Non-consolidated subsidiaries	31.12.2012 Associates or joint ventures	31.12.2012 Other related parties	31.12.2012 Total	31.12.2011 Non-consolidated subsidiaries	31.12.2011 Associates or joint ventures	31.12.2011 Other related parties	31.12.2011 Total
Receivables from related parties	6	228	–	234	3	265	–	268
Liabilities to related parties	1	24	–	25	1	24	–	25

In addition, there were charge-free guarantee agreements at the balance sheet date relating to associates and joint ventures of EUR 16 m (2011: EUR 28 m). These are disclosed as contingent liabilities in NOTE [38]. At the balance sheet date, there were also open purchase orders relating to joint ventures of EUR 57 m (2011: EUR 94 m).

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

Supervisory Board

In the 2012 financial year, the total remuneration of members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, was EUR 2,706,027 (2011: EUR 2,730,447). Of this amount, EUR 1,017,711 (2011: EUR 1,023,107) related to fixed emoluments and EUR 1,632,386 (2011: EUR 1,656,764) to variable emoluments.

At 31 December 2012, there were no advances or loans to members of the Supervisory Board. This was also the case at 31 December 2011. 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

127 EMOLUMENTS OF THE EXECUTIVE BOARD

in €	*2012*	*2011*
Fixed emoluments	3,858,540	4,266,645
Variable emoluments short-term	5,597,873	7,518,516
Variable emoluments long-term	3,731,916	–
TOTAL CASH EMOLUMENTS	**13,188,329**	**11,785,161**

In accordance with changes to the system of remuneration decided by the Supervisory Board which came into effect on 1 January 2012, 60 percent of the variable cash emoluments is paid in cash after the end of the relevant financial year, while 40 percent is converted into virtual shares and is not paid for at least another three years. These virtual shares are therefore a new long-term component of remuneration. The amount paid out depends on movements in the price of Linde shares.

In the 2012 financial year, under the 2012 Long Term Incentive Plan approved at the Annual General Meeting, 58,934 options were granted to members of the Executive Board as part of their total emoluments. (In 2011, 68,573 options were granted to members of the Executive Board under the 2007 Performance Share Programme.) The options had a value on the grant date of EUR 47.51 (2011: EUR 51.04) per option. In addition, 6,406 rights to matching shares (2011: 0) were granted as part of the total emoluments of the Executive Board. These had a value on the grant date of EUR 109.26 per matching share. The total amount of share-based emoluments of the Executive Board in the 2012 financial year was EUR 3,255,080 (2011: EUR 4,698,279).

In 2012 and 2011, there were no advances or loans to members of the Executive Board.

The service cost of pension obligations in respect of members of the Executive Board in the 2012 financial year was EUR 1,498,236 (2011: 1,264,518). Total remuneration paid to former members of the Executive Board and their surviving dependants amounted to EUR 2,907,672 (2011: EUR 2,841,716). A provision of EUR 39,260,114 (2011: EUR 36,903,317) 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.

The remuneration report presents the basic features and structure of the remuneration of the Executive Board and Supervisory Board. It also includes information required to be disclosed by IAS 24.17. The remuneration report forms part of the Group management report and is presented on *PAGES 21 TO 32* of the 2012 Annual Report.

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

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Law (AktG) on the recommendations of the German Corporate Governance Code and made it available to shareholders on a permanent basis. The Declaration of Compliance has been published on the Internet at *WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE*. The Declaration on Corporate Governance can be found on the Internet at *WWW.LINDE.COM/CORPORATEGOVERNANCE*.

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

[37] Other Board memberships

[Disclosures regarding other Board memberships are as at 31 December 2012]

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,
Chairman of the Supervisory Board of Bayer AG
(retired on 30 September 2012)

¬ EXTERNAL OFFICES:
RWE AG (CHAIRMAN)

HANS-DIETER KATTE
Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Pullach Works Council,
Engineering Division, Linde AG

MICHAEL DIEKMANN
Second Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Board of Management of Allianz SE

¬ EXTERNAL OFFICES:
BASF SE
Siemens AG

¬ GROUP OFFICES:
Allianz Asset Management AG (Chairman)
Allianz Deutschland AG

¬ GROUP OFFICES:
Allianz France S.A.
(Vice-President of the Administrative Board)
Allianz S.p.A.

PROFESSOR DR ANN-KRISTIN ACHLEITNER
Professor at the Technical University Munich (TUM)

¬ EXTERNAL OFFICES:
METRO AG

¬ EXTERNAL OFFICES:
GDF SUEZ SA, Paris, France
(Member of the Administrative Board)
Vontobel Holding AG, Zurich, Switzerland
(Member of the Administrative Board)
Bank Vontobel AG, Zurich, Switzerland
(Member of the Administrative Board)

DR CLEMENS BÖRSIG
Chairman of the Supervisory Board of Deutsche Bank AG
(retired on 31 May 2012)

¬ EXTERNAL OFFICES:
Bayer AG
Daimler AG

¬ EXTERNAL OFFICES:
Emerson Electric Company
(Member of the Board of Directors)

ANKE COUTURIER
(appointed on 6 December 2012)
Head of Global Pensions, Linde AG

GERNOT HAHL
Chairman of the Worms Works Council,
Gases Division, Linde AG

THILO KÄMMERER
Trade Union Secretary, IG Metall

¬ EXTERNAL OFFICES:
KION GROUP GmbH
KION Holding 1 GmbH

MATTHEW F. C. MIAU
Chairman of MiTAC-SYNNEX Group, Taiwan

¬ EXTERNAL OFFICES:
BOC LIENHWA INDUSTRIAL GASES CO. LTD.
(Member of the Board of Directors)
Winbond Electronics Corporation
(Member of the Board of Directors)

¬ GROUP OFFICES:
Getac Technology Corporation
(Member of the Board of Directors)
Synnex Corporation
(Member of the Board of Directors)

KLAUS-PETER MÜLLER
Chairman of the Supervisory Board of Commerzbank AG

¬ EXTERNAL OFFICES:
Commerzbank AG (Chairman)
Fresenius SE & Co. KGaA
Fresenius Management SE

¬ EXTERNAL OFFICES:
Landwirtschaftliche Rentenbank
(Member of the Administrative Board)
Parker Hannifin Corporation
(Member of the Board of Directors)

¬ *MEMBERSHIP OF OTHER GERMAN SUPERVISORY BOARDS.*

¬ *MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS.*

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

XAVER SCHMIDT
Secretary to the Executive Board of IG Bergbau, Chemie, Energie Hannover

EXTERNAL OFFICES:
Berufsgenossenschaftliches Universitätsklinikum Bergmannsheil GmbH
(Alternate Chairman)

The following member retired from the Supervisory Board in the 2012 financial year:
(The information provided relates to the date of retirement.)

JOSEF SCHREGLE
(retired on 31 October 2012)
Director of Finance for EMEA (Europe, Middle East, Africa) for the 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)

EXTERNAL OFFICES:
Holcim Ltd., Switzerland
(Member of the Administrative Board)

PROFESSOR DR ALDO BELLONI
Member of the Executive Board

THOMAS BLADES
Member of the Executive Board
(appointed on 8 March 2012)

GEORG DENOKE
Member of the Executive Board

SANJIV LAMBA
Member of the Executive Board

GROUP OFFICES:
BOC INDIA LIMITED
(Chairman of the Board of Directors)

MEMBERSHIP OF OTHER GERMAN SUPERVISORY BOARDS.

MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS.

[38] Contingent liabilities and other financial commitments

128 CONTINGENT LIABILITIES

in € million	31.12.12	31.12.11
Guarantees	5	4
Warranties	58	70
TOTAL	**63**	**74**

Litigation

The Linde Group or one of its Group companies are involved in current or foreseeable legal or arbitration proceedings in the normal course of business.

In 2010, the Brazilian competition authority CADE imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anticompetitive business conduct in the years 1998 to 2004. The amount relating to The Linde Group is around EUR 80 m. Seen from today's perspective, Linde assumes that this decision will not stand up to judicial review.

Linde is also party to various current or foreseeable legal or arbitration proceedings in respect of which the probability of a claim is unlikely or the impact on the economic situation of The Linde Group will be immaterial. Appropriate provisions for potential financial liabilities have been made in the relevant Group company for all other proceedings in which Linde is involved.

129 OTHER FINANCIAL COMMITMENTS

in € million	31.12.12	31.12.11
Obligations under non-cancellable operating leases	656	595
Capital expenditure commitment (tangible fixed assets)	401	223
Capital expenditure commitment (intangible assets)	11	5
TOTAL	**1,068**	**823**

Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

130 PROCUREMENT LEASES

in € million	31.12.12	31.12.11
Total minimum lease payments (gross investment)		
due within one year	169	137
due in one to five years	307	272
due in more than five years	180	186
	656	**595**

The minimum lease payments relate to leased buildings, technical equipment, fixtures, furniture and equipment (procurement leases). They are in respect of a large number of individual lease agreements. In the 2012 financial year, costs arising from operating leases of EUR 232 m (2011: EUR 197 m) were recognised.

The Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with our consortium partners totalling EUR 1.655 bn (2011: EUR 1.114 bn). Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liability in respect of these contracts.

[39] Auditors' fees and services

KPMG, the auditors of the Group financial statements, provided the following services to companies in The Linde Group:

131 AUDITORS' FEES AND SERVICES

in € million	2012 Group	2012 Thereof KPMG AG[1]	2011 Group	2011 Thereof KPMG AG[1]
Audit (including expenses)	10	3	8	2
Other attestation services	2	1	3	1
Tax consultancy	2	–	2	1
Other services	1	1	1	–
TOTAL	**15**	**5**	**14**	**4**

[1] KPMG AG Wirtschaftsprüfungsgesellschaft.

In the table above, audit comprises the fees for the audit of the consolidated financial statements of The Linde Group and of the statutory annual financial statements of Linde AG and the subsidiaries included in the consolidated financial statements.

Other attestation services comprise mainly reviews of the quarterly reports, the issue of a comfort letter, due diligence reviews, confirmation of compliance with specific contractual agreements and other review procedures.

Tax consultancy costs relate mainly to the preparation of tax returns, transfer pricing analyses, advice to employees who work outside their home country and tax advice relating to current or proposed business transactions.

[40] 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 other acquisitions directly related to the BOC transaction.

132 ADJUSTED KEY FINANCIAL FIGURES

	31.12.12			31.12.11		
in € million	As reported	Non-GAAP adjustments	Adjusted key financial figures	As reported	Non-GAAP adjustments	Adjusted key financial figures
Revenue	15,280	–	15,280	13,787	–	13,787
Cost of sales	-9,755	50	-9,705	-8,766	52	-8,714
GROSS PROFIT	5,525	50	5,575	5,021	52	5,073
Research and development costs, marketing, selling and administration expenses	-3,758	188	-3,570	-3,292	190	-3,102
Other operating income and expenses	133	–	133	105	–	105
Share of profit or loss from associates and joint ventures (at equity)	92	–	92	76	–	76
EBIT	1,992	238	2,230	1,910	242	2,152
Financial result	-305	–	-305	-291	–	-291
Income tax expense	-363	-85	-448	-375	-101	-476
PROFIT FOR THE YEAR	1,324	153	1,477	1,244	141	1,385
attributable to Linde AG shareholders	1,250	153	1,403	1,174	141	1,315
attributable to non-controlling interests	74	–	74	70	–	70
Equity including non-controlling interests	13,658	-496	13,162	12,144	-649	11,495
Plus: Financial debt	10,124	–	10,124	7,768	–	7,768
Plus: Liabilities from finance leases	80	–	80	46	–	46
Less: Receivables from finance leases	291	–	291	352	–	352
Less: Cash, cash equivalents and securities	2,041	–	2,041	2,674	–	2,674
Plus: Net pension obligations	830	–	830	611	–	611
CAPITAL EMPLOYED	22,360	-496	21,864	17,543	-649	16,894
EARNINGS PER SHARE in € – UNDILUTED	7.03	–	7.89	6.88	–	7.71
EARNINGS PER SHARE in € – DILUTED	6.97	–	7.83	6.82	–	7.63
RETURN ON CAPITAL EMPLOYED (ROCE) in %	10.0	–	11.5	11.0	–	13.0

[41] List of shareholdings of The Linde Group and Linde AG at 31 December 2012 in accordance with the provisions of § 313 (2) No. 4 of the German Commercial Code (HGB)

The results of companies acquired in 2012 are included as of the date of acquisition. The information about the equity and the net income or net loss of the companies is as at 31 December 2012 in accordance with IFRS, unless specifically disclosed in the notes below.

133 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IAS 27)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		2.5	1.1	
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–5.8	–2.1	e
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		1.3	0.3	
Linde Electronics GmbH	Stadl-Paura	AUT	100		7.7	0.9	
Linde Gas GmbH	Stadl-Paura	AUT	100		179.5	5.0	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		0.2	0.0	
Chemogas N.V.	Grimbergen	BEL	100		5.5	1.6	
Linde Gas Belgium NV	Grimbergen	BEL	100		1.8	–2.4	
Linde Homecare Belgium SPRL	Sombreffe	BEL	100	100	6.0	–0.1	
Bossot Trade EOOD	Stara Zagora	BGR	100	100	–0.1	0.0	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100		8.4	–0.4	
Linde Gas BH d.o.o.	Zenica	BIH	85	85	11.0	–0.3	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	1.0	0.3	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		1.6	1.6	
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	c, d
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–0.5	0.0	
PanGas AG	Dagmersellen	CHE	100		83.7	33.1	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0.0	0.0	c, d
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	8.7	0.9	
Linde Gas a.s.	Prague	CZE	100		210.9	59.6	
Linde Sokolovská s.r.o.	Prague	CZE	100		62.4	7.0	
Heins & Co. GmbH	Bremen	DEU	100		0.1	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100	100	2.0	0.3	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0.1	0.0	
Linde Electronics GmbH & Co. KG	Pullach	DEU	100	100	25.0	0.3	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	3.7	0.2	

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			in percent	in percent	in € million	in € million	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	345.0	-0.2	
Linde Gas Therapeutics GmbH	Unterschleißheim	DEU	100		24.9	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	0.1	0.0	
Linde Medical GmbH	Bochum	DEU	100		22.0	–	a
Linde Remeo Deutschland GmbH	Mahlow	DEU	100		3.7	–	a
Linde Welding GmbH	Pullach	DEU	100		0.3	–	a
Martens Schweißtechnik GmbH	Rastede	DEU	100		1.2	–	a
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf	DEU	100		0.1	–	a
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100	100	3.1	–	a
Unterbichler Gase GmbH	Munich	DEU	100	100	0.9	–	a
AGA A/S	Copenhagen	DNK	100		11.3	5.7	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	66.9	14.5	
Abelló Linde, S. A.	Barcelona	ESP	100	100	113.9	-3.6	
LINDE ELECTRONICS, S.L.	Barcelona	ESP	100		-1.5	-1.1	
Linde Médica, S.L.	Barcelona	ESP	100		206.5	9.9	
LINDE MEDICINAL, S.L.	Córdoba	ESP	100		340.2	4.7	
AS Eesti AGA	Tallinn	EST	100		17.7	4.2	
Kiinteisto Oy Karakaasu	Espoo	FIN	100		-2.1	0.0	c
Kiinteisto Oy Karaportti	Espoo	FIN	100		-3.4	0.0	c
Oy AGA ab	Espoo	FIN	100		56.4	41.7	c
Teollisuuskaatsut Suomi Oy	Espoo	FIN	100		2.4	0.0	c
TK-Teollisuuskaasut Oy	Espoo	FIN	100		-0.2	-0.1	c
Henno Oxygene SAS	Paris	FRA	100		1.4	0.2	
Hold'Air SAS	Paris	FRA	100		0.2	0.0	
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		2.8	0.4	
Linde France S.A.	Saint-Priest	FRA	100		164.7	20.3	
Linde Médical Domicile S.A.	Amiens	FRA	100		0.2	-0.2	
Linde Homecare France SAS	Saint-Priest	FRA	100		25.1	0.3	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0.2	-0.1	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.5	0.1	
BOC HELEX	Guildford	GBR	100		3,764.1	79.3	
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0.3	0.0	c, d
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		1.0	0.2	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	0.0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Nottingham	GBR	100		0.7	0.3	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Nottingham	GBR	80		1.3	0.3	c, d
GAS & GEAR LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0.2	-0.1	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100		-2.0	-0.1	c, d
INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Nottingham	GBR	100		0.1	0.0	c, d

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Nottingham	GBR	100		1.8	−1.7	c, d
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	100		1.3	0.1	c, d
LEENGATE HIRE & SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (CANNOCK) LIMITED	Nottingham	GBR	100		−1.0	−0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	100		0.3	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	100		2.0	0.3	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100		−0.1	−0.3	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.3	0.0	c, d
LEENGATE VALVES LIMITED	Nottingham	GBR	94		2.3	0.8	c, d
LEENGATE WELDING LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	0.0	0.0	
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		0.0	0.0	
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	88		1.2	0.0	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		−0.2	0.0	c, d
W & G SUPPLIES LIMITED	Nottingham	GBR	100		0.3	0.0	c, d
WELDER EQUIPMENT SERVICES LIMITED	Nottingham	GBR	75		0.0	0.1	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		−0.4	−0.1	c, d
AEROSCOPIO HELLAS S.A.	Piraeus	GRC	71	71	0.0	0.0	
Linde Hellas E.P.E.	Mandra	GRC	100	100	39.6	−0.3	
LINDE PLIN d.o.o.	Karlovac	HRV	100	100	4.5	0.3	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100		178.6	35.7	
BOC (TRADING) LIMITED	Dublin	IRL	100		7.3	0.0	c, d
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.1	25.0	
BOC Gases Ireland Limited	Dublin	IRL	100		47.1	28.8	c, d
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	0.0	
ISAGA ehf.	Reykjavík	ISL	100		3.8	1.2	
Linde Gas Italia S.r.l.	Arluno	ITA	100		144.1	1.2	
LINDE MEDICALE Srl	Arluno	ITA	100		35.6	−0.2	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	21.4	−1.6	
BOC Kenya Limited	Nairobi	KEN	65		11.9	1.8	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100		1.5	0.3	
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		0.0	0.0	c, d
AGA UAB	Vilnius	LTU	100		5.2	1.0	
AGA SIA	Riga	LVA	100		15.3	2.1	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.7	0.0	
Afrox Moçambique, Limitada	Maputo	MOZ	100		−1.0	0.2	
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		1.1	0.0	
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		0.0	0.0	d
Afrox Malawi Limited	Blantyre	MWI	79		2.2	1.2	
GAS & WELDING PRODUCTS (PTY) LTD	Windhoek	NAM	100		0.0	0.0	
IGL (PTY) LIMITED	Windhoek	NAM	100		5.3	2.8	
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		0.5	0.2	

133 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IAS 27)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		1.0	0.1	
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		0.0	0.0	
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		0.0	0.0	
BOC Gases Nigeria Plc	Lagos	NGA	60		8.2	1.6	
AGA International B.V.	Schiedam	NLD	100		221.2	4.3	
Beheermaatschappij De Econoom B.V.	Schiedam	NLD	100		1.7	–0.2	
Linde Electronics B.V.	Schiedam	NLD	100		5.0	1.3	
Linde Gas Benelux B.V.	Schiedam	NLD	100		162.9	25.4	
Linde Gas Cryoservices B.V.	Eindhoven	NLD	100		5.5	1.3	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100		58.5	6.7	
Linde Homecare Benelux B.V.	Nuland	NLD	100		9.9	–2.8	
Mecomfa SPC B.V.	Schiedam	NLD	100		–4.4	0.8	
Mecomfa SPC2 B.V.	Schiedam	NLD	100		1.0	0.0	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		274.8	19.9	
AGA AS	Oslo	NOR	100		44.7	33.9	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		5.2	1.0	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	124.4	12.4	
Linde Saúde, Sociedade Unipessoal, Lda.	Maia	PRT	100		41.9	5.2	
LINDE SOGÁS, LDA	Lisbon	PRT	100		30.3	0.3	
LINDE GAZ ROMANIA S.R.L.	Timisoara	ROU	100		131.4	17.2	
OXIGEN PLUS S.R.L.	Bucharest	ROU	100		1.0	0.3	
OAO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	11.3	0.6	
OJSC "Linde Gas Rus"	Balashikha	RUS	100	100	68.9	–0.6	
Linde Jubail Industrial Gases Factory LLC	Al-Khobar	SAU	100	84	5.9	–0.2	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		57.4	–0.2	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Bečej	SRB	87	87	9.3	0.4	
Aries 94 s.r.o.	Bratislava	SVK	100		2.0	0.5	
Linde Gas k.s.	Bratislava	SVK	100		29.7	4.2	
LINDE PLIN d.o.o.	Celje	SVN	100	100	8.5	1.1	
AB Held	Lidingö	SWE	100		0.0	0.0	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		–0.1	0.0	
AGA Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA International Investment Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA Medical Aktiebolag	Lidingö	SWE	100		0.0	0.0	
Agatronic AB	Lidingö	SWE	100		0.1	0.0	
CRYO Aktiebolag	Gothenburg	SWE	100		0.0	0.0	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		0.0	0.0	
Linde Healthcare AB	Lidingö	SWE	100		10.5	3.4	
Svenska Aktiebolaget Gasaccumulator	Lidingö	SWE	100		0.1	0.0	
Svets Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		0.0	0.0	
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		1.4	1.4	
Linde Gas Tunisie S.A.	Ben Arous	TUN	60	60	5.4	–0.2	
Linde Gaz A.S.	Istanbul	TUR	100	100	55.8	0.2	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.7	–0.1	

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
BOC Uganda Limited	Kampala	UGA	100		0.7	0.0	
PJSC "Linde Gaz Ukraine"	Dnipropetrovsk	UKR	100	96	29.4	0.9	
African Oxygen Limited	Johannesburg	ZAF	56		212.0	25.2	
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		5.9	1.0	c, d
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		0.0	0.0	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		2.7	0.3	
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	100		3.9	1.5	
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.2	0.0	
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100		0.5	0.1	
ISAS TRUST	Johannesburg	ZAF	100		0.5	0.0	
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		0.0	0.0	
NICOWELD (PTY) LIMITED	Sandton	ZAF	100		0.0	0.0	
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX ZAMBIA LIMITED	Ndola	ZMB	70		0.0	0.0	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		18.6	2.9	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		101.1	0.0	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		9.8	1.7	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		–0.6	72.5	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
BOC Limited	North Ryde	AUS	100		68.3	227.6	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		3.5	0.6	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		5.2	0.0	
ELGAS LIMITED	North Ryde	AUS	100		18.3	40.8	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		3.4	0.5	
FLEXIHIRE PTY LIMITED	Rockhampton	AUS	100		28.7	6.8	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		–1.7	0.0	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		19.2	3.5	
THE COMMONWEALTH INDUSTRIAL GASES PTY. LIMITED	North Ryde	AUS	100		0.0	0.0	
TIAMONT PTY LIMITED	North Ryde	AUS	100		3.0	0.6	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		20.7	1.0	
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		7.9	0.0	
Linde Bangladesh Limited	Dhaka	BGD	60		20.8	4.6	
Anhui JuLan Industrial Gases Co., Ltd.	Lu'an	CHN	100		2.2	0.0	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		0.0	0.0	

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AUECC Shanghai Co. Ltd.	Shanghai	CHN	100		12.4	–0.2	
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		136.6	9.3	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		8.3	0.9	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		32.4	6.3	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		16.2	0.1	
BOC Gases (Wuhan) Co., Ltd.	Wuhan	CHN	100		6.6	0.3	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		13.7	–0.1	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		13.1	0.4	
BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		11.7	1.3	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		–4.5	–3.3	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		23.9	0.3	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		2.8	–0.2	
CONFEDERATE TRADING (SHANGHAI) CO., LTD.	Shanghai	CHN	100		–0.3	–0.3	
Hefei Juwang Industrial Gas Co., Ltd.	Hefei	CHN	99		7.5	0.4	
Jianyang Linde Medical Gases Company Limited	Jianyang	CHN	100		1.0	0.2	
Linde Carbonic (Wuhu) Company Ltd.	Wuhu city	CHN	60		4.3	0.0	
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	11.3	0.7	
Linde Dahua (Dalian) Gases Co., Ltd	Dalian	CHN	50		27.7	–0.4	e
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	8.8	–2.1	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		95.3	–2.9	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		6.6	2.6	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.0	0.9	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	32.8	2.4	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		2.9	–1.2	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		17.3	–0.2	
Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		8.9	–0.2	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		4.6	–0.7	
Linde Gases (Jilin) Co., Ltd.	Jilin	CHN	100		3.0	0.2	
Linde Gases (Meishan) Co., Ltd.	Meishan	CHN	100		6.8	0.1	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		1.6	0.8	
LINDE GASES (SHANGHAI) CO., LTD.	Shanghai	CHN	100		14.7	1.9	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		8.0	0.2	
Linde Gases (Wuan) Co., Ltd.	Wu'an	CHN	100		33.8	–5.2	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		14.5	–3.6	
Linde Gases (Yantai) Co., Ltd.	Yantai	CHN	90		31.6	1.0	
Linde Gases (Zhangzhou) Co., Ltd.	Zhangzhou	CHN	100		10.4	0.4	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		8.7	0.9	
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		5.7	1.0	
Linde Lienhwa Gases (BeiJing) Co., Ltd.	Beijing	CHN	100		13.2	–1.1	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		10.4	0.9	
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	60		42.6	0.9	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		0.3	–0.4	

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Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100		10.3	1.4	
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.7	0.0	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90		0.7	-0.6	
Wuxi Boc Gases Co., Limited	Wuxi	CHN	100		1.0	0.0	
BOC (FIJI) LIMITED	Lami Suva	FJI	90		2.8	1.3	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		0.0	0.0	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wan Chai	HKG	100		-1.0	0.0	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	316.6	-0.7	
Linde HKO Limited	Kowloon	HKG	100		40.5	10.5	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		1.0	0.6	
P.T. Gresik Gases Indonesia	Jakarta	IDN	97		13.6	-0.8	
P.T. Gresik Power Indonesia	Jakarta	IDN	97		8.9	-0.3	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		-0.7	0.1	
PT. LINDE INDONESIA	Jakarta	IDN	100		14.9	0.6	
BOC INDIA LIMITED	Kolkata	IND	89		178.2	12.3	
Linde Japan Ltd.	Yokohama	JPN	100	100	0.4	0.0	
Linde Korea Co., Ltd.	Pohang	KOR	100		215.0	11.6	
PS Chem Co., Ltd.	Gyeongsang-nam-do	KOR	100		5.8	0.1	
PSG Co., Ltd.	Busan	KOR	51		15.4	0.0	
Sam Kwang Gas Tech Co., Ltd.	Seoul	KOR	100		4.4	0.1	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	19.5	3.8	
DAYAMOX SDN BHD	Petaling Jaya	MYS	100		0.0	0.0	
Linde EOX Sdn. Bhd.	Petaling Jaya	MYS	100		26.3	2.0	
Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	19.6	3.2	
LINDE INDUSTRIAL GASES (MALAYSIA) SDN. BHD.	Petaling Jaya	MYS	80	80	9.2	0.0	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		74.8	20.0	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		176.7	42.2	
LINDE WELDING PRODUCTS SDN. BHD.	Petaling Jaya	MYS	100		0.6	-0.2	
BOC LIMITED	Auckland	NZL	100		32.0	25.3	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	28.3	
ELGAS LIMITED	Auckland	NZL	100		21.2	1.6	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0.2	0.0	
Linde Pakistan Limited	Karachi	PAK	60		13.1	2.3	
BATAAN INDUSTRIAL GASES INC	Pasig City	PHL	100		0.5	0.2	
BOC (PHILS.) HOLDINGS, INC.	Pasig City	PHL	100		20.9	0.0	
CHATSWOOD INC	Makati City	PHL	62		-0.5	0.0	
CIGC CORPORATION	Pasig City	PHL	100		0.8	0.1	
CRYO INDUSTRIAL GASES, INC	Pasig City	PHL	100		0.3	0.1	
GRANDPLAINS PROPERTIES, INC	Pasig City	PHL	40		2.0	0.4	e
LINDE PHILIPPINES (SOUTH), INC.	Mandaue City	PHL	100		18.3	1.1	
LINDE PHILIPPINES, INC.	Pasig City	PHL	100		23.0	1.4	
ROYAL SOUTHMEADOWS, INC	Mandaue City	PHL	40		0.7	0.0	e
BOC Papua New Guinea Limited	Lae	PNG	74		29.9	11.4	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		-0.6	-1.1	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	79.6	-7.0	

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LINDE TREASURY ASIA PACIFIC PTE.LTD.	Singapore	SGP	100		0.3	0.1	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		1.8	0.9	
KTPV (THAILAND) LIMITED	Bangpakong	THA	100		12.9	0.0	
Linde (Thailand) Public Company Limited	Samut Prakan	THA	100		172.8	18.4	
Linde Air Chemicals Limited	Samut Prakan	THA	99		32.9	7.7	
Linde Carbonic Ltd.	Samut Prakan	THA	100	100	2.0	0.3	
Linde Gas (Thailand) Ltd.	Samut Prakan	THA	100		1.2	-0.1	
Linde HyCO Limited	Samut Prakan	THA	100		25.8	1.9	
MIG Production Company Limited	Samut Prakan	THA	54		66.9	12.0	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2.4	0.1	
SKTY (Thailand) Limited	Bangpakong	THA	100		44.7	-0.1	
TIG TRADING LIMITED	Samut Prakan	THA	100		5.9	0.1	
BOC (TONGA) LIMITED	Nuku'alofa	TON	100		0.1	0.0	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	100		0.0	0.0	
BOC LIENHWA INDUSTRIAL GASES CO., LTD.	Taipei	TWN	50		206.3	35.4	c
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89		8.7	1.3	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		9.3	1.8	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chiayi City	TWN	100		0.1	0.0	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0.1	0.0	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung Hsien	TWN	100		3.7	0.7	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2.4	1.4	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2.6	0.5	c, d
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.6	0.6	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		0.2	0.0	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yilan	TWN	100		0.3	0.0	c
LIEN YI LPG COMPANY LIMITED	Taoyuan City	TWN	60		1.8	0.0	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		8.0	0.4	c
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	55		104.6	24.2	c
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		11.7	1.8	c
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100		15.6	-0.2	
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Tortola	VGB	100		98.9	0.4	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100		0.0	0.0	
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100		15.6	-0.2	
SKY WALKER GROUP LIMITED	Tortola	VGB	100		0.4	0.1	c
Linde Gas Vietnam Limited	Ho Chi Minh City	VNM	100	100	2.5	0.0	
Linde Vietnam Limited Company	Ba Ria	VNM	100		12.5	0.0	
BOC Samoa Limited	Apia	WSM	96		1.1	0.2	
Americas							
BOC GASES ARUBA N.V.	Santa Cruz	ABW	100		2.5	-0.3	
Grupo Linde Gas Argentina S.A.	Buenos Aires	ARG	100	65	33.0	2.9	
Linde Salud S.A.	Buenos Aires	ARG	100	90	-0.1	-0.1	

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The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		44.8	9.6	
Linde Gases Ltda.	Barueri	BRA	100		226.2	-62.7	
LINDE-BOC GASES LIMITADA	Sao Paulo	BRA	100		12.1	0.6	
1142091 Ontario Inc.	London	CAN	100		0.0	0.0	c
Contact Welding Supplies Ltd.	London	CAN	100		1.5	0.3	c
BOC de Chile S.A.	Providencia	CHL	100		9.0	0.0	
Linde Gas Chile S.A.	Santiago	CHL	100		122.1	8.5	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		3.7	1.3	
Linde Colombia S.A.	Bogotá	COL	100		102.5	4.9	
Linde Gas Curaçao N.V.	Willemstad	CUW	100		2.9	0.4	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		4.3	0.8	
Agua y Gas de Sillunchi S.A.	Quito	ECU	100		0.9	0.0	
Linde Ecuador S.A.	Quito	ECU	100		31.1	3.6	
Spectra Gases Limited	Guildford	GBR	100		1.1	-0.1	
BOC GASES DE MEXICO, S.A. DE C.V.	Mexico City	MEX	100		0.0	0.0	
Compania de Operaciones de Nitrogeno, S.A. de C.V.	Santa Fe	MEX	100		6.9	2.8	c
SERVICIOS DE OPERACIONES DE NITROGENO, S.A. DE C.V.	Santa Fe	MEX	100		1.2	0.1	c
Linde Gas Perú S.A.	Callao	PER	100		13.3	1.7	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		3.2	-0.5	
AGA S.A.	Montevideo	URY	100		11.9	2.5	
Holox Inc.	Murray Hill	USA	100		0.0	0.0	
LAG Methanol LLC	Wilmington	USA	100		0.0	0.0	
Lincare (consolidated financial statements) including:					418.4	73.0	
1536502 Ontario Inc.	Hamilton	USA	100				h
ACRO PHARMACEUTICAL SERVICES LLC	Harrisburg	USA	100				h
ALPHA RESPIRATORY INC.	Wilmington	USA	100				h
CARING RESPONDERS LLC	Wilmington	USA	100				h
COMMUNITY PHARMACY SERVICES, LLC	Wilmington	USA	100				h
Complete Infusion Services, LLC	Bingham Farms	USA	100				h
CONVACARE SERVICES, INC.	Indianapolis	USA	100				h
CPAP SUPPLY USA LLC	Wilmington	USA	100				h
Gamma Acquisition Inc.	Wilmington	USA	100				h
HCS Lancaster LLC	Clearwater	USA	100				h
HEALTH CARE SOLUTIONS AT HOME INC.	Clearwater	USA	100				h
HEALTHLINK MEDICAL EQUIPMENT LLC	Clearwater	USA	100				h
HOME-CARE EQUIPMENT NETWORK INC.	Plantation	USA	100				h
LINCARE EQUIPMENT LLC	Clearwater	USA	100				h
LINCARE HOLDINGS INC.	Wilmington	USA	100				h
LINCARE INC.	Wilmington	USA	100				h
LINCARE LEASING LLC	Clearwater	USA	100				h
LINCARE LICENSING INC.	Dover	USA	100				h
LINCARE OF CANADA ACQUISITIONS INC.	Wilmington	USA	100				h
LINCARE OF CANADA INC.	Toronto	USA	100				h
LINCARE OF NEW YORK, INC.	New York	USA	100				h
LINCARE ONLINE LLC	Wilmington	USA	100				h
LINCARE PHARMACY SERVICES INC.	Clearwater	USA	100				h

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LINCARE PROCUREMENT INC.	Wilmington	USA	100				h
LINCARE PULMONARY REHAB MANAGEMENT, LLC	Wilmington	USA	100				h
Lincare Pulmonary Rehab Services of Missouri, LLC	Clayton	USA	100				h
LINCARE PULMONARY REHAB SERVICES OF OHIO, LLC	Clearwater	USA	100				h
mdINR, LLC	Wilmington	USA	100				h
MED 4 HOME INC.	Dover	USA	100				h
MEDIMATICS LLC	Wilmington	USA	100				h
MMOC, LLC	Bingham Farms	USA	100				h
MRB ACQUISITION CORP.	Fort Lauderdale	USA	100				h
OCT Pharmacy, L.L.C.	Bingham Farms	USA	100				h
OPTIGEN, INC.	Plantation	USA	100				h
PULMOREHAB LLC	Wilmington	USA	100				h
Sleepcair, Inc.	Topeka	USA	100				h
SPECTRUM MEDICAL EQUIPMENT INC.	Topeka	USA	100				h
Valley Medical Corporation	Cincinnati	USA	100				h
W & F High Tech Systems, LLC	Bingham Farms	USA	100				h
Linde Canada Investments LLC	Wilmington	USA	100		14.9	1.0	
Linde Delaware Investments Inc.	Wilmington	USA	100		125.2	101.0	
Linde Energy Services, Inc	Wilmington	USA	100		-0.3	0.0	
Linde Gas North America LLC	Wilmington	USA	100		686.1	105.5	
Linde Merchant Production, Inc	Wilmington	USA	100		16.3	-2.0	
Linde North America, Inc.	Wilmington	USA	100	<0.1	630.8	330.8	
Linde RSS LLC	Wilmington	USA	100		-1.4	-2.0	
Linde Transport, Inc.	Nashville	USA	100		0.0	0.0	
TMG Co. LLC	Wilmington	USA	100		19.5	1.8	
AGA Gas C.A.	Caracas	VEN	100		102.7	16.1	g
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		5.0	2.5	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		-1.2	-0.6	
Spectra Gases (BVI) Inc.	Tortola	VGB	100		N/A	N/A	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		4.4	0.1	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	20.3	19.7	
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	1.1	0.0	
Linde Process Plants Canada Inc.	Calgary	CAN	100		-0.5	0.0	
Arboliana Holding AG	Pfungen	CHE	100		4.0	0.0	
Bertrams Heatec AG	Pratteln	CHE	100		14.9	1.6	
BOC AG	Basle	CHE	98		1.9	0.0	
Linde Kryotechnik AG	Pfungen	CHE	100		13.3	5.3	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	6.4	2.5	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		0.2	0.0	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	46.3	5.6	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	24.5	15.4	
Linde Engineering Dresden GmbH	Dresden	DEU	100	6	59.2	–	a
Selas-Linde GmbH	Pullach	DEU	100	100	23.4	–	a
CRYOSTAR SAS	Hésingue	FRA	100		69.5	21.6	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		3.2	1.5	

133 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IAS 27)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Linde Engineering India Private Limited	New Delhi	IND	100	100	7.1	0.1	
Linde Impianti Italia S.p.A.	Fiumicino	ITA	100	100	3.0	2.0	
LPM, S.A. de C.V.	Mexico City	MEX	100	90	7.5	-0.2	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	0.2	0.0	
Linde Arabian Contracting Company Ltd.	Riyadh	SAU	100	90	15.7	-3.2	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	19.2	5.9	
Linde Engineering North America Inc.	Wilmington	USA	100		4.6	-1.5	
Linde Process Plants, Inc.	Tulsa	USA	100		77.1	22.7	
VN Corporation	Wilmington	USA	100		42.0	8.5	
Linde Process Plants (Pty.) Ltd.	Johannesburg	ZAF	100	100	8.5	4.2	
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.7	156.1	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	31.4	
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	62	818.3	88.4	
Van Dongen & Van Bergeijk GmbH	Wallern an der Trattnach	AUT	100		0.1	0.0	c
Van Dongen Belgium BVBA	Lochristi	BEL	100		-0.3	0.0	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		23.5	0.0	
Linde Canada Limited	Mississauga	CAN	100		215.8	32.6	
Linde Holding AG	Dagmersellen	CHE	100	100	23.6	3.9	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		2.4	0.2	
Cleaning Enterprises GmbH	Munich	DEU	100		7.8	–	a
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	2,372.0	–	a
Linde US Beteiligungs GmbH	Munich	DEU	100		391.2	29.3	
Fred Butler Denmark ApS i Likvidation	Copenhagen	DNK	100		-2.3	-0.1	
LOGISTICA DOTRA, SL	Seville	ESP	100		0.2	0.0	c
LOGISTICA VAN TRANS S.L.	Burgos	ESP	100		0.6	0.2	c
LINDE INVESTMENTS FINLAND OY	Espoo	FIN	100		1.0	0.0	
Linde Holdings SAS	Saint-Priest	FRA	100		107.3	38.0	
The BOC Group S.A.S.	Hésingue	FRA	100		31.8	0.3	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		1,138.5	19.0	
APPLIED VISION LIMITED	Guildford	GBR	100		0.0	0.0	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		99.2	0.8	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100		0.6	4.4	
BOC HOLDINGS	Guildford	GBR	100		4,724.9	530.2	
BOC HOLLAND FINANCE	Guildford	GBR	100		68.5	0.0	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		711.9	125.7	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		0.4	3.3	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		178.2	31.6	
BOC INVESTMENTS NO.5	Guildford	GBR	100		381.6	9.0	
BOC INVESTMENTS NO.7	Guildford	GBR	100		339.3	5.0	
BOC IRELAND FINANCE	Guildford	GBR	100		1.2	6.5	
BOC JAPAN	Guildford	GBR	100		0.2	1.8	
BOC JAPAN HOLDINGS LIMITED	Guildford	GBR	100		39.0	20.3	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		111.6	1.2	
BOC LIMITED	Guildford	GBR	100		972.1	202.1	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		0.0	0.3	

133 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IAS 27)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
BOC NETHERLANDS FINANCE	Guildford	GBR	100		0.0	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		817.7	302.9	
BOC NOMINEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSIONS LIMITED	Guildford	GBR	100		0.0	0.0	
BOC POLAND HOLDINGS LIMITED	Guildford	GBR	100		6.8	0.0	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TRUSTEES NO. 4 LIMITED	Guildford	GBR	100		0.0	0.0	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		0.0	0.0	
CRYOSTAR LIMITED	Guildford	GBR	100		0.0	0.0	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		0.0	0.0	
G.L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		251.2	10.8	
GIST LIMITED	Guildford	GBR	100		195.6	40.1	
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100		2.1	0.2	
HANDIGAS LIMITED	Guildford	GBR	100		44.9	0.2	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		37.6	0.1	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.5	0.0	
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		-5.3	18.1	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		283.0	0.0	
LINDE FINANCE	Guildford	GBR	100		242.4	10.3	
LINDE NORTH AMERICA HOLDINGS LIMITED	Guildford	GBR	100		1,871.1	-32.5	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	13,343.5	266.0	
MEDISHIELD	Guildford	GBR	100		0.4	0.0	
MEDISPEED	Guildford	GBR	100		318.3	19.4	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		-0.5	0.0	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		365.4	8.2	
STORESHIELD LIMITED	Guildford	GBR	100		326.9	37.1	
THE BOC GROUP LIMITED	Guildford	GBR	100		8,029.2	1,815.7	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	0.0	
TRANSHIELD	Guildford	GBR	100		16.3	0.1	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.2	0.0	
BOC NO. 1 LIMITED	Saint Peter Port	GGY	100		1.3	0.4	
BOC NO. 2 LIMITED	Saint Peter Port	GGY	100		0.4	0.0	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		7.9	0.0	
Linde Global Support Services Private Limited	Calcutta	IND	100		1.7	0.7	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		15.0	0.0	
BOC Investments Ireland	Dublin	IRL	100		2.7	107.6	
Gist Distribution Limited	Dublin	IRL	100		9.4	3.5	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100		20.5	-1.0	
ALBOC (JERSEY) LIMITED	Saint Helier	JEY	100		1.6	10.6	
BOC AUSTRALIAN FINANCE LIMITED	Saint Helier	JEY	100		335.1	0.0	
BOC PREFERENCE LIMITED	Saint Helier	JEY	100		64.9	0.0	
BOC Europe Holdings B.V.	Dongen	NLD	100		570.7	302.0	
BOC Investments B.V.	Dongen	NLD	100		9.8	0.1	
Fred Butler Netherlands B.V.	Amsterdam	NLD	100		21.7	0.1	

133 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IAS 27)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
G VAN DONGEN HOLDING B.V.	Dirksland	NLD	100		0.5	–0.2	
G VAN DONGEN TRANSPORTBEDRIJF DIRKSLAND B.V	Dirksland	NLD	100		1.2	–0.7	
GIST BV	Bleiswijk	NLD	100		2.3	0.3	
Linde Finance B.V.	Amsterdam	NLD	100		148.8	6.7	
Linde Holdings Netherlands B.V.	Schiedam	NLD	100	100	1,927.2	93.1	
PEEMAN TRANSPORT B.V.	Dirksland	NLD	100		0.6	–0.3	
The BOC Group B.V.	Dongen	NLD	100		1,194.8	17.5	
VAN DONGEN AALSMEER B.V.	Dirksland	NLD	100		0.1	–0.1	
VAN DONGEN CHARTERING B.V.	Dirksland	NLD	100		0.4	–0.2	
VAN DONGEN EN MOSTERT B.V.	Dirksland	NLD	100		0.8	0.0	
VAN DONGEN FORWARDING B.V.	Dirksland	NLD	100		0.7	0.0	
VAN DONGEN MATERIEEL B.V.	Dirksland	NLD	100		4.4	0.9	
Van Dongen Repair B.V.	Dirksland	NLD	100		–1.0	–0.5	
VAN DONGEN WESTLAND B.V.	Dirksland	NLD	100		–0.2	–0.6	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	28.3	
BOC GIST INC	Makati City	PHL	100		0.1	0.0	
AGA Aktiebolag	Lidingö	SWE	100		1,056.0	127.9	
BOC Intressenter AB	Helsingborg	SWE	100		37.7	0.6	
Fred Butler Sweden Aktiebolag	Lidingö	SWE	100		2.3	0.0	
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	3,588.5	0.1	
Linde Holdings, LLC	Wilmington	USA	100		148.4	7.7	
Linde LLC	Wilmington	USA	100		706.9	169.6	

134 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (IN ACCORDANCE WITH IAS 28 AND IAS 31)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
Adnoc Linde Industrial Gases Co. Limited (Elixier)	Abu Dhabi	ARE	49	49	189.2	60.7	b
Krakovská s.r.o.	Nový Malín	CZE	37		0.4	0.0	c, d
Plyny Jehlár s.r.o.	Brest	CZE	34		0.1	0.0	c, d
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	27.6	-1.9	b, e
Messer Algerie SPA	Algiers	DZA	40		3.9	1.9	b, c, d
Oxígeno de Sagunto, S.L.	Barcelona	ESP	50		12.9	0.0	b, c
Oy Innogas Ab	Kulloo	FIN	50		1.4	0.0	b, c
Parhaat Yhdessä koulutusyhdistys ry	Vantaa	FIN	25		0.2	0.0	c, d
LIDA S.A.S.	Saint-Quentin-Fallavier	FRA	22		0.3	0.2	b, d
LIMES SAS	Saint-Herblain	FRA	50		4.3	0.0	b, d
Helison Marketing Limited	Saint Helier	GBR	51		8.6	0.7	b, e
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0.7	0.0	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		5.5	0.3	
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		0.0	0.0	d
B.V. Nederlandse Pijpleidingmaatschappij	Papendrecht	NLD	50		0.0	0.0	b, c
Bio Facility B.V.	Papendrecht	NLD	50		0.1	0.1	b
Bio Supply C.V.	Papendrecht	NLD	45		1.9	0.2	
OCAP CO2 V.O.F.	Schiedam	NLD	50		-9.7	0.9	b
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		28.0	2.8	b, c, d
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		2.1	0.3	b, c, d, e
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		41.1	5.8	b
BOC-TISCO GASES CO., Ltd	Tayiuan	CHN	50		148.7	20.6	b
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		18.6	0.6	b
Dalian BOC Carbon Dioxide Co. Ltd.	Dalian	CHN	50		2.2	-0.2	b
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		40.4	4.5	b
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		33.2	4.8	b
Guangzhou GISE Gases Co., Ltd.	Guangzhou	CHN	50		23.7	2.1	b
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50		0.1	0.0	b, c, d
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		19.3	-0.4	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		1.3	-0.1	b, e
Linde GISE Gas (Shenzhen) Co., Ltd	Shenzhen	CHN	50		9.6	-0.1	b
Ma'anshan BOC-Ma Steel Gases Company Limited	City of Maanshan	CHN	50		83.9	17.9	b
Maoming Coolants Carbon Dioxide Company Limited	Maoming City	CHN	50		0.7	0.0	b
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		59.3	10.7	b
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		80.8	13.8	b
Shenzhen South China Industrial Gases Co. Ltd.	Shenzhen	CHN	50		6.4	0.5	b
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		54.2	-1.1	b
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bangalore	IND	50		10.3	1.9	b

134 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (IN ACCORDANCE WITH IAS 28 AND IAS 31)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Yeongnam Industrial Gas Co., Ltd.	Gyeongsang-nam-do	KOR	50		0.3	0.0	
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		3.4	1.2	b
Kulim Industrial Gases Sdn. Bhd.	Petaling Jaya	MYS	50		27.3	1.8	b, c
BACNOTAN AIR GASES, INCORPORATED	Taguig City	PHL	50		-0.3	0.0	b, c, d
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		8.7	0.9	b, c
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50		19.8	-0.3	b, c
Americas							
Compania de Nitrogeno de Cantarell, S.A. de C.V.	Santa Fe	MEX	65		6.7	3.0	b, c, e
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	0.0	b
Cliffside Refiners, L.P.	Wilmington	USA	27		9.3	2.7	b
East Coast Oxygen Company	Bethlehem	USA	50		16.3	-3.5	b
High Mountain Fuels, LLC	Wilmington	USA	50		9.0	0.4	b
Hydrochlor LLC	Wilmington	USA	50		12.0	-0.3	b
Spectra Investors, LLC	Branchburg	USA	49		1.8	-0.1	b
Other Activities							
Caravell Kühlgerätevertriebs GmbH i.L.	Ratingen	DEU	50	50	-0.1	0.0	b, c, d
Majakka Voima Oy	Helsinki	FIN	23		3.2	0.0	c, d
LOGI-FRANCE SARL	Antony	FRA	50		-0.5	-0.3	b
VAN DONGEN & VAN DER KWAAK B.V.	Dirksland	NLD	50		-2.6	-1.6	b

135 NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
LINDE PLIN d.o.o. Sarajevo	Sarajevo	BIH	100	100	0.0	0.0	c
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		N/A	N/A	
CUULSTICK VENTURES (PTY) LIMITED	Gaborone	BWA	100		N/A	N/A	
Linde Schweiz AG	Dagmersellen	CHE	100		0.1	0.0	c, d
GAS AND EQUIPMENT WILLEMSTAD N.V.	Willemstad	CUW	100		0.0	0.0	c, d
GI/LINDE ALGERIE	Algiers	DZA	100	40	7.3	0.7	c, d
ELECTROCHEM LIMITED	Guildford	GBR	100	100	3.8	0.0	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		-1.9	0.0	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0.9	0.0	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		0.0	0.0	c, d
KINGSTON MEDICAL GASES LIMITED	Guildford	GBR	100		0.2	0.0	c, d
REMEO HEALTHCARE LIMITED	Guildford	GBR	100		0.0	0.0	
Tech Gas Ama pjs Company (TGA)	Tehran	IRN	100	100	-0.1	-0.5	c, d
Linde Gas Jordan Ltd	Zarqa	JOR	100		0.0	-0.1	c
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		0.0	0.0	c, d
KS Luftgassproduksjon	Oslo	NOR	100		0.1	0.0	c
Norgas AS	Oslo	NOR	100		0.0	0.0	c
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	0.0	0.0	c, d
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51	51	0.4	0.0	c, d
Linde Technické Plyny spol. s r.o.	Bratislava	SVK	100		0.1	0.0	c, d
Nynäshamns Gasterminal AB	Lidingö	SWE	100		0.0	0.0	c, d
Asia/Pacific							
BOC SOLUTIONS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	c
ELGAS SUPERANNUATION PTY. LTD.	North Ryde	AUS	100		0.0	0.0	c
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		0.0	0.0	
BOC Bangladesh Limited	Dhaka	BGD	100		0.0	0.0	
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		1.7	0.0	c, d
ZHENJIANG XINHUA INDUSTRIAL GASES CO., LTD.	Zhenjiang	CHN	100		0.4	-0.3	c, d
BOC NOUVELLE-CALEDONIE SAS	Nouméa	NCL	100		0.0	0.0	c
BOC PAKISTAN (PVT.) LIMITED	Karachi	PAK	100		0.0	0.0	
BACOLOD OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c, d
CARBONIC PHILIPPINES INC	Mandaue City	PHL	100		0.1	0.0	c, d
CIGI PROPERTIES, INC.	Mandaluyong City	PHL	100		0.0	0.0	d
DAVAO OXYGEN CORPORATION	Mandaue City	PHL	100		0.5	0.0	c, d
ORMOC OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c, d
VISMIN AIRTECH INDUSTRIAL GASES CORPORATION	Mandaue City	PHL	100		0.2	0.0	c, d
Chia Chi Industrial Company Limited	Taipei	TWN	100		0.4	0.0	c, d
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100	100	3.0	0.2	c, d
KEY PROOF INVESTMENTS LIMITED	Tortola	VGB	100		0.0	0.0	c, d

135 NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Americas							
177470 CANADA INC.	Mississauga	CAN	100		1.0	0.0	c, d
177472 CANADA INC.	Mississauga	CAN	100		2.7	0.0	c, d
44001 ONTARIO LIMITED	Ontario	CAN	100		1.3	0.0	c, d
Advanced Lifeline Respiratory Services LLC	Wilmington	USA	100		N/A	N/A	f
Engineering Division							
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Sao Paulo	BRA	100	90	0.0	–0.1	c, d
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	1.2	0.0	c, d
Linde Engineering Far East, Ltd.	Seoul	KOR	100	100	0.6	0.1	c, d
OOO "Linde Engineering Rus"	Samara	RUS	100	100	0.3	–0.5	c
Linde Engineering Taiwan Ltd.	Taipei	TWN	100		0.0	0.1	c, d
Other Activities							
Linde Australia Holdings Pty. Ltd.	North Ryde	AUS	100	100	0.0	0.0	c
Cunduacan Invest GmbH	Munich	DEU	100		0.0	0.0	c, d
CRIOSBANC FRANCE S.A.R.L.	Trappes	FRA	100		0.0	0.0	d
GLPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	c, d
The BOC Group Limited	Kowloon	HKG	100		0.3	0.0	c, d
Gist Italy S.r.l.	Milan	ITA	100		0.0	0.0	c
BOC B.V.	Dongen	NLD	100		0.0	0.0	c
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	
SELOX, INC	Nashville	USA	100		N/A	N/A	

136 OTHER PARTICIPATIONS (NOT CONSOLIDATED)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
Linde Vítkovice a.s.	Ostrava	CZE	50		15.9	0.5	c, d
Bomin Linde LNG Beteiligungs-GmbH	Hamburg	DEU	50	50	0.0	0.0	b, c
Bomin Linde LNG GmbH & Co. KG	Hamburg	DEU	50	50	0.5	-0.2	b, c
TKD TrockenEis und Kohlensäure Distribution GmbH	Fraunberg	DEU	50	50	0.3	0.1	c, d
AGA Føroyar Sp/f	Tórshavn	DNK	50		0.4	0.0	c, d
AGA HiQ Center Aps	Hillerød	DNK	50		0.3	0.1	c, d
Carburo del Cinca S.A.	Monzón	ESP	20		6.3	0.6	c, d
Oxígeno de Andalucia, S.L.	San Roque	ESP	49		0.1	0.0	b, c, d
QUÍMICA BÁSICA, S. A.	Barcelona	ESP	33		1.4	0.0	b, c, d
NAMGAS (PTY) LIMITED	Windhoek	NAM	44		0.0	0.0	c, d
Bio Supply B.V.	Papendrecht	NLD	50		0.0	0.0	c
Fuel Cell Boat B.V.	Amsterdam	NLD	20		0.0	0.0	c
TASCO ESTATES LIMITED	Dar es Salaam	TZA	20		N/A	N/A	
INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED	Johannesburg	ZAF	26		-0.1	0.0	c, d
Asia/Pacific							
Guangzhou GNC Carbon Dioxide Company Ltd.	Guangzhou	CHN	50		N/A	N/A	b
HON CHEN Enterprise Co., Ltd.	Kaohsiung	TWN	50		0.8	0.1	c
SUN HSIN LPG COMPANY LIMITED	Yunlin	TWN	50		0.3	0.1	c, d
Americas							
HERA, HYDROGEN STORAGE SYSTEMS INC	Longueuil	CAN	20		0.0	0.0	c, d
RECUPERADORA INTEGRAL DE NITROGEO, SAPI DE C. V.	Mexico City	MEX	50		0.0	0.0	b, c
TOMOE TRANSTECH SPECIALTY GASES PTE LTD	Singapore	SGP	25		1.8	0.3	b, c, d
Other Activities							
InfraLeuna GmbH	Leuna	DEU	25	25	417.6	15.1	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 2012.
e Consolidation method differs from percentage of shares held due to a contractual agreement.
f Incorporation in 2012.
g The distribution of dividend for 2009 is subject to foreign exchange restrictions.
h No preparation of individual financial statements under commercial law.
N/A = No financial data available.

[42] Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 21 February 2013.

On 21 February 2013, the Executive Board of Linde AG released the consolidated financial statements for submission to the Supervisory Board. It is the responsibility of The Supervisory Board to examine the consolidated financial statements and to state whether it approves them. The Group financial statements, the statutory financial statements of Linde AG and the annual report are published on the day after they have been approved at the Supervisory Board meeting on 6 March 2013.

MUNICH, 21 FEBRUARY 2013

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER
OF LINDE AG]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

INDEPENDENT AUDITOR'S REPORT

To Linde Aktiengesellschaft

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Linde Aktiengesellschaft, Munich, and its subsidiaries, which comprise the group statement of profit and loss, statement of comprehensive income, group statement of financial position, group statement of cash flows, statement of changes in group equity and notes to the group financial statements, together with the group management report for the business year from 1 January to 31 December 2012.

Management's Responsibility for the Consolidated Financial Statements

The management of Linde Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § 315a (1) of the German Commercial Code (HGB), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to §322 (3) sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of Linde Aktiengesellschaft for the business year from 1 January to 31 December 2012. The management of Linde Aktiengesellschaft is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to § 315a (1) HGB. We are required to conduct our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Pursuant to §322 (3) sentence 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

MUNICH, 21 FEBRUARY 2013

KPMG AG
[WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT]

PROFESSOR DR NONNENMACHER
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

SCHENK
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

Further Information

RESPONSIBILITY STATEMENT

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

MUNICH, 21 FEBRUARY 2013

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER
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SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

MANAGEMENT ORGANISATION

AS AT 21 FEBRUARY 2013

137 *MANAGEMENT ORGANISATION EXECUTIVE BOARD*

Executive Board Member	*Regional/operational responsibilities*	*Global and central functions*
Professor Dr Wolfgang Reitzle, Chief Executive Officer	Gist	Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal & Compliance, Innovation Management, Internal Audit, Performance Transformation, SHEQ (Safety, Health, Environment, Quality)
Professor Dr Aldo Belloni	EMEA segment (Europe, Middle East, Africa), Global Business Unit Tonnage (on-site), Engineering Division	
Thomas Blades	Americas segment, Global Business Unit Healthcare, Business Area Merchant & Packaged Gases (liquefied and cylinder gases)	
Sanjiv Lamba	Asia/Pacific segment, Asia Joint Venture Management; Business Area Electronics (electronic gases)	
Georg Denoke	Finance/Controlling for the segments EMEA, Americas, Asia/Pacific	Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Mergers & Acquisitions, Procurement, Risk Management, Tax

138 DIVISIONS

Gases Division	*Engineering Division*	*Gist*
See diagram below for organisation	Dr Christian Bruch	Martin Gwynn
	Jürgen Nowicki	
	Dr Samir Serhan	

139 GASES DIVISION

EMEA segment (Europe, Middle East, Africa)	*Americas segment*	*Asia/Pacific segment*
RBU Continental & Northern Europe Peter Stocks	RBU North America Pat Murphy	RBU Greater China Steven Fang
RBU Africa & UK Mike Huggon	RBU South America Philippe Brunet	RBU South & East Asia Bernd Eulitz
RBU Eastern Europe & Middle East Dr Hans-Hermann Kremer	Finance/Controlling Americas Jens Lühring	RBU South Pacific Colin Isaac
Finance/Controlling EMEA Matthias von Plotho		Asia Joint Venture Management Peter Owen
		Finance/Controlling Asia/Pacific Binod Patwari

140 GLOBAL BUSINESS UNITS (GBUS) AND BUSINESS AREAS (BAS)

GBU Tonnage (On-site) Dr Rainer Schlicher	GBU Healthcare Dr Christian Wojczewski	BA Electronics Peter Owen	BA Merchant & Packaged Gases Dr Steve Penn

141 GLOBAL AND CENTRAL FUNCTIONS

Procurement	Christoph Clausen
Group Accounting & Reporting, Risk Management, Insurance	Björn Schneider
Financial Control, Capital Expenditure, Growth & Performance	Michael Ullrich
Group Treasury	Dr Sven Schneider
Innovation Management	Dr Andreas Opfermann
Communications & Investor Relations	Dr Harry Roegner
Mergers & Acquisitions	Tim Husmann
Group Information Services	Sandeep Sen
Performance Transformation	Dr Alexander Unterschütz
Group Human Resources	Werner Boekels
Group Legal & Compliance	Solms u. Wittig
Internal Audit	Thomas Müller
SHEQ	Phil Graham
Tax	Michael Weißberg
Corporate Strategy	Jan Ellringmann

GLOSSARY

[A]

AIR SEPARATION PLANT
Air separation plants use Linde processes to produce oxygen, nitrogen and argon.

ASSET DEAL
A corporate acquisition whereby one company purchases another company (or significant parts of another company including goodwill) without this constituting a share deal or resulting in a parent-subsidiary relationship.

[B]

BEST COST COUNTRIES
A procurement strategy whereby companies source goods and services not only in their major sales markets, but also in countries in offering the best conditions of purchase.

[C]

CALL OPTION
A call option gives the beneficiary the right but not the obligation to purchase from the grantor a specified quantity of an underlying security at a certain point in time at a pre-agreed price.

CARBON CAPTURE AND STORAGE (CCS)
This process involves separating CO_2 from combustion flue gases and storing it, especially in underground sites. The aim is to reduce CO_2 emissions into the atmosphere.

CARBON CAPTURE AND USAGE (CCU)
This process involves separating CO_2 from combustion flue gases and using it in industrial processes such as growth promoters for plants or in the cultivation of algae.

CATEGORY MANAGEMENT METHOD
Category management is a structured process designed to analyse, define and implement procurement strategies for our goods and services.

CIS COUNTRIES
CIS stands for the Commonwealth of Independent States. This is the abbreviation used for the loose confederation of former Soviet republics created after the collapse of the Soviet Union.

CLOUD COMPUTING SERVICES
Cloud computing is an IT concept in equipment and programming technology (processing power, memory, networks, applications etc.) which is tailored closely to the user's current requirements and supplied via a network (cloud), often via the Internet. There are various service models and supply models for cloud computing services.

CO_2E
CO_2 equivalents. Standard units for measuring the global warming potential of greenhouse gases other than CO_2.

CO_2 SINK
A reservoir is described as a CO_2 sink, carbon dioxide sink or carbon sink if it accumulates and stores CO_2 on either a temporary or permanent basis. The most important natural CO_2 sinks are woods which are part of the biosphere. In the process industry, there are some operations where CO_2 is embedded in molecular structures and therefore stored on a temporary or permanent basis.

COMMERCIAL PAPER PROGRAMME
Programme for short-term notes on the capital market.

CONVENIENCE PRODUCTS
Commercially processed food products which cut food preparation time in domestic households and in the catering trade.

CRACKER (ETHANE CRACKER)
Steam cracking plant used in the petrochemical sector. Steam and heat are used to transform hydrocarbons such as ethane into unsaturated hydrocarbons which are used as raw materials in the manufacture of plastics, varnishes, solvents and pesticides.

CREDIT DEFAULT SWAPS
Credit default swaps (CDS) are credit derivatives designed to hedge the exposure to loan defaults. In return for the payment of a single premium or regular premiums, the buyer receives compensation from the seller if the event that the reference obligor named in the CDS contract defaults.

CURRENCY SWAPS
Swaps of capital amounts denominated in different currencies.

[D]

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 enterprise 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.

[E]

EBITDA (OPERATING PROFIT)

Abbreviation for Earnings before Interest, Tax, Amortisation and Depreciation. At Linde, this figure comprises earnings before interest, tax, amortisation of intangible assets, depreciation of tangible assets and includes income from associates and joint ventures but excludes the interest cost of pension obligations.

ENHANCED OIL AND GAS RECOVERY (EOR/EGR)

Enhanced recovery of oil or gas reserves to make the exploitation of the remaining reserves in a gas field or oilfield more efficient. The pump pressure in the seam is increased by injecting gases such as nitrogen or carbon dioxide.

[F]

FRONT END ENGINEERING DESIGN (FEED)

International technical term largely equivalent to the Linde terms basic engineering or extended basic engineering. FEED is often the foundation for the subsequent detail engineering.

[G]

GREENHOUSE GAS PROTOCOL

Globally recognised standard designed to manage and quantify greenhouse gas emissions. The Greenhouse Gas Protocol originated from an initiative from the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

[H]

HYCO-PLANTS

A collective term for plants which produce hydrogen, carbon monoxide and synthesis gas. HyCo plants include in particular steam reformers, partial oxidation plants and methanol crackers.

[K]

KEY PERFORMANCE INDICATORS (KPIs)

Indicators used to measure and track an organisation's performance and progress towards achieving its goals or its critical success factors.

KONTRAG

German Law on Control and Transparency in Business. This law makes it mandatory for the executive boards of listed companies to put a risk management programme in place. Its objective is to protect the interests of shareholders by safeguarding the profits and value of the company.

[L]

LED MARKET

This is a specialised sector in the lighting industry. LED stands for light emitting diode. LEDs transform electrical energy into light. Similar to semiconductor diodes, they create directional light and are available in a variety of colours, sizes and shapes. These devices are used in many industries for signalling and lighting applications.

LNG

Liquefied Natural Gas. LNG is regarded as a promising fuel of the future because of its high energy density, constant heat and high level of purity.

LNG PLANT

Natural gas liquefaction plant.

[M]

MAJOR HAZARD REVIEW PROGRAMME (MHRP)

Linde set up this programme to ensure the safety of its production processes. As part of Linde's process risk management system, the MHRP allows the Group to identify promptly potential risks that might result in accidents or damage to property or the environment, and to introduce appropriate safety and control measures.

MOCVD

Metal Organic Chemical Vapour Phase Epitaxy. A process used for growing crystalline layers.

[N]

NAFTA-REGION

The abbreviation NAFTA stands for North American Free Trade Agreement and refers to an economic zone that extends from Canada across the US to Mexico.

NAPHTHA STEAM CRACKER

Plant used for cracking naphtha, a mixture of hydrocarbons with 5 to 10 carbon atoms, into shorter molecules.

[O]

OLED

Organic Light Emitting Diode. A luminous thin film component of organic semiconductor materials.

OLEFIN PLANT

Petrochemical unit for the production of olefins such as ethylene and propylene from hydrocarbons.

[P]

PENSION GOVERNANCE

Pension governance in The Linde Group comprises comprehensive guidelines regulating the treatment of pension obligations, including the monitoring of costs and risks.

POST COMBUSTION CAPTURE TECHNOLOGY

The post-combustion capture of CO_2 in coal-fired power stations, also known as CO_2 scrubbing technology. At a relatively low temperature, around 90 percent of the CO_2 in the flue gas becomes attached to a CO_2 detergent in an absorption chamber and is thereby removed. The captured CO_2 is of high purity and once it has been compressed it can be transported and stored underground.

PULMONARY HYPERTENSION

Illness in which abnormally high blood pressure affects the blood vessels in the lungs and the pulmonary circulation. This is particularly damaging to the heart and lungs and restricts the supply of oxygen.

PURCHASING SCORECARD

The balanced scorecard is a performance management tool based on key data which makes it possible to break down the strategy of a company into measures which apply to individual performance areas and functional areas, in this case purchasing.

[R]

REACH

EU Regulation on the Registration, Evaluation and Authorisation of Chemicals.

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.

[S]

SHEQ

Abbreviation for Safety, Health, Environment and Quality.

[T]

TFT-LCD DISPLAYS

A TFT-LCD is a flat-panel display, which uses an array of thin film transistors (TFTs) and a thin layer of liquid crystal (LC) to modulate the polarised light from a backlight to create a pixel grid (image).

TREASURY

The Treasury department ensures that the Group has sufficient funds and capital. It invests surplus funds, reduces financial risks and optimises costs and the return on financial transactions.

[V]

VIGILANCE SIGNAL DETECTION SYSTEM

A system to ensure the systematic ongoing safety of a pharmaceutical product. It aims to discover, evaluate and understand undesirable effects and side-effects of the product by assessing various sources such as incident reports, scientific and medical literature and clinical studies, so that appropriate measures may be taken to minimise risks.

REVIEW OF THE YEAR

JANUARY

[1 / 1]
Linde signs an agreement to acquire the Continental European homecare business of the gases company Air Products at an enterprise value of EUR 590 m. The transaction comprises Air Products' homecare operations in Belgium, France, Germany, Portugal and Spain. The Group is laying good foundations for the development of new treatment methods and care plans.

[2 / 1]
Linde launches GENIE®, its groundbreaking cylinder range. The Group has developed the first cylinder of its type for compressed gas (300 bar) made from sustainable high-tech materials. The cylinder comes in three sizes. With its compact dimensions and extremely low weight, the system presents opportunities for new applications in various fields: in welding, boiling and the carbonation of drinks, and in numerous processes in the research laboratory.

FEBRUARY

[1 / 2]
Linde concludes a major on-site contract in New Zealand with the steel-producer New Zealand Steel. The agreement comprises a new air separation unit (ASU) and the installation of gas supply systems. In addition to supplying air gases to the steelworks, the ASU will also produce large quantities of liquefied oxygen, nitrogen and argon for the regional market in New Zealand.

[2 / 2]
Linde and the Hamburg Port Authority are looking to advance the use of liquefied natural gas (LNG) as an environmentally friendly fuel in the port of Hamburg. The aim is to conduct an extensive feasibility study there on the cost-effective use of LNG. The two organisations want to promote LNG as an alternative fuel for ships and for other applications, such as trucks.

MARCH

[1 / 3]
Linde is to supply gases to the chemical company Dahua Group at its site on Songmu Island in Dalian in north-eastern China. Under this EUR 70 m on-site contract, Linde will acquire two existing air separation units (ASUs) from the customer in Dalian and assume their operation. In addition, Linde's Engineering Division will construct a new ASU on the site with a production capacity of 38,000 normal cubic metres of oxygen per hour.

[2 / 3]
The Chinese LED manufacturer Kaistar is expanding the scope of its existing gas supply contract with Linde. Under the new agreement, Linde will supply the company with liquefied gases and high-purity ammonia on its production site in Xiamen, China. Kaistar requires the high-purity ammonia for the manufacture of high-grade LED devices.

APRIL

[1 / 4]
Linde is to invest around USD 380 m to provide Sadara Petrochemical Company with long-term supplies of carbon monoxide, hydrogen and ammonia at its site in Jubail, Saudi Arabia. Linde expects this major project at one of the world's largest chemical complexes to generate considerable momentum for the continuing expansion of its gases and engineering businesses in the Near and Middle East.

[2 / 4]
TÜV SÜD certifies the hydrogen generated from biodiesel by-products at Linde's pilot plant in Leuna, Germany. This is another milestone in Linde's journey to produce hydrogen from sustainable sources.

MAY

[1 / 5]
Linde is to supply electronic gases to Samsung Electronics for its newest TFT-LCD factory in the Suzhou Industrial Park in China. It will invest around EUR 50 m in the project, which involves the construction of a turnkey liquefied gas supply system. Linde will also build a new nitrogen generator for Samsung, supplying nitrogen to the company via a pipeline. This project will strengthen Linde's position as a leading producer of gases for the TFT-LCD industry.

JUNE

[1 / 6]
Linde, the German Ministry of Transport and other industrial partners sign a joint declaration of intent to expand the hydrogen filling station network in Germany. According to this declaration, there will be at least 50 public hydrogen filling stations in Germany by 2015. Already pioneers in this field, Linde and Daimler agreed back in summer 2011 to build 20 hydrogen filling stations in Germany over the coming years.

JULY

[1 / 7]
Linde announces its acquisition of US-based homecare company Lincare Holdings Inc. In view of demographic changes, the healthcare market is a global megatrend, in which Linde will be able to participate to an even greater extent in its new set-up. Lincare, a market leader in the US, provides Linde with the ideal platform to roll out its innovative products and services (which are already very successful, particularly in Europe) into the US, the world's largest healthcare market.

[2 / 7]
Linde is to build two large air separation units (ASUs) for Tata Steel Limited, one of the world's largest steel companies, at its site in the Kalinganagar industrial complex in Odisha, India. Around EUR 80 m will be invested in the project. This investment will enable Linde to strengthen its position as a leading supplier of gases in the growth market of India.

[3 / 7]
Linde AG successfully concludes a capital increase with exclusion of subscription rights. The capital increase is one component of the financing of its prospective acquisition of Lincare Holdings Inc. This capital measure raises proceeds of around EUR 1.4 bn. The new shares are fully entitled to dividend for the 2012 financial year.

AUGUST

[1 / 8]
Linde forms a joint venture with Bomin, one of the leading suppliers of shipping fuels, to create an LNG infrastructure for shipping in north-western Europe. The aim of the new joint venture is to establish a reliable LNG supply chain to provide a safe and environmentally friendly fuel to ship owners and ship operators.

[2 / 8]
Linde is to provide long-term supplies of industrial gases to the Vietnamese steel-producer POSCO SS-Vina. To do so, it will build the largest air separation unit in the country in the Phu My Industrial Park in Ba Ria, Vung Tau province. The proposed investment is around EUR 40 m. With the largest single investment it has ever made in Vietnam, Linde will strengthen its position in this rapidly growing South-East Asian economy.

[3 / 8]
Linde completes the acquisition of Lincare Holdings Inc. Lincare becomes an indirect wholly-owned Linde subsidiary. Prior to this, Linde had completed the tender offer for Lincare within the specified time.

SEPTEMBER

[1 / 9]
Linde AG is added to the global Dow Jones Sustainability Index (DJSI World) in acknowledgement of continued progress in its sustainability performance. Analysts at the Sustainable Asset Management Group recognised in particular The Linde Group's activities in the areas of climate change strategy, environmental management systems, and risk and crisis management. The internationally renowned share index for sustainability performance selects the top 10 percent of companies for sustainability from the 2,500 largest companies listed on the Dow Jones Global Index.

OCTOBER

[1 / 10]
OMV opens the first public hydrogen filling station in Austria, a turnkey construction by Linde for the company. This will make it possible to operate emission-free hydrogen-powered fuel-cell vehicles in Vienna.

[2 / 10]
The new Fraunhofer Centre for Chemical-Biotechnological Processes (CBP) in Leuna, Germany, is opened. As the main contractor, Linde was responsible for engineering the process units, and for the supporting infrastructure and necessary media and utilities. The aim of the CBP is to upscale innovative biotechnological and chemical processes to an industrial level to enable companies to manufacture basic chemical products from renewable raw materials.

NOVEMBER

[1 / 11]
Linde is to build a mid-scale natural gas liquefaction plant for Malaysia LNG Sdn. Bhd., a subsidiary of Malaysia's state-owned oil and gas company PETRONAS. The new boil-off gas reliquefaction facility has a maximum design capacity of 1,840 tonnes of liquefied natural gas per day and will be located in the Bintulu LNG complex in Sarawak, East Malaysia.

[2 / 11]
Linde is commissioned by the Norwegian company Skangass AS to build a mid-scale import terminal for liquefied natural gas. The LNG terminal will be located at Lysekil on the west coast of Sweden, 100 kilometres north of Gothenburg. The engineering, procurement, construction and installation (ECPI) contract is worth around EUR 44 m.

DECEMBER

[1 / 12]
Linde signs an agreement to acquire the homecare company Calea France SAS, Sèvres, France. The company generated revenue in the 2011 financial year of EUR 28 m with around 200 employees. Calea will complement the European homecare operations acquired by Linde in the spring from Air Products. This acquisition will significantly improve the Group's position in the French homecare market.

TABLES

FINANCIAL CALENDAR

[1]
PRESS CONFERENCE ON ANNUAL RESULTS
7 March 2013
Carl von Linde Haus, Munich

[2]
INTERIM REPORT JANUARY TO MARCH 2013
6 May 2013

[3]
ANNUAL GENERAL MEETING 2013
29 May 2013, 10 a.m.
International Congress Centre, Munich

[4]
DIVIDEND PAYMENT
31 May 2013

[5]
INTERIM REPORT JANUARY TO JUNE 2013
30 July 2013

[6]
AUTUMN PRESS CONFERENCE
29 October 2013
Carl von Linde Haus, Munich

[7]
INTERIM REPORT JANUARY TO SEPTEMBER 2013
29 October 2013

[8]
ANNUAL GENERAL MEETING 2014
20 May 2014, 10 a.m.
International Congress Centre, Munich

STATEMENTS RELATING TO THE FUTURE

The annual report contains statements relating to the future which are based on management's current estimates about future 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.

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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 Linde can be obtained from us free of charge.

[DATE OF PUBLICATION]

7 MARCH 2013

FIVE-YEAR SUMMARY

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		2008	2009	2010	2011	2012
REVENUE	€ million	**12,663**	**11,211**	**12,868**	**13,787**	**15,280**
In Germany	in %	10.5	10.8	9.5	9.5	8.5
Outside Germany	in %	89.5	89.2	90.5	90.5	91.5
Earnings						
Operating profit[1]	€ million	2,555	2,385	2,925	3,210	3,530
EBIT	€ million	1,391	1,167	1,679	1,910	1,992
Profit before tax (EBT)	€ million	1,006	838	1,399	1,619	1,687
Profit for the year (attributable to Linde AG shareholders)	€ million	717	591	1,005	1,174	1,250
Earnings per share – undiluted[2]	€	4.27	3.51	5.94	6.88	7.03
Dividend	€ million	303	304	375	428	500
Dividend per share	€	1.80	1.80	2.20	2.50	2.70
No. of shares (at 31 December)	in 000s	168,492	168,907	170,297	171,061	185,189
Asset structure						
Intangible, tangible and financial assets	€ million	18,155	19,115	21,044	21,870	25,486
Inventories	€ million	986	966	956	1,036	1,098
Trade receivables[3]	€ million	2,387	2,252	2,247	2,382	2,890
Cash and cash equivalents and securities	€ million	1,022	848	1,176	2,073	2,041
Other assets	€ million	1,274	1,200	1,465	1,554	1,962
Total assets	€ million	23,824	24,381	26,888	28,915	33,477
Capital structure						
Equity	€ million	8,249	9,187	11,362	12,144	13,658
Provisions	€ million	2,724	3,009	2,886	2,838	3,141
Financial debt	€ million	7,445	6,967	6,673	7,768	10,124
Other liabilities	€ million	5,406	5,218	5,967	6,165	6,554
Total equity and liabilities	€ million	23,824	24,381	26,888	28,915	33,477
Cash flow statement						
Cash flow from operating activities (continuing operations)	€ million	1,876	2,142	2,422	2,426	2,522
EMPLOYEES AS OF 31 DECEMBER		**51,908**	**47,731**	**48,430**	**50,417**	**61,965**
In Germany	in %	14.7	15.4	14.8	14.8	12.3
Outside Germany	in %	85.3	84.6	85.2	85.2	87.7
Key figures and ratios						
Capital expenditure	€ million	1,470	1,137	1,302	1,367	1,952
Equity ratio	in %	34.6	37.7	42.3	42.0	40.8
Return on capital employed (adjusted ROCE)	in %	12.4	10.4	12.5	13.0	11.5
Return on capital employed (ROCE as reported)	in %	9.3	7.7	10.3	11.0	10.0
EBIT margin[2]	in %	11.0	10.4	13.0	13.9	13.0
Cash flow from operating activities as percentage of revenue	in %	14.8	19.1	18.8	17.6	16.5

[1] EBITDA including share of profit or loss from associates and joint ventures.
[2] Based on the weighted average number of shares.
[3] Includes receivables from finance leases.

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