

Linde AG. Financial Statements
for the year ended 31 December 2007.

Contents

02–03

Executive Board

- 02 Members of the Executive Board

04–13

Supervisory Board

- 04 Members of the Supervisory Board
- 06 Report of the Supervisory Board

14–25

Corporate Governance

- 15 Corporate governance report
- 20 Remuneration report

26–43

Management Report

- 27 Corporate organisation
- 27 Sales and order intake
- 28 Results of operations
- 29 Net assets and financial position
- 30 Research and development
- 31 Financing and measures to safeguard liquidity
- 32 Corporate responsibility
- 38 Risk report
- 42 Disclosures in accordance with § 289 (4) HGB and commentary
- 42 Events after the balance sheet date
- 43 Outlook

44–49

Financial Statements

- 45 Balance sheet of Linde AG
- 46 Income statement of Linde AG
- 48 Summary of fixed asset movements in Linde AG

50–73

Notes to the Financial Statements of Linde AG

- 50 General information
- 51 Notes to the balance sheet
- 60 Notes to the income statement
- 62 Supplementary information on the Notes
- 72 Auditors' report

74–80

Further Information

- 75 Other Board memberships
- 75 Memberships held by the Supervisory Board
- 77 Memberships held by the Executive Board
- 78 Responsibility statement
- 79 Financial calendar
- 80 Imprint and Contact details

Executive Board

Professor Dr Wolfgang Reitzle

Born 1949

Doctorate in Engineering (Dr.-Ing.),
Degree in Economics and Engineering

Chief Executive Officer

Responsible for Gist and the following global and central functions:
Communications & Investor Relations, Corporate Strategy, Group
Human Resources, Group Information Services, Group Legal, Inno-
vation Management, Internal Audit, SHEQ (Safety, Health, Environ-
ment, Quality), Six Sigma

Member of the Executive Board since 2002

Dr Aldo Belloni

Born 1950

Doctorate in Chemical Engineering (Dr.-Ing.)

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

Member of the Executive Board since 2000

J. Kent Masters

Born 1960

BS Chemical Engineering,
MBA Finance

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

Member of the Executive Board since 2006

Georg Denoke

Born 1965

Degree in Information Science,
Degree in Business Administration (BA)

Responsible for the following global and central functions:
Capital Expenditure, Financial Control, Group Accounting &
Reporting, Group Treasury, Growth & Performance, Mergers &
Acquisitions, Procurement, Risk Management, Tax

Human Resources Director

Member of the Executive Board since 2006

The following member has retired from the Executive Board:

Trevor Burt

Born 1958

Bachelor of Science (BS)

Responsible for the Regional Business Units of Greater China,
South & East Asia, South Pacific, and the Business Areas
Packaged Gases & Products (cylinder gases) and Electronics
(electronic gases)

Member of the Executive Board since 2006

Retired on 31 December 2007



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

Supervisory Board

Members of the Supervisory Board

Dr Manfred Schneider

Chairman
Chairman of the Supervisory Board
of Bayer AG

Hans-Dieter Katte¹

Deputy Chairman
Chairman of the Pullach Works Council,
Engineering Division, Linde AG

Michael Diekmann

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

Dr Karl-Hermann Baumann

Former Chairman
of the Supervisory Board
of Siemens AG

Dr Gerhard Beiten

Lawyer

Dr Clemens Börsig

Chairman of the Supervisory Board
of Deutsche Bank AG

Siegried Friebe¹

Chairwoman of the Works Council
of Linde-KCA-Dresden GmbH

Gerhard Full

Former Chairman of the Executive Board
of Linde AG

Gernot Hahl¹

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

Thilo Kämmerer¹

Trade Union Secretary on the Executive
Board of IG Metall Frankfurt

Klaus Peter Müller

Chairman of the Board of Managing
Directors of Commerzbank AG

Jens Riedel¹

(appointed on 22 January 2007)
Chairman of the Leuna Works Council,
Gases Division, Linde AG

Josef Schregle¹

(appointed on 22 January 2007)
Manager responsible for finance and
financial control, Engineering Division,
Linde AG

Josef Schuhbeck¹

(appointed on 22 January 2007)
Chairman of the Schalchen Works Council,
Engineering Division, Linde AG

Professor Dr Jürgen Strube

Chairman of the Supervisory Board
of BASF SE

Wilfried Woller¹

Member of the Managerial Board
responsible for management sector 5,
IG Bergbau, Chemie, Energie

¹ Employee representative.

Supervisory Board committees

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

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gernot Hahl¹

Audit Committee:

Dr Karl-Hermann Baumann
(Chairman)

Gerhard Full
Hans-Dieter Katte¹
Dr Manfred Schneider
Wilfried Woller¹

Standing Committee:

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gerhard Full
Gernot Hahl¹

Nomination Committee:

(set up on 11 September 2007)

Dr Manfred Schneider
(Chairman)

Michael Diekmann
Klaus-Peter Müller

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board has been very closely involved with the work of the Executive Board in the 2007 financial year, a year which saw significant and fundamental changes in the structure of The Linde Group.

During the 2007 financial year, the Supervisory Board conducted detailed reviews of the company's situation, its prospects and its strategic development, as well as the future long-term positioning of The Linde Group. It also concerned itself with significant individual issues, above all the integration of the British gases company The BOC Group plc (BOC) into The Linde Group and the fulfilment of the conditions laid down by the competition authorities following the acquisition, as well as the subsequent concentration on a core portfolio of products and services. We have performed our duties in accordance with legal provisions, company statutes and company bylaws. These duties involve advising the Executive Board on the running of the company and monitoring the activities of executive management. The Executive Board provided us with regular, comprehensive and up-to-date personal and written reports at our meetings on the state of the business and the economic situation of the company and its subsidiaries, as well as with forecasts. The Supervisory Board was involved in all the major decisions of the company. The Chairman of the Supervisory Board was also kept up to date on the business situation, significant transactions and decisions taken by the Executive Board, partly as a result of being provided with minutes of Executive Board meetings. The Chairmen of the Supervisory and Executive Boards shared information and ideas with one another throughout the year and held regular consultations on the Group's strategic direction and its risk management. The Supervisory Board was able to satisfy itself as to the effectiveness of the risk monitoring system set up in accordance with § 91 (2) of the German Stock Corporation Law (AktG) on the basis of reports submitted by the Executive Board and a report on the risk monitoring system prepared by the auditors. At no time did the Supervisory Board raise any objections about the proper conduct or efficiency of the executive management of the Group.

Meetings of the Supervisory Board

Four ordinary meetings of the Supervisory Board were held in the 2007 financial year. None of the members of the Supervisory Board attended fewer than half the meetings. There were no conflicts of interest for Supervisory Board members in 2007.

At our meetings, in addition to reviewing current business developments, we also dealt with the risk position of the company, compliance and those individual transactions of fundamental importance for which the Executive Board requires our approval. After a thorough review of the documents submitted and detailed discussions about each of the proposals of the Executive Board, the Supervisory Board granted all necessary approvals. Due to time pressures, six decisions were made on the basis of documents provided outside the Supervisory Board meetings in written form, after some of the facts relating to those decisions had been discussed in the full meeting. These related, in particular, to individual investment projects in the Gases Division requiring the approval of the Supervisory Board which involved the construction of on-site plants on the basis of long-term customer contracts.



In 2007, the advisory and monitoring activities of the Supervisory Board focused in particular on the integration of BOC into The Linde Group and on the continuing development of the Group. The Chairman of the Supervisory Board was involved at an early stage in the individual measures being taken. At each meeting, the Executive Board provided us with detailed reports and we were able to satisfy ourselves that the integration process was progressing at a rapid pace. The Executive Board outlined in each case the stage we had reached in terms of the corporate and strategic goals we had set ourselves following the acquisition, how these goals would be realised and the impact on our Group. We had in-depth discussions with the Executive Board on these issues, especially as regards strategic and financial considerations. The Linde and BOC groups were swiftly merged to form a new whole. In the course of 2007, the Executive Board was quick to implement a detailed timetable and schedule of measures they had submitted to us for approval, to ensure that appointments to management roles were made promptly and to develop a unique corporate culture as a result of the blending of the two groups.

At our meeting to approve the financial statements on 9 March 2007, we reviewed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2006 and agreed the proposed appropriation of earnings. Following an in-depth presentation by the Executive Board, we held detailed discussions about medium-term planning in the reorganised Group and in its divisions, the expected impact of the transformation in the 2007 financial year, particularly in relation to the disposal or sale of companies and investments, and the effects of the purchase allocation, restructuring measures and synergies. On the basis of a special report on the status of the portfolio optimisation and steps to be taken to comply with conditions laid down by the competition authorities, we were able to satisfy ourselves that good progress was being made in these areas.

At the Supervisory Board meeting in March, we also discussed the creation of conditionally authorised capital, which would be presented for approval at the Shareholders' Meeting. This would be used to launch a successor scheme to the share option scheme for members of the Executive Board and senior management approved in 2002 and fully utilised by 2006. The issues highlighted here were the economic significance of the new scheme to the company and to the participants, in comparison for example with the previous scheme, and the structure and parameters of the new scheme. Furthermore, at this meeting, we approved the agenda of the Shareholders' Meeting, including the proposed resolutions. In connection with this, we also agreed a draft of new rules for the remuneration of the Supervisory Board and for the creation of new authorised capital.

Immediately before the Shareholders' Meeting on 5 June 2007, the Executive Board presented a report on the current situation of the Group. The meeting also served to prepare for the subsequent Shareholders' Meeting.

At our meeting on 11 September 2007, the Executive Board gave us a detailed report about the economic situation of The Linde Group and its divisions. We were also presented with the outlook for the whole of 2007. In addition, the meeting focused on the status of the implementation and development of the Group's strategies. Moreover, we approved a new version of our bylaws, which were revised to comply with the provisions of the German Corporate Governance Code as amended on 14 June 2007. In this connection, we set up a nomination committee, to which we appointed Dr Manfred Schneider as Chairman, and Messrs Michael Diekmann and Klaus-Peter Müller as members.

On 7 December 2007, the Executive Board presented us not only with a report on current business developments, but also with a preview of the 2007 financial statements, the budget for the 2008 financial year and the medium-term corporate plan, including financial, capital expenditure and personnel plans. The Executive Board supplied reasons where there were discrepancies between corporate plans or targets set and actual performance. We questioned the Executive Board in depth about the assumptions they had made, particularly with regard to the opportunities and risks associated with the individual divisions and the movement in the US dollar relative to the euro. We approved the 2008 capital expenditure programme of The Linde Group and defined more closely the duty of the Executive Board to report information to the Supervisory Board. Moreover, we agreed on an amendment to the rules of procedure of the Supervisory Board which concerned in particular those transactions of the Executive Board which require the approval of the Supervisory Board. The Executive Board also informed us about the status of the medium-term notes programme agreed in 2006 for the issue of medium-term and long-term bonds.

Corporate governance and declaration of compliance

We continually monitor the implementation of the provisions of the German Corporate Governance Code. During the year, we dealt in particular with the revised version of the Code dated 14 June 2007.

On 11 March 2008, the Executive Board and the Supervisory Board issued an updated declaration of compliance with § 161 of the German Stock Corporation Law (AktG) and made it available to shareholders on a permanent basis on the company's website (www.linde.com). Linde AG has complied with all the recommendations of the German Corporate Governance Code as amended on 14 June 2007. Further information about corporate governance in Linde is given in the joint report of the Executive Board and the Supervisory Board on pages 14 to 19.

Committees and committee meetings

The Supervisory Board now has four committees: the mediation committee, formed under § 27 (3) of the German Codetermination Law (MitbestG), the standing committee, the audit committee and the nomination committee. The Chairman of the Supervisory Board is also Chairman of all the committees except the audit committee.

The current composition of the committees is given on page 05.

To the extent permitted by law and provided for in the rules of procedure of the Supervisory Board, certain decision-making powers of the Supervisory Board were delegated in individual cases to committees. This has proved worthwhile in relation to the practical work of the Supervisory Board.

The standing committee of the Supervisory Board, which makes decisions on behalf of the full Supervisory Board, for example about employment contracts and pension and other arrangements with members of the Executive Board, and prepares the appointment and removal of members of the Executive Board for the Supervisory Board, held three meetings. Several decisions were also made in writing. The standing committee dealt mainly with matters relating to the Executive Board, in particular with the termination of one contract and, in the context of the remuneration structure approved by the full Supervisory Board, it determined the amount of remuneration payable to each member of the Executive Board and those components of their remuneration based on bonuses and shares. Furthermore, the standing committee gave approval for the following disposals of companies and disposals or increases in investments, whether as a result of conditions imposed by the competition authorities or for other reasons, based on policy decisions made by the full Supervisory Board and the delegation of the final decisions to the committee: the reorganisation of joint ventures in Asia with the French gases company Air Liquide, the incorporation of the American Linde subsidiary INO Therapeutics LLC into a newly-formed pharmaceutical company in the US, the disposal of the BOC Edwards components business to an international private equity company, and the sale of the cylinder gas business with direct customers in the US to the American company Airgas, Inc. The standing committee also gave its consent to a member of the Executive Board assuming an office outside the Group. Moreover, the standing committee decided on adjustments required to the company statutes, where these concerned only the form of words to be used. It also dealt with new rules on the remuneration of the Supervisory Board, which were discussed at a full meeting of the Supervisory Board and approved at the Shareholders' Meeting on 5 June 2007.

The establishment of a new management incentive scheme for members of the Executive Board and the senior management of the Group was the subject of much discussion and scrutiny following the issue of the final options under the old Management Incentive Programme. The new scheme was presented to a full meeting of the Supervisory Board on 9 March 2007 and discussed at that meeting. It was approved at the Shareholders' Meeting in June 2007. At the meeting immediately after the Shareholders' Meeting, an in-depth presentation was given by a representative of the international law firm acting as consultants of the proposed details of the issue of shares from the increase in share capital conditionally authorised for that purpose and further conditions for the exercise of the options for the members of the Executive Board. Subsequent to that meeting, the standing committee made decisions on the scheme and presented them in written reports.

The audit committee held five meetings in 2007. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed 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 reports on the key audit issues and the presentation by the auditors of the main results of the audit. The head of Group Accounting and Reporting attended all these meetings to provide information about the Group. One of the other main tasks of the audit committee was to discuss the interim financial reports and quarterly financial statements based on reports presented by the Executive Board and the audit review conducted by the auditors. The committee also prepared the proposal of the Supervisory Board on the appointment of the auditors at the Shareholders' Meeting, issued the audit mandate to the auditors, determined the key audit issues, agreed the audit fees and monitored the independence of the auditors. Furthermore, the audit committee awarded one assignment to the auditors for services not related to the audit in accordance with the Group's internal rules. The audit committee was also provided with information on a regular basis about the recording and monitoring of risk in the company. The head of Internal Audit presented a special report on the structure, roles and responsibilities in that department and on their audit work and the audit plan for 2007. In addition, the audit committee discussed with the Executive Board and the auditors fundamental issues regarding the preparation and audit of the 2007 Group financial statements in the light of the strategic reorganisation of The Linde Group. The audit committee paid particular attention here to modifications in the internal financial reporting system. The audit committee, together with the Executive Board and the auditors, followed closely the development of the new IFRS 8 regarding reporting by operating segments until the Standard was finally adopted at the end of November 2007, and advised on the necessary preparations to be made. The audit committee also dealt with the Group's new code of conduct and other compliance systems, using the existing systems in Linde and BOC as a basis. There was also much debate about the impact on the Group of the German business tax reform and the imposition of an interest deduction ceiling from 2008 and the measures that would have to be taken as a result.

The nomination committee, which was set up in 2007 for the first time, started work after the end of the financial year. At the beginning of 2008, it concerned itself with preparations for the re-election of shareholder representatives to the Supervisory Board at the Shareholders' Meeting on 3 June 2008.

The mediation committee had no occasion to meet during the year.

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

Annual financial statements and Group financial statements

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, audited the annual financial statements of Linde AG for the year ended 31 December 2007 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 2007 prepared in accordance with IFRS including the management report applying German generally accepted standards for the audit of financial statements and International Standards on Auditing (ISA). The auditors have issued unqualified opinions on both the Group financial statements and annual financial statements. The auditors have confirmed that the Group financial statements and the Group management report meet the requirements set out in § 315a(1) HGB. KPMG performed audit reviews of the interim financial reports in the course of the 2007 financial year as instructed. At no time did these reviews give rise to any objections. KPMG also confirmed that the risk management system complies with legal requirements. No risks that might affect the viability of the company as a going concern were identified. The main focus of the audit in the 2007 financial year was the changes in the process for the preparation of the financial statements as a result of the integration of BOC.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were the subject of extensive deliberations at the audit committee meeting on 28 February 2008 and the meeting of the Supervisory Board to approve the financial statements on 11 March 2008. The auditors took part in the discussions both at the audit committee meeting and at the meeting of the full Supervisory Board. The auditors presented the main results of their audit and were able to provide supplementary information and to answer questions. The audit committee also presented the results of its review to the full Supervisory Board. We conducted our own examination of all the documents submitted and audit reports and discussed them in detail. After evaluating the results of the preliminary review by the audit committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and of The Linde Group for the year ended 31 December 2007 as drawn up by the Executive Board; the annual financial statements of Linde AG are hereby final. We also approve the Executive Board's proposal for the appropriation of profits.

Composition of the Supervisory Board and Executive Board

In the 2007 financial year, there were no changes to the composition of the Supervisory Board. The application for the appointment by legal process of Dr Clemens Börsig in 2006 was deferred to the next Shareholders' Meeting. At the Shareholders' Meeting on 5 June 2007, Dr Börsig was elected as a member of the Supervisory Board for the remaining period of office of the other members of the Supervisory Board.

At the Shareholders' Meeting on 3 June 2008, the period of office of the current Supervisory Board will expire.

As disclosed in the 2006 annual report, Mr Hubertus Krossa retired from the Executive Board of Linde AG on 31 January 2007 to assume the role of Chairman of the Management Board of the former Material Handling business segment. With effect from 31 December 2007, Mr Trevor Burt, who had been a member of the Executive Board from September 2006 and was responsible for the Asia/Pacific region and the cylinder gases and electronic gases Business Areas, also left the company. We expressed our gratitude to both gentlemen for the successful contributions they had made to the Group.

Following the retirement of Trevor Burt, the number of members on the Executive Board has been reduced from five to four. The responsibilities within the Executive Board were reallocated. The current duties and responsibilities of the Executive Board members are given in the summary on page 02 of this annual report.

The Supervisory Board would like to thank the Executive Board and all Linde employees for the conscientious and committed approach you have demonstrated in your work. Once again, you have overcome great challenges in the past financial year and achieved very good results.

Munich, 11 March 2008

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'M. Schneider', written in a cursive style.

Dr Manfred Schneider
Chairman

Corporate Governance

Our actions have always been based on responsible corporate management and supervision. Linde sees corporate governance as an ongoing process and will continue to follow future developments closely.

Corporate governance report

Linde AG welcomes the German Corporate Governance Code produced by the Government Commission and last updated in June 2007.

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

Compliance with the German Corporate Governance Code

On 11 March 2008, the Executive Board and Supervisory Board made the annual declaration of compliance with §161 of the German Stock Corporation Law (AktG). It is published on page 19 of this report and on the company's website. Linde AG has complied with all the recommendations of the German Corporate Governance Code as amended on 14 June 2007.

Linde AG has also complied and will in future comply to the greatest possible extent with the suggestions made in the Code, with the following few exceptions:

- The Code suggests that the Shareholders' Meeting is transmitted on the Internet. We transmit the opening remarks of the Chairman of the Supervisory Board and the speech of the Chief Executive Officer, but not the general discussion. In principle, the articles of association permit the transmission of the Shareholders' Meeting in full via electronic media. It is our view, however, that due to high technical costs and the potential length of the Shareholders' Meeting the associated costs cannot currently be justified in terms of benefit to the shareholders. Moreover, as far as the verbal contributions are concerned, we do not wish to encroach on the right to privacy of individual speakers. Nevertheless, we will continue to follow developments closely.
- We consider that the suggestion that the election or re-election of members of the Supervisory Board take place at different dates and for different periods of office is inappropriate for a Supervisory Board which is constituted in accordance with the German Codetermination Law. To date, all Supervisory Board members have been elected for the same period of office. This will apply once again on the occasion of the re-election of the members of the Supervisory Board at the 2008 Shareholders' Meeting. We will also keep an eye on developments in this area.

- Finally, there is a suggestion in the Code that variable emoluments paid to members of the Supervisory Board should also be linked to the long-term performance of the company. When revised arrangements for the remuneration of the Supervisory Board were agreed at the Shareholders' Meeting in 2007, it was specifically decided not to introduce a long-term component.

The new provisions of the Code in respect of the compensation cap relate principally to new contracts being drawn up with Executive Board members. Currently, there is no need for Linde AG to take any action. We will follow developments in this area with interest and make decisions at the appropriate time.

Close cooperation between the Executive Board and Supervisory Board

Linde AG, which now has its registered office in Munich, is governed by the provisions of the German Stock Corporation Law (AktG) and the German Codetermination Law (MitbestG), capital market regulations and the rules set out in its articles of association. The Executive Board and Supervisory Board are responsible for the management and supervision functions allocated to them. They must act in the interests of the shareholders and for the benefit of the company.

Executive Board

The Executive Board of Linde AG manages the company and conducts its business. The current four-member Executive Board reflects the global nature of The Linde Group in its international composition. The Executive Board must consider the interests of the company and seek to achieve a sustainable increase in corporate value. It decides on the strategic direction of the company, obtains the Supervisory Board's approval of this, and ensures that the overall strategy is implemented. It is also responsible for annual and multi-year corporate budgets and for the preparation of the quarterly, annual and Group financial statements. It also ensures that appropriate risk management and risk control systems are in place and provides regular up-to-date detailed reports to the Supervisory Board on all the strategic issues affecting the Group, medium-term corporate plans, business trends, the risk situation, risk management and compliance of Group companies with legal regulations and Group guidelines. Actions and transactions of the Executive Board which are of fundamental importance require the approval of the Supervisory Board. While in office, members of the Executive Board are bound by a detailed restraint clause. Any conflicts of interest must be disclosed immediately to the Supervisory Board,

as well as to their fellow board members. The procedural rules of the Executive Board govern the work it performs, the departmental responsibilities of each member of the Executive Board, the issues which must be dealt with by the full Executive Board and the majority required for resolutions to be passed by the Executive Board.

Supervisory Board

The term of office of all the members of the Supervisory Board ends with the completion of the Shareholders' Meeting which ratifies the acts of management for the 2007 financial year (2008 Shareholders' Meeting). Until the end of the Shareholders' Meeting on 3 June 2008, the Supervisory Board will consist of 16 members, comprising eight representatives of the shareholders, whose election is determined by the provisions of the German Stock Corporation Act (AktG), and eight representatives of the employees, whose election is determined by the provisions of the German Codetermination Law (MitbestG). Until the end of the 2008 Shareholders' Meeting, the members of the Supervisory Board will include one former member of the Executive Board of the company. Once the 2008 Shareholders' Meeting has ended, the Supervisory Board will comprise, in accordance with the company's articles of association, that number of members which is specified as the minimum number in the relevant regulations. Currently, the minimum number of Supervisory Board members specified is twelve, comprising six shareholder representatives and six employee representatives. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations.

The Supervisory Board appoints the Executive Board, advises it on the running of the company and monitors its executive management.

Under its procedural rules, the Supervisory Board has the right to veto significant transactions. Also included in the procedural rules of the Supervisory Board are provisions regarding its independence. Some of the members of the Supervisory Board have in the past financial year been and are currently on the Executive Boards of companies with which Linde has business relationships. Transactions with these companies take place under the same conditions as for non-related third parties. In the estimation of the other members of the Supervisory Board, these transactions do not affect the independence of the Supervisory Board members concerned. The Supervisory Board has a sufficient number of members with an adequate level of independence.

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

No conflicts of interest on the Executive Board or the Supervisory Board

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

Supervisory Board committees

The Supervisory Board has four committees:

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board on the appointment and removal of members of the Executive Board, devises employment and remuneration policies and determines the remuneration of the Executive Board. It makes decisions on behalf of the Supervisory Board about employment contracts and pension and other arrangements with members of the Executive Board. It also provides regular advice about long-term succession planning for the Executive Board and reviews the effectiveness of the work of the full Supervisory Board.

The Audit Committee also comprises three shareholder representatives and two employee representatives. It does the groundwork for the decisions of the Supervisory Board regarding the adoption of the annual financial statements and the approval of the Group financial statements and makes arrangements with the auditors. In addition, it deals with risk management and compliance issues. Finally, it discusses the interim reports and quarterly and half-yearly financial statements.

In September 2007, the Supervisory Board set up a Nomination Committee, which comprises the Chairman of the Supervisory Board, the Second Deputy Chairman of the Supervisory Board and one other shareholder representative. It makes a recommendation to the shareholder representatives on the Supervisory Board on proposed candidates for the election of shareholder representatives at the Shareholders' Meeting.

The Mediation Committee, formed under the provisions of the German Codetermination Law, makes suggestions to the Supervisory Board regarding the appointment of members of the Executive Board, if the required majority of two-thirds of the votes of the members of the Supervisory Board is not obtained in the first ballot.

Information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2007 financial year can be found in the Report of the Supervisory Board on pages 06 to 12.

Shareholders' Meeting

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

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

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

The Executive Board of Linde AG presents the annual financial statements and Group financial statements for approval at the Shareholders' Meeting. The Shareholders' Meeting passes resolutions regarding the appropriation of profits, the ratification of the acts of the Executive Board and Supervisory Board, the election of shareholder representatives to the Supervisory Board and the appointment of the auditors. Any changes to be made to the articles of association and any changes in capital are also dealt with at the Shareholders' Meeting.

Consequential loss and liability insurance

The company has taken out consequential loss and liability insurance (D&O insurance) for the members of the Executive Board and Supervisory Board with an appropriate retention.

Directors' dealings

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

In the course of the year, members of the Executive Board and the Supervisory Board informed BaFin (the German Federal Financial Supervisory Authority) about one notifiable purchase transaction

and a total of six notifiable sale transactions involving between 1,000 and 45,000 Linde shares, which were mostly in connection with the exercise of share options under the Linde Management Incentive Programme 2002. The price was between EUR 81.85 and EUR 91.71 per share and the size of the individual transactions between EUR 88,490 and EUR 4,126,950. In the case of sales of shares which members of the Executive Board subscribed for by exercising share options under the Linde Management Incentive Programme, the subscription rights were included at their value on the grant date in the disclosure of the remuneration of the Executive Board in the relevant financial year.

Interests in share capital

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

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share option schemes, is on pages 20 to 25 of these financial statements and forms part of the management report.

Developing our core values and compliance

Linde has traditionally maintained a high standard of ethical principles. In 2007, the Executive Board developed a corporate philosophy entitled Linde Spirit and devised a new code of conduct known as the Code of Ethics. This was against the background of the reorganisation of the Group and the integration of the British gases company BOC, based on rules relevant to both Linde and BOC. These have now been launched worldwide. Linde Spirit, adopted by the Executive Board in April 2007, describes the three key elements in Linde's corporate culture: the Linde vision and the values and principles underlying our actions. The Code of Ethics sets out the commitment made by the employees of The Linde Group, to comply with legal regulations and to reinforce and develop the ethical and moral values of the Group. It is in line with our corporate philosophy and with our global values and basic principles. We have also installed a notification system known as the Integrity Line. The Integrity Line is an important part of The Linde Group's compliance guidelines. It provides both internal and external stakeholders with the opportunity to express doubts and suspicious circumstances.

Both Linde and BOC have adopted ethical principles in their respective organisations for the purchase of goods and services. These principles still apply. In the 2008 financial year, they will be merged, revised and introduced throughout the Group as a supplement to the Code of Ethics.

The Executive Board and the audit committee of the Supervisory Board are each kept informed and up to date by regular reports about the measures taken to ensure the effectiveness and appropriateness of the compliance management systems and about any breaches of legal rules and violations of the code of conduct.

Communications and stakeholder relations

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

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

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

Accountancy, audit and risk management

In June 2007, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, who had been appointed at the Shareholders' Meeting as auditors of the annual financial statements and Group financial statements for the year ended 31 December 2007 and had also been appointed to conduct an audit review of the interim financial reports for the 2007 financial year.

The auditors have issued a detailed declaration confirming their independence to the audit committee. There were no conflicts of interest. It was agreed with the auditors that the Chairmen of the Supervisory Board and of the audit committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. Finally, the auditors are obliged to report immediately all the significant audit findings and events arising from the audit which have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the Code.

Linde has monitoring and risk management systems which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The effectiveness of these systems is reviewed by the auditors both in Germany and abroad. The audit committee also supports the Supervisory Board in monitoring the activities of executive management, concerning itself in particular with risk management issues. It receives regular reports on the identification and monitoring of risks.

Declaration of compliance with the German Corporate Governance Code

On 11 March 2008, we made the following annual declaration of compliance with §161 of the German Stock Corporation Law (AktG) and made it available on a permanent basis on the company's website at www.linde.com:

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

Linde AG has complied and will in future comply with all the recommendations of the Government Commission on the German Corporate Governance Code as amended on 14 June 2007.

Since it made its last declaration of compliance on 9 March 2007, Linde AG has complied with the recommendations of the Code as amended on 12 June 2006 with the publication of its 2006 annual report on 12 March 2007 (individualised figures disclosed for compensation paid to members of the Executive and Supervisory Boards). Linde has complied with the recommendations set out in the Code as amended on 14 June 2007 by setting up a nomination committee at the Supervisory Board meeting on 11 September 2007.

Munich, 11 March 2008
Linde AG"

All the declarations of compliance with the German Commercial Code which have been made so far can be found on our website.

Munich, 11 March 2008
Linde AG

The Supervisory Board

The Executive Board

Remuneration report

(part of the Management Report)

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

1. Remuneration of the Executive Board

The standing committee of the Supervisory Board is responsible for determining the remuneration of the Executive Board. The Chairman of the Supervisory Board, his two Deputy Chairmen, a Supervisory Board member representing the shareholders and a Supervisory Board member representing the employees are all members of this committee.

The amount and structure of the remuneration of the Executive Board are based on the extent of the international activity of the company and its size, its economic and financial situation, and its performance and prospects, given the environment in which it operates. The emoluments also depend on the duties of the individual member of the Executive Board, and on his or her personal performance and the performance of the Executive Board as a whole. The remuneration is calculated so that it is competitive in an international context and offers an incentive for sustainable increases in the value of the company in a dynamic environment.

The remuneration system of the Executive Board comprises cash emoluments, share-based emoluments and pension commitments. The cash emoluments comprise a fixed element and a variable performance-related element and are based on an annual target income, around 40 percent of which on average is paid to the Board member in fixed monthly amounts if all the performance objectives are met in full, while 60 percent is variable. The variable element comprises a dividend-related bonus and performance-related bonuses. The target income is reviewed at regular intervals, at least every three years. The last review was conducted on 1 January 2007. No adjustments were made as a result of this review. The members of the Executive Board receive no remuneration for any Group offices held.

Fixed emoluments

Each member of the Executive Board receives fixed emoluments, comprising a fixed monthly salary and a fixed bonus in advance. Around 30 percent of the dividend-related bonus is paid in advance in twelve monthly instalments at the same time as the fixed monthly salary.

Benefits in kind are also provided, which are taxed individually. They comprise mainly insurance benefits at normal market rates and company cars.

Variable emoluments

The variable emoluments comprise a dividend-related bonus and performance-related bonuses.

The dividend-related bonus is calculated for each member of the Executive Board on the basis of an individually agreed amount in euro for each EUR 0.01 of the dividend declared per share at the Shareholders' Meeting which is due to be paid to shareholders in the relevant financial year. Of the resulting bonus entitlement, around 70 percent is currently variable, taking into account the monthly instalments paid in advance.

The annual bonus is dependent on the achievement of certain objectives specified at the beginning of the financial year by the standing committee of the Supervisory Board for that particular financial year. The main performance criteria for the bonus are return on capital employed (ROCE) and operating profit (EBIT) and, to a lesser extent, individual targets. For the Chief Executive Officer and the Chief Financial Officer, financial targets are determined on the basis of Group data. For those members of the Executive Board responsible for operations, the targets are determined on the basis of comparable figures in the divisions and regions for which they are responsible. The annual bonus has an upper limit. The portion based on data will not exceed 200 percent of the bonus amount agreed, and that portion based on targets relating to the functions performed will not exceed 100 percent of the amount. In 2007, the members of the Executive Board achieved targets between 100 percent and 170 percent. The Chief Executive Officer has entitlements to bonus payments guaranteed by contract if he achieves certain demanding acquisition, divestment and integration targets. The amount of these bonuses is determined in each case by the standing committee of the Supervisory Board. The bonuses have an upper limit.

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

Share-based emoluments

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 Shareholders' Meeting in May 2002. This scheme (Management Incentive Programme 2002) applied to members of the Executive Board, members of the management boards of affiliated companies and selected executives. The scheme had 539 participants when it ceased. In 2006, the last options were issued

under this scheme. The options granted to the participants continue to be exercisable as long as the conditions for the exercise of the options are met. Each option confers the right to subscribe to one share in Linde AG at the exercise price. The exercise price for acquiring one new share is 120 percent of the base price. The base price is the average closing price of Linde shares in XETRA trading on the Frankfurt stock exchange over the last five trading days before the issue date of the options. The options have been issued in five annual tranches since 2002, each with a term of seven years. There is a two-year qualifying period, which commences on the issue date. During the remaining five-year term, the options can be exercised at any time, except during blocked periods. The Supervisory Board determined the options to be allocated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board can decide to restrict the exercise of options issued to members of the Executive Board, if there are exceptional unforeseen movements in the Linde share price.

In the 2007 financial year, the 2002, 2003, 2004 and 2005 tranches of this share option scheme became valuable and exercisable. In total, members of the Executive Board held 710,000 options at the balance sheet date, of which 525,000 were exercisable as the qualifying period had expired. In the 2007 financial year, members of the Executive Board exercised 145,000 options.

Further information about the Linde Management Incentive Programme 2002 is given in Note [21] of the Notes to the financial statements.

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

exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56.

The performance targets for each individual tranche are based on conditions laid down at the Shareholders' Meeting and on movements in earnings per share, absolute total shareholder return and relative total shareholder return. Within each of these individual performance targets, there is a minimum target, which must be reached if options are to be exercisable, and a stretch target. If the stretch target is reached, all the options become exercisable based on the weighting attached to that particular performance target. If there are exceptional unforeseen movements in the price of Linde shares, the Supervisory Board can restrict in whole or in part the volume or extent of options granted to the members of the Executive Board.

At the Shareholders' 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 2007 financial year, the first tranche of options was allocated. Options were granted to 840 participants. The options are not yet exercisable.

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 [21] of the Notes to the financial statements. Information about the rules which apply in the event of a change of control is given on page 42 of the management report (Disclosures in accordance with §289(4) of the German Commercial Code).

Pension commitments

There are pension commitments in respect of the members of the Executive Board, which are set out in individual contracts. The pension is based on a particular percentage of the most recently paid fixed monthly emoluments. The percentage rate on entry is 20 percent. This percentage increases by 2 percent for every year of service completed by the member of the Executive Board. The maximum percentage that can be achieved is 50 percent of the last fixed monthly emoluments paid. For contracts of employment agreed before 1 July 2002, the percentage rate on entry was 40 percent and the maximum percentage that could be achieved was 60 percent. Payments are made on a monthly basis once the member had retired from the company and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work, surviving dependants' pension in the event of death). A widow receives 60 percent of her husband's pension. The commitments also include benefits for any orphans or fatherless children. Current pensions are adjusted annually to take account of the change in the average retail price index, based on information

provided by the German Statistical Office. Once the member of the Executive Board has completed his or her 55th year and ten years of service on the Executive Board, and if the employment contract was terminated early by the Supervisory Board or the period of office was not extended for reasons beyond the control of the member of the Supervisory Board, he or she would immediately receive the pension earned, taking into account other income.

Emoluments of the Executive Board for 2007

The total cash remuneration of members of the Executive Board for performing their duties in Linde AG and its subsidiaries in 2007 was EUR 13,787,249 (2006: EUR 11,837,754). The total remuneration was EUR 16,886,785 (2006: EUR 14,647,754), which includes options

granted to members of the Executive Board under the Performance Share Programme 2007 (2006: under the Linde Management Incentive Programme 2002), which have a notional value of EUR 3,099,537 (2006: EUR 2,810,000). In the 2007 financial year, a total of 83,726 options (2006: 250,000) were granted to members of the Executive Board. The value of these options when they were granted was EUR 37.02 (2006: EUR 11.24) per option.

Provided that the annual financial statements of Linde AG for the year ended 31 December 2007 are approved and that the standing committee accordingly comes to a decision on the variable remuneration of 2007, the emoluments for 2007 of the individual members of the Executive Board were as follows:

		Cash emoluments				Share options		Pensions	
		Fixed emoluments	Benefits in kind/ Other benefits	Variable emoluments	Total cash emoluments	Value on the grant date	Total emoluments	Annual amount if pension were paid on balance sheet date	Allocated to pension provision in financial year
in €									
Professor Dr Wolfgang Reitzle (Chairman)	2007	1,816,000	58,035	4,635,000	6,509,035	1,549,805	8,058,840	408,000	94,433
	2006	1,816,000	14,314	4,075,000	5,905,314	1,461,200	7,366,514	391,680	832,059
Dr Aldo Belloni	2007	588,000	31,469	1,296,600	1,916,069	516,577	2,432,646	244,800	-235,604
	2006	588,000	25,419	1,247,500	1,860,919	449,600	2,310,519	244,800	613,913
Trevor Burt (from 12.09.2006)	2007	399,000	82,456	741,735 ¹	1,223,191	-	1,223,191	58,080 ²	-
	2006	73,372	91,829	223,217	388,418	-	388,418	-	-
Georg Denoke (from 12.09.2006)	2007	360,000	13,275	821,500	1,194,775	516,577	1,711,352	68,640	12,502
	2006	110,000	4,309	178,982	293,291	-	293,291	63,360	45,024
J. Kent Masters (from 12.09.2006)	2007	624,000	28,579	2,291,600 ³	2,944,179	516,577	3,460,756	167,280	185,850
	2006	145,641	180,773	322,356	648,770	-	648,770	-	-
Total 2007		3,787,000	213,814	9,786,435	13,787,249	3,099,536	16,886,785		57,181
(%)		23	1	58	82	18	100		
Total 2006		3,657,013	354,736	7,826,005	11,837,754	2,810,000	14,647,754		3,345,290
(%)		25	2	54	81	19	100		

¹ The 2007 figure includes emoluments provided by BOC companies of EUR 111,735.

² For information only – retired from the Executive Board at the end of the 2007 financial year with no pension entitlement.

³ The 2007 figure includes emoluments provided by BOC companies of EUR 1,009,600.

The increase in variable emoluments compared with the previous year was due mainly to significant increases in the dividend and in EBIT. In the case of two members of the Executive Board, payments were made in 2007 via Group companies on the basis of existing employment contracts before their appointment to the Executive Board in 2006. If these payments are excluded, total cash remuneration rose 7.0 percent.

Included in the total remuneration for the 2006 financial year are Dr Peter Diesch (a member of the Executive Board until 31 December 2006), who received total emoluments of EUR 1,981,809, and Hubertus Krossa (a member of the Executive Board until 31 January 2007), who received total emoluments of EUR 1,658,433. The amounts of these emoluments allocated to cash emoluments and to share options were disclosed in the 2006 financial report.

Mr Krossa resigned from the Executive Board of Linde AG on 31 January 2007. Neither the company nor the Group incurred any expenditure in the 2007 financial year in respect of Mr Krossa.

The participation of the members of the Executive Board, Trevor Burt and Kent Masters, in the pension schemes of BOC Australia and BOC USA respectively was terminated in each case on 31 December 2006. Neither the company nor the Group incurred any expenditure in the 2007 financial year as a result of this. The endowment sums at 31 December 2006 and the additions to the endowment sums in 2006 from their dates of appointment to the Executive Board are disclosed in the 2006 financial report.

At 31 December 2007, pension provisions relating to members of the Executive Board who were active members of the pension scheme at the date of preparation of the annual financial statements and Group financial statements were EUR 6,347,933 (2006: EUR 6,290,752) in The Linde Group and EUR 7,242,798 (2006: EUR 6,101,800) in the financial statements of Linde AG.

Benefits on the early termination of a contract

Members of the Executive Board who are not reappointed between their 55th and 63rd year, or have their employment contract terminated early by the Supervisory Board from their 62nd year, will receive a severance payment of 50 percent of their annual salary. Annual remuneration here comprises the monthly emoluments paid twelve times a year and the full dividend-related bonus for the year in which the employment contract ends, as well as the annual bonus. The annual bonus is calculated on the basis of the average of the bonuses paid in the previous three years.

If Linde AG is acquired by another company and there is a change of control, and the employment contract is terminated within nine months of that date, either by mutual agreement or as a result of the passage of time and the employment contract not being renewed or by resignation of the member of the Executive Board due to significant impairment of his or her position as a member of the

Executive Board in consequence of the takeover, the members of the Executive Board have an entitlement to benefits, based on their contractual cash emoluments and limited in extent. However, the burden of proof is on the member of the Executive Board to demonstrate the actual circumstances as a result of which his or her position has been impaired in a material way. In addition to compensation, comprising the cash emoluments he or she has foregone for the remaining term of his or her contract (the total of the annual fixed emoluments, the dividend-related bonus based on the figure for the previous financial year and the annual bonus based on the average of the past three financial years, less an overall reduction of 25 percent), the member of the Executive Board has, in each individual case, an entitlement to receive severance pay equal to the full amount of the annual cash remuneration. If the member of the Executive Board has completed his or her 55th year when the employment contract ends and has been on the Board for at least five years, the severance pay increases to three times the full amount of the annual cash remuneration. There is no right to severance pay if the member of the Executive Board has been a member for less than three years, or if he or she has not yet completed his or her 52nd year or has already completed his or her 63rd year when the employment contract ends. Currently, only one member of the Executive Board would have an entitlement to additional severance pay. The total compensation comprising the cash remuneration plus the severance pay must not exceed an amount equivalent to five times the full amount of the annual cash remuneration. If the member of the Executive Board receives benefits on the occasion of or in connection with acquisition by a majority shareholder, a controlling company or another legal entity, these are offset against the compensation and severance payments. The pension entitlement is calculated according to the rules for the early termination of the employment contract for reasons beyond the Board member's control, with the proviso that any pension payments are granted from the date on which the employment contract would have ended had it not been terminated early.

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 dependants received total emoluments of EUR 4,534,599 in the 2007 financial year (2006: EUR 5,380,252).

A provision of EUR 35,088,368 (2006: EUR 39,062,290) 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 dependants. In the financial statements of Linde AG, a provision of EUR 37,648,981 (2006: EUR 37,982,947) was made.

2. Remuneration of the Supervisory Board

The present remuneration of the Supervisory Board was determined at the Shareholders' Meeting on 5 June 2007 based on a proposal from the Executive Board and Supervisory Board with effect from the 2007 financial year and is governed by Article 11 in the company statutes.

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

Fixed emoluments

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

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0.01 by which the dividend declared at the Shareholders' 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 as follows, based on the information in the appropriate audited Group financial statements prepared in accordance with IFRS: earnings before taxes on income, before financial income and financial expenses and before any non-recurring items disclosed, but including the net profit from associates and joint ventures, adjusted for the amortisation of fair value adjustments identified in the course of the purchase price allocation, divided by capital employed. Capital employed comprises the aggregate of equity, financial debt, liabilities from financial services and net pension obligations less cash and cash equivalents and securities and receivables from financial services, calculated based on the average of the figures at the balance sheet date for the past financial year and the year prior to that. In 2007, ROCE calculated in this way was 10.3 percent.

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

Emoluments of the Chairmen, Deputy Chairmen and committee members

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

Attendance fees

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

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2007

Based on a dividend of EUR 1.70 per share entitled to dividend and ROCE in The Linde Group of 10.3 percent, the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,107,914 (2006: EUR 1,931,774) plus VAT of EUR 398,923 (2006: EUR 357,976). Of the total emoluments, EUR 1,059,689 (2006: EUR 778,479) related to fixed emoluments and EUR 1,008,225 (2006: EUR 1,098,795) to variable emoluments. The total expenditure on attendance fees was EUR 40,000 (2006: EUR 54,500).

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

		Fixed emoluments	Variable emoluments	Emoluments for sitting on audit committee	Attendance fees	Total emoluments ¹
in €						
Dr Manfred Schneider (Chairman)	2007	150,000	152,550		4,000	306,550
	2006	105,000	165,000		5,000	275,000
Hans-Dieter Katte (Deputy Chairman)	2007	75,000	76,275		4,000	155,275
	2006	52,500	82,500		5,000	140,000
Michael Diekmann (Second Deputy Chairman)	2007	75,000	76,275		1,000	152,275
	2006	52,500	82,500		2,500	137,500
Dr Karl-Hermann Baumann	2007	50,000	50,850	40,000	4,000	144,850
	2006	35,000	55,000	40,000	4,500	134,500
Dr Gerhard Beiten	2007	50,000	50,850		2,000	102,850
	2006	35,000	55,000		3,000	93,000
Dr Clemens Börsig (from 30.06.2006)	2007	50,000	50,850		2,000	102,850
	2006	17,740	27,877		1,000	46,617
Gerhard Full	2007	83,320 ²	76,275		4,000	163,595
	2006	91,583 ²	82,500		4,500	178,583
Siegfried Friebe	2007	50,000	50,850		2,000	102,850
	2006	35,000	55,000		3,000	93,000
Gernot Hahl	2007	75,000	76,275		2,000	153,275
	2006	35,144 ³	55,226 ³		3,000	93,370
Thilo Kämmerer	2007	50,000	50,850		2,000	102,850
	2006	35,000	55,000		3,000	93,000
Klaus-Peter Müller	2007	50,000	50,850		1,500	102,350
	2006	35,000	55,000		2,500	92,500
Jens Riedel (from 22.01.2007)	2007	47,123	47,925		2,000	97,048
	2006	-	-		-	-
Josef Schregle (from 22.01.2007)	2007	47,123	47,925		2,000	97,048
	2006	-	-		-	-
Josef Schuhbeck (from 22.01.2007)	2007	47,123	47,925		2,000	97,048
	2006	-	-		-	-
Professor Dr Jürgen Strube	2007	50,000	50,850		1,500	102,350
	2006	35,000	55,000		2,500	92,500
Wilfried Woller	2007	50,000	50,850	20,000	4,000	124,850
	2006	35,000	55,000	164 ⁴	3,000	93,164
Total 2007		999,689	1,008,225	60,000	40,000	2,107,914
(%)		47	48	3	2	100
Total 2006		738,315⁵	1,098,795⁵	40,164	54,500⁵	1,931,774⁵
(%)		38	57	2	3	100

¹ Amounts excluding VAT.

² Includes EUR 8,320 (2006: EUR 39,083) for membership of the management board of a foreign subsidiary.

³ Standing committee from 29 December 2006.

⁴ Audit committee from 29 December 2006.

⁵ Includes the following members who retired in 2006: Dr Ackermann (Total emoluments: EUR 45,630), Mr Hartig (Total emoluments: EUR 138,890), Mr Pietsch (Total emoluments: EUR 92,260), Mr Zukauski (Total emoluments: EUR 92,260).

Loans and advances

In the 2007 financial year, no loans or advances were made to members of the Supervisory Board.

Management Report

Corporate organisation

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

Sales and order intake

In the 2007 financial year, Linde AG achieved sales of EUR 1.885 bn, 30.5 percent below the prior year figure of EUR 2.711 bn. On a comparable basis, i.e. excluding the Material Handling business segment, sales fell by 8.4 percent. This was due to billings relating to project business in the Linde Engineering division.

54 percent of sales were to customers in Germany. Exports accounted for 46 percent of sales, with 58 percent (2006: 54 percent) relating to Europe, 37 percent (2006: 25 percent) relating to the Asia/Pacific region, 5 percent (2006: 15 percent) to the Americas and 0 percent (2006: 6 percent) to Africa. Most of the export business relates to Linde Engineering. The fluctuations in the regional figures are the result of the project business in this division.

Sales in the Linde Gas division were 8 percent above the prior year figure of EUR 929 m at EUR 1,004 m. The Linde Engineering division achieved sales of EUR 915 m, 21 percent below the prior year figure.

Order intake in the Engineering division was EUR 2.008 bn, 8.9 percent below the prior year figure of EUR 2.203 bn. The order backlog reached a new record high at EUR 3.129 bn (2006: EUR 2.959 bn). The average duration of a contract is around three years.

Results of operations

Earnings before taxes on income fell from EUR 1.773 bn to EUR 316 m. The difference between the two figures is mainly due to the inclusion in the prior year figures of investment income of EUR 1.277 bn arising from the sale of the KION Group. Post-acquisition restructuring measures within The Linde Group also had a significant impact on the results of operations of Linde AG in the 2007 financial year. In the course of the restructuring, the liabilities assumed on the acquisition of The BOC Group plc were allocated within The Linde Group. In order to do this, the investments in The BOC Group plc, England, AGA AB, Sweden, and Linde Holdings Inc., USA, were sold to holding companies in England, Sweden and the United States. During the financial year, investments in the subsidiaries Linde Gas UK and Linde Gas Australia were also sold in order to meet the conditions imposed by the competition authorities on the acquisition of The BOC Group plc. This gave rise to profits of EUR 433 m on the disposal of investments.

Operating profit in 2007 was EUR 104 m (2006: operating loss of EUR 269 m). The prior year figure was adversely affected by the high one-off costs incurred for the restructuring of The Linde Group. No such costs were incurred in 2007 and both the Gases and Engineering divisions contributed to the improvement in operating profit.

The financial result (excluding investment income) was a loss of EUR 432 m (2006: loss of EUR 679 m). The improvement was mainly due to the restructuring within The Linde Group.

Non-recurring items in 2007 comprised the profit of EUR 433 m on the disposal of Linde Gas UK, Linde Gas Australia and the investments sold as a result of the restructuring of The Linde Group. The prior year figure of EUR 1,444 m comprises the profits on disposal and on transfer relating to the KION Group.

Due to the profit on the disposal of the KION Group being included in the prior year figure, the net income for the 2007 financial year of EUR 369 m was significantly lower than the figure for 2006.

Results of operations (summary)

in € million	2007	2006
Sales	1,885	2,711
Cost of sales	1,391	2,060
Gross profit on sales	494	651
Functional costs	531	667
Other income	390	203
Other expenses	249	456
Operating profit	104	-269
Investment income	211	1,277
Financial result	-432	-679
Profit before taxes on income	-117	329
Taxes on income	-53	336
Non-recurring items		
Profit on disposal of investments	433	1,444
Net income	369	1,437
Retained profit brought forward	495	-
Transfer to revenue reserves	-	700
Unappropriated profit	864	737

Net assets and financial position

The post-acquisition restructuring within The Linde Group had a particularly significant impact on the net assets and financial position of Linde AG in the 2007 financial year. In the course of this restructuring, the liabilities assumed on the acquisition of The BOC Group plc were allocated within The Linde Group. In order to do this, the investments in The BOC Group plc, England, AGA AB, Sweden, and Linde Holdings Inc., USA, were sold to holding companies in England, Sweden and the United States. As a result, the indebtedness of Linde AG was substantially reduced (by around EUR 5.7 bn).

Total assets fell by EUR 5.476 bn to EUR 13.821 bn.

Fixed assets decreased by EUR 5.563 bn to EUR 13.171 bn.

There were additions of EUR 10.956 bn, set against disposals of EUR 16.441 bn and amortisation and depreciation of EUR 78 m. Included in the total for disposals of investments in affiliated companies of EUR 16.424 bn, was an amount of EUR 16.235 bn which relates to the disposal of the investments in The BOC Group plc, in AGA AB and in Linde Holdings Inc. in the course of the restructuring of The Linde Group. The percentage of total assets comprised by fixed assets was 96 percent (2006: 97 percent). The main component of fixed assets is financial assets, due to the function of Linde AG as the holding company of The Linde Group. Total equity (before the appropriation of profit) increased by EUR 431 m to EUR 7.521 bn as a result of net income, the exercise of conversion rights relating to the convertible bond issued in 2004 and the exercise of share options. The equity ratio, based on total assets, rose from 36.7 percent to 54.4 percent. Total provisions amounted to EUR 1.583 bn, EUR 87 m higher than in the prior year.

Financial liabilities to affiliated companies and financial liabilities to third parties fell by EUR 6.251 bn to EUR 3.549 bn, mainly as a result of the restructuring of The Linde Group.

Balance sheet structure as a percentage of total assets

	2007	2006
Assets		
Financial assets	93 %	95 %
Other fixed assets	3 %	2 %
Receivables and other assets	4 %	3 %
Liquid assets	-	-
Sundry assets	-	-
Equity and liabilities		
Equity	54 %	37 %
Provisions for pensions	6 %	4 %
Other provisions	6 %	4 %
Liabilities	34 %	55 %

The post-acquisition restructuring has been undertaken to ensure that Linde AG will be able to continue to pay out dividends in the long term and to avoid significant tax disadvantages in Germany in respect of our original financing structure for the acquisition of The BOC Group plc (due to the introduction of an interest deduction ceiling under recent German tax reforms).

Research and development

In the 2007 financial year, we invested a total of EUR 44 m (2006: EUR 68 m) in research and development. The decrease was due solely to the disposal of the Linde Material Handling business segment in 2006.

In the Gases division, we spent EUR 22 m (2006: EUR 22 m). Our research in this division focused in particular on new gases applications.

In the Engineering division, we spent EUR 22 m in 2007, compared with EUR 17 m in 2006, on innovations and the development of technologies for all the main types of plant, especially for hydrogen, olefin and natural gas plants.

At 31 December 2007, 177 employees were working in research and development (2006: 262). Of these, 97 employees were in the Gases division and 80 in the Engineering division.

Financing and measures to safeguard liquidity

Financing principles and objectives

The aim of external financing and measures to safeguard liquidity is to ensure that the Group has adequate liquidity at all times. The current credit crisis in the international capital markets clearly emphasises the importance of sufficient liquidity procurement for companies.

Our external financial headroom is maintained primarily by an international banking group and the capital markets. Within the Group, the principle of internal financing applies, i.e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans. Centralised financing makes it possible for Group companies to act as a single customer on the capital markets and strengthens our negotiating position with the banks and other market participants.

Bond issues

In April 2007, we issued benchmark bonds with a total volume of more than EUR 2.4 bn via Linde Finance B.V. in a very favourable market environment. The bonds, under the lead of Deutsche Bank, Commerzbank, Morgan Stanley, UniCredit and HSBC, were more than three times oversubscribed, with a high level of demand from long-term investors and retail banks. The transaction comprised a five-year fixed-rate bond of EUR 1 bn at 4.375 percent, a ten-year fixed-rate bond of EUR 1 bn at 4.75 percent and a 16-year sterling tranche of GBP 300 m at 5.875 percent.

Other capital market activities

In 2007, the Debt Issuance Programme was increased from EUR 5 bn to EUR 10 bn. Under the programme, issues amounting to around EUR 2.7 bn in four different currencies were outstanding at the year-end.

Most of the EUR 550 m convertible bond issued in 2004 (EUR 445.3 m) had been converted by the end of 2007 into 7,883,867 Linde shares.

Rating

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies, Moody's and Standard & Poor's. The rating is an essential requirement for a successful and sustainable presence in the capital market. Even after the BOC acquisition, our stated objective is an "investment grade" rating. A good six months after the BOC acquisition, in spring 2007, the rating agencies both increased Linde's rating by one notch to BBB and Baa1 respectively. This increase in our rating was very positively received by the capital markets.

Rating 2007

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

Rating 2006

Rating agencies	Long-term rating	Outlook	Short-term rating	Outlook
Moody's	Baa2	Stable	P-2	Stable
Standard & Poor's	BBB-	Stable	A-3	Stable

Our successful financing strategy was reinforced in 2007 by our post-acquisition restructuring and by the measures described above, in conjunction with our strict management of advance payments in the Engineering division.

Corporate responsibility

It is our view that corporate responsibility extends beyond national boundaries. We have therefore adopted a comprehensive corporate responsibility (CR) plan, which enables us to integrate the various aspects of corporate responsibility into our business processes and to document our progress. Regular reporting and continuous dialogue with our major stakeholders – our employees, customers, business partners, shareholders and local communities – will ensure that our policies are easy to understand and transparent and take account of the requirements of the various parties involved.

In the 2007 financial year, we completed the Group-wide implementation of our CR concept. This includes the introduction throughout the Group of basic guidelines, such as the code of ethics and the corporate responsibility policy. In October 2007, we also published the first corporate responsibility report of the new Linde Group.

Corporate responsibility management

Our CR management bridges the gap between abstract ideas and concrete value management and focuses on how the values of The Linde Group will gradually be incorporated into everyday business life. We have laid the foundations by allowing corporate responsibility to assume a pivotal role in the Group, with clearly defined areas for action.

The most senior management committee is the Corporate Responsibility Council. The members of the Council are Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG, and Dr Aldo Belloni, a member of the Executive Board, together with the managers with overall Group responsibility for Corporate Communications & Investor Relations, Human Resources, Internal Audit, Legal and SHEQ (Safety, Health, Environment, Quality). The Council defines the objectives in each of the areas for action: employees, SHEQ, corporate citizenship, ethics & compliance and capital markets.

Road-map 2007/2008

These objectives are set out clearly every year in a corporate responsibility road-map. In the 2007 financial year, we reached some important milestones on our road-map. These include:

- introducing a code of ethics and a notification system (integrity line) throughout the Group
- reviewing and recalculating health, safety and environment (HSE) data across the Group

- evaluating all corporate citizenship projects worldwide
- expanding our range of family-friendly policies in Germany and
- publishing the first corporate responsibility report of The Linde Group.

In the 2008 financial year, we will continue with our corporate responsibility reporting at a Group level and introduce CR reporting at Regional Business Unit level. At the same time, we will set up a web-based tool to collect HSE data across the Group.

In the area of ethics and compliance, we are planning to establish a Group-wide training programme which should help all our employees to apply the Linde code of ethics in everyday business life.

In the area of corporate citizenship, we intend to continue in 2008 to provide strong support for the social commitment of our employees, for example by developing an improved communications structure.

Ethics and compliance

In 2007, in accordance with our CR road-map, we published a new code of conduct, the code of ethics, and installed a notification system, the integrity line, throughout the Group. In the 2008 financial year, we will focus on establishing structures and tools that will aid compliance with the rules of conduct set out in the code of ethics. The overall objective is to ensure that ethics and compliance are firmly rooted in The Linde Group.

The code of ethics deals with the most important compliance issues (compliance with statutory and internal Group regulations on the correct conduct to adopt in the course of business), such as fair trade and anti-corruption laws, grouped according to the main topics which concern our stakeholders. The code also includes a detailed description of the integrity line.

The integrity line provides employees with an additional channel for addressing legitimate issues. It can also be used by third parties such as customers and suppliers. All issues reported via the integrity line are coordinated by the Linde Compliance Facilitator in accordance with data protection regulations. The Linde Integrity Committee is made up of one representative from each of the following departments: Legal, Human Resources, Internal Audit and Corporate Communications. The committee adopts strictly confidential procedures when it decides how each individual case should be handled.

In 2008, the ethical procurement guidelines which have applied to date will be merged and implemented throughout the Group as a supplement to the code of ethics.

Safety, Health, Environment, Quality (SHEQ)

For all our stakeholders, especially for our employees and customers, efficient and effective management of safety, health, environment and quality are of crucial importance. At the same time, it is a basic requirement if we want to maintain the high quality of our products and services and thereby achieve economic success.

Safety, health, environment and quality (SHEQ) are managed throughout the Group by a central department which is responsible for drawing up overall Group targets, which the individual organisational units must then implement themselves.

In the 2007 financial year, Linde began to introduce an integrated SHEQ management system based on the SHEQ policy launched throughout the Group in the previous year. It includes the most important objectives and standards for occupational safety, product safety, occupational health and environmental protection. This systematic approach will also make a significant contribution in 2008 to minimising the risks for all our employees, partners and customers, as well as for the natural environment.

Measures to improve environmental protection are increasingly being incorporated into national legislation, to meet emission-reduction targets, for example, or to reduce the volume of waste. Plant safety is another important consideration here. Many of these laws have now been largely harmonised at EU level, but differences remain between countries, both within the EU and especially outside the EU. These differences need to be taken into account. To ensure that the various requirements in different countries are met, each individual company is responsible for implementing its own SHEQ management system.

REACH: Reform of European chemicals legislation

REACH (Registration, Evaluation and Authorisation of Chemicals) is a reform of European chemicals legislation, which came into force in June 2007 as an EU Regulation. REACH stipulates that chemical substances in the EU must be tested for their impact on health and the environment, and registered if annual production or the amount imported annually exceeds one ton. This also includes substances which are already on the European market. Most of the gases produced and distributed by Linde come under an exemption clause and are therefore not covered by REACH.

As a result of REACH, however, some changes have been made to the content and structure of product safety data sheets prepared in accordance with the previous directive. Linde intends to proceed in accordance with the recommendations of the European Industrial Gases Association (EIGA) and the European Chemical Industry Council (CEFIC) and make changes to the safety data sheets on a gradual basis.

Climate protection

We believe that climate change is one of the issues which will influence our business in the years to come. Our economic objectives will be linked even more closely in future with our technological and eco-technical innovations. In this way, we will make even more efficient use of our far-reaching development potential in the field of climate and environmental protection. In the 2007 financial year, we conducted a fundamental evaluation of the opportunities and risks for Linde associated with climate change. We will further refine this analysis in 2008 and take the appropriate measures as a result.

In accordance with our SHEQ policy, we measure environmental and climate data constantly. In future, we will identify Key Performance Indicators (KPIs) from all the data recorded and we will use these indicators as critical measures and management tools when examining the ecological performance of the Group. As in the 2007 CR report, we will be guided by an international standard, the Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD).

Social commitment – worldwide

Our social commitment is closely linked with our core business. It includes not only partnerships, affiliations and foundations, but also financial support for the individual projects and social initiatives of our employees worldwide. We focus in particular on education and training, science and research.

In the course of its 130-year history, Linde has produced some ground-breaking inventions which have changed the lives of many. We are therefore keen to share the story of Linde with the public and have set up a corporate heritage department. In the past year, the activities of this department have included embarking on a research project which will take several years, in collaboration with the University of Glasgow in Scotland and the Gesellschaft für Unternehmensgeschichte (GUG, a company for the promotion of business history) in Frankfurt, Germany.

In the past financial year, we have also performed a review of all our corporate citizenship activities. The results show that very many of our global locations help to deal with local social issues. A more detailed account of this can be found in our 2007 corporate responsibility report. In 2008, we are planning to set up an Internet-based forum to share best practice for the implementation of corporate citizenship projects. We would like to achieve better cross-linking of local employee initiatives and to increase transparency both within and outside the Group.

Employees

Equality of opportunity is an important part of our value system. It follows therefore that the training and continuing professional development of our staff forms the basis of our personnel policy at all our locations. Our human resources strategy takes account of relevant business requirements, provides performance incentives and offers the most flexible framework possible.

Integration

In the 2007 financial year, it was vital that we managed the integration process following the acquisition of the British BOC Group in a way that ensured decisions could be made and action taken at all times. The Group Human Resources department, which oversaw the integration process, focused on the development and implementation of the new organisational structure. The key to swift implementation was a standard process of employee selection and staff appointments used in the course of 2007 throughout the world.

Corporate culture

In the course of the financial year, we completed our work on defining the corporate culture which would embody the new Group. We devised a document entitled "Linde Spirit", which outlines a new corporate philosophy, setting out the vision, values and fundamental principles of The Linde Group. This will provide guidance to all our employees worldwide.

Recruitment and training

We intend to expand our marketing activities in higher education, so that in years to come we can continue to attract highly-qualified employees to The Linde Group, especially engineers and natural scientists. In Germany, Linde is able to offer sandwich courses at vocational colleges as an alternative to traditional university courses. We also assign thesis projects to exceptionally talented students in fields that match our core businesses, with the aim of interesting potential technical and management staff in our Group at an early stage. In addition, all the major German and international locations of Linde AG are in close contact with higher education institutions in their local area.

Job evaluation and identification of potential

Describing the nature and significance of specific roles based on uniform standards is essential to ensure transparency for employees and comparability of jobs within the Group. We value highly not only jobs which involve leadership responsibility, but also roles which require particular technical expertise or specialised knowledge.

Continuing professional development for qualified and management staff

We are constantly improving the range of specialised and interdisciplinary training courses which we offer throughout the Group and we see training as part of a process of lifelong learning. The emphasis here is on developing the skills of particular target groups: e.g. safety training, courses for plant operating staff, courses for field staff at Linde Gas Therapeutics and language courses. These measures ensure that our staff are employable in the long term.

Our management development and talent management schemes come under the umbrella of Linde University. Working together with leading international business schools, Linde University offers programmes and events tailor-made for the Group as a whole or for individual divisions. The aim is to develop strategic management skills among our Group executives, support international networking and create a uniform performance culture.

Succession planning

Linde places great emphasis on succession planning for key positions within the Group. In future, we would like increasingly to fill job vacancies with internal candidates who have been identified as having potential. Therefore, we apply the same standards and criteria worldwide.

Knowledge management

The know-how of a company is of the greatest benefit when it is made available to all employees who can make good use of it. We therefore ensure that we provide access to relevant information to employees at all levels in the Group. In all our divisions, we have Intranet-based knowledge databases, which hold extensive information about products, markets and competitors.

Internal communications

Various tools are used by Linde to communicate information about organisational changes and important events within the Group promptly and in detail. In 2007, we made further improvements to our internal media and introduced the Linde Group Intranet, a worldwide information platform. We send a monthly electronic newsletter to all our employees worldwide, which provides an overview of the most important news from all the divisions. We also publish regular issues of our employee magazine "The Linde Group World Magazine" worldwide in printed form.

Many Linde companies conduct employee surveys as part of their dialogue with employees. The results provide us with useful suggestions as to how we can improve the way in which employees and management work together.

Diversity

Our Group-wide code of ethics guarantees equal opportunities for our employees to the greatest possible extent. We attach importance to retaining the local workforce in the various countries in which we operate. We enhance our employees' inter-cultural skills by seconding them to foreign countries.

As the proportion of women working in engineering and scientific environments such as ours remains disproportionately low, we are taking measures to make Linde a more attractive employer for women. In Germany, for example, the Linde Engineering division is actively involved in the Technical University of Munich's MENTORING scheme for female science and technology students. Here, mentors drawn from companies or from the university spend time with the young women and provide them with advice, from their intermediate examinations through to graduation.

Work-life balance

Back in 2005, we first introduced a number of measures to ensure that our employees were able to maintain a balance between work and their private lives. One example of this is the fact that, from 1 January 2007, all employees in our German companies have had access to the services of a childcare agency.

In addition, from 1 January 2008, employees in Germany have had access to a care agency for their elderly relatives which can also provide advice.

Employee representation

The Linde Group recognises the right of its employees to join trade unions. We strive to achieve constructive cooperation with employees, employee representatives and trade unions, and a fair balance between the economic interests of the Group and the interests of our workforce. In Germany, the Works Constitution Act (BetrVG) governs cooperation between company management and employee representatives. Employee representation in The Linde Group is two-tiered, comprising decentralised works councils in the individual units and a central works council for the Group as a whole. In addition to this two-tiered co-determination system, Linde has also had a European works council for a number of years. This provides the opportunity for employee representatives to share information across national boundaries. The European works council also functions as an advisory body to both the Group works council and corporate management.

Occupational pensions in Germany

In Germany, Linde supports its employees by providing defined benefit pension plans within an average career plan. The principal advantages of this system are the highest possible levels of risk control and cost transparency in view of increasing life expectancy. These occupational pensions are perfectly complemented by the Linde Cash Balance Plan, which provides our employees with the opportunity to make their own provision for their retirement by converting portions of their salary into pension contributions with guaranteed rates of interest. For employees who joined the company after 2002, Linde supports the employees' own provision by making a matching contribution. In other words, if employees participate in the Linde Cash Balance Plan, Linde increases the employees' contribution to the company scheme by a maximum of 20 percent. The conversion of portions of salary into pension contributions also has tax benefits for the employee, allowing him to invest in his or her pension now and only pay tax later when the pension is drawn.

Linde is providing employer's contributions for occupational pensions for 6,350 employees in Germany. 1,455 former employees have acquired vested benefits to a company pension (deferred members) and 9,160 pensioners are drawing a Linde occupational pension. 2,542 employees are currently participating in the Linde Cash Balance Plan, while 110 former employees have acquired vested benefits and 10 pensioners are drawing pensions.

Thank you to our employees

The Executive Board would like to thank all Linde employees for their dedication and hard work in a year which has required a particularly high level of commitment from you all. Our staff have made tremendous efforts to ensure that the integration process proceeded smoothly and that The Linde Group continues to grow.

Socially responsible investments (SRI)

In the medium term, Linde aims to be included in indices and investment funds which only admit companies managed in accordance with the principles of sustainable growth. We have the potential to assume a leading role in the areas of sustainability and corporate responsibility. As in 2007, we will participate in 2008 in the rating and admission procedures for these indices, such as the Dow Jones Sustainability Index. We have increased our chances of achieving such a listing by seeking to improve the measurability of our environmental performance and by positioning ourselves clearly on the subject of climate change, as set out in the CR road-map.

Corporate responsibility reporting

In October 2007, The Linde Group published its first corporate responsibility report. The purpose of this report is to record, classify and prioritise our activities in the five areas for action we have defined: employees, SHEQ, corporate citizenship, ethics & compliance and capital markets. Detailed information about each of the topics mentioned above can be found in the printed version of the CR report and on the Internet at www.linde.com.

Key data

Against the background of the extensive reorganisation of The Linde Group, recording and defining relevant employee key data and HSE key data for the new, larger organisation presented a particular challenge. To increase measurability as well as transparency at a gradual pace, the departments responsible set themselves specific targets. In 2007, the main aim was to standardise the key data and definitions of Linde and BOC and to extend the range of key data recorded on the basis of external requirements. In 2008, we are planning to introduce a Group-wide standardised web-based data capture tool. We will identify the Key Performance Indicators (KPIs) from the key data recorded by this tool and we will use these indicators as management and measurement tools when determining the sustainability of Linde.

In this report, Linde is publishing for the first time aggregated employee and HSE data for the years 2006 and 2007. We use these non-financial indicators to measure and compare the performance of Linde in the areas mentioned.

Employees in Linde AG

	2007	2006 ¹
Employees by division		
Linde Gas division	2,689	2,570
Linde Engineering division	2,618	2,582
Corporate Centre	227	247
Linde AG	5,534	5,399
Structure of the workforce		
Proportion of part-time employees in %	4.1	4.4
Proportion of fixed-term employees in %	6.3	5.7
Proportion of staff covered by collective wage agreements in %	82.7	82.2
Proportion of apprentices in total workforce in %	4.0	4.2
Number of apprentices and trainees	222	226
Employee retention		
Staff turnover rate in %	1.5	1.5
Diversity		
Proportion of women in %	21.5	21.5
Age structure of permanent staff in %		
Staff between 20 and 30 years old	12.1	11.1
Staff between 31 and 50 years old	59.6	59.7
Staff over 50 years old	28.3	29.2
Employee training		
Average number of training days per employee	1.9	2.1
Average expenditure on training programmes per employee in €	314	423

¹ To ensure greater comparability, the prior year figures for 2006 have been adjusted to reflect the 2007 reporting structure. Individual items of information may therefore differ from the information given in the 2006 Linde AG financial statements.

More background information about employees, environmental protection, safety and corporate citizenship is given in our 2007 corporate responsibility report (which can be obtained by post or via the Internet at www.linde.com).

Risk report

The following report applies to both the parent company Linde AG and to The Linde Group. The holding company Linde AG is of crucial importance in our management of risks and opportunities.

Risk management

Risk management in The Linde Group is an integral part of all our decisions and business processes. The Linde Group, a technology company with global operations, is exposed to a great variety of risks in the course of its international business. It is our willingness to take risks that enables us to exploit opportunities as they arise.

We therefore see risk management as an ongoing task, one which involves the recording, analysis and evaluation of areas which relate to potential and actual developments.

The Linde AG Executive Board has established a comprehensive, systematic and efficient risk management system, the basic principles of which are laid down in Group guidelines, a system which is adapted to suit our corporate structure and which represents a vital part of the Group management process. It is incumbent on the operational management of the risk owner to take direct responsibility for the early recognition, management and communication of the risks. The next level of management is responsible for controlling those risks. Under the risk management system, the Group companies adopt a bottom-up approach and report the status of any significant risks and any changes in those risks, based on graduated cut-off points. In addition, any risks which arise at short notice or which have repercussions for the whole Group are communicated directly to the appropriate personnel in the Group, irrespective of the normal reporting channels.

The aim is to identify potential risks arising from our operations at an early stage by incorporating them into a database, to assess them using specific criteria, to evaluate the extent and characteristics of the risks and to introduce appropriate precautionary and security measures.

Monthly Group reporting is of the utmost importance in the monitoring and control of economic risks in current business operations. It must ensure that the course of business in the individual Group companies is reflected and described in accordance with uniform guidelines.

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

Risk workshops are held regularly. The central risk management department is responsible for the implementation of risk management at a global level and ensures that not only are staff aware of risk, they are also able to make appropriate risk assessments.

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

Furthermore, there are rules of conduct in The Linde Group which are set out in guidelines and other standards. Speculative transactions or other arrangements of a speculative nature are not permitted. Our conduct towards our suppliers, our customers and the community is fair, and we are aware of our responsibilities.

Risk areas

Risks arising from the economic environment

As a company with global operations, we are dependent on cyclical trends in the world economy. Furthermore, the fact that markets are competitive means that we are exposed to the risk of losing market share and experiencing a decline in the level of market awareness.

The Linde Group operates in a number of different industry sectors in order to avoid dependence on one particular sector. We are constantly conducting analyses of our market environment and competitive situation. We obtain vital information about our customers' needs by maintaining regular contact with customers, which enables us to stay close to the market. We use the information we receive to develop and supply products tailored to suit the needs of the market and to enhance our competitive position and level of market awareness.

Risks in politically unstable countries

The Linde Group is a global group operating in around 100 countries. Potential risks we might encounter in different countries include the nationalisation or expropriation of assets, legal risks, the prohibition of capital transfers, war and other unrest. To manage these risks, we employ risk assessment tools to evaluate our exposure to risk and the impact of risk on the net assets, financial position and results of operations of the Group and to ensure cross-border financing at optimal levels of risk. Individual capital expenditure projects are evaluated so as to identify any political risks which might be associated with them.

Financial risks

Due to its global operations, The Linde Group is exposed to a number of financial risks. In particular, these include counterparty risk and risks arising from movements in interest rates and exchange rates.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. On the one hand, they have an impact on the level of the interest expense borne by The Linde Group, and on the other hand they affect the fair values of financial instruments.

In the case of exchange rate risk, it is important to distinguish between operational transaction risks, which are the result of supply contracts for individual projects spread across different currency zones, and translation risks, which arise from currency translation relating to individual companies at different cut-off dates. As a result of the acquisition of The BOC Group plc, our interest rate risk and exchange rate translation risk have increased significantly.

To manage counterparty risk, we rely mainly on the credit ratings of the counterparties and we limit the extent and duration of any financial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading entity to ensure compliance with all the limits set.

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

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

We make financing and hedging decisions on the basis of the financial information which we receive from the treasury management system and from our financial and liquidity forecasts.

Business and financing activities which are not in the local currency inevitably lead to foreign currency cash flows. The Group guideline states that the individual business units must monitor the resulting transaction risks themselves and agree appropriate hedging transactions with the Group Treasury, based on predetermined minimum hedging rates, provided that no country-specific restrictions or other reasons not to hedge internally apply. Specific risks are aggregated by currency at Group level and the resulting net foreign currency position per currency for The Linde Group is determined in each case. Furthermore, we regularly run value at risk scenarios on the net position using the variance-covariance method, assuming a one-year holding period and a confidence level of 95 percent.

Hedging decisions are made according to the risk strategies of the Treasury committee. Forward exchange deals, currency swaps and simple currency options are all used here. The main currencies are the US dollar (USD), the British pound (GBP), the Australian dollar (AUD) and some Eastern European, South American and Asian currencies. Since 2006, translation risks have also been hedged as, following the acquisition of The BOC Group, the focus of our currency management has shifted from currency transactions to currency translation.

In our Linde Gas division, we also use financial instruments to hedge against exposure to electricity price changes. In our project business in the Linde Engineering division, foreign currency risks are reduced as much as possible by natural hedges, for example by purchasing supplies and services in the currency of the contract. Any foreign currency amounts over and above this are immediately hedged fully when they arise, generally by entering into forward exchange transactions.

Interest rate risks are also centrally managed. We evaluate potential interest rate risks, ascertain the interest risk exposure in the major currencies and conduct sensitivity analyses. The Treasury committee then determines the range for the hedging rates and the Group Treasury concludes the transactions with the banks. Interest rate risks are hedged using long-term fixed-interest bonds, loans and interest rate derivatives. At 31 December 2007, around 32 percent of the Group's exposure was financed at variable rates.

Personnel risks

An important feature of Linde AG's corporate culture is that it is based on trust. We place special emphasis on our employees assuming personal responsibility and thinking and acting in an entrepreneurial way.

Linde will continue to position itself as an attractive employer and will seek to ensure the long-term loyalty of its management team by developing the strengths of the Group's executives and fostering their commitment. Our rigorous management development programme includes the provision of development opportunities and offering support and advice to target groups, the early identification and advancement of high achievers and those with potential, and attractive management incentive schemes which are tailored to suit the needs of the market.

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

Risks arising from acquisitions and investments

Acquisition and investment projects are vital for the growth of The Linde Group, because they look to the future. Such projects, however, are associated with complex risks. We manage and reduce these risks by designing tailor-made procedures and processes for our acquisition and investment projects.

Right at the beginning of each project, we use internal and external experts to assess the risks associated with that project, while acquisitions and divestments are regularly discussed at committee meetings or meetings of the Executive Board.

In the course of the past financial year, Linde AG has completed a variety of acquisitions and sales. Most of the sales were made because of conditions imposed by the competition authorities following the acquisition of The BOC Group plc in 2006. The acquisitions made by Linde AG in 2007 are the result of deliberate measures taken by the company to strengthen our core business. We monitor the performance of our acquisitions by examining movements in specific financial variables.

Environmental risks

The Linde Group stands not only for quality management, but also for environmental management on a large scale. Our aim is to identify environmental risks at an early stage and to take appropriate countermeasures. In this way, we also reduce any liability risk arising from excessive environmental pollution. We have a holistic approach to environmental protection, involving the entire life-cycle of our products. We even consider the potential impact on the environment at the development and planning stages.

The tightening of legal regulations may lead to increased development costs, product identification requirements and production costs. In the course of our risk identification and management process, we monitor any legislation which applies to our markets and our research and development teams look at alternative production materials.

Legal risks

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

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

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

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

IT risks

In a modern working environment, companies rely on information technology to ensure a secure and effective infrastructure. To minimise the risk of business processes being interrupted as a result of systems failure, numerous security measures have been implemented. These include access control systems, contingency plans, an uninterrupted electricity supply for critical systems, back-up systems and data mirroring. In addition, we use firewall systems and virus scanners to counter data security risks arising from unauthorised access to the IT systems. We also ensure the confidentiality, availability and integrity of the data.

Project risks

Complex major plant construction projects make specific demands on risk management. In our Linde Engineering division, we handle major contracts which may be worth several hundred million euro and may extend over a number of years. Typically, the division is involved in the planning and construction of turnkey plants. Potential risks may arise as a result of costings of complex projects which are subject to uncertainties. Risks may include unexpected technical problems, bottlenecks in the supply of major components, unforeseen developments during on-site assembly and problems with our partners or subcontractors. To manage the risks in plant construction, we employ tried and tested methods even in the tendering phase, to assess the impact on the profitability of a large-scale project of potential variances from budgeted cost for individual components. We conduct simulations of the opportunities and risks associated with each project with the aid of numerical methods of analysis. By continually monitoring changes in the parameters alongside the progress of the project, we are able to identify potential project risks at an early stage and to take appropriate measures to counter them. These risk management tools are constantly being updated and modified to meet the increasing demands of the market.

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

Strategy risk

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

External risks

A fundamental risk for Linde, as for all companies, is posed by potential radical changes in the political, legal and social environment. A theoretical risk to the financial position and results of operations of the Group also exists, in the form of terrorist acts or natural disasters. These risks are covered in some cases by insurance.

Risk transfer

In selected risk areas, with the agreement of the Linde AG Executive Board, the risk is managed by transferring the risk to insurance com-

panies, i.e. by entering into Group insurance contracts with our central service-provider, *Commercium Versicherungsvermittlung GmbH*.

Evaluation of the overall risk situation

Based on the risks and future prospects of the Group which have been outlined in this report, no risks have been identified in the 2007 financial year which might have a lasting or significant impact on the net assets, financial position and results of operations of The Linde Group. We have made the necessary organisational arrangements to ensure that we become aware at an early stage of any apparent risk situations.

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

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

The convertible bond issued in 2004 includes rules on the adjustment to the conversion rate in the event of a change of control.

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

In the 2007 financial year, it was resolved at the Shareholders' 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 Executive Board subscribe for or acquire shares as a result of exercising options, 25 percent of those shares or, under certain conditions, shares equivalent to 25 percent of the total number of options exercised, are subject to a two-year lock-up period. Under the terms and conditions of the share option scheme, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in 2007 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.

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

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

§§ 84 and 85 of the German Stock Corporation Law (AktG) and § 31 of the German Codetermination Law 1976 (MitbestG) apply in respect of the appointment and removal of members of the Executive Board. According to Article 5.1 of the company statutes, the Executive Board consists of several members, with the number of members of the Executive Board being determined by the Supervisory Board. According to Article 5.2 of the company statutes, the Supervisory Board can nominate one of the members of the Executive Board as Chairman of the Executive Board and one as Deputy Chairman.

§§ 179 ff. of the German Stock Corporation Law (AktG) applies when changes are made to the company statutes. A resolution at the Shareholders' Meeting on changes to be made to the company statutes, like all resolutions at the Shareholders' Meeting, requires a simple majority of the votes cast, as set out in Article 13.2 of the company statutes 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 preclude this. A resolution at the Shareholders' Meeting to change the object of the company requires a three-quarters majority of the share capital represented at the vote in accordance with § 179 (2) of the German Stock Corporation Law (AktG).

The information about equity is disclosed in Note [6] of the Notes to the financial statements.

Events after the balance sheet date

There were no events after the balance sheet date which were required to be disclosed.

Outlook for 2008

Macroeconomic trends

Global economy: Cooling off expected

Growth in the global economy will be slower in 2008 than in 2007. Economic trends in the US in particular are fraught with uncertainty in the wake of the financial and property crisis. The relaxation of monetary policy at the beginning of the year will only partially compensate for the negative impact of the financial and property crisis. Research economists expect an overall increase in the gross domestic product in the US in real terms of around 2.0 percent in 2008 (2007: 2.2 percent).

The waning of the US economy will also have an adverse effect on the economic situation in the eurozone. Here too, the pundits are expecting an increase in gross domestic product in real terms of 2.0 percent, following economic growth in this region in 2007 of 2.6 percent.

In Germany, the gross domestic product is expected to rise by 1.8 percent in 2008, compared with 2.5 percent in 2007. In the first quarter, the assumption is that the pace of growth will be somewhat slower. For the rest of 2008, the research institutes are predicting a slight increase in economic growth, which is likely to be characterised by a significant rise in private consumer spending. Despite the fact that prices are less competitive than before, exports will continue to boost the German economy in 2008.

The most recent forecasts of the economic research institutes suggest that global gross domestic product in real terms will grow by around 3.0 percent (2006: 3.7 percent). At the same time, there will be an expansion in world trade of 5.8 percent. This forecast by the Association of German Economic Research Institutes in Berlin is based on the assumption that the oil price will level off at around USD 80 a barrel by the year-end. The economic pundits are estimating an average exchange rate for the euro in 2008 of USD 1.40.

Outlook for Linde AG

Given these macroeconomic trends, we assume that sales and operating profit in the current year in Linde AG will be higher than in 2007.

Gases industry

In the Gases division, we anticipate a further increase in sales in 2007, based on the expected rise in gross domestic product and our strong market position in Germany. Earnings will be at a similar level to those in 2007. The Gases division in Linde AG continues to have the same target as that of The Linde Group: We want to grow at a more rapid pace than the market and to increase earnings at a faster rate than sales.

Plant construction

The global situation for international plant construction business remains good. In the four main operating areas (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants), demand continues to run high. As a result of this good starting position and the final accounting for major projects that will take place in the 2008 financial year, we expect a significant increase in sales and earnings compared with 2007. We also anticipate a good workload and high level of order intake in subsequent years.

Capital expenditure

We will continue to apply our capital expenditure strategy in Germany and to invest consistently in those areas where there are opportunities for disproportionate growth and where we can increase our earning power and competitiveness.

Dividends

We pursue an earnings-oriented dividend policy and will align dividends with future earnings trends.

Financial Statements

Balance sheet of Linde AG – Assets

in € million	Note	31.12.2007	31.12.2006
Intangible assets		49	56
Tangible assets		315	302
Financial assets		12,807	18,376
Non-current assets	[1]	13,171	18,734
Inventories	[2]	2,152	1,414
Less advance payments received from customers		-2,152	-1,414
		-	-
Receivables and other assets	[3]	596	499
Cash and cash equivalents	[4]	47	27
Current assets		643	526
Prepaid expenses and deferred charges	[5]	7	37
Total assets		13,821	19,297

Balance sheet of Linde AG – Equity and liabilities

in € million	Note	31.12.2007	31.12.2006
Capital subscribed		426	411
Conditionally authorised capital of €99 million (2006: €104 million)			
Capital reserve		4,903	4,614
Revenue reserves		1,328	1,328
Unappropriated profit		864	737
Equity	[6]	7,521	7,090
Special tax-allowable reserves	[7]	16	14
Provisions for pensions and similar obligations	[8]	771	761
Other provisions	[9]	812	735
Provisions		1,583	1,496
Liabilities	[10]	4,701	10,697
Total equity and liabilities		13,821	19,297

Income statement of Linde AG

in € million	Note	2007	2006
Sales	[11]	1,885	2,711
Cost of sales		1,391	2,060
Gross profit on sales		494	651
Marketing and selling expenses		173	239
Research and development costs		44	68
General administration expenses		314	360
Other operating income	[12]	390	203
Other operating expenses	[13]	249	456
Investment income	[14]	211	1,277
Income from other securities and loans in financial assets		-	1
Other interest and similar income		134	45
of which from affiliated companies € 23 million (2006: € 12 million)			
Amortisation of financial assets and securities held as current assets		1	349
Interest and similar charges		565	376
of which from affiliated companies € 221 million (2006: € 79 million)			
Profit on ordinary activities		-117	329
Non-recurring items			
Profit on disposal of investments	[15]	433	1,444
Taxes on income		-53	336
Net income		369	1,437
Transfer to revenue reserves		-	700
Profit brought forward from prior periods		495	-
Unappropriated profit		864	737

Summary of fixed asset movements in Linde AG

Acquisition/manufacturing cost

in € million	01.01.2007	Additions	Disposals	Transfers	31.12.2007
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	101	4	3	-	102
Payments on account	3	5	-	-	8
Intangible assets	104	9	3	-	110
Land, land rights and buildings, including buildings on land owned by others	414	1	13	5	407
Technical equipment and machinery	513	13	-	14	540
Fixtures, furniture and equipment	304	14	41	5	282
Payments in advance and plants under construction	53	66	6	-24	89
Tangible assets	1,284	94	60	-	1,318
Investments in affiliated companies	17,931	10,837	16,424	3	12,347
Loans to affiliated companies	286	-	16	-	270
Investments in related companies	6	9	-	-3	12
Securities held as fixed assets	226	7	-	-	233
Other loans	1	-	-	-	1
Financial assets	18,450	10,853	16,440	-	12,863
Fixed assets	19,838	10,956	16,503	-	14,291

Summary of fixed asset movements in Linde AG

	Amortisation and depreciation				Net book value		
	Accumulated amortisation/ depreciation at 01.01.2007	Charge for the year	Disposals	Write-ups	Accumulated amortisation/ depreciation at 31.12.2007	31.12.2007	31.12.2006
in € million							
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	48	15	2	-	61	41	53
Payments on account	-	-	-	-	-	8	3
Intangible assets	48	15	2	-	61	49	56
Land, land rights and buildings, including buildings on land owned by others	305	8	8	-	305	102	109
Technical equipment and machinery	433	30	-	-	463	77	80
Fixtures, furniture and equipment	244	24	33	-	235	47	60
Payments in advance and plants under construction	-	-	-	-	-	89	53
Tangible assets	982	62	41	-	1,003	315	302
Investments in affiliated companies	73	1	19	-	55	12,292	17,858
Loans to affiliated companies	-	-	-	-	-	270	286
Investments in related companies	-	-	-	-	-	12	6
Securities held as fixed assets	1	-	-	-	1	232	225
Other loans	-	-	-	-	-	1	1
Financial assets	74	1	19	-	56	12,807	18,376
Fixed assets	1,104	78	62	-	1,120	13,171	18,734

Notes to the financial statements of Linde AG

General information

The financial statements of Linde AG have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG).

Where items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation, they have been disclosed individually in the Notes to the financial statements. The income statement has been prepared using the cost of sales method, so that it is easy to make international comparisons with other income statements.

The complete list of shareholdings is filed in the electronic version of the German Federal Gazette (Bundesanzeiger) in the commercial register of the Munich Local Court.

Accounting policies

Intangible assets acquired for a consideration are stated at acquisition cost less accumulated amortisation charged on a straight-line basis.

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

The declining balance method is still the main method used, although the straight-line method is adopted if this leads to higher levels of depreciation. Low-value assets are written down in full in the year of acquisition. If tax regulations allow additional depreciation, this is applied.

Shares in affiliated companies and related companies are stated at the lower of cost and fair value.

Non-interest-bearing or low-interest loans are stated at the lower of present value and the value permitted for tax purposes.

Inventories are stated at the lower of average acquisition or manufacturing cost and market value. Manufacturing cost includes both direct costs and indirect material and production costs.

Appropriate allowances are made for inventory risks arising from the length of the storage period, reduction in usability, etc. When measuring receivables and other assets, allowances are made for identifiable risks.

Receivables in foreign currency are stated, if necessary, at the rate ruling on the balance sheet date, where this is lower. Receivables which are matched by a currency hedge are reported at the relevant forward exchange rate.

Liabilities in foreign currency are stated at the higher of the buying rate on the date the transaction was recorded and the rate ruling on the balance sheet date.

Pension provisions are measured in accordance with IAS 19. The measurement of the provision was based on an interest rate of 4.25 percent, a trend in salaries of 2.5 percent and an expected inflation rate of 1.5 percent.

Other provisions are measured so as to take account of identifiable risks and obligations of uncertain timing or amount. Liabilities are stated at their repayment amount.

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

Notes to the balance sheet

[1] Fixed assets

Movements in fixed assets are shown on the preceding pages.

Securities held as fixed assets include long-term investment securities which have been earmarked under the fiduciary transfer to Linde Pensionsfonds e.V.

[2] Inventories

in € million	31.12.2007	31.12.2006
Raw materials, consumables and supplies	27	25
Work in progress	1,871	1,113
Finished goods and merchandise	13	10
Prepayments	241	266
	2,152	1,414

[3] Receivables and other assets

in € million	31.12.2007	31.12.2006
Trade receivables	127	127
of which due in more than 1 year	(32)	-
Amounts due from affiliated companies	382	131
of which due in more than 1 year	-	-
of which relating to goods and services	(47)	(30)
Amounts due from related companies	2	5
of which due in more than 1 year	-	-
of which relating to goods and services	(2)	(1)
Other assets	85	236
of which due in more than 1 year	-	(10)
	596	499

[4] Cash and cash equivalents

Cash and cash equivalents comprises cheques in hand, cash in hand and cash at banks.

[5] Prepaid expenses and deferred charges

Prepaid expenses and deferred charges comprise mainly the discount on the convertible bond.

[6] Equity

The following comments also contain information which forms part of the management report in accordance with § 289(4) of the German Commercial Code (HGB). This information is not repeated in the management report.

Capital subscribed, authorised and conditionally authorised capital; subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 425,849,415.68 and is fully paid up. It is divided into 166,347,428 shares at a par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend. The entitlement to dividend can be excluded either by law (e.g. in the case of own shares) or by a provision of the Articles, or by a resolution at the Shareholders' 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 Shareholders' Meeting).

There has been an increase in share capital in the year ended 31 December 2007 of a total of EUR 14,365,140.48 from EUR 411,484,275.20 to EUR 425,849,415.68, divided into 166,347,428 shares. The increase in the financial year, which was outside the commercial register, consisted of the issue of 4,666,932 new shares arising from the exercise of the convertible bond issued by Linde Finance B. V. in 2004 as a result of the increase in conditionally authorised capital approved at the Shareholders' Meeting for this purpose on 17 May 2000, and the issue of 944,451 new shares out of 2002 conditionally authorised capital to service the Management Incentive Programme for executives in return for payment of the appropriate exercise price.

Authorised capital, comprising Authorised Capital I and Authorised Capital II, was EUR 105,106,534.40 at the balance sheet date.

The Executive Board was authorised, with the approval of the Supervisory Board, to increase subscribed capital by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing, on one or more occasions, new bearer shares, at a par value of EUR 2.56 (Authorised Capital I). The shareholders are granted subscription rights as a result. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect majority-owned subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation, and exclude subscription rights for an amount of EUR 3,500,000 to the extent necessary to issue employee shares. In addition, the Executive Board can, with the approval of the Supervisory Board, exclude the subscription rights of shareholders for an amount of up to 10 percent of the capital subscribed available at the time of the resolution concerning the use of Authorised Capital I, provided the issue price of the new shares is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares. The upper limit of 10 percent of the share capital is reduced by that proportion of the subscribed capital which relates to own shares held by the company, which were sold after the creation of this Authorised Capital I while excluding the subscription rights of shareholders in accordance with §§ 71 (1) No. 8, sentence 5, 186 (3), sentence 4, of the German Stock Corporation Law (AktG), and that proportion of the subscribed capital which relates to rights to subscribe for shares which were created while excluding subscription rights in accordance with §§ 221 (4), 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board was also authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

The Executive Board was further authorised, with the approval of the Supervisory Board, to increase subscribed capital by up to EUR 80,000,000 until 4 June 2012 against cash or non-cash contributions by issuing, on one or more

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

The conditionally authorised capital, which comprises the conditionally authorised capital based on a resolution passed at the Shareholders' Meeting on 17 May 2000, 2002 conditionally authorised capital, 2005 conditionally authorised capital and 2007 conditionally authorised capital, was EUR 98,882,127.36 at the balance sheet date.

At the Shareholders' Meeting on 17 May 2000, conditionally authorised capital of up to EUR 50,000,000 was approved, which will only be issued if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005 settle the conversion obligation. The new shares participate in profit from the beginning of the financial year in which they arise as a result of the exercise of conversion or option rights or the settlement of the conversion obligation.

In May 2004, convertible bonds were issued through the fully-owned subsidiary Linde Finance B. V. with a total nominal amount of EUR 550,000,000 while excluding shareholders' subscription rights. Each bond had a nominal amount of EUR 100,000 and there were 5,500 bonds in total. Each bondholder is entitled to exercise the right during the exercise period to convert his or her bond into 1,770.4755 shares, subject to the provisions set out in the bond terms. The convertible bonds grant, subject to adjustments to the conversion rate, conversion rights to shares with a par value of up to EUR 24.93m with the issue of up to 9,737,615 shares. During the financial year, 4,666,932 new shares were issued with a nominal value of EUR 263,600,000 in total from 2,636 convertible bonds due to the exercise of conversion rights. As a result, conditionally authorised capital in accordance with the resolution passed at the Shareholders' Meeting on 17 May 2000 was reduced in the financial year by EUR 11,947,345.92 from EUR 41,764,646.40 to EUR 29,817,300.48. Issued share capital increased accordingly during the financial year. At the bal-

ance sheet date, there remained 1,047 convertible bonds, each with a nominal value of EUR 100,000 and each with the right to convert the bond into 1,770.4755 shares, for which the conversion right had not yet been exercised.

The issued share capital can be increased by up to EUR 10,064,826.88, divided into 3,931,573 new shares with a par value of EUR 2.56 if certain conditions are met (2002 conditionally authorised capital). At the Shareholders' Meeting on 14 May 2002, 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). To service these subscription rights, it was resolved at the Shareholders' Meeting on 14 May 2002 to create conditionally authorised capital of EUR 15,360,000, divided into 6,000,000 new shares (2002 conditionally authorised capital). The issued share capital will only be increased if the holders of option rights issued by the company, following the authorisation given to the Executive Board at the Shareholders' Meeting on 14 May 2002, use their option rights and the Company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution had not yet been passed at the Shareholders' Meeting regarding the appropriation of profit.

Following the exercise of options under the Management Incentive Programme in 2005 and 2006, 2002 conditionally authorised capital was reduced further in 2007 by EUR 2,417,794.56 from EUR 12,482,621.44 to EUR 10,064,826.88, divided into 3,931,573 shares. The issued share capital increased in 2007 as a result.

Conditionally authorised capital was increased by up to EUR 50,000,000 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56 (2005 conditionally authorised capital). The increase in share capital will only take place if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 7 June 2010, as a result of the authorisation granted to the Executive Board by the resolution passed at the Shareholders' Meeting on 8 June 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries settle the conversion obligation by 7 June 2010 as a result of the authorisation granted to the Executive Board by the resolution passed at the Shareholders' Meeting on 8 June 2005. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation.

Issued share capital can be increased by up to EUR 9,000,000 by the issue of up to 3,515,625 new bearer shares with a par value of EUR 2.56 subject to certain conditions (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 senior management in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies in accordance with the provisions set out in the authorisation agreed at the Shareholders' Meeting on 5 June 2007. The conditionally authorised share capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares. The new shares will participate in profit from the beginning of the financial year in which they are issued. If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year.

The company is also authorised by a resolution passed at the Shareholders' Meeting on 5 June 2007 to acquire up to 10 percent of capital subscribed through the purchase of own shares, expiring on 4 December 2008. At this meeting, the previous authorisation which was due to expire on 31 October 2007 was revoked.

Notification of voting rights

In accordance with § 160 (2), sentence 8, of the German Stock Corporation Law (AktG), information is required to be given about notifiable interests as set out in § 21 (1) or (1 a) of the German Securities Trading Law (WpHG). These regulations require investors who have exceeded or fallen below certain threshold percentages of voting rights in companies listed on the stock exchange to notify the company. The contents of the notifications disclosed in accordance with § 26 (1) WpHG by the balance sheet date are set out below. These reflect the most recent notifications made to the company about the level of investments held:

1. Allianz SE

Allianz SE, Munich, Germany, informed us in writing on 15 June 2007 in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Allianz Versicherungs-Aktiengesellschaft, Munich, Germany, fell below the 3 percent threshold on 14 June 2007 and now amounts to 2.84 percent (4,574,766 voting rights). 1.49 percent of the voting rights (2,391,821 voting rights) are attributable to Allianz Versicherungs-Aktiengesellschaft in accordance with § 22 (1), sentence 1, No. 1 WpHG. The share of voting rights held by Allianz SE in Linde AG has not changed sufficiently to require notification.

2. Capital Research and Management Company/Europacific Growth Fund

Capital Research and Management Company, Los Angeles, USA, informed us in writing on 12 June 2007 in accordance with §§ 21 (1), 22 (1) WpHG, that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse, 65189 Wiesbaden, Germany, held by Capital Research and Management Company fell below the 10 percent threshold on 6 June 2007. At that date, Capital Research and Management Company held 9.93 percent of all the voting rights in Linde AG (voting rights from 15,981,010 ordinary shares). The only shares issued by Linde AG are ordinary shares.

9.93 percent of all the voting rights in Linde AG (voting rights from 15,981,010 ordinary shares) were attributable to Capital Research and Management Company in accordance with § 22 (1), sentence No. 6 WpHG. Of these voting rights from 15,981,010 ordinary shares, voting rights from 8,066,708 ordinary shares (5.01 percent) are held by Europacific Growth Fund, Los Angeles, USA, which is therefore a shareholder with an interest of 3 percent or more of the voting rights in Linde AG.

Europacific Growth Fund, Los Angeles, USA, informed us in writing on 18 July 2007 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Europacific Growth Fund fell below the 5 percent threshold on 9 July 2007 and now amounts to 4.99 percent (8,066,708 shares).

3. Commerzbank

Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us in writing on 12 July 2006 in accordance with § 21 (1) WpHG that its share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, fell below the 10 percent threshold on 5 July 2006 and was now 7.70 percent. 7.63 percent of the voting rights in Linde AG were attributable to Commerzbank Aktiengesellschaft, Kaiserstrasse 16, 60311 Frankfurt am Main, Germany, in accordance with § 22 (1), sentence 1, No. 1 WpHG. Following the exercise of subscription rights against cash contributions immediately prior to the date of the notification, the share of voting rights held at the date of the notification was 9.78 percent.

4. Deutsche Bank

Deutsche Bank AG, Frankfurt am Main, Germany, informed us in writing on 21 June 2007 in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by DB Equity S.à r.l., Luxembourg, exceeded the 3 percent and 5 percent thresholds on 18 June 2007 and is now 5.41 percent (8,721,847 voting rights).

Deutsche Bank AG also informed us in accordance with § 21 (1) WpHG that, with effect from 18 June 2007, Deutsche Bank AG no longer had a direct holding of 5.41 percent of the voting rights in Linde AG, due to the repayment of an intra-group loan against securities, but now had an indirect holding of 5.41 percent in Linde AG (8,721,847 voting rights) due to shares being attributed to Deutsche Bank AG in accordance with § 22 (1), sentence 1, No. 1 WpHG.

The total share of voting rights in Linde AG held by the Deutsche Bank AG Group is now 5.41 percent (8,721,847 voting rights).

5. Fidelity International Limited

Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda, informed us in writing on 14 February 2007 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Fidelity International Limited fell below the 3 percent threshold on 13 February 2007 and is now 2.98 percent (4,697,792 voting rights). The voting rights are attributable to Fidelity International Limited in accordance with § 22 (1), sentence 1, No. 6 WpHG.

6. FMR Corp.

FMR Corp., Boston, Massachusetts, USA, informed us in writing on 18 June 2007 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by FMR Corp. exceeded the 3 percent threshold on 15 June 2007 and is now 3.01 percent (4,839,812 shares). The voting rights are attributable to FMR Corp. in accordance with § 22 (1), sentence 1, No. 6 in conjunction with § 22 (1), sentence 2 WpHG.

7. FMR LLC

FMR LLC, Boston, Massachusetts, USA, informed us in writing on 1 November 2007 in accordance with § 21 (1) WpHG that FMR Corp., Boston, Massachusetts, USA, had merged with FMR LLC with effect from 1 October 2007. FMR LLC thereby became the legal successor of FMR Corp. The share of voting rights in Linde AG, Leopoldstrasse 252, 80807 Munich, Germany, held by FMR LLC therefore exceeded the 3 percent threshold on 1 October 2007 and was 4.49 percent at that date (7,347,362 shares). The voting rights were attributable to FMR LLC in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.

Moreover, FMR LLC informed us in writing on 22 October 2007 in accordance with § 21(1) WpHG that the share of voting rights in Linde AG held by FMR LLC exceeded the 5 percent threshold on 17 October 2007 and is now 5.01 percent (8,201,712 shares). The voting rights are attributable to FMR LLC in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG. Included in the 5.01 percent of voting rights is the share of voting rights in Linde AG held by Fidelity Management & Research Company, which is 4.19 percent.

8. Franklin Mutual Series Fund Inc.

Franklin Mutual Series Fund Inc., Short Hill, USA, informed us in writing on 17 May 2007 in accordance with §§ 21 (1) WpHG that its share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, fell below the 3 percent threshold on 16 May 2007, and the share of voting rights is now 2.51 percent, which corresponds to 4,034,186 voting shares.

9. Massachusetts Financial Services

Massachusetts Financial Services (MFS), Boston, USA, informed us in writing on 25 May 2007 in accordance with §§ 21 (1) WpHG, that the share of voting rights in Linde AG, Abraham-Lincoln-Strasse, 65189 Wiesbaden, Germany, held by MFS exceeded the 3 percent threshold on 16 May 2007. The notifying party now holds 3.43 percent of the voting rights (5,515,200 votes).

These voting rights are attributable to the notifying party in accordance with § 22 (1) No. 6 WpHG. None of the shares of voting rights attributable to MFS in itself exceeds the 3 percent threshold of voting rights in Linde AG.

10. Sun Life Financial Inc.

We were informed in writing on 2 August 2007 in accordance with § 21 (1) WpHG of a correction made to a disclosure dated 30 May 2007:

The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life Financial Inc., Toronto, Canada, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life Financial Inc. in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.

Moreover, we were informed on 2 August 2007 in accordance with § 21 (1) WpHG that:

1. The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life Financial Corp., Toronto, Canada, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life Financial Corp. in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.
2. The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc., Wellesley Hills, USA, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.
3. The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life Financial (U.S.) Holdings, Inc., Wellesley Hills, USA, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life Financial (U.S.) Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.
4. The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life Financial (U.S.) Investments LLC, Wellesley Hills, USA, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life Financial (U.S.) Investments LLC in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.
5. The share of voting rights in Linde AG, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, held by Sun Life of Canada (U.S.) Financial Services Holdings, Inc., Boston, USA, exceeded the 3 percent threshold on 16 May 2007 and is now 3.43 percent (5,515,200 voting rights). The voting rights are attributable to Sun Life of Canada (U.S.) Financial Services Holdings, Inc., in accordance with § 22 (1), sentence 1, No. 6, in conjunction with § 22 (1), sentence 2 WpHG.

Additional disclosures in accordance with § 289 (4) of the German Commercial Code (HGB)

There are no shares with special rights, nor is there voting control of employees with shares in the company who do not immediately safeguard their rights of control.

[7] Special tax-allowable reserves

This relates to special reserves permitted under § 6 b of the German Income Tax Law (EStG).

In 2007, EUR 2.2 m from the sale of a piece of land was allocated to special tax-allowable reserves (2006: EUR 0.6 m). In 2007, there was no transfer to replacement assets (2006: EUR 0.6 m).

[8] Provision for pensions and similar obligations

In the 2007 financial year, in a departure from the provisions of § 6 a of the German Income Tax Law (EStG), the measurement of pension provisions was based on an interest rate in line with the market of 4.25 percent, a salary trend of 2.5 percent and an expected inflation rate of 1.5 percent.

[9] Other provisions

in € million	31.12.2007	31.12.2006
Tax provisions	299	136
Sundry provisions	513	599
	812	735

Sundry provisions include amounts set aside for

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

The provisions for obligations in Linde AG relating to pre-retirement part-time work are calculated on the basis of individual contractual agreements. Tax provisions have increased, because in 2006 tax liabilities were set off against tax refund claims relating to the sale of the KION Group. The tax refund was received in 2007, whereas the tax liability is still due.

[10] Liabilities

in € million	Due within 1 year 31.12.2007	Due in 1 to 5 years 31.12.2007	Due in more than 5 years 31.12.2007	Total 31.12.2007	Total 31.12.2006
Advance payments received from customers	-	848	-	848	652
Bank loans and overdrafts	67	50	-	117	1,844
Trade payables	144	-	-	144	120
Amounts due to affiliated companies	3,506	-	-	3,506	8,028
of which relating to goods and services	(37)	-	-	(37)	(26)
Amounts due to related companies	1	-	-	1	1
of which relating to goods and services	-	-	-	-	-
Other liabilities	84	1	-	85	52
including taxes of	(39)	-	-	(39)	(24)
including social security of	(5)	-	-	(5)	(2)
of which secured by mortgages	-	-	-	-	-
Liabilities	3,802	899	-	4,701	10,697

Liabilities to affiliated companies include EUR 2,578 m (2006: EUR 7,635 m) which is due to Linde AG's fully-owned subsidiary Linde Finance B.V. They include the subordinated bond for EUR 400m issued in 2003, the convertible bond for EUR 550m issued in 2004 and the subordinated bond issued in 2006 in two tranches of EUR 700m and GBP 250m. Also disclosed here are the benchmark bond issued in the 2007 financial year and the liabilities arising from the partial financing of the BOC acquisition.

Notes to the income statement

[11] Sales

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

Sales - Analysis by division

in € million	2007	2006
Linde Gas	1,004	929
Linde Engineering	915	1,151
Linde Material Handling	-	653
Consolidation	-34	-22
	1,885	2,711

Sales - Analysis by geographical region

in € million	2007	2006
Germany	1,013	1,166
Other Europe	508	840
Americas	41	229
Asia	313	361
Africa	3	88
Australia	7	27
	1,885	2,711

[12] Other operating income

in € million	2007	2006
Profit on disposal of fixed and current assets	7	5
Exchange rate gains	3	2
Income from the release of provisions	5	20
Revenue from commercial business, rentals and leases	6	21
Charges to Group companies	61	69
Profit on remeasurement of derivative financial instruments	259	36
Financial result from long-term construction contracts	31	21
Sundry income	18	29
	390	203

The financial result from long-term construction contracts is included in Other operating income. Interest which does not relate to long-term construction contracts is disclosed in the Financial result.

[13] Other operating expenses

in € million	2007	2006
Loss on disposals of fixed and current assets	40	86
Exchange rate losses	5	2
Charges by Group companies	5	11
Transfer to special tax-allowable reserves	2	-
Loss on remeasurement of derivative financial instruments	150	71
Costs of raising equity capital	-	19
Reorganisation costs	-	267
Sundry expenses	47	-
	249	456

[14] Investment income

in € million	2007	2006
Income from profit-sharing agreements	52	22
Investment income	159	1,255
of which from affiliated companies	(159)	(1,243)
	211	1,277

Investment income includes distributions received in the current year from subsidiaries and related companies of Linde AG.

[15] Profit on disposal of investments

The profit on disposal of investments of EUR 433 m relates to those investments disposed of in the 2007 financial year as a result of the post-acquisition restructuring in The Linde Group. The investments in The BOC Group plc, England, AGA AB, Sweden, and Linde Holdings Inc., USA, were sold to newly-formed holding companies in England, Sweden and the United States. The investments in the subsidiaries Linde Gas UK and Linde Gas Australia were also sold during the financial year, as a result of the conditions imposed by the competition authorities on the acquisition of The BOC Group plc.

The major component of the prior year figure was the profit on sale of the KION Group of EUR 1.444 bn.

Supplementary information on the Notes

[16] Contingent liabilities/Other financial commitments

Contingent liabilities

in € million	2007	2006
Guarantees	65	96
Warranties	6,671	8,134

Liabilities in respect of warranties comprises mainly amounts issued by Linde Finance B.V. under the Debt Issuance Programme (total volume EUR 5 bn).

Other financial commitments

The total amount of other financial commitments at 31 December 2007 in Linde AG was EUR 174m (2006: EUR 144m). This relates to commitments arising from rental and lease agreements, capital expenditure commitments, call-in obligations, etc.

In its capacity as the holding company of The Linde Group, Linde AG assumes warranty obligations on behalf of its subsidiaries. On the one hand, these relate to performance warranties, especially in the Linde Engineering division. On the other hand, they include guarantees issued on behalf of individual affiliated companies outside Germany that those companies will continue as going concerns.

The Linde Engineering division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with our consortium partners totalling EUR 713m. Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liabilities in respect of these contracts.

[17] Auditors' fees and services

in € million	2007	2006
Audit	2	1
Other reports	1	1
Other services	-	1
	3	3

[18] Cost of materials

in € million	2007	2006
Cost of raw materials and supplies and goods purchased for resale	1,582	1,319
Cost of external services	142	113
	1,724	1,432

[19] Personnel expenses

in € million	2007	2006
Wages and salaries	399	522
Social security contributions	60	88
Pension costs and staff welfare costs	58	75
	517	685

[20] Employees

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

	2007	2006
Production	3,370	4,874
Sales	671	806
Research and development	175	457
Administration	1,072	1,197
	5,288	7,334
Trainees	199	329
	5,487	7,663

[21] Share option scheme

Linde Performance Share Programme 2007

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

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

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

Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price of EUR 2.56 per share. Linde AG may decide at any time, at its own discretion, that the option entitlements of the option holders may be met by providing own shares or by making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. These arrangements allow for flexibility in the exercise of options. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company.

Certain conditions apply to the exercise of the options. First of all, the option conditions provide for a qualifying period (vesting period) for the share options of three years from their date of issue. At the end of this period, the options can be exercised within a period not exceeding two months and two weeks, on condition that the member of the plan is still employed 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. Options in a tranche may only be exercised at the end of the vesting period if and to the extent that the three performance targets laid down have been met. A performance target may be met irrespective of whether the other performance targets have been met. Included in the definition of the performance targets are minimum targets and stretch targets, the fulfilment of which results in a different number of exercisable options in the tranche.

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

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

A 30 percent weighting applies to the "relative total shareholder return" performance target. The minimum target is reached if the total shareholder return of the Linde AG share exceeds the median of the control group (DAX 30) during the vesting period. The stretch target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the control group (DAX 30) during the vesting period. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. When total shareholder return is calculated, the same comments apply as for the "absolute total shareholder return" performance target.

Movements in the options issued in the first tranche of the Long Term Incentive Plan 2007 were as follows:

Options: Linde Performance Share Programme 2007

	1st Tranche
At 1 January 2007	-
Options granted	526,380
Exercised in 2007	-
Forfeited in 2007	-
Expired in 2007	-
At 31 December 2007	526,380
of which exercisable in 2007	-
Options originally issued	
Executive Board	83,726
Other senior management	442,654
Total	526,380

Linde Management Incentive Programme 2002

It was resolved at the Shareholders' Meeting of Linde AG held on 14 May 2002 to introduce a share option scheme for management (Linde Management Incentive Programme 2002), under which up to six million subscription rights can be issued.

The aim of this share option scheme is to allow around 539 members of the worldwide management team to participate in price rises in Linde shares and thereby in the increase in value of the company. Participants were granted options to subscribe to Linde shares, each with a term of seven years: The intention is to launch the scheme on a revolving basis each year, with Linde reserving the right to redefine the participants for each tranche of the scheme. The Supervisory Board determines the allocation of subscription rights to the members of the Executive Board of Linde AG. Otherwise, the Executive Board, with the approval of the Supervisory Board, determines the number of options to be issued.

The options confer the right to subscribe to shares in Linde AG at the exercise price. The exercise price for acquiring new shares in Linde AG is 120 percent of the base price. The base price is the average closing price of Linde shares in XETRA trading on the Frankfurt Stock Exchange over the last five days before the issue date of the options. The establishment of the exercise price also fulfils the legal requirement for a performance target linked to the rise in the share price of the company. It only makes economic sense to exercise the option if the share price exceeds the exercise price. Setting a performance target of a 20 percent increase in share price links the motivation of the participants in the share option scheme closely to 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 the third banking day after the annual general meeting of the shareholders. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share

capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the XETRA closing price of Linde shares on the exercise date. These arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and of the company. For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options, if there are exceptional unforeseen movements in the price of Linde shares. This was not the case in the 2006 and 2007 financial years.

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

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

Options: Linde Management Incentive Programme 2002

	1st tranche 2002	2nd tranche 2003	3rd tranche 2004	4th tranche 2005	5th tranche 2006	Total
At 1 January 2006	954,600	468,928	991,700	1,105,700	-	3,520,928
Options granted	-	-	-	-	1,336,500	1,336,500
Exercised in 2006	297,550	66,104	223,650	-	-	587,304
Forfeited in 2006	1,000	9,300	4,000	6,000	3,000	23,300
Expired in 2006	-	-	-	-	-	-
At 31 December 2006/1 January 2007	656,050	393,524	764,050	1,099,700	1,333,500	4,246,824
Options granted	-	-	-	-	-	-
of which to the Executive Board	-	-	-	-	-	-
of which to other senior management	-	-	-	-	-	-
Exercised in 2007	429,100	119,901	206,750	188,700	-	944,451
Forfeited in 2007	-	-	1,000	9,000	11,000	21,000
Expired in 2007	-	-	-	-	-	-
At 31 December 2007	226,950	273,623	556,300	902,000	1,322,500	3,281,373
of which exercisable in 2006	656,050	393,524	764,050	-	-	1,813,624
of which exercisable in 2007	226,950	273,623	556,300	902,000	-	1,958,873
Options originally issued						
Executive Board	240,000	240,000	240,000	230,000	250,000	1,200,000
Other senior management	760,000	777,600	764,500	875,700	1,086,500	4,264,300
Total	1,000,000	1,017,600	1,004,500	1,105,700	1,336,500	5,464,300

As a result of the exercise of 944,451 options (2006: 587,304), capital subscribed increased in 2007 by EUR 2 m (2006: EUR 1 m) and the capital reserve rose by EUR 48 m (2006: EUR 30 m).

[22] Derivative financial instruments

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

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

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

If an asset or liability is hedged, the derivative and the underlying transaction are valued together.

Provisions amounted to EUR 5.4 m (2006: EUR 16.9 m). Of this amount, EUR 5.4 m (2006: EUR 12.0 m) related to forward exchange transactions. In 2006, EUR 4.9 m related to swap transactions.

In addition, premiums of EUR 5.8 m (2006: EUR 5.4 m) have been recognised as liabilities under Other liabilities, and written off over the life of the instrument. In 2006, premiums for derivative financial instruments of EUR 20.8 m were recognised as assets under Other assets.

The counterparties have first-class credit ratings. The creditworthiness of the contracting parties is constantly monitored and is subject to clearly defined limits. Linde AG's exposure to the risk of counterparty default is negligible.

Currency risks

Linde AG generally enters into forward exchange contracts to hedge the exposure to risks arising from fluctuations in receivables, payables and liabilities denominated in foreign currencies, as well as from outstanding contracts and anticipated transactions.

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

Forward exchange transactions are also used to hedge the exposure to foreign currency risks arising from internal financing. Linde AG accounts for embedded derivatives according to the rules set out in the German Commercial Code (HGB). These only occur in Linde AG when existing purchase/sale contracts are concluded in a currency which is not the functional currency of one of the contracting parties.

Interest rate risks

Linde AG is refinanced mainly through the issue of bonds and medium-term notes in various currencies by Linde Finance B.V. Linde hedges the exposure to the resulting future interest rate and currency risks by entering into appropriate interest rate and combined interest rate/currency swaps.

In addition to the hedging of capital market liabilities at the individual company level, interest rate risks are carefully managed at the level of Linde AG. Interest rate swaps and interest rate options are used for this, which have the effect of transforming liabilities at variable interest rates into fixed-interest liabilities.

Measurement information for financial instruments

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

Interest curves

	EUR	USD	GBP	JPY	PLN	CZK	SKK
Interest rate for six months	4.58 %	4.61 %	5.83 %	0.92 %	5.87 %	4.00 %	4.21 %
Interest rate for one year	4.64 %	4.26 %	5.62 %	1.03 %	6.07 %	4.05 %	4.29 %
Interest rate for five years	4.52 %	4.35 %	5.18 %	1.21 %	6.01 %	4.34 %	4.50 %
Interest rate for ten years	4.69 %	4.83 %	5.11 %	1.68 %	5.80 %	4.55 %	4.66 %

The nominal amounts represent the total purchase and sale amounts of the derivatives. At the balance sheet date, the fair values and nominal amounts were as follows:

Fair value of derivative financial instruments – Assets

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2007	2006
	2007	2006	2007	2006	2007	2006		
Forward exchange transactions	15	2	-	-	89	24	104	26
Foreign currency options	-	-	-	-	1	11	1	11
Swap transactions	19	16	14	8	-	9	33	33
Interest rate options	-	-	-	8	-	-	-	8
Commodities	-	-	-	-	-	-	-	-
	34	18	14	16	90	44	138	78

Fair value of derivative financial instruments – Liabilities

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2007	2006
	2007	2006	2007	2006	2007	2006		
Forward exchange transactions	8	-	-	-	57	18	65	18
Foreign currency options	-	-	-	-	1	9	1	9
Swap transactions	9	5	25	14	-	-	34	19
Interest rate options	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
	17	5	25	14	58	27	100	46

Nominal amounts – Assets

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2007	2006
	2007	2006	2007	2006	2007	2006		
Forward exchange transactions	279	302	7	-	2,521	2,072	2,807	2,374
Foreign currency options	-	-	-	-	80	510	80	510
Swap transactions	539	259	655	598	50	168	1,244	1,025
Interest rate options	-	25	-	850	25	-	25	875
Commodities	-	-	-	-	-	-	-	-
	818	586	662	1,448	2,676	2,750	4,156	4,784

Nominal amounts – Liabilities

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2007	2006
	2007	2006	2007	2006	2007	2006		
Forward exchange transactions	161	101	7	-	2,175	2,286	2,343	2,387
Foreign currency options	-	-	-	-	80	489	80	489
Swap transactions	159	161	922	714	70	100	1,151	975
Interest rate options	-	25	-	-	25	-	25	25
Commodities	-	2	-	-	-	2	-	4
	320	289	929	714	2,350	2,877	3,599	3,880

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

Supervisory Board

In the 2007 financial year, the total emoluments of the members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, amounted to EUR 2,506,837 (2006: EUR 2,289,750). Of this amount, EUR 1,259,449 (2006: EUR 918,964) related to fixed emoluments and EUR 1,199,788 (2006: EUR 1,307,565) to variable emoluments.

In the past two financial years, there have been no advances or loans to members of the Supervisory Board. Moreover, the members of the Supervisory Board received no emoluments or benefits for any personal services they have provided, such as consultancy or mediation services.

Executive Board

Emoluments of the Executive Board (excluding emoluments relating to BOC companies)

in €	2007	2006
Fixed emoluments	4,000,814	3,573,615
Variable emoluments	8,665,100	7,759,813
Total cash emoluments	12,665,914	11,333,428

In the 2007 financial year, under the 2007 Performance Share Programme approved at the Shareholders' Meeting, a total of 83,726 subscription rights (2006: 250,000 options from the 2002 share option scheme) were granted to members of the Executive Board as part of their total emoluments. These had a value on the grant date of EUR 37.02 (2006: EUR 11.24) per subscription right, which gives a total of EUR 3,099,537 (2006: EUR 2,810,000).

In 2007 and in 2006, there were no advances or loans to members of the Executive Board.

Total remuneration paid to former members of the Executive Board and their dependants amounted to EUR 4,534,599 (2006: EUR 5,380,252).

A provision of EUR 37,648,981 (2006: EUR 37,982,947) has been made for current pensions and future pension benefits in respect of former members of the Executive Board and their dependants.

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

[24] Declaration of compliance with the Corporate Governance Code

On 11 March 2008, the Executive Board and the 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/InvestorRelations/Corporate Governance](http://www.linde.com/InvestorRelations/Corporate%20Governance).

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

[25] Proposed appropriation of profits of Linde AG

The Executive Board recommends to the Supervisory Board that, at its meeting to approve the financial statements on 11 March 2008, it proposes a resolution to the Shareholders' Meeting to be held on 3 June 2008 that the following appropriation of profits be made from the unappropriated profits of EUR 864,510,888.31: payment of a dividend of EUR 1.70 (2006: EUR 1.50) per share entitled to dividend.

The amount to be distributed in respect of 166,347,428 (2006: 160,736,045) shares entitled to dividend will be EUR 282,790,627.60 (2006: EUR 241,104,067.50). The remaining amount of EUR 581,720,260.71 (including retained earnings brought forward from the previous year of EUR 495,499,928.18) will be carried forward.

Munich, 28 February 2008

Linde Aktiengesellschaft
Executive Board

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, of Linde Aktiengesellschaft, Munich, for the business year from 1 January to 31 December 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, 28 February 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer

Michael Gewehr
Wirtschaftsprüfer

Other Board memberships

Supervisory Board

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

Dr Manfred Schneider

Chairman of the Supervisory Board of Linde AG

→ External offices:

Bayer AG (Chairman)
Daimler AG
Metro AG
RWE AG
TUI AG

Hans-Dieter Katte

Deputy Chairman of the Supervisory Board of Linde AG
Chairman of the Pullach Works Council, Engineering Division, Linde AG

Michael Diekmann

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

→ External offices:

BASF SE (until 13 January 2008 BASF Aktiengesellschaft)
Deutsche Lufthansa AG
Siemens AG (appointed on 24 January 2008)

→ Group offices:

Allianz Deutschland AG (Chairman)
Allianz Global Investors AG (Chairman)
Dresdner Bank AG (Chairman)

→ Group offices:

Allianz S.p.A.
(Vice-President of the Management Board)
Assurances Générales de France
(Vice-President of the Management Board)

→ Membership of other German supervisory boards.

→ Membership of comparable German and foreign boards.

Dr Karl-Hermann Baumann

Former Chairman of the Supervisory Board of Siemens AG

→ External offices:

E.ON AG
Bayer Schering Pharma AG

Dr Gerhard Beiten

Lawyer

Dr Clemens Börsig

Chairman of the Supervisory Board of Deutsche Bank AG

→ External offices:

Bayer AG
Daimler AG
Deutsche Bank AG (Chairman)
Deutsche Lufthansa AG

Siegried Friebe

Chairwoman of the Works Council, Linde-KCA-Dresden GmbH

Gerhard Full

Former Chairman of the Executive Board of Linde AG

Supervisory Board

Gernot Hahl

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

Thilo Kämmerer

Trade Union Secretary on the Executive Board
of IG Metall Frankfurt

- External offices:
KION GROUP GmbH
KION Holding 1 GmbH

Klaus-Peter Müller

Chairman of the Board of Managing Directors
of Commerzbank AG

- External offices:
Steigenberger Hotels AG
- Group offices:
Eurohypo AG (Chairman of the Supervisory Board)
- External offices:
Assicurazioni Generali S. p. A.
(Member of the Management Board)
KfW Kreditanstalt für Wiederaufbau
(Member of the Management Board)
Liquiditäts-Konsortialbank GmbH
(Member of the Management Board)
Parker Hannifin Corporation
(Member of the Board of Directors)
- Group offices:
Commerzbank International S. A., Luxembourg
(Chairman of the Management Board)

Jens Riedel

(appointed on 22 January 2007)
Chairman of the Leuna Works Council,
Gases Division, Linde AG

Josef Schregle

(appointed on 22 January 2007)
Manager responsible for finance and financial control,
Engineering Division, Linde AG

Josef Schuhbeck

(appointed on 22 January 2007)
Chairman of the Schalchen Works Council,
Engineering Division, Linde AG

Professor Dr Jürgen Strube

Chairman of the Supervisory Board of BASF SE

- External offices:
Allianz Deutschland AG
BASF SE (until 13 January 2008 BASF Aktiengesellschaft)
(Chairman)
Bayerische Motorenwerke Aktiengesellschaft
Bertelsmann AG (Deputy Chairman)
Commerzbank AG
Fuchs Petrolub AG (Chairman)
Hapag-Lloyd AG

Wilfried Woller

Member of the Executive Board responsible for
management sector 5 of IG Bergbau, Chemie, Energie

- External offices:
Deutsche Steinkohle AG (Deputy Chairman)
- External offices:
RAG Trading GmbH (Advisory Board)

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

Executive Board

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

Professor Dr Wolfgang Reitzle

Chief Executive Officer

- External offices:
 - Deutsche Telekom AG
 - KION GROUP GmbH
 - KION Holding 1 GmbH
- Group offices:
 - The BOC Group plc, UK
 - (Chairman of the Board of Directors)

Dr Aldo Belloni

Member of the Executive Board

Trevor Burt

Member of the Executive Board
(retired on 31 December 2007)

Georg Denoke

Member of the Executive Board

- Group offices:
 - The BOC Group plc, UK
 - (Member of the Board of Directors)

J. Kent Masters

Member of the Executive Board

- External offices:
 - Rockwood Holdings, Inc., USA
 - (Member of the Board of Directors)
- Group offices:
 - African Oxygen Limited, South Africa
 - (Chairman of the Board of Directors)
 - The BOC Group plc, UK
 - (Member of the Board of Directors)

Members of the Executive Board who retired in the 2007 financial year:

(The information provided relates to the date of retirement.)

Hubertus Krossa

Member of the Executive Board (retired on 31 January 2007)

- External offices:
 - Bauknecht Hausgeräte GmbH
 - Linde Material Handling Verwaltungs-GmbH
 - STILL GmbH

→ Membership of other German supervisory boards.

→ Membership of comparable German and foreign boards.

Responsibility statement

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

Munich, 28 February 2008

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
Member of the Executive Board
of Linde AG

J. Kent Masters
Member of the Executive Board
of Linde AG

Financial calendar

Financial Calendar

Press Conference on Annual Results

17 March 2008

The Charles Hotel, Munich

Analysts' Conference

17 March 2008

The Charles Hotel, Munich

Interim Report

January – March 2008

9 May 2008

Shareholders' Meeting 2008

3 June 2008, 10 a.m.

International Congress Center, Munich

Dividend Payment

4 June 2008

Interim Report

January – June 2008

1 August 2008

Autumn Press Conference

3 November 2008

Munich

Interim Report

January – September 2008

3 November 2008

Shareholders' Meeting 2009

15 May 2009, 10 a.m.

International Congress Center, Munich

Statements relating to the future

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

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

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



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