

Linde AG. Financial Statements for the year ended 31 December 2006.

LeadIng.



2006

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

Executive Board

Professor Dr Wolfgang Reitzle

Born 1949
 Doctorate in Engineering (Dr.-Ing.)
 Chief Executive Officer
 Member of the Executive Board since 2002

Dr Aldo Belloni

Born 1950
 Doctorate in Chemical Engineering (Dr.-Ing.)
 Responsible for: Europe and Middle East,
 Global Business Unit Healthcare, Innovation
 Management, Engineering Division
 Member of the Executive Board since 2000

J. Kent Masters

Born 1960
 BS Chemical Engineering,
 MBA Finance
 Responsible for: Americas and Africa,
 Global Business Unit Tonnage (On-site),
 Business Area Bulk
 Member of the Executive Board since 2006

Trevor Burt

Born 1958
 Bachelor of Science (BS)
 Responsible for: Asia/Pacific,
 Business Areas Packaged Gases and
 Electronics Gases
 Member of the Executive Board since 2006

Georg Denoke

Born 1965
 Degree in Information Science,
 Degree in Business Administration
 Responsible for: Finance,
 Labour Director
 Member of the Executive Board since 2006

The following members have retired from the Executive Board:

Dr Peter Diesch

Born 1954
 Doctorate in Economics (Dr. rer. pol.),
 Degree in Economics (Dipl.-Volkswirt)
 Responsible for: Finance,
 Labour Director
 Member of the Executive Board since 2004
 Retired on 31 December 2006

Hubertus Krossa

Born 1947
 Degree in Business (Dipl.-Kaufmann)
 Responsible for: KION Group
 Member of the Executive Board since 2000
 Retired on 31 January 2007

Supervisory Board

(As at 31 December 2006)

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 Executive Board of
Allianz SE

Dr Karl-Hermann Baumann

Former Chairman of the Supervisory Board
of Siemens AG

Dr Gerhard Beiten

Lawyer
Member of the Executive Board of
Landesverband Bayern der
Deutschen Schutzvereinigung für
Wertpapierbesitz e. V. (DSW)

Dr Clemens Börsig

(appointed on 30 June 2006)
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

Spokesman for the Executive Board of
Commerzbank AG

Prof Dr Jürgen Strube

Chairman of the Supervisory Board of
BASF Aktiengesellschaft

Wilfried Woller¹

Member of the Managerial Board respon-
sible for management sector 5, IG Bergbau,
Chemie, Energie

Supervisory Board committees

Members at 31 December 2006:

Standing Committee:

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gerhard Full
Gernot Hahl¹

Audit Committee:

Dr Karl-Hermann Baumann
(Chairman)

Gerhard Full
Hans-Dieter Katte¹
Dr Manfred Schneider
Wilfried Woller¹

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

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gernot Hahl¹

¹ Representing the employees.

Members of the Supervisory Board who have retired during the 2006 financial year:**Dr Josef Ackermann**

(retired on 30 June 2006)

Chairman of the Management Board and Chairman of the Group Executive Committee of Deutsche Bank AG

Joachim Hartig¹

(retired on 28 December 2006)

Chairman of the Works Council for Works I + II of Linde Material Handling GmbH & Co. KG

Kay Pietsch¹

(retired on 28 December 2006)

Chairman of the Hamburg Works Council of STILL GmbH

Frank Zukauski¹

(retired on 28 December 2006)

Director of the Cylinder Components Centre of STILL GmbH

Members of the Supervisory Board newly appointed in January 2007:**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 in the Engineering Division of Linde AG

Josef Schuhbeck¹

(appointed on 22 January 2007)

Chairman of the Schalchen Works Council, Engineering Division, Linde AG

Report of the Supervisory Board

Dear shareholders,

During the 2006 financial year, the Supervisory Board has been involved in detailed reviews of the company's situation, its prospects and its strategic development, and the future long-term positioning of The Linde Group. It has also concerned itself with significant individual issues, above all the acquisition of the British company The BOC Group plc (BOC) and the sale of the Material Handling business segment. 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, as well as on the economic situation of the company and its subsidiaries. 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. 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.

Meetings of the Supervisory Board

Four ordinary meetings and two extraordinary meetings of the Supervisory Board were held in the 2006 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 2006.

At our meetings, in addition to reviewing current business developments, we also dealt with the risk position of the company and those individual transactions of fundamental importance for which the Executive Board requires our approval. After a thorough review and detailed discussions about each of the proposals of the Executive Board, the Supervisory Board granted all necessary approvals. Due to time pressures, three decisions were made on the basis of documents provided outside the Supervisory Board meetings in written or electronic form, after the facts relating to those decisions had been discussed in the full meeting.

The advisory and monitoring activities of the Supervisory Board focused in 2006 particularly on the acquisition of BOC. This recommended cash offer, a very complex transaction with far-reaching strategic and financial consequences, was accepted, and the acquisition was completed on schedule on 5 September 2006. The Supervisory Board welcomes the repositioning of the Group as a result of the acquisition as a world-leading gases and plant construction company. One of the most urgent tasks facing us now is the swift integration of The BOC Group into The Linde Group. Therefore, from September 2006 we were heavily involved in the integration process. The Executive Board regularly updated us on the state of affairs, so that we were satisfied that the integration of the two companies was proceeding apace.



The Chairman of the Supervisory Board was involved at an early stage in the deliberations on the proposed acquisition of BOC. The full Supervisory Board considered the proposal for the first time at an extraordinary meeting on 17 February 2006. At this meeting, which was devoted solely to the potential acquisition of BOC, we formed a complete picture of the transaction and its feasibility, the associated opportunities and risks, the resulting business and strategic objectives, the financing structure envisaged and the impact on our Group. Following an in-depth discussion, concerning strategic, antitrust and financial issues in particular, the Supervisory Board approved in principle the proposed acquisition, with a transaction volume of around €15 billion, and the financing solution proposed by the Executive Board, including the use of authorised share capital.

At our meeting to approve the financial statements on 3 March 2006, we reviewed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2005 and agreed the proposed appropriation of earnings. We also discussed the latest developments relating to the potential acquisition of BOC, following a detailed presentation by the Executive Board and representatives from the investment banks advising us. Issues discussed at length included the state of negotiations and the next steps to be taken, the results of the due diligence review and the measures adopted to finalise the financial structure. At this meeting, the Supervisory Board confirmed its approval in principle of the acquisition of 100 percent of the shares of BOC on the basis of a cash offer and of the measures being taken to finance the offer, in particular the conclusion of a finance agreement with a banking consortium. The final decision of the Executive Board to make a cash offer for BOC of 1,600 pence per share, published on 6 March 2006, was approved by the standing committee of the Supervisory Board, which had been authorised to do so by the Supervisory Board in accordance with the bylaws of the company.

At the meeting immediately before the Shareholders' Meeting on 4 May 2006, the Executive Board first presented a report on the current situation of the Group. The meeting also served to prepare for the subsequent Shareholders' Meeting. In addition, the Executive Board presented a report to the Supervisory Board on the structural optimisation of the Material Handling business segment, with the aim of making it legally independent, and on the specific restructuring measures required. The Executive Board also reported to us in detail on the status of the work being done on the proposed acquisition of BOC. It presented us with a timetable and a set of action points, which included the clearance being sought for the deal from the EU and US competition authorities and preparations for various financing measures and for the integration process. In addition, the Executive Board explained two draft resolutions on transactions requiring approval. After reviewing the resolutions, we granted our approval in both cases: on the one hand, of the capital expenditure requested by the Executive Board to build an on-site air separation plant in the Netherlands and, on the other, for the purchase inter alia of a gases company in Turkey.

At our meeting on 12 September 2006, the Executive Board provided us with a detailed report of the latest state of affairs regarding the BOC acquisition, which was completed on schedule on 5 September 2006 and, against this background, presented us with its detailed plans for the integration of the two companies and for the proposed reorganisation of The Linde Group, on which we questioned them exhaustively. The discussions of the Supervisory Board also focused on the strategic orientation of the company, the progress achieved with the implementation of the corporate strategy and the Executive Board's report on the status of our portfolio optimisation, as well as the business operations that would need to be disposed of as a result of conditions imposed by the competition authorities in connection with the acquisition of BOC. In the context of our portfolio optimisation strategy, we also discussed the Material Handling business segment becoming legally independent, the bundling of the brands into the new umbrella company, KION Group GmbH, and the business model and management appointments for that company.

The only item on the agenda at our extraordinary meeting on 5 November 2006 was the decision on the sale of the Material Handling business segment. After intense discussion of the sale process described to us in the presentation, and of the final offers and the key points in the contracts of sale negotiated, as well as of financial and strategic considerations, and after putting questions to the Executive Board, and to the Mergers & Acquisitions Director and a representative of the investment bank advising us, the Supervisory Board approved the disposal of the Material Handling business segment at a price of €4 billion to the buyers' consortium Kohlberg Kravis Roberts & Co.(KKR)/Goldman Sachs Capital Partners.

On 28 November 2006, the Executive Board presented us with a preview of the 2006 financial statements and the budget for the 2007 financial year, including financial, capital expenditure and personnel plans. We questioned the Executive Board in depth about the assumptions they had made. The Executive Board gave us detailed explanations and supplied reasons where there were discrepancies between corporate plans or targets set in the previous year and actual performance. We approved the 2007 capital expenditure programme of The Linde Group. We also reviewed in detail the status of the portfolio optimisation, based on documents provided to us in advance and a verbal report made to us by the Executive Board, and granted our approval in principle to sales of companies and changes in investment holdings, either as a result of conditions imposed by the competition authorities or, in some cases, for other reasons. The Executive Board also informed us in detailed verbal and written reports about the proposed launch of a medium-term notes programme for the issue of medium-term and long-term bonds. We approved the Executive Board's request.

Furthermore, the Executive Board advised us at our meetings in September and November 2006 of the proposed rationalisation of locations for the administrative departments of the reorganised Group including BOC, especially in Germany and in the UK. We discussed with the Executive Board the possibility of transferring the registered office of the company. On 28 November 2006, we approved the Executive Board's declaration of intent, to propose the relocation of the registered office of the company at the Shareholders' Meeting on 5 June 2007.

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 12 June 2006.

On 9 March 2007, 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). The emoluments of the members of the Executive Board and the Supervisory Board of Linde AG are being disclosed individually for the first time in the 2006 annual report. As a result, from the date of publication of the 2006 annual report, Linde AG has complied with all the recommendations of the German Corporate Governance Code. 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 23.

Committees and committee meetings

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

On the completion of the disposal of the Material Handling business segment on 28 December 2006, the office of Mr Joachim Hartig among others on the Supervisory Board of Linde AG expired. Until then, Mr Hartig was a member of all three of the Supervisory Board committees of Linde AG, as an employee representative. The Supervisory Board elected as his successors Mr Gernot Hahl to the mediation committee and the standing committee and Mr Wilfried Woller to the audit committee of the Supervisory Board.

The current composition of the committees is given on page 04.

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 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 five meetings. It dealt mainly with matters relating to the Executive Board, entering into and terminating contracts with members of the Executive Board 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. Moreover, the standing committee concerned itself primarily with capital measures and other measures requiring approval relating to the acquisition of BOC and the financing of that acquisition, as a result of having been authorised to do so by the Supervisory Board, and granted such approvals, e.g. of the decision of the Executive Board, based on the authorisations for Authorised Capital I and Authorised Capital II, to utilise part of Authorised Capital I, an amount of around €55 million, and all of Authorised Capital II, an amount of €40 million, and of the issue of a hybrid bond in two tranches via a financing subsidiary, with a total volume of around €1.1 billion. In addition, it granted the approvals, based on decisions in principle made by the full Supervisory Board and the delegation of the ensuing decisions to the standing committee, for the disposals of various companies or investments required by the competition authorities: for the disposal of Linde Gas Pty. Ltd. Australia to the Australian company Wesfarmers Energy Ltd; for the disposal of the BOC investment in the joint venture Japan Air Gases Ltd, Tokyo, to the French industrial gases company L'Air Liquide S. A.; for the disposal of BOC Poland (BOC Gazy Sp. z. o. o.) to the American industrial gases company Air Products and Chemicals, Inc. and for the disposal of eight plants in the Linde US bulk business to the American company Airgas, Inc. The standing committee also gave its consent to a member of the Executive Board assuming a further responsibility within the Group in accordance with § 88 of the German Stock Corporation Law (AktG) and for the assumption of seats on other Supervisory Boards and of similar offices by members of the Executive Board. Furthermore, several resolutions were passed in connection with the 2002 share option scheme, based on detailed written documents in electronic form. The standing committee also decided on adjustments required to the company statutes, where these concerned only the form of words to be used.

The establishment of a new 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 in 2006 of the final options under the existing 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. A resolution on this subject will be proposed at the Shareholders' Meeting in June 2007.

The audit committee held six meetings in 2006. 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. Its other main tasks were to discuss the interim reports, to prepare the proposal of the Supervisory Board on the appointment of the auditors at the Shareholders' Meeting, to issue the audit mandate to the auditors, to determine the key audit issues, to agree the audit fees and to monitor the independence of the auditors. The audit committee also adopted rules on the award-

ing of assignments to the auditors for services not related to the audit. Furthermore, the committee received reports from the Executive Board on the Material Handling business segment becoming legally independent from the Group. The audit committee also obtained information on a regular basis about the recording and monitoring of risk in the company. The head of Internal Audit gave a special report on the structure, roles and responsibilities in that department and on their audit work and the audit plan for 2006. There was also much discussion on the introduction of limited reviews of the quarterly reports. A limited review was conducted for the first time of the interim report (excluding BOC) for the nine months ended 30 September 2006. The committee also concerned itself with the sample testing of the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2005 by the Deutsche Prüfstelle für Rechnungslegung e. V., a review body for German accounting. The panel of the review body responsible for the sample tests came to the conclusion that in the course of its examination it did not identify any incorrect accounting. Moreover, the audit committee discussed fundamental accounting issues with the Executive Board and the auditors in the context of the strategic reorganisation of the Group.

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.

Financial statements

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin and Frankfurt am Main, audited the annual financial statements of Linde AG and the consolidated financial statements of The Linde Group for the year ended 31 December 2006, as well as the management reports for Linde AG and The Linde Group in accordance with the principles set out in the German Commercial Code (HGB) and, in the case of the Group financial statements, in supplementary compliance with International Standards on Auditing (ISA). The auditors have issued unqualified audit opinions on the above statements. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The auditors have confirmed that the Group financial statements and the Group management report meet the requirements for exemption from preparing these documents set out in § 315a(1) HGB. 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 key audit issues in the 2006 financial year concerned derivative financial instruments in The Linde Group and how they are documented and recognised in the accounts, the existing risk management and financial control systems, and Linde retirement schemes, especially administration and accounting in the pension fund.

Provisional documents relating to the financial statements for the year ended 31 December 2006 were the subject of much discussion at the meeting of the audit committee on 22 February 2007. The final documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in time prior to the plenary Supervisory Board meeting to discuss the financial

statements held on 9 March 2007 and reviewed in detail at that meeting. 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 available to provide supplementary information and to answer questions. After receiving the results of the preliminary review by the audit committee and conducting our own examination of the financial statements and related documents presented by the Executive Board and auditors, we find no grounds for objection. We concur with the results of KPMG's audit. We also reviewed the management report of Linde AG and the Group management report and had no reservations there. We adopted as our own the statements therein on information provided to comply with the German Law on the Implementation of the EU Takeover Directive. We hereby approve and adopt the financial statements of Linde AG and The Linde Group for the year ended 31 December 2006 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 2006 financial year and at the beginning of 2007, there were a number of changes in the composition of the Supervisory Board and the Executive Board, principally as a result of the acquisition of BOC and its impact.

The shareholders' representative, Dr Josef Ackermann, retired from the Supervisory Board on 30 June 2006. His successor, Dr Clemens Börsig, was appointed as requested by court order. Dr Börsig will be proposed for election at the Shareholders' Meeting on 5 June 2007 for the remaining period of office of the other members of the Supervisory Board.

On the employees' side, the offices of Messrs Joachim Hartig, Kay Pietsch and Frank Zukauski expired on the completion of the disposal of the Material Handling business segment. In their place, Messrs Jens Riedel, Josef Schregle and Josef Schuhbeck were appointed members of the Supervisory Board as requested by court order, with effect from 22 January 2007.

We expressed our thanks to the retiring members of the Supervisory Board for their valuable contribution to the Board in the past few years.

The term of office of Professor Dr Wolfgang Reitzle as Chief Executive Officer of Linde AG was due to expire on 9 May 2007. Therefore, on 24 May 2006, the Supervisory Board extended his term as Chief Executive Officer for five more years. The Supervisory Board deemed it necessary to reflect the increasingly international nature of the Group by appointing to the Executive Board, in addition to Dr Aldo Belloni, two further members with international operations experience in the gases business. With effect from 12 September 2006, we appointed Messrs Trevor Burt and Kent Masters, two experienced BOC managers, to the Executive Board of Linde AG. On the BOC Board, Mr Masters was responsible for industrial and specialty gases. Mr Burt was formerly President of The BOC Group in the United States. Mr Georg Denoke was also appointed to the Executive Board on 12 September 2006 and with effect from 1 January 2007 he was also appointed Labour Director of Linde AG. Mr Denoke was previously a member of

the Divisional Board of Linde Gas and his responsibilities there included finance and personnel. The appointments of the new members of the Executive Board were all for a three-year term. The responsibilities and functions of the members of the Executive Board are disclosed in the summary on page 05 of this annual report.

Dr Peter Diesch, who for two years as Labour Director on the Executive Board of Linde AG was responsible for finance and personnel, left the company of his own volition at the end of 2006, following the reorganisation of the management structure. Mr Hubertus Krossa, who had been a member of the Executive Board from January 2000, and who formerly had sole responsibility on the Executive Board for the Material Handling business segment, retired on 31 January 2007 to assume the role of Chairman of the Management Board of KION Group GmbH following its sale by Linde. We would like to thank both gentlemen for the successful contributions they made in their work for the Group.

The Supervisory Board would like to thank the Executive Board and all Linde employees for their high level of personal commitment and hard work in 2006, a year which has presented many particular challenges.

Wiesbaden, 9 March 2007
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

Responsible corporate management, which seeks to achieve sustainable value added and is geared to the interests of shareholders, has always been very important in Linde. 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 2006.

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

Corporate governance in Linde and the functions and duties of the executive bodies are described on our website (www.linde.com). Information about the activities of the Supervisory Board and its committees and about the cooperation between the Supervisory and Executive Boards in the 2006 financial year is given in the Report of the Supervisory Board on pages 06 to 13.

Compliance with the German Corporate Governance Code

On 9 March 2007, the Executive Board and the Supervisory Board made the annual declaration of compliance with § 161 of the German Stock Corporation Law (AktG). It is published on page 18 of this report and on the company's website. With the publication of its 2006 annual report on 12 March 2007, Linde AG has complied with all the recommendations of the German Corporate Governance Code as amended on 12 June 2006.

Linde AG has also complied and will in future comply extensively with the suggestions made in the Code, with the following three 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 Shareholders' Meetings 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 carefully.
- 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. 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 2005, it was specifically decided not to introduce a long-term component.

Close cooperation between the Executive Board and the Supervisory Board

The Executive Board of Linde AG manages the company and conducts its business. It is bound to the interests of the company and is responsible for achieving sustainable increases in the value of the company. 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.

The Supervisory Board advises the Executive Board on the running of the company and monitors its executive management. The Executive and Supervisory Boards work closely together in the interests of the company. The Executive Board provides the Supervisory Board with regular, comprehensive and up-to-date reports about all the issues relevant to corporate planning and strategic development, the course of business and the position of the company, including the risk report.

Both the Executive Board and the Supervisory Board are governed by procedural rules. Under these rules, the Supervisory Board has the right to veto significant transactions. The rules of the Executive Board and the rules of the Supervisory Board both stipulate an age limit for their members: members of the Executive Board must not be over 65, while members of the Supervisory Board must not be over 72. One of the members of the Supervisory Board is a former member of the Executive 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. The proposal for the judicial appointment in 2006 of a member of the Supervisory Board to represent the shareholders expires at the next Shareholders' Meeting. This member of the Supervisory Board will be nominated at the Shareholders' Meeting on 5 June 2007 for the duration of the remaining term of office of the other members of the Supervisory Board. 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 our estimation, these transactions do not affect the independence of the members of the Supervisory Board concerned. The Supervisory Board has a sufficient number of members with an adequate level of independence.

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

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 works 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. During the year, no transactions were effected between Linde AG or any of its Group companies and members of the Executive Board or any related parties.

Directors' dealings

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

In the course of the year, members of the Executive Board and Supervisory Board informed BaFin (the German Federal Financial Supervisory Authority) about eleven notifiable purchase transactions in total, which were mostly in connection with the increase in the share capital of Linde AG in summer 2006. Under the terms of the capital increase, members of the Executive Board and the Supervisory Board acquired subscription rights or new shares as a result of exercising subscription rights at a subscription price of €49.50 per new share: Hubertus Krossa acquired 5 subscription rights at a price of €2.97 per right and 460 new shares, Dr Aldo Belloni 3 subscription rights at a price of €3.01 per right and 1,298 new shares and Dr Peter Diesch 2.5 subscription rights at a price of €3.03 per right and 215 new shares. Professor Dr Wolfgang Reitzle also purchased 942 new shares and Dr Manfred Schneider purchased 572 new

shares. Moreover, an individual closely related to a member of the Executive Board acquired 20 new shares under the terms of the capital increase.

In addition, Hubertus Krossa purchased 435 Linde shares at a price of €59.53. Another notifiable transaction related to the purchase of 2,000 Linde shares at a price of €68.80 by Dr Aldo Belloni. No notifiable sale transactions were disclosed in the 2006 financial year.

Interests in share capital

At the balance sheet date, there were no interests in share capital required to be disclosed under section 6.6 of the German Corporate Governance Code. Based on information provided, no member of the Executive Board or of the Supervisory Board holds shares or related financial instruments amounting to more than 1 percent of the issued share capital. The total holdings of all the members of the Executive and Supervisory Boards also do not exceed 1 percent of the issued share capital.

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share option scheme, is on pages 19 to 23 of these financial statements and forms part of the corporate governance section.

Developing our core values

Linde has traditionally maintained a high standard of ethical principles. In 2005, the Executive Board adopted a corporate responsibility policy, which is mandatory in all our divisions. The code of conduct, also drawn up in 2005 for all our employees worldwide, makes our corporate values tangible and calls upon the employees to comply with legal provisions as well as the high ethical standards we have set. Against the background of the restructuring of the Group and the integration of BOC, the Executive Board has appointed a working party to elaborate principles of behaviour which will apply throughout the Group. In 2006, the Executive Board adopted ethical and legal principles for the purchase of goods and services which were consistent with the corporate responsibility policy and the code of conduct for employees. These apply worldwide to all the employees of Linde AG and of its subsidiaries, in addition to general legal provisions. They relate in particular to those employees who have personal contact with suppliers, contractors and other business partners.

These principles, which must be adopted by all our employees, have been designed by Linde AG to set standards of behaviour for the conduct of business and to avoid conflicts of interest.

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 the 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. 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 or annual results or in the form of teleconferences. Regular events involving the CEO and the 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.

Shareholders' Meeting

In accordance with the German Law on Corporate Integrity and Modernisation of the Right of Rescission (UMAG), which came into force on 1 November 2005, the company has changed its procedure for identifying shareholders at the Shareholders' Meeting to the record date system, in common use internationally. Under this system, the beginning of the 21st day before the Shareholders' Meeting is used as the cut-off date for the identification of shareholders. This encourages shareholders, especially foreign shareholders, to attend the Shareholders' Meeting and to exercise their right to vote.

Shareholders who cannot attend the Shareholders' Meeting or who leave the Shareholders' Meeting before voting has commenced, have the option to exercise their vote using a proxy of their choice or a company proxy voting in accordance with their instructions. Directions as to how to exercise the shareholder's vote could be given to this proxy up until the evening before the Shareholders' Meeting on 4 May 2006, even via electronic means of communication. We will be offering our shareholders this service again for the Shareholders' Meeting on 5 June 2007.

Accountancy, audit and risk management

In May 2006, 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 and Frankfurt am Main, 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 2006.

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 regularly receives reports on the identification and monitoring of risks.

Declaration of compliance with the German Corporate Governance Code

On 9 March 2007, 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:

With the publication of its 2006 annual report on 12 March 2007, 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 12 June 2006.

Since it made its last declaration of compliance on 3 March 2006, Linde AG has complied with the recommendations of the Code in the version dated 2 June 2005 and then as amended on 12 June 2006 with one exception (no individualised figures disclosed for compensation paid to members of the Executive and Supervisory Boards).

Wiesbaden, 9 March 2007
Linde AG“

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

Wiesbaden, 9 March 2007
Linde AG

The Supervisory Board

The Executive Board

Remuneration report

(part of the Management Report)

The remuneration report sets out the structure and the basic features of the remuneration payable to members of the Executive Board and Supervisory Board. It forms part of the Group management report and takes account of the recommendations of the German Corporate Governance Code. The remuneration report contains the information about the remuneration of the Executive Board which is legally required under the provisions of the German Commercial Code (HGB), therefore this information is not repeated in the Notes to the Group 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 the international context and offers an incentive for sustainable increases in the value of the company in a dynamic environment.

The remuneration system comprises cash emoluments, share options and pension commitments. There are two components of the cash emoluments of the Executive Board: fixed emoluments and variable performance-related emoluments. The cash remuneration is 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 remuneration 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 2006. At a result of this review, the target income figures were adjusted for two of the members of the Executive Board. The members of the Executive Board receive no remuneration for any Group offices held.

Fixed emoluments

Each member of the Executive Board receives a fixed monthly salary. In addition, 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. These 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 euros for each €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. 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 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. 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 the 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 options

Options (remuneration components with a long-term incentive) are granted every year to members of the Executive Board, members of the management boards of affiliated companies and selected senior managers, based on the share option scheme approved at the Shareholders' Meeting in May 2002. 539 people were entitled to receive options from the 2006 tranche. 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 May 2006, the fifth and last tranche of options was issued under the 2002 share option scheme.

In the 2006 financial year, the 2002, 2003 and 2004 tranches of the Linde share option scheme became valuable and exercisable. In total, members of the Executive Board held 1,080,000 options at the balance sheet date, of which 575,000 were exercisable. In 2006, the members of the Executive Board did not exercise any options. Further information about Linde's share option scheme is given in the Notes to the financial statements on pages 62 to 63.

Pension commitments

There are pension commitments in respect of the members of the Executive Board. The pension is based on a particular percentage of the most recently paid fixed monthly emoluments. The percentage rate on entry is 20 percent. This percentage increases for every completed year of service by 2 percent. The maximum percentage that can be achieved is 50 percent of the last fixed monthly emoluments paid. For contracts of employment agreed before 1 July 2002, the percentage rate on entry was 40 percent and the maximum percentage that could be achieved was 60 percent. Payments are made on a monthly basis once the member has retired from the company and is eligible for his or her pension (old age pension, 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. Current pensions are adjusted annually to take account of the change in the average consumer 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 10 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 Executive Board, he or she would immediately receive the pension earned, taking into account other income.

Emoluments of the Executive Board for 2006

The total cash remuneration of members of the Executive Board for performing their duties in Linde AG and its subsidiaries in 2006 was €11,837,754 (2005: €9,685,627). On a comparable basis, i.e. including only the cash remuneration of the four members of the Executive Board who were also on the Executive Board in the 2005 financial year, the total cash remuneration rose 8.6 percent. The total remuneration was €14,647,754 (2005: €11,277,227). The total remuneration includes share options granted to members of the Executive Board under the Linde Management Incentive Programme, which have a notional value of €2,810,000 (2005: €1,591,600). In the 2006 financial year, 250,000 options (2005: 230,000) were granted to members of the Executive Board. These options had a fair value at the issue date of €11.24 (2005: €6.92) per option.

Provided that the annual financial statements of Linde AG for the year ended 31 December 2006 are approved and that the standing committee of the Supervisory Board accordingly comes to a decision on the variable remuneration for 2006, the emoluments for 2006 of the individual members of the Executive Board were as follows:

	Cash emoluments			Total cash emoluments	Share options		Pensions	
	Fixed emoluments	Benefits in kind/ Other benefits	Variable emoluments		Value on allocation	Total emoluments	Annual amount if pension were paid on balance sheet date	Allocated to pension provision in financial year ¹
in €								
Professor Dr Wolfgang Reitzle (Chairman)	1,816,000	14,314	4,075,000	5,905,314	1,461,200	7,366,514	391,680	832,059
Dr Aldo Belloni	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)	73,372	91,829	223,217	388,418	–	388,418	²	²
Georg Denoke (from 12.09.2006)	110,000	4,309	178,982	293,291	–	293,291	63,360	45,024
Dr Peter Diesch	504,000	16,209	1,012,000	1,532,209	449,600	1,981,809	122,400	1,203,145
Hubertus Krossa	420,000	21,883	766,950	1,208,833	449,600	1,658,433	198,000	651,149
J. Kent Masters (from 12.09.2006)	145,641	180,773	322,356	648,770	–	648,770	³	³
Total 2006	3,657,013	354,736	7,826,005	11,837,754	2,810,000	14,647,754		
(%)	25	2	54	81	19	100		
Total 2005	2,586,000	69,627	7,030,000	9,685,627	1,591,600	11,277,227		
(%)	23	1	62	86	14	100		

¹ If applicable, pro-rata from the date of appointment.

² Until 31 December 2006, participated in the Australian defined contribution plan of BOC Australia. Endowment sum at 31 December 2006 €280,769. Addition to endowment sum from date of appointment to Executive Board €8,246.

³ Until 31 December 2006, participated in American pension plan of BOC USA. Endowment sum at 31 December 2006 €785,677. Addition to endowment sum from date of appointment to Executive Board €127,219.

At 31 December 2006, 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 €6,290,752 (2005: €6,658,748) in The Linde Group and €6,101,800 (2005: €6,658,748) 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 remuneration. 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 after 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, it is incumbent upon the member of the Executive Board to prove the actual circumstances as a result of which his or her position has been impaired in a material way. In addition to the customary compensation, comprising the cash emoluments he 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 an individual case, an entitlement to receive severance pay equal to the full amount of the annual cash remuneration. If the member of the Executive Board has completed his or her 55th year when the employment contract ends and has been on the Board for at least five years, the severance pay increases to three times the full amount of the annual cash remuneration. There is no right to severance pay if the member of the Executive Board has been a member

for less than three years, or if he or she has not yet completed his or her 52nd year or has already completed his or her 63rd year when the employment contract ends. The total of the compensation in the form of cash remuneration plus the severance pay must not exceed an amount equivalent to five times the full amount of the annual cash remuneration. 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 €5,380,252 in the 2006 financial year (2005: €2,385,616).

A provision of €39,062,290 (2005: €34,504,903) 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 €37,982,947 (2005: €34,504,903) was made.

2. Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was determined at the Shareholders' Meeting based on a proposal from the Executive Board and Supervisory Board 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 €35,000, 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 €300 for each €0.01 by which the dividend declared at the Shareholders' Meeting exceeds a dividend of €0.50 per share with full dividend entitlement distributed to the shareholders. The second part of the variable remuneration is €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 respective audited Group financial statements prepared in accordance with IFRS: earnings before taxes on income plus interest and similar charges plus financing costs of pension obligations (interest cost of pension plans less expected return on plan assets) divided by the average capital invested as shown in the segment reporting. In 2006, ROCE calculated in this way was 20.7 percent.

The total of the fixed emoluments and the performance-related emoluments must not exceed €90,000 per financial year.

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 €40,000 and every other member of the audit committee receives €20,000. However, if a member of the Supervisory Board holds several offices which pay a higher level of remuneration at the same time, he or she only receives the remuneration for the office which is the most highly paid.

Where members of the Supervisory Board or of its committees are being paid a higher level of remuneration, the maximum amount of €90,000 per financial year is increased in each case by the same rate or the same fixed amount.

Attendance fees

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

VAT, reimbursement of expenses

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

Emoluments of the Supervisory Board for 2006

Based on a dividend of €1.50 per share entitled to dividend and ROCE in The Linde Group of 20.7 percent, the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to €1,931,774 (2005: €1,836,693) plus VAT of €357,976 (2005: €287,499). Of the total emoluments, €778,479 (2005: €774,893) related to fixed emoluments and €1,098,795 (2005: €1,035,000) to variable emoluments. The total expenditure on attendance fees was €54,500 (2005: €26,800).

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

in €	Fixed emoluments	Variable emoluments	Emoluments for sitting on audit committee	Attendance fees	Total emoluments ¹
Dr Manfred Schneider (Chairman)	105,000	165,000		5,000	275,000
Hans-Dieter Katte (Deputy Chairman)	52,500	82,500		5,000	140,000
Michael Diekmann (Second Deputy Chairman)	52,500	82,500		2,500	137,500
Dr Josef Ackermann (until 30.06.2006)	17,356	27,274		1,000	45,630
Dr Karl-Hermann Baumann	35,000	55,000	40,000	4,500	134,500
Dr Gerhard Beiten	35,000	55,000		3,000	93,000
Dr Clemens Börsig (from 30.06.2006)	17,740	27,877		1,000	46,617
Gerhard Full	91,583 ²	82,500		4,500	178,583
Siegfried Friebe	35,000	55,000		3,000	93,000
Gernot Hahl ³	35,144	55,226		3,000	93,370
Joachim Hartig (until 28.12.2006)	52,068	81,822		5,000	138,890
Thilo Kämmerer	35,000	55,000		3,000	93,000
Klaus-Peter Müller	35,000	55,000		2,500	92,500
Kay Pietsch (until 28.12.2006)	34,712	54,548		3,000	92,260
Professor Dr Jürgen Strube	35,000	55,000		2,500	92,500
Wilfried Woller ⁴	35,000	55,000	164	3,000	93,164
Frank Zukauski (until 28.12.2006)	34,712	54,548		3,000	92,260
Total 2006	738,315	1,098,795	40,164	54,500	1,931,774
(%)	38	57	2	3	100
Total 2005	739,824	1,035,000	35,069	26,800	1,836,693
(%)	40	56	2	2	100

¹ Amounts excluding VAT.

² This includes €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.

Loans and advances

In the 2006 financial year, no loans or advances were made to members of the Supervisory Board.

Management Report

Corporate organisation

Linde AG is the holding company of The Linde Group. On 5 September 2006, Linde AG completed the acquisition of the British gases company The BOC Group plc, purchasing all the shares outstanding at a price of 1,600 pence per share. At the same time as the merger with BOC, Linde AG made its Material Handling business segment legally independent, grouping together its three brands, Linde, STILL and OM, in the new umbrella company, KION Group GmbH. On 5 November 2006, Linde AG sold the business segment at a price of around 4 billion euro to a consortium comprising the financial investors Kohlberg Kravis Roberts & Co. (KKR) and Goldman Sachs Capital Partners. Following the receipt of unconditional approval from the appropriate competition authorities on 22 December 2006, the transaction was completed in accordance with the letter of the law on 28 December 2006.

On 1 July 2006, in the course of making the Material Handling business segment independent, the part of Linde Material Handling which was not legally independent was hived off from Linde AG into Linde Material Handling & Co. KG. The results of this part of the business for the period from 1 January 2006 to 31 July 2006 have been included in the income statement of Linde AG for the year ended 31 December 2006. After hiving off this part of the business, Linde AG consisted of the Gases and Engineering operating divisions and the Corporate Centre. The offices of both these divisions is in Pullach.

Sales and incoming orders

In the 2006 financial year, Linde AG achieved sales of €2.711 billion, 12.2 percent up on the prior year figure of €3.089 billion. On a comparable basis, i.e. excluding the Material Handling business segment, sales rose 1.5 percent. As in 2005, 43 percent of these sales were to customers in Germany. Exports accounted for 57 percent of sales, with 54 percent (2005: 67 percent) relating to Europe, 25 percent (2005: 16 percent) relating to the Asia/Pacific region, 15 percent (2005: 7 percent) relating to America and 6 percent (2005: 10 percent) relating to Africa.

Sales in the Gases Division were 9.7 percent above the prior year figure of €847 million at €929 million. The Engineering Division achieved sales of €1.151 billion, which was 4.2 percent below the prior year figure.

Incoming orders in the Engineering Division of €2.203 billion were 34.3 percent higher than the figure for 2005 of €1.640 billion. Orders on hand reached a new record high of €2.959 billion (2005: €1.839 billion).

Results of operations

The acquisition of The BOC Group plc and the sale of the KION Group had a significant impact on the results of operations of Linde AG.

Earnings before taxes on income rose from €367 million to €1.773 billion. One of the main reasons for this improvement was the substantial increase in investment income from €156 million to €1.277 billion. This figure includes an amount of €856 million which relates to distributions from companies in the KION Group. On the other hand, Linde AG has incurred substantial consultancy costs and interest charges as a result of the BOC acquisition, and write-downs of loans to a Group company. The remaining Gases and Engineering Divisions succeeded once again in increasing their operating profit, thereby contributing to the positive results of operations of Linde AG. The financial result excluding net investment income was a financial loss of €679 million (2005: a loss of €92 million). This increase was mainly due to the financing costs for the acquisition of The BOC Group.

Non-recurring items in 2006 consisted of book profits on the disposal and transfers of various subsidiaries in the KION Group of €1.444 billion.

The 2006 figures include total income of €2.244 billion from profits on disposal and on transfers relating to the Material Handling business segment.

The non-recurring items in 2005 included the profit on disposal of three companies in the Gases Division of €413 million.

As a result of the events referred to above, net income of €1.437 billion was significantly higher than the prior year figure. In the 2006 financial year, an amount of €700 million was transferred to other revenue reserves.

Results of operations (summary)

in € million	2006	2005
Sales	2,711	3,089
Cost of sales	2,060	2,358
Gross profit on sales	651	731
Functional costs	637	630
Other income	203	139
Other expenses	486	64
Investment income (net)	1,277	156
Financial result (other)	-679	-92
Profit before taxes on income	329	240
Taxes on income	336	81
Non-recurring items	-	-
Profit on disposal of investments	1,444	413
Remeasurement of pensions	0	286
Net income	1,437	286
Transfer to revenue reserves	700	118
Unappropriated profit	737	168

Net assets and financial position

The acquisition of The BOC Group had a significant impact on the net assets and financial position of Linde AG.

Total assets rose by €11.050 billion to €19.297 billion.

Fixed assets increased by €11.375 billion to €18.734 billion.

There were additions of €15.148 billion, set against disposals of €3.318 billion and amortisation and depreciation of €455 million. Included in additions to investments in affiliated companies of €14.020 billion was €12.556 billion for the acquisition and capital injections of The BOC Group. Included in disposals is an amount of €2.102 billion which relates to the hiving off of the Linde Material Handling division.

The percentage of total assets comprised by fixed assets was 97 percent (2005: 89 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 increased by €3.305 billion to €7.090 billion as a result of the rise in net income, the transfer to revenue reserves, the increase in share capital and the issue of new shares. The equity ratio, based on total assets, fell from 45.9 percent to 36.7 percent. Total provisions amounted to €1.496 billion, €74 million higher than in the prior year.

As a result of the financing of the BOC acquisition, amounts due to affiliated companies rose by €5.589 billion to €8.028 billion, because most of the financing was handled by Linde AG's fully-owned subsidiary, Linde Finance B.V. Also disclosed in Linde AG in 2006 were bank loans and overdrafts of €1.844 billion (2005: €0 million).

Balance sheet structure as a percentage of total assets

	2006	2005
Assets		
Financial assets	95%	84%
Other fixed assets	2%	5%
Receivables and other assets	3%	5%
Liquidity	-	5%
Sundry assets	-	1%
Equity and liabilities		
Equity	37%	46%
Provisions for pensions	4%	10%
Other provisions	4%	7%
Liabilities	55%	37%

Research and development

In the 2006 financial year, we invested a total of €68 million in research and development, which was €13 million less than in the prior year as a result of the hiving off of the Linde Material Handling division on 31 July 2006. In 2005, €46 million was spent on research in this division, as against €30 million in 2006.

In the Gases Division, we spent €22 million (2005: €19 million) on research and development. Our research in this division focused in particular on new gases applications.

In the Engineering Division, we spent €17 million in 2006, compared with €16 million in 2005, 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 2006, 262 employees were working in research and development (2005: 286). Of these, 171 employees were in the Gases Division and 91 employees 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 Linde AG has adequate liquidity at all times. Our external financial margin is maintained primarily by an international banking group and the capital markets.

Acquisition financing of The BOC Group in 2006

In the 2006 financial year, the acquisition financing for the purchase of The BOC Group and the subsequent refinancing were at the forefront of our activities in the financial sphere.

The acquisition of The BOC Group in March 2006 at a price of €12.4 billion was assured by credit facilities of £8.9 billion and €2 billion (revolver) from five banks (Commerzbank AG, Deutsche Bank AG, Dresdner Kleinwort Wasserstein, Morgan Stanley Bank International Limited and The Royal Bank of Scotland plc). This financing commitment was then syndicated successfully to 50 banks worldwide. The syndicated credit line also serves as a back-up for our €1 billion Commercial Paper Programme and replaces the €1.8 billion syndicated credit line agreed in 2005.

To repay this credit, we will use the profit on disposal of those business activities which we have been required to sell as a result of antitrust conditions imposed by the competition authorities, as well as the profit on disposal of the KION Group at the end of 2006. We promptly fulfilled most of the conditions imposed and, given the good market environment, succeeded in achieving prices for these sales which exceeded our original expectations.

Corporate responsibility

Linde and BOC can both look back on a hundred years of successful corporate history. The two companies have each adhered closely to clearly defined values, a prerequisite for growth and continuity.

These values are the foundation of our corporate responsibility (CR) in the new Linde Group. We have identified five areas for action: employees, SHEQ (safety, health, environment, quality), the community, the capital market and, finally, ethics and compliance.

The aim of our corporate responsibility activities is to take the best resources, expertise and experience from the two corporate worlds and then ensure that we retain them in the long term.

We therefore follow the general guidelines set out in our corporate responsibility policy. Here, we commit ourselves to behaving responsibly towards our employees, our shareholders, the community and the environment, in every division and throughout the world.

Establishing a structure

The CR Council, the committee at the top of the structure, decides on the specific measures to be taken to achieve the individual goals. The appointments to the CR Council, which include the Chief Executive Officer and one other member of the Executive Board, are an indication of the great importance we attach to corporate responsibility in our company.

Following the acquisition of BOC, one new member was appointed to the Council.

Objectives

Our objectives are set out in a corporate responsibility road-map. Once again in 2006, we reached a number of milestones on this road-map. These include:

- introducing ethical and legal principles for the purchase of goods and services throughout the Group
- conducting a stakeholder survey in six different European countries
- establishing a childcare agency for all Linde employees in Germany
- adopting a Group-wide safety, health, environment and quality (SHEQ) policy
- preparing an eco-report (life-cycle assessment) for a range of industrial gases and their applications.

In 2007, we will incorporate further objectives into the current road-map. This will enable us to include a number of existing BOC corporate responsibility projects. In the course of developing the road-map, we will take into account the results of our stakeholder survey, which will be described in detail in our next CR report, which is due to be published in autumn 2007.

Code of Conduct

The existing Linde and BOC codes of conduct will remain in force until a new code of conduct designed to meet the new requirements of The Linde Group comes into effect in the course of 2007. The existing codes are largely similar in terms of content. Therefore, we will concentrate on ensuring the effectiveness of this tool. The code of conduct is an important element in the minimisation of the legal and ethical business risks of The Linde Group.

Based on the common values of Linde and BOC, the new code of conduct will set out clear mandatory rules of conduct for all employees over and above the legal requirements. When the document is launched, we will ensure compliance with the code by using appropriate communication and employee training and sustain its standards in a Code programme. This programme is currently being designed.

In the past financial year, Linde has introduced ethical and legal principles for the purchase of goods and services as planned. These principles apply particularly to those employees who have direct dealings and personal contact with suppliers, contractors and other business partners. The Linde and BOC rules will be revised in the current year and included in the new code of conduct.

Safety, Health, Environment and Quality (SHEQ)

A responsible attitude towards people and the environment is essential for our long-term business success. In our new organisation, a Group SHEQ department, responsible for Safety, Health, Environment and Quality (SHEQ) has been established. Last year, a SHEQ policy was developed which sets out mandatory guidelines in these areas. Our regional SHEQ managers are responsible for communicating this policy and creating the right conditions for con-

tinual improvement, with appropriate training and supplementary procedures.

In safety and occupational health and hygiene, the top priority is to continue to reduce the number of injuries and vehicle-related accidents. In the environmental area, we will continue to review the efficiency of our production processes and, where appropriate, improve them still further.

Customer satisfaction and our competitiveness are dependent on the quality of our products. We aim to meet the highest quality and reliability standards.

Regular audits are carried out at our sites worldwide in accordance with international standards to identify potential for improvement in safety, health, environment and quality and to evaluate the compliance of individual companies with legal requirements and our internal rules.

Social commitment

Our social commitment is directly related to our core business. Our activities focus on the promotion of good health and environmental protection as well as on education and science. In future, we will continue to expand our community and social activities in various countries and regions, in line with the increasingly global nature of our operations.

Reporting procedures and performance indicators

In the past year, both Linde and BOC have collected Group-wide health, safety and environment (HSE) data and employee data. In 2007, the current financial year, we will standardise the collection of this non-financial data. The Linde Corporate Responsibility Report, which will be published in autumn 2007, will include SHEQ data and employee data for the whole organisation. We will follow international standards for non-financial reporting in the collection of these statistics, such as those set out in the Global Reporting Initiative (GRI). We will also be guided by company-specific and sector-specific requirements, in order to give a fair representation of the success and sustainability of the measures we have taken.

Employee data in Linde AG

The number of employees in Linde AG at 31 December 2006 fell by 3,433 to 5,565, mainly due to the hiving off of the KION Group. Personnel costs of €685 million, prior to the remeasurement of pension obligations and obligations for pre-retirement part-time work in 2005, were 1.6 percent higher than the prior year figure of €674 million.

Employees by business segment

	2006	2005
Gases Division	2,570	2,467
Engineering Division	2,582	2,482
Linde Material Handling	-	3,539
Corporate Centre	413	510
Linde AG	5,565	8,998

Included in the number of employees in the Corporate Centre are 166 (2005: 172) datacentre employees.

In Linde AG, the proportion of part-time employees in 2006 was 4.3 percent (2005: 4.7 percent) and the staff turnover rate was 1.2 percent (2005: 0.8 percent). The proportion of female employees during the year was 20.0 percent (2005: 16.6 percent).

Training

The proportion of trainees in Linde AG in 2006 was 4.1 percent (2005: 5.4 percent). The number of our trainees at 31 December 2006 was 196, which was 288 below the prior year figure which included 269 trainees in the hived-off Linde Material Handling division. There were 98 trainees in the Gases Division and 91 in the Engineering Division.

Linde offers sandwich courses at vocational colleges as an alternative to traditional university courses. In cooperation with vocational colleges in Baden-Württemberg, we support in particular courses which have an international bias. We offer participants practical experience within the Group, which is complemented by relevant theory courses at international higher education establishments.

The success of our company is based on the skills and qualifications of our employees. We therefore set great store by the professional development of our employees. The wide-ranging opportunities in this area available worldwide are increasingly being taken up by our staff. In the 2006 financial year, 72.9 percent of our employees including the Linde Material Handling (2005: 61.3 percent) took part in an average of 1.6 days (2005: 1.8 days) of training.

We have devised a complete personnel development programme, which is tailored to the precise requirements of the various target groups in Linde. We work closely together with leading international business schools to offer professional development programmes to our senior management and middle management which are designed to ensure that our strategy is applied consistently. In the individual divisions, we use a wide range of appropriate executive training courses to provide our employees with the knowledge they require, not only to maintain a high standard of customer service, but to improve it still further. We attach particular importance to the subject of safety in view of its significance to our business.

Pensions

Occupational pensions are becoming increasingly important for our employees. This applies particularly to the opportunity our employees have to provide for their retirement by converting portions of their salary into pension contributions and receiving tax relief thereon, to improve their pension situation in old age, which forms part of the Linde retirement plan (LVP). In 2006, 3,107 employees (2005: 2,811) took advantage of this type of pension. This is highlighted by the high level of acceptance of the offer, which is due not least to the attractiveness of the existing implementation routes.

The assets to finance the pension obligations of employees working in Germany, which are held separately in trust under a contractual trust arrangement, increased in value in the course of 2006. The total plan assets (employer's contributions plus the portions of salary converted into contributions to the Linde retirement plan) at 31 December 2006 were €305 million (2005: €267 million). Of this amount, €273 million related to the employer's contributions and €32 million to the salary converted into contributions. This included €32 million of plan assets in respect of the KION Group, €24 million relating to the employer's contributions and €8 million to the salary converted into contributions.

In the 2006 financial year, Linde AG spent a total of €75 million (2005: €47 million) on pensions and staff welfare costs prior to the adjustments for pension obligations and obligations relating to pre-retirement part-time work.

Linde Corporate Health Insurance Scheme

There has been no significant change in the number of members of Linde's corporate health insurance scheme (BKK) in the course of 2006.

At 31 December 2006, BKK covered 26,149 members (2005: 26,109) and 12,279 dependants (2005: 12,604).

As a result of cost trends in 2006, the expected increase in costs as a result of the rise in the rate of VAT due in 2007 and the anticipated extra costs as a result of the health reform, BKK Linde had to increase its contribution rate from 12.7 percent to 13.0 percent with effect from 1 January 2007. The additional 0.9 percent special contribution required by law remains unchanged.

On 1 January 2006, a change was introduced whereby all the personnel costs of the employees working for the BKK were in future to be borne by BKK alone. At the beginning of February 2007, the Management Board of the BKK made a policy decision in the course of the strategic reorganisation of the BKK to open up the BKK to other entrants. This means that in future not only Linde AG employees and their self-insured dependants, but also other people insured under statutory health schemes outside The Linde Group, will be able to apply to become members of the BKK.

The Management Board of the BKK decided to take this step to ensure that the BKK can be retained and developed as a competitive health insurance scheme in the future, despite the changes within The Linde Group.

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. The staff of Linde and BOC have made tremendous efforts to ensure that the combination of the two companies proceeded as smoothly as possible and have had great success in driving the integration process forward.

Risk report

Risk management system continually being developed

As an international technology business, The Linde Group is exposed in the course of its global operations to a great variety of risks which are inextricably linked to entrepreneurial activity. Our strategy is therefore to limit any potential risks arising from our activities at an early stage. At the same time, we are keen to exploit any available opportunities in order to continue to achieve sustainable earnings-based growth. The risk management system of The Linde Group comprises many interconnected processes, the aim of which is to identify potential risks at an early stage, to assess them using specific criteria, to evaluate the extent and characteristics of the risks and to introduce appropriate precautionary and security measures. During the year, we continued to update our risk management systems so as to increase their efficacy and transparency.

Risk management: An integral part of our business processes

Risk management in The Linde Group is decentralised and directly geared to the operating structure of the Group. The diversity of business activities in the various divisions require differentiated methods for managing risks tailored to the needs of each segment. A streamlined central risk management team defines uniform standards and ensures that similar risk management processes are employed throughout the Group. We have appointed individual risk managers in each division, whose task is to identify and quantify the risks specific to that business and to devise appropriate measures to minimise them and therefore deal with the risks locally.

Regular reporting and direct notification of significant new risks give decision-makers up-to-date information

Our risk management system is integrated with our business processes as a result of the systematic recording, control and reduction of risks, and appropriate early warning systems which protect against potential risks.

To ensure the efficient capture and quantification of risks, our risk recording system is based on uniform Group guidelines. The risks in The Linde Group are analysed using a risk catalogue specific to the Group. The individual risk categories are directly derived from the critical success factors for the implementation of the corporate strategy and its objectives.

We record and analyse risk notifications using an Internet-based system. We brief the Executive Board on the current risk situation in a quarterly risk report. In this report, the risks are quantified and categorised according to the probability of their occurrence and the potential damage they might cause. The audit committee of the Supervisory Board is also kept abreast of the risk situation at regular intervals by the Audit Committee. If there is a significant change in the risk situation, we record major specific risks via an ad-hoc reporting system.

In 2006, we established a watch-list, an additional monitoring tool in our active risk management process. Every quarter, this watch-list is presented for discussion at a meeting of the Executive Board. It identifies companies where action may need to be taken, based on various criteria, such as negative equity, significant deterioration in earnings, rising debt or a capital increase in the past twelve months. A detailed analysis of the main parameters forms the basis for an assessment of business performance over time and compared with budget. Countermeasures can then be taken if required.

Risk management: A key management tool

The risk management philosophy forms an integral part of our business processes and consists not only of making opportunities and risks as transparent as possible, but also of devising procedures to minimise, transfer and avoid risks.

The risk management department in The Linde Group works closely with the insurance department to identify risks which could be insured against and to obtain the best possible insurance cover. Generally, we take out external insurance to cover risks which are significant in terms of the potential loss that might arise, but which are unlikely to occur. We do not usually insure against minor frequently-occurring losses, which therefore have to be borne by the individual operating units. This provides the operating units with an economic incentive to invest in appropriate precautionary measures.

The risk management system is also closely linked with our financial control processes. In the course of 2006 financial year, we continued to develop our internal reporting procedures. We implemented a consistent top-down monthly reporting system, which presents the main business parameters in a clear manner and uses a traffic-light system to pinpoint major changes in individual business units. At the same time, we succeeded in significantly accelerating

our internal reporting processes, thus ensuring even more up-to-date monitoring of our business performance and of the associated risks.

At the recently-established regular business review meetings between management of the operating units and the Executive Board of the Group, the lively discussions focus on current and forecast business trends, as well as on the opportunities and risks arising in each division.

During the year, we also set up workshops in the operating units and in order to support the integration of BOC and Linde in the post-acquisition period. The aim of these workshops was to devise procedures to minimise risk and exploit opportunities.

Change in risk structure during current financial year

As a result of the restructuring of the Group portfolio, the risk structure of The Linde Group changed significantly. The acquisition of BOC has led to increased financial risk and exchange rate risk as a result of the associated outside financing. At the same time, risks have been eliminated by the sale of the KION Group, our forklift truck and warehouse equipment business, especially in the area of leases. Significant risks which might have an impact on the net assets, financial position and results of operations of the Group are set out below.

Risks arising from the absence of impetus for growth and uncertain economic trends

Cyclical trends in relevant markets may present significant risks to the performance of The Linde Group. The economic environment may have a negative impact on sales growth in the Group. In particular, individual industry sectors or major customers may be affected by a deterioration in their competitive position. Linde, despite being an industrial gases and engineering company with global operations, is highly diversified both geographically and in terms of customer segments, which helps to offset these risks. For individual investment projects, the evaluation process is based principally on specific customers and market segment risks.

Risks in politically unstable countries

The Linde Group is a global group operating in more than 70 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 man-

age 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. Thus we can ensure cross-border financing, while at the same time minimising risk. Individual capital expenditure projects are evaluated so as to identify any political risks which might be associated with them.

Impact of higher purchase prices on profitability

As far as purchases are concerned, potential risks relating to the availability, quality and cost of raw materials, energy, input materials and intermediate products might have an adverse effect on the profitability of the Group. Another potential risk could be a dependence on major suppliers. We reduce these risks in the procurement markets by sourcing materials worldwide, entering into long-term supply contracts and constantly optimising our portfolio of suppliers. We negotiate purchase contracts for raw materials which are strategically important to The Linde Group centrally. For key raw materials which have been shown in the past to have highly volatile prices, such as natural gas and energy, we have set up programmes and contract terms designed to allow us to pass on some of the risk of price fluctuations to customers.

To counter potential upward pressure on prices on the purchasing side, Linde has continued to develop its GAP (Growth and Performance) programme in the past financial year. The aim of this programme is to improve the profitability of our Gases Division through measures designed to improve efficiency and promote growth. We have therefore focused on developing a wealth of measures which will enhance our cost efficiency and open up new areas for growth. We continually track the implementation of the various measures.

Complex major plant construction projects make specific demands on risk management

In our Engineering Division, we handle major contracts which may be worth several hundred million euros 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.

Maintenance and quality assurance measures minimise the risk of stoppages in production plants

Stoppages in Linde's production plants may result from technical equipment failure or from accidents. This is especially critical in the case of on-site plants, such as air separation plants and synthesis gas plants, which supply individual customers. Long production stoppages may lead to harsh penalties, additional costs due to the need to purchase from outside suppliers and loss of custom. To minimise this risk, we place great emphasis on preventive maintenance and on continually improving our quality assurance measures. When stoppages do occur, they are investigated immediately, so that appropriate measures can be taken to reduce the number of similar cases in future.

Appropriate insurance cover minimises product liability risks and other legal risks

Linde Group companies 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 a lawsuit in Texas and international arbitration in respect of a claim by Celanese Corporation (and its subsidiaries) for business torts arising out of the development of Celanese's new acetic acid manufacturing plant in Nanjing, China. Celanese claims compensatory damages of 250 million US dollars and approximately treble punitive damages. The Company's subsidiaries are vigorously defending this claim. Based on the facts available and legal advice obtained, we believe that there are strong factual and legal defences, and that the continued defence and resolution of this case will not have a material adverse effect on the financial condition or profitability of the Group. However, the outcome of this case is uncertain and difficult to predict.

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, in whole or in part, costs and any judgements associated with these claims.

Financial risks minimised by professional management

Due to its global operations, The Linde Group is exposed to a number of financial risks. In particular, these include credit 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 the acquisition of The BOC Group plc was financed mainly by foreign currency borrowings, our interest rate risk and exchange rate risk have risen significantly during the year.

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

In the Treasury, the principle of functional separation 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 completion of a commercial transaction and its processing and verification. We use a treasury management system to implement, record and measure our transactions. The operations in the 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 under the overall control of the Chief Financial Officer, which meets at least 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, which include all the main business units in the former Linde Group.

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 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. For the first time in 2006, translation risks were also hedged as, following the acquisition of The BOC Group, the focus of our currency management shifted from currency transactions to

currency translation.

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

Interest rate risks are also centrally managed. We evaluate potential interest rate risks, ascertain the interest risk position in the major currencies and conduct sensitivity analyses. The Treasury committee then determines the range for the hedging rates and the 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 2006, around 50 percent of the Group's exposure was financed at variable rates.

Professional M&A management minimises the risks arising from the purchase and sale of companies

Following the reorganisation of its Group portfolio, The Linde Group has completed a number of major acquisitions and sales in the past financial year. These transactions give rise to corresponding risks. In certain circumstances, delays and challenges which could arise in the process of integrating companies acquired into the Group might have an adverse effect on our business performance. It is possible that additional risks for the Group might arise on the purchase of a company due to an inadequate review of business risks, or on the sale of a company as a result of representations and warranties.

To minimise these risks, we have established professional M&A processes, which will ensure careful handling of M&A projects. We can reduce the transaction and integration risks to a significant extent by bringing in external experts, performing thorough due diligence reviews and conducting contract negotiations in a professional manner.

Forward-looking IT management ensures the smooth running of business processes

In a business with global operations, it is essential that IT systems and locations are integrated both technically and in terms of organisation. As a result of the increasing complexity of electronic communications technology, The Linde Group is exposed to various risks,

ranging from the loss or theft of data, and stoppages and interruptions to the business, to systems failure.

Our IT management has developed a number of processes, guidelines and procedures to reduce these risks. These include an ongoing review of the systems architecture and regular updating of hardware and software, so that our IT systems continue to meet the changing requirements of the Group. For those IT systems which are critical to the Group, we have devised appropriate contingency plans. These are regularly tested to ensure their efficacy. Detailed back-up and recovery procedures have also been implemented. These ensure that if a critical system fails, operations can resume as quickly as possible and any adverse impact on our business processes is minimised. The databases are checked constantly by virus scanners and saved at regular intervals. The erection of firewalls and the use of data encryption technology prevent the unwelcome intrusion of outsiders into our systems. Extensive training ensures that our employees are kept abreast of the latest information and developments.

Economic success depends to a great extent on employee commitment

Key to the economic success of The Linde Group is the commitment, competence and performance of our personnel. As we wish to encourage all of these, we place great emphasis on employee training and on the personal and professional development of our staff. We offer our technical staff and senior managers in all parts of the business a wide range of qualifications and opportunities for professional development. The Linde Group offers its high-fliers, for example, modern management expertise through Linde University in collaboration with other leading higher education establishments. In growth areas such as our plant construction business in particular, the successful expansion of the Group depends on attracting sufficient numbers of qualified junior managers. We have therefore developed effective training models and recruitment procedures, which enable us to train excellent qualified employees ourselves and to recruit them from outside the Group. We also offer our employees performance-related pay and attractive social benefits. Management positions are regularly evaluated to ensure effective succession planning, and suitable candidates are identified so as to reduce any personnel risk.

A reasonable level of overall risk for the Group

Based on the risks and future prospects of the Group which have been outlined in this report, no risks have been identified in the 2006 financial year which might have a lasting or significant impact on the net assets, financial position and results of operations of The Linde Group. This assessment is based on the early warning system used by the Executive Board of Linde AG to identify risks, which is subject to regular review by our internal and external auditors as required by law.

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

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 and 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 in control, the hybrid bond issued in 2006 may be called in and repaid early.

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) 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 7 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

Macroeconomic trends

Global economy: Slight cooling off expected

The expansion in the global economy will slow down in 2007. One of the reasons for this is the weaker performance of the US economy. Against the background of a slower rise in domestic demand in the United States, expectations of corporate sales volumes and revenue have been dampened down and investment activity is expected to decline. As a result of reduced consumption, there has also been a decrease in the level of imports. Overall, there was an increase in gross domestic product in the US of 2.5 percent in real terms.

The global economic climate has been adversely affected not only by the slight tailing off of the American economy, but also by a restrictive financial policy in the eurozone, especially in Germany and Italy. The gross domestic product in the eurozone in 2007 is expected to rise by 2.3 percent in real terms.

While expansionary monetary policy is being tightened in the eurozone and in Japan (where the forecast rise in gross domestic product in 2007 is 1.6 percent), there is expected to be a relaxation of monetary policy in the US in the course of the year.

The economic research institutes are forecasting 2.4 percent growth in the global gross domestic product in real terms in 2007. At the same time, there will be an expansion in world trade of more than 7 percent. This forecast by the Association of German Economic Research Institutes in Berlin is based on the assumption that the oil price will remain virtually constant until the end of the year at a level of around 60 US dollars a barrel. The pundits are estimating an exchange rate for the euro in 2007 of 1.28 US dollars.

Germany: Temporary declaration in growth

Against the background of the global economy, German companies with their goods and services are in a favourable position to take advantage of the growth opportunities available. In Germany itself, slightly weaker economic growth is expected initially at the beginning of the year. However, this is a temporary phenomenon, which has been caused mainly by the increase in the rate of VAT. Overall, it is estimated that the gross domestic product will rise by 1.9 percent.

Exports will continue to boost the economy in Germany and the increase in capital spending will create the basis for a further economic upturn. The reasons for the growth in investment are the good market conditions which continue to prevail outside Germany, the comparatively high level of capacity utilisation and financing terms which continue to be favourable.

Outlook for Linde AG

Given these macroeconomic trends, we assume that sales and earnings in the current year in Linde AG will be higher than in 2006.

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 2006.

Plant construction

International plant construction is also continuing to show signs of growth in 2007. We expect an increase in demand in the main product areas of six to eight percent. The market for air separation plants, for example, is benefiting from new applications such as Gas-To-Liquids (GTL), as well as from the good economic situation in the traditional customer segments, such as the international steel industry. As a result of this good starting position, and the fact that the final account is due to be issued on some major projects in the 2007 financial year, we expect sales and earnings to be significantly higher than in 2006.

Dividends

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

Financial Statements

Balance sheet of Linde AG

in € million	Note	31.12.2006	31.12.2005
Assets			
Intangible assets		56	83
Tangible assets		302	360
Financial assets		18,376	6,916
Fixed assets	[1]	18,734	7,359
Inventories	[2]	1,414	1,468
Less advance payments received from customers		-1,414	-1,468
		-	-
Receivables and other assets	[3]	499	441
Securities	[4]	-	56
Cash and cash equivalents	[5]	27	341
Current assets		526	838
Prepaid expenses and deferred charges	[6]	37	50
Total assets		19,297	8,247
Equity and liabilities			
Capital subscribed		411	307
Conditionally authorised capital €104 million (2005: €114 million)			
Capital reserve		4,614	2,682
Revenue reserves		1,328	628
Unappropriated profit		737	168
Equity	[7]	7,090	3,785
Special tax-allowable reserves	[8]	14	14
Provisions for pensions and similar obligations	[9]	761	864
Other provisions		735	558
Provisions	[10]	1,496	1,422
Liabilities	[11]	10,697	3,026
Total equity and liabilities		19,297	8,247

Income statement of Linde AG

in € million	Note	2006	Adjusted 2005
Sales	[12]	2,711	3,089
Cost of sales		2,060	2,358
Gross profit on sales		651	731
Marketing and selling expenses		239	241
Research and development costs		68	81
General administration expenses		330	308
Other operating income	[13]	203	139
Other operating expenses	[14]	486	64
Investment income	[15]	1,277	156
Income from other securities and loans included in financial assets		1	-
Other interest and similar income		45	28
including €23 million (2005: €12 million) from affiliated companies			
Write-downs on financial assets and securities held as current assets		349	13
Interest and similar charges		376	107
including €221 million (2005: €79 million) to affiliated companies			
Profit on ordinary activities		329	240
Non-recurring items			
Profit on disposal of investments	[16]	1,444	413
Remeasurement of pensions	[17]		286
Taxes on income		336	81
Net income		1,437	286
Transfer to revenue reserves		700	118
Unappropriated profit		737	168

Summary of fixed asset movements in Linde AG

in € million	Acquisition/manufacturing cost					31.12.2006
	01.01.2006	Additions	Disposals	Transfers	Hiving off of Linde Material Handling	
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	126	21	9	2	-39	101
Payments on account	2	3		-2	-	3
Intangible assets	128	24	9	-	-39	104
Land, land rights and buildings, including buildings on land owned by others	512	11	5	5	-109	414
Technical equipment and machinery	714	23	40	15	-199	513
Fixtures, furniture and equipment	411	36	23	6	-126	304
Payments in advance and plants under construction	41	49		-26	-11	53
Tangible assets	1,678	119	68	-	-445	1,284
Investments in affiliated companies	6,808	14,020	769	-	-2,128	17,931
Loans to affiliated companies	-	982	696	-	-	286
Investments in related companies	105	1	90	-	-10	6
Securities held as fixed assets	233	2	-	-	-9	226
Other loans	1	-	-	-	-	1
Financial assets	7,147	15,005	1,555	-	-2,147	18,450
Fixed assets	8,953	15,148	1,632	-	-2,631	19,838

Summary of fixed asset movements in Linde AG

in € million	Amortisation and depreciation					Net book value		
	Accumulated amortisation/ depreciation at 01.01.2006	Charge for the year	Disposals	Write-ups	Hiving off of Linde Material Handling	Accumulated amortisation/ depreciation at 31.12.2006	31.12.2006	31.12.2005
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	45	23	7	-	-13	48	53	81
Payments on account	-	-	-	-	-	-	3	2
Intangible assets	45	23	7	-	-13	48	56	83
Land, land rights and buildings, including buildings on land owned by others	385	11	3	-	-88	305	109	127
Technical equipment and machinery	603	26	33	-	-163	433	80	111
Fixtures, furniture and equipment	330	35	22	-	-99	244	60	81
Payments in advance and plants under construction	-	-	-	-	-	-	53	41
Tangible assets	1,318	72	58	-	-350	982	302	360
Investments in affiliated companies	227	33	24	-	-163	73	17,858	6,581
Loans to affiliated companies	-	327	327	-	-	-	286	-
Investments in related companies	1	-	-	-	-1	-	6	104
Securities held as fixed assets	3	-	-	-	-2	1	225	230
Other loans	-	-	-	-	-	-	1	1
Financial assets	231	360	351	-	-166	74	18,376	6,916
Fixed assets	1,594	455	416	-	-529	1,104	18,734	7,359

Notes to the financial statements

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 in the Commercial Register of the Wiesbaden 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 reducing 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 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.

In 2005, Linde AG amended its method of measuring pension provisions in compliance with IAS 19. In contrast with the methods used to date, the measurement of the provision was based on an interest rate in line with the market of 4.25 percent, a trend in salaries of 2.5 percent and a trend in pensions 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	2006	2005
Raw materials and supplies	25	72
Work in progress, goods and services	1,113	1,253
Finished goods and goods purchased for resale	10	56
Payments in advance to suppliers	266	87
	1,414	1,468

[3] Receivables and other assets

in € million	2006	2005
Trade receivables	127	152
of which due in more than one year	(-)	(6)
Amounts due from affiliated companies	131	221
of which due in more than one year	-	-
of which relating to goods and services	(30)	(121)
Amounts due from related companies	5	16
of which due in more than one year	-	-
of which relating to goods and services	(1)	(12)
Other assets	236	52
of which due in more than one year	(10)	(1)
	499	441

[4] Securities

The 2005 figure comprises commercial papers.

[5] Cash and cash equivalents

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

[6] Prepaid expenses and deferred charges

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

[7] 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 €411,484,275.20 and is fully paid up. It is divided into 160,736,045 shares at a par value of €2.56 per share. The shares are bearer shares. In the course of financing the offer to the shareholders of The BOC Group plc, part of Authorised Capital I and all of Authorised Capital II were utilised in 2006:

At the Shareholders' Meeting on 8 June 2005, the Executive Board was authorised to increase subscribed capital by up to €80,000,000 until 7 June 2010 against cash contributions by issuing, on one or more occasions, new bearer shares, with the approval of the Supervisory Board (Authorised Capital I). 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 may be granted the subscription rights to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. The Executive Board can also, with the approval of the Supervisory Board, exclude subscription rights for an amount of €3,500,000 to the extent necessary to issue employee shares. In addition, the Executive Board can, with the approval by 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 Shareholders' Meeting on 8 June 2005, the Executive Board was also authorised to increase subscribed capital by up to €40,000,000 until 7 June 2010 against cash or non-cash contributions by issuing, on one or more occasions, new bearer shares, with the approval of the Supervisory Board (Authorised Capital II). If the capital increase was by way of cash contributions, the Executive Board was 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 may be granted the subscription rights to which they are entitled when they exercise their rights of conversion or option rights, or settle the conversion obligation. The Executive Board can also, with the approval of the Supervisory Board, exclude subscription rights if the capital increase is by way of non-cash contributions for the purpose of acquiring subsidiaries or investments, or forming business combinations.

As a result of the mandate it acquired for Authorised Capital I and Authorised Capital II, the Executive Board resolved on 23 June 2006, with the approval of the Supervisory Board also dated 23 June 2006, to use €54,893,465.60, part of Authorised Capital I, and €40,000,000, all of Authorised Capital II, and to increase subscribed capital by €94,893,465.60, from €306,851,957.76 to €401,745,423.36, against cash contributions by issuing 37,067,760 new bearer shares at a par value of €2.56 per share. At the same time, the Executive Board, with the approval of the Supervisory Board, within the terms of the resolutions passed at the Shareholders' Meeting on 8 June 2005, excluded the subscription rights of shareholders relative to Authorised Capital I and Authorised Capital II in respect of 2,782,176 shares, so as to grant the holders of the €550 million 2004/2009 1.25 percent convertible bonds, issued by Linde Finance B.V. and guaranteed by Linde AG ("convertible bonds"), subscription rights for new shares equivalent to those they would be due on exercising their conversion right. The new shares are entitled to dividend

as from 1 January 2006. They were transferred to the consortium banks with instructions to offer them for subscription to the shareholders of Linde AG and to the holders of the convertible bonds. The new shares were offered for subscription to the shareholders in the ratio of 7:2, at a subscription price of €49.50 per new share. For each convertible bond with a nominal amount of €100,000, 1,770.4755 subscription rights were attributed, which entitled the holder to subscribe for 550.8501 new shares at the subscription price.

The subscription rights could be exercised during the period from 27 June 2006 until 10 July 2006 inclusive. In the period from 27 June 2006 to 6 July 2006 inclusive, the subscription rights were traded in the official market, on the floor of the Frankfurt stock exchange.

The increase in share capital of €94,893,465.60 from €306,851,957.76 to €401,745,423.36 and the extinguishment of Authorised Capital II were entered in the company's Commercial Register on 5 July 2006. The registered subscribed capital of €401,745,423.36 is divided into 156,931,806 shares. Outside the Commercial Register, there was a further increase in subscribed capital at 31 December 2006 of a total of €9,738,851.84 from €401,745,423.36 to €411,484,275.20, divided into 160,736,045 shares as a result of the issue of 3,216,935 new shares as a result of the exercise of the convertible bond issued by Linde Finance B.V. in 2004 in the context of the conditionally authorised increase in share capital of up to €50,000,000 resolved for this purpose at the Shareholders' Meeting on 17 May 2000 and as a result of the issue of 587,304 new shares out of 2002 conditionally authorised capital to operate the Management Incentive Programme for executives (2002 conditionally authorised capital) in return for payment of the relevant exercise price.

The authorised capital at the balance sheet date was €25,106,534.40. After part of the authorised capital was used in the course of the increase in share capital in July 2006, an amount of €54,893,465.60, the Executive Board is also entitled according to a resolution passed at the Shareholders' Meeting on 8 June 2005 to increase subscribed capital by up to €25,106,534.40 until 7 June 2010 by issuing, on one or more occasions, new bearer shares against cash contributions, with the approval of the Supervisory Board. 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 may be granted the subscription rights to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. The Executive Board can also, with the approval of the Supervisory Board, exclude subscription rights for an amount of €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. The upper limit of 10 percent of the share capital is reduced by that proportion of the share capital attributable to own shares which were sold on the creation of Authorised Capital I while excluding the subscription rights of shareholders and by that proportion of the share capital attributable to the rights to subscribe for shares which were established in accordance with §§ 221(4) and 186(3) sentence 4 of the German Stock Corporation Law (AktG) while excluding subscription rights.

The reduction in Authorised Capital I by €54,893,465.60, from €80,000,000 to €25,106,534.40 was entered in the Commercial Register on 5 July 2006.

The conditionally authorised capital, comprising 2002 conditionally authorised capital, 2005 conditionally authorised capital and a further conditionally authorised capital, was €104,247,267.84 at the balance sheet date.

At the Shareholders' Meeting on 8 June 2005, the Executive Board was authorised, with the approval of the Supervisory Board, to issue convertible bonds and/or warrant-linked bonds in the period to 7 June 2010 to a total nominal amount of up to €1,000,000,000, with a term not exceeding ten years and with the rights of conversion or option rights in respect of up to 19,531,250 new shares in the company with a proportionate share of the capital subscribed of up to €50,000,000. To service the conversion and option rights arising from this authorisation, it was resolved at the Shareholders' Meeting to create conditionally authorised capital of up to €50,000,000 (2005 conditionally authorised capital). The issued share capital will only be increased if the holders of convertible bonds

or warrant-linked bonds issued during the period from 8 June 2005 to 7 June 2010 as a result of the authorisation given at the Shareholders' Meeting use their rights of conversion or option rights, or if the holders of such convertible bonds settle the conversion obligation.

At the Shareholders' Meeting on 17 May 2000, conditionally authorised capital of up to €50,000,000 was approved, which will only be issued if the holders of convertible bonds or warrant-linked bonds issued by 16 May 2005 use their rights of conversion or option rights, or if the holders of such convertible bonds settle 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 €550,000,000, while excluding shareholders' subscription rights. Each holder of one of the total of 5,500 convertible bonds, each with a nominal amount of €100,000 is entitled to exercise the right during the exercise period to convert the bond into 1,770.4755 shares, subject to the provisions set out in the bond terms and conditions. The convertible bonds grant, subject to adjustments to the conversion rate, conversion rights to a proportion of the shares in the subscribed capital of up to €24.93 million through the issue of up to 9,737,615 shares.

In 2006, due to the exercise of the conversion rights relating to 1,817 convertible bonds with a nominal value totalling €181,700,000, 3,216,935 new shares were issued. As a result, the conditionally authorised capital agreed at the Shareholders' Meeting on 17 May 2000 was reduced by €8,235,353.60 from €50,000,000 to €41,764,646.40. The subscribed capital increased as result in 2006. For 3,683 convertible bonds, each with a nominal amount of €100,000, each with the right to be converted into 1,770.4775 shares, the conversion right had not yet been exercised at the balance sheet date.

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 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 €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 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.

Following the exercise of options under the Management Incentive Programme for the first time in 2005, and the consequent reduction in 2002 conditionally authorised capital to €13,986,119.68, divided into 5,463,328 shares, further options were exercised in 2006: on payment of the respective exercise prices in accordance with the option terms and conditions, 587,304 shares in total were made available in 2006 out of 2002 conditionally authorised capital. As a result, the 2002 conditionally authorised capital was reduced by €1,503,498.24 from €13,986,119.68 to €12,482,621.44, divided into 4,876,024 shares. The issued share capital increased in 2006 as a result.

The Company is also authorised by a resolution passed at the Shareholders' Meeting on 4 May 2006 to acquire up to 10 percent of capital subscribed through the purchase of own shares, expiring on 31 October 2007. At this meeting, the previous authorisation which was due to expire on 30 November 2006 was revoked.

Notification of voting rights

The German Securities Trading Act (WpHG) requires investors who have exceeded the threshold percentages of voting rights in companies listed on the stock exchange to notify the company. We have been informed of the following participating interests in the company:

Commerzbank Aktiengesellschaft, Frankfurt am Main, informed us in writing on 7 February 2006 that it was correcting its notification dated 21 October 2005. On 21 October 2005, it informed us that, as the parent company of Atlas-Vermögensverwaltungs-GmbH, Louisenstrasse 63, 61348 Bad Homburg v. d. H., as a result of an intra-group

share transfer from Commerzbank Aktiengesellschaft, Kaiserstrasse 16, 60311 Frankfurt am Main, to Atlas-Vermögensverwaltungs-GmbH on 14 October 2005, the latter had exceeded the 5 percent and 10 percent thresholds and that its share of the voting rights in Linde AG amounted to 10.04 percent. According to the information available to Commerzbank at the time of writing on 7 February 2006, options under share option schemes were exercised in Linde AG, which resulted in an increase in shares outstanding. Therefore, Atlas-Vermögensverwaltungs-GmbH only exceeded the 5 percent threshold on 14 October 2005, as its share of the voting rights at that date was 9.9958 percent. The number of shares transferred to Atlas-Vermögensverwaltungs-GmbH remained the same at 11,978,440. These voting rights are attributable to Commerzbank Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. With the 0.0810 percent held by Commerzbank Aktiengesellschaft in accordance with § 21(1) WpHG, the total voting rights of Commerzbank Aktiengesellschaft in Linde AG at 14 October 2005 amounted to 10.08 percent.

Commerzbank Aktiengesellschaft, Frankfurt am Main, informed us in writing on 12 July 2006 in accordance with § 21(1) WpHG that its share of the voting rights in Linde Aktiengesellschaft, Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, had fallen below the threshold of 10 percent on 5 July 2006 and amounted to 7.70 percent. 7.63 percent of the voting rights were attributable to Commerzbank Aktiengesellschaft, Kaiserstrasse 16, 60311 Frankfurt am Main, in accordance with § 22(1), sentence 1, No. 1 WpHG. After the exercise of subscription rights relating to the increase in share capital against cash contributions, which had already been completed at the time of writing, the share of voting rights of Commerzbank Aktiengesellschaft at the date of the letter was 9.78 percent.

Allianz Aktiengesellschaft, Munich, notified us in writing on 27 June 2006 in accordance with §§ 21(1), 22(1), sentence 1, No. 1, and 24 WpHG that as a result of internal restructuring:

The share of voting rights held by AZ-LIN Vermögensverwaltungsgesellschaft GmbH & Co. KG, formerly AZ-LIN Vermögensverwaltungsgesellschaft mbH, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 10 percent threshold on 23 June 2006 and now amounts to 5.47 percent. The share of voting rights held by Allianz Versicherungs-Aktiengesellschaft, Königinstrasse 28, 80802 Munich, in Linde AG exceeded the 5 percent threshold on 26 June 2006 and is now 5.62 percent. Of these, 5.47 percent are attributable to Allianz Versicherungs-Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of voting rights held by AZL-Alico Vermögensverwaltungsgesellschaft mbH, Königinstrasse 28, 80802 Munich, in Linde AG exceeded the 5 percent threshold on 23 June 2006 and is now 5.47 percent. The share of voting rights held by Allianz Lebensversicherungs-Aktiengesellschaft, Reinsburgstrasse 19, 70178 Stuttgart, in Linde AG exceeded the 5 percent threshold on 23 June 2006 and is now 5.61 percent. Of these, 5.47 percent of the voting rights are attributable to Allianz Lebensversicherungs-Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of voting rights held by Jota-Vermögensverwaltungsgesellschaft mbH, Königinstrasse 28, 80802 Munich, in Linde AG exceeded the 5 percent threshold on 23 June 2006 and is now 5.61 percent. These voting rights are attributable to Jota-Vermögensverwaltungsgesellschaft mbH in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of voting rights held by AZ Beteiligungs-Management GmbH, Königinstrasse 28, 80802 Munich, in Linde AG exceeded the 5 percent threshold on 23 June 2006 and is now 5.47 percent. These voting rights are attributable to AZ-Beteiligungs-Management GmbH in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of voting rights held by Allianz Aktiengesellschaft, Königinstrasse 28, 80802 Munich, in Linde AG has not changed sufficiently to require notification.

Allianz Aktiengesellschaft, Munich, also informed us in writing on 17 July 2006 in accordance with § 21(1) WpHG that its share of the voting rights in Linde AG fell below the 10 percent threshold on 11 July 2006 and is now 9.10 percent. These voting rights are attributable to Allianz Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. At the same time, Allianz Aktiengesellschaft notified us in accordance with § 21(1) WpHG in conjunction with § 24 WpHG that the share of the voting rights held by Allianz Deutschland AG, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 10 percent threshold on 11 July 2006 and is 9.03 percent. These voting rights are attributable to Allianz Deutschland AG in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of the voting rights

held by AZ-LIN Vermögensverwaltungsgesellschaft mbH & Co. KG, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.39 percent. The share of the voting rights held by AZ Beteiligungs-Management GmbH, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.39 percent. These voting rights are attributable to AZ Beteiligungs-Management GmbH in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of the voting rights held by Allianz Versicherungs-Aktiengesellschaft, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.51 percent. Of these, 4.39 percent of the voting rights are attributable to Allianz Versicherungs-Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of the voting rights held by AZL-Alico Vermögensverwaltungsgesellschaft mbH, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.39 percent.

The share of the voting rights held by Allianz Lebensversicherungs-Aktiengesellschaft, Reinsburgstrasse 19, 70178 Stuttgart, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.52 percent. Of these, 4.39 percent are attributable to Allianz Lebensversicherungs-Aktiengesellschaft in accordance with § 22(1), sentence 1, No. 1 WpHG. The share of the voting rights held by Jota-Vermögensverwaltungsgesellschaft mbH, Königinstrasse 28, 80802 Munich, in Linde AG fell below the 5 percent threshold on 11 July 2006 and is now 4.52 percent. These voting rights are attributable to Jota-Vermögensverwaltungsgesellschaft mbH in accordance with § 22(1), sentence 1, No. 1 WpHG.

Deutsche Bank AG, Frankfurt am Main, informed us in writing on 1 February 2006 in accordance with § 21(1) WpHG that Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, fell below the 10 percent threshold of voting rights in Linde AG on 14 June 2005 and that now its share of voting rights was 9.99 percent, with the number of its voting rights remaining unchanged at 11,933,405. These voting rights are attributable to Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG. At the same time, Deutsche Bank AG notified us in accordance with §§ 21(1) and 24 WpHG that its subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen-Gostau, fell below the 10 percent threshold of voting rights in Linde AG on 14 June 2005 and now had a 9.99 percent share of voting rights, with the number of its voting rights remaining unchanged at 11,933,405. These voting rights are attributable to the subsidiary DB Value GmbH of Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG. Moreover, Deutsche Bank notified us in accordance with §§ 21(1) and 24 WpHG that DB Equity S.à.r.l., 6, avenue Pasteur, L-2310 Luxembourg, fell below the 10 percent threshold of voting rights in Linde AG on 14 June 2005 and now had a 9.99 percent share of voting rights, with the number of its voting rights remaining unchanged at 11,933,405. The fact that the voting rights have fallen below the 10 percent threshold is due to the issue of conditionally authorised capital in Linde AG. This was as a result of share options exercised in 2005.

Deutsche Bank AG, Frankfurt am Main, informed us in writing on 9 February 2006 of the following corrections to its notifications in accordance with §§ 21 ff. WpHG dated 3 November 2005 and 1 February 2006: Deutsche Bank AG informed us in writing on 9 February 2006 as described above in accordance with § 21(1) WpHG that Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, fell below the 10 percent threshold of voting rights in Linde AG on 14 June 2005 and that it held a 9.99 percent share of voting rights at that date. The voting rights are attributable to Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG and its holding remains unchanged at 11,933,405. At the same time, Deutsche Bank AG notified us in accordance with §§ 21(1) and 24 WpHG that its subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen-Gostau, fell below the 10 percent threshold of voting rights in Linde AG on 14 June 2005 and that it held a 9.99 percent share of voting rights at that date. The number of voting rights remains unchanged at 11,933,405. The fact that the voting rights have fallen below the 10 percent threshold is due to the partial issue of conditionally authorised capital in Linde AG. This was due to share options under the Linde Management Incentive Programme being exercised in 2005. Deutsche Bank also notified us in accordance with §§ 21(1), 22(2) and 24 WpHG that, with effect from 27 October 2005, its subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen-Gostau, no longer held voting rights in Linde AG directly but only as a result of voting rights attributed to it in accordance with § 22(1), No. 1 WpHG, with its share of the voting rights now

standing at 9.96 percent. The change in the share of voting rights held is due to the exercise of further options and the associated issue of conditionally authorised capital in Linde AG referred to above. At the same time, Deutsche Bank notified us in accordance with §§ 21(1) and 24 WpHG that DB Equity S.à.r.l., 6, avenue Pasteur, L-2310 Luxembourg, exceeded the 5 percent threshold of voting rights in Linde AG on 27 October 2005 and now has a 9.96 percent share of the voting rights.

On 6 April 2006, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, informed us in writing in accordance with §§ 21(1) and 24 WpHG that DB Equity S.à.r.l., 6, avenue Pasteur, L-2310 Luxembourg, fell below the 5 percent threshold of voting rights in Linde AG on 3 April 2006 and now holds a 0.11 percent share of the voting rights. Moreover, Deutsche Bank AG informed us in this notification in accordance with §§ 21(1) and 24 WpHG that its subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen/Gostau, fell below the 5 percent threshold of voting rights in Linde AG on 3 April 2006 and now holds a 0.11 percent share of the voting rights. These voting rights are attributable to the subsidiary DB Value GmbH of Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG. Finally, Deutsche Bank also notified us in accordance with § 21(1) WpHG that, with effect from 3 April 2006, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, now holds 9.84 percent of the voting rights in Linde AG directly as a result of an intra-group loan against securities. Also attributable to Deutsche Bank AG is a 0.11 percent share of the voting rights in Linde AG in accordance with § 22(1), sentence 1, No. 1 WpHG. The total share of voting rights held by the Deutsche Bank AG Group had not changed sufficiently to require notification.

In a further notification dated 30 May 2006, Deutsche Bank AG, Frankfurt am Main, informed us in accordance with §§ 21(1) and 24 WpHG that its second-tier subsidiary DB Equity S.à.r.l., 6, avenue Pasteur, L-2310 Luxembourg, exceeded the 5 percent threshold of voting rights in Linde AG on 24 May 2006 and now has a 9.95 percent share of the voting rights. Moreover, Deutsche Bank AG informed us in this notification in accordance with §§ 21(1) and 24 WpHG that its subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen/Gostau, exceeded the 5 percent threshold of voting rights in Linde AG on 24 May 2006 and now has a 9.95 percent share of the voting rights. These voting rights are attributable to the subsidiary DB Value GmbH of Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG. Finally, Deutsche Bank also informed us in writing on 30 May 2006 in accordance with § 21(1) WpHG that, with effect from 24 May 2006, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, as a result of the repayment of an intra-group loan against securities, no longer holds 9.84 percent of the voting rights in Linde AG directly, but has an indirect holding of 9.95 percent, due to the attribution of voting rights in accordance with § 22(1), sentence 1, No. 1 WpHG. The total share of voting rights held by the Deutsche Bank AG Group had not changed sufficiently to require notification.

Furthermore, Deutsche Bank AG, Frankfurt am Main, informed us in writing on 29 November 2006 in accordance with §§ 21(1) and 24 WpHG that, with effect from 29 August 2006 (the date of its merger with Deutsche Bank AG), its former subsidiary DB Value GmbH, Scharnhorststrasse 20, 06686 Sössen/Gostau, fell below the 5 percent threshold of voting rights in Linde AG. DB Value GmbH now holds 0 percent of the voting rights. The total share of voting rights held by the Deutsche Bank AG Group had not changed sufficiently to require notification.

Finally, Deutsche Bank AG, Frankfurt am Main, notified us in writing on 19 December 2006 in accordance with §§ 21(1) and 24 WpHG that its subsidiary DB Valoren S.à.r.l., 6, avenue Pasteur, L-2310 Luxembourg, exceeded the 5 percent threshold of voting rights in Linde AG on 14 December 2006 and now holds 7.87 percent of the voting rights. These voting rights are attributable to the subsidiary DB Valoren S.à.r.l. of Deutsche Bank AG in accordance with § 22(1), sentence 1, No. 1 WpHG. The notification threshold was exceeded here as a result of the restructuring of the Group. The voting rights held by Deutsche Bank AG and its second-tier subsidiary DB Equity S.à.r.l. had not changed sufficiently to require notification.

The Capital Group Companies, Inc., 333 South Hope Street, Los Angeles, CA-90071, USA, informed us in a notification from its legal representative on 13 July 2006 that it exceeded the 5 percent threshold of voting rights in Linde AG on 7 July 2006. Its share of the voting rights is 5.177 percent (which corresponds to 8,123,624 shares). All

these voting rights are attributable to the company in accordance with § 22(1), sentence 1, No. 6 in conjunction with § 22(1), sentence 2 and sentence 3 WpHG.

The Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA-90071, USA informed us in a notification from its legal representative on 13 July 2006 that it exceeded the 5 percent threshold of voting rights in Linde AG on 7 July 2006. Its share of the voting rights is 5.177 percent (which corresponds to 8,123,624 shares). All these voting rights are attributable to the company in accordance with § 22(1), sentence 1, No. 6 WpHG.

As evidenced by the notifications in accordance with §§ 21 ff WpHG received in the 2006 financial year and reproduced here, there were no direct or indirect holdings in the capital of Linde AG which exceeded 10 percent of the voting rights at 31 December 2006.

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.

[8] Special tax-allowable reserves

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

In 2006, the special depreciation on fixed assets permitted only under the tax rules amounted to €0.6 million (2005: €3.1 million). The impact of the special tax depreciation for 2006 and prior years on the earnings for the year of Linde AG is immaterial.

[9] Provisions for pensions and similar obligations

In the 2006 financial year, in a departure from the provisions of § 6a 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 a pension trend of 1.5 percent.

[10] Other provisions

in € million	2006	2005
Tax provisions	136	78
Sundry provisions	599	480
	735	558

Other 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.

[11] Liabilities

	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years	Total	Total
in € million	2006	2006	2006	2006	2005
Advance payments received from customers	–	652	–	652	385
Bank loans and overdrafts	1,844	–	–	1,844	–
Trade payables	120	–	–	120	135
Amounts due to affiliated companies	8,028	–	–	8,028	2,439
of which relating to goods and services	(26)	–	–	(26)	(37)
Amount due to related companies	1	–	–	1	1
of which relating to goods and services	(–)	–	–	–	–
Other liabilities	51	1	–	52	66
including taxes of	(24)	–	–	(24)	(21)
including social security of	(2)	–	–	(2)	(14)
of which secured by mortgages	–	–	–	–	(35)
Liabilities	10,044	653	–	10,697	3,026

Liabilities to affiliated companies include €7,635 million (2005: €2,081 million) which is due to Linde AG's fully-owned subsidiary Linde Finance B.V. They also include the subordinated bond for €400 million issued in 2003, the convertible bond for €550 million issued in 2004 and the subordinated bond issued in 2006 in 2 tranches of €700 million and GBP 250 million. Also disclosed here are liabilities arising from the partial financing of the BOC acquisition.

Notes to the income statement

[12] Sales

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

Analysis by business segment

in € million	2006	2005
Gases Division	929	847
Engineering Division	1,151	1,202
Linde Material Handling	653	1,062
Consolidation	-22	-22
	2,711	3,089

Analysis by geographical region

in € million	2006	2005
Germany	1,166	1,326
Other Europe	840	1,185
America	229	127
Asia	361	262
Africa	88	170
Australia	27	19
	2,711	3,089

[13] Other operating income

in € million	2006	Adjusted 2005
Profit on disposal of fixed and current assets	5	16
Exchange rate gains	2	4
Income from the release of provisions	20	18
Revenue from commercial business, rentals and leases	21	12
Charges to Group companies	69	56
Recognition and receipt of receivables written off	-	1
Write-ups of securities held as fixed assets	-	4
Profit on remeasurement of derivative financial instruments	36	8
Financial result from long-term construction contracts	21	14
Sundry income	29	6
	203	139

The profit on remeasurement of derivative financial instruments was shown in interest income in 2005.

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.

[14] Other operating expenses

in € million	2006	2005
Loss on disposals of fixed and current assets	86	-
Exchange rate losses	2	9
Charges by Group companies	41	42
Transfer to special tax-allowable reserves	-	2
Loss on remeasurement of derivative financial instruments	71	11
Costs of raising equity capital	19	-
Reorganisation costs	267	-
	486	64

The loss on remeasurement of derivative financial instruments was shown in interest charges in 2005.

The costs arising from the reorganisation of The Linde Group comprise consultancy fees relating to the purchase of The BOC Group and the sale of the KION Group. Also included under this heading are costs relating to contract risks, and closure and relocation costs in respect of the Corporate Centre.

[15] Investment income

in € million	2006	2005
Income from profit-sharing agreements	22	16
Investment income	1,255	180
of which from affiliated companies	(1,243)	(177)
Cost of losses assumed	-	40
of which from affiliated companies	-	(35)
	1,277	156

Investment income includes an advance distribution of €856 million from KION Group GmbH.

[16] Profit on disposal of investments

In the course of the strategic reorganisation of The Linde Group into the Gases and Engineering Divisions, the KION Group was sold on 28 December 2006. In the run-up to the disposal, the former Material Handling business segment was made legally independent by transferring part of the business, transferring assets and making sales. All the German and foreign investments in companies and the Linde Material Handling division, Aschaffenburg, which was not legally independent and belonged to Linde AG, were bundled into KION Group GmbH. In the course of this hiving off process, a book profit of €1.444 billion arose from the transfers or sales of various investments.

The newly-established KION Group was valued as a going concern at 30 September 2006 at €3.952 billion. This formed the basis for the contract of sale with the consortium comprising the financial investors Kohlberg Kravis Roberts & Co. (KKR) and Goldman Sachs Capital Partners. Before the legal transfer takes place, KION Group GmbH will pay out an advance distribution to Linde AG. After taking this dividend into account, and after the settlement of intercompany receivables and payables and the deduction of other liabilities, there was a net cash inflow of €2.550 billion.

The non-recurring items in 2005 included the profit on disposal of three companies in the Gases Division of €413 million.

[17] Remeasurement of pensions

In 2005, the expense arising from the remeasurement related to the adjustment required, outside ordinary business activities, as a result of applying international principles to the carrying amounts of pension obligations and obligations for pre-retirement part-time work.

Supplementary information on the Notes

[18] Contingent liabilities and Other financial commitments

Contingent liabilities

in € million	2006	2005
Bills endorsed and discounted	–	18
Guarantees	96	92
Warranties	8,134	2,600

Included in the liabilities in respect of warranties are amounts issued by Linde Finance B.V. under the Debt Issuance Programme (total volume €5 billion).

Other financial commitments

The total amount of other financial commitments at 31 December 2006 in Linde AG was €144 million (2005: €100 million). These relate to commitments arising from rental and lease agreements, orders for capital expenditure, 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 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.

[19] Auditors' fees and services

in € million	2006	2005
Audit	1	1
Other reports	1	–
Tax consultancy	–	–
Other services	1	1
	3	2

[20] Cost of materials

in € million	2006	2005
Cost of raw materials and supplies and goods purchased for resale	1,319	1,515
Cost of external services	113	164
	1,432	1,679

[21] Personnel expenses

in € million	2006	2005
Wages and salaries ¹	522	537
Social security contributions	88	92
Pension costs and personnel welfare costs	75	47
Remeasurement of pensions	-	284
	685	960

¹ In 2005, this includes €2 million adjustment for obligations relating to pre-retirement part-time work.

[22] Employees

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

	2006	2005
Production	4,874	5,802
Sales	806	907
Research and development	457	618
Administration	1,197	1,255
	7,334	8,582
Trainees	329	426
	7,663	9,008

[23] Share option scheme

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. Moreover, if Linde uses own shares, it can avoid diluting the equity of the company. The decisions 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 2005 and 2006 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.

According to IFRS 2 Share-based Payment, the total value of share options granted to management will be determined at the issue date using an option pricing model. The total value calculated of the share options at the issue date will then be allocated as a personnel expense over the period in which the company receives service in return from the employee. This period will generally be the same as the agreed qualifying period. The other side of the entry will be made directly in equity (in the capital reserve).

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

Option values

	Options originally issued		Total	Opening balance	Exercised in 2006	Expired in 2006	31.12.2006
	Executive Board	Other management					
1st tranche (2002)	240,000	760,000	1,000,000	954,600	297,550	1,000	656,050
2nd tranche (2003)	240,000	777,600	1,017,600	462,128	66,104	9,300	386,724
3rd tranche (2004)	240,000	764,500	1,004,500	991,700	223,650	4,000	764,050
4th tranche (2005)	230,000	875,700	1,105,700	1,105,700	-	6,000	1,099,700
5th tranche (2006)	250,000	1,086,500	1,336,500	1,336,500	-	3,000	1,333,500
Total	1,200,000	4,264,300	5,464,300	4,850,628	587,304	23,300	4,240,024

As a result of the exercise of 587,304 options (2005: 536,672), capital subscribed increased in 2006 by €1 million (2005: €2 million) and the capital reserve rose by €30 million (2005: €17 million).

[24] Derivative financial instruments

Linde AG is exposed to interest rate 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 €16.9 million (2005: €3.2 million). Of this amount, €12.0 million (2005: €3.1 million) related to forward exchange transactions and €4.9 million (2005: €0.1 million) to swap transactions.

Premiums for derivative financial instruments of €20.8 million (2005: €0.1 million) are recognised as assets under Other assets and premiums of €5.4 million are recognised as liabilities under Other liabilities, and written off over the life of the instrument.

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 the project business in the 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 for six months	3.85%	5.34%	5.37%	0.61%	4.20%	2.54%	4.50%
Interest for one year	4.02%	5.29%	5.53%	0.74%	4.40%	2.73%	4.40%
Interest for five years	4.06%	5.07%	5.41%	1.38%	5.00%	3.37%	4.18%
Interest for ten years	4.13%	5.16%	5.14%	1.82%	5.08%	3.70%	4.18%

The nominal amounts represent the total purchase and sale amounts of the derivatives, which are not offset. 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 one to five years		Due in more than five years		Due within one year		2006	2005
	2006	2005	2006	2005	2006	2005		
Forward exchange transactions	2	–	–	–	24	4	26	4
Foreign currency options	–	–	–	–	11	–	11	–
Swap transactions	16	5	8	1	9	–	33	6
Interest rate options	–	1	8	–	–	–	8	1
Commodities	–	–	–	–	–	–	–	–
	18	6	16	1	44	4	78	11

Fair value of derivative financial instruments – Liabilities

in € million	Non-current				Current		Total	
	Due in one to five years		Due in more than five years		Due within one year		2006	2005
	2006	2005	2006	2005	2006	2005		
Forward exchange transactions	–	11	–	–	18	22	18	33
Foreign currency options	–	–	–	–	9	–	9	–
Swap transactions	5	8	14	2	–	–	19	10
Interest rate options	–	1	–	–	–	–	–	1
Commodities	–	–	–	–	–	–	–	–
	5	20	14	2	27	22	46	44

Nominal amounts – Assets

in € million	Non-current				Current		Total	
	Due in one to five years		Due in more than five years		Due within one year		2006	2005
	2006	2005	2006	2005	2006	2005		
Forward exchange transactions	302	1	-	-	2,072	245	2,374	246
Foreign currency options	-	-	-	-	510	-	510	-
Swap transactions	259	168	598	120	168	25	1,025	313
Interest rate options	25	25	850	-	-	-	875	25
Commodities	-	-	-	-	-	-	-	-
	586	194	1,448	120	2,750	270	4,784	584

Nominal amounts – Liabilities

in € million	Non-current				Current		Total	
	Due in one to five years		Due in more than five years		Due within one year		2006	2005
	2006	2005	2006	2005	2006	2005		
Forward exchange transactions	101	329	-	-	2,286	593	2,387	922
Foreign currency options	-	-	-	-	489	-	489	-
Swap transactions	161	314	714	95	100	125	975	534
Interest rate options	25	25	-	-	-	-	25	25
Commodities	2	-	-	-	2	-	4	-
	289	668	714	95	2,877	718	3,880	1,481

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

Supervisory Board

In the 2006 financial year, the total emoluments of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, amounted to €2,289,750 (2005: €2,124,192). Of this amount, €918,964 (2005: €892,504) related to fixed emoluments and €1,307,565 (2005: €1,200,600) 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

in €	2006	2005
Fixed emoluments	4,011,749	2,655,627
Variable emoluments	7,826,005	7,030,000
Total cash emoluments	11,837,754	9,685,627

In the 2006 financial year, under the Linde Management Incentive Programme, 250,000 subscription rights (2005: 230,000) were granted to members of the Executive Board as part of their total emoluments. These had a fair value at the issue date of €11.24 (2005: €6.92) per subscription right, which gives a total of €2,810,000 (2005: €1,591,600).

In the financial year, 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 €5,380,252 (2005: €2,385,616).

A provision of €39,062,290 (2005: €34,504,903) 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 is included as part of the management report.

[26] Declaration of compliance with the Corporate Governance Code

On 9 March 2007, 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/CorporateGovernance.

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

[27] 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 9 March 2007, it proposes a resolution to the Shareholders' Meeting to be held on 5 June 2007 for the following appropriation of profits: payment of a dividend of €1.50 (2005: €1.40) per share entitled to dividend.

The amount to be distributed in respect of 160,736,045 (2005: 119,864,046) shares entitled to dividend was €241,104,067.50. The remaining amount of €495,499,928.18 (including retained earnings brought forward from the previous year of €248,689.87) will be carried forward.

Wiesbaden, 2 March 2007

Linde Aktiengesellschaft
The 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, Wiesbaden, for the year ended 31 December 2006. 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). 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, 2 March 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer

Michael Gewehr
Wirtschaftsprüfer

Further Information

Other Board memberships

(As at 31 December 2006)

Supervisory Board

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

Dr Manfred Schneider

Chairman of the Supervisory Board of Linde AG

- External offices:
 - Bayer AG (Chairman)
 - DaimlerChrysler 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 Executive Board of Allianz SE

- External offices:
 - BASF AG
 - Deutsche Lufthansa AG
- Group offices:
 - Allianz Deutschland AG (Chairman)
 - Allianz Global Investors AG (Chairman)
 - Dresdner Bank AG (Chairman)
- Group offices:
 - Assurances Générales de France
(Vice-President of the Management Board)
 - Riunione Adriatica di Sicurtà S. p. A.
(Vice-President of the Management Board)

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,
Member of the Executive Board of Landesverband
Bayern der Deutschen Schutzvereinigung
für Wertpapierbesitz e. V. (DSW)

Dr Clemens Börsig

(appointed on 30 June 2006)
Chairman of the Supervisory Board of Deutsche Bank AG

- External offices:
 - Deutsche Bank AG (Chairman)
 - Deutsche Lufthansa AG
 - Heidelberger Druckmaschinen AG
- External offices:
 - Foreign & Colonial Eurotrust plc., London
(non-executive member of the Board of Directors)

Siegried Friebe

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

Gerhard Full

Former Chairman of the Executive Board
of Linde AG

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

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

Klaus-Peter Müller

Spokesman for the Executive Board of Commerzbank AG

- External offices:
Steigenberger Hotels AG
- Group offices:
Eurohypo Aktiengesellschaft
(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)

Professor Dr Jürgen Strube

Chairman of the Supervisory Board of BASF Aktiengesellschaft

- External offices:
Allianz Deutschland AG
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.

Members of the Supervisory Board who retired in the 2006 financial year:

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

Dr Josef Ackermann

(retired on 30 June 2006)

Chairman of the Management Board and Chairman of the Group Executive Committee of Deutsche Bank AG

→ External offices:

Bayer AG

Deutsche Lufthansa AG

Siemens AG

Joachim Hartig

(retired on 28 December 2006)

Chairman of the Works Council of Works I and II of Linde Material Handling GmbH & Co.KG

Kay Pietsch

(retired on 28 December 2006)

Chairman of the Hamburg Works Council, STILL GmbH

Frank Zukauski

(retired on 28 December 2006)

Director of the Cylinder Components Centre of STILL GmbH

Members of the Supervisory Board appointed in January 2007:

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

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

→ Membership of other German supervisory boards.

Executive Board

In addition to their individual management functions within the Group and group companies, members of the Executive Board of Linde Aktiengesellschaft are members of the following German supervisory boards and comparable German and foreign boards:

Professor Dr Wolfgang Reitzle

Chief Executive Officer

→ External offices:

Allianz Lebensversicherungs-AG
Deutsche Telekom AG

→ 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
(appointed on 12 September 2006)

Georg Denoke

Member of the Executive Board
(appointed on 12 September 2006)

→ Group offices:

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

Dr Peter Diesch

Member of the Executive Board
(retired on 31 December 2006)

→ External offices:

Delton AG

Hubertus Krossa

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

→ External offices:

Bauknecht Hausgeräte GmbH
Linde Material Handling Verwaltungs-GmbH
STILL GmbH

J. Kent Masters

Member of the Executive Board
(appointed on 12 September 2006)

→ Group offices:

African Oxygen Limited, South Africa (Chairman of the Board of Directors)
The BOC Group plc, UK
(Member of the Board of Directors)

→ Membership of other German supervisory boards.

→ Membership of comparable German and foreign boards.

Financial Calendar

Financial Calendar

Press Conference on Annual Results

12 March 2007
Pinakothek der Moderne, Munich

Analysts' Conference

12 March 2007
Pinakothek der Moderne, Munich

Interim Report

January – March 2007
4 May 2007

Shareholders' Meeting 2007

5 June 2007, 10 a.m.
International Congress Center, Munich

Dividend Payment

6 June 2007

Interim Report

January – June 2007
27 July 2007

Autumn Press Conference

30 October 2007
Munich

Interim Report

January – September 2007
30 October 2007

Shareholders' Meeting 2008

3 June 2008, 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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