

Linde AG.

Financial Statements for the year ended
31 December 2008.

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Executive Board

Professor Dr Wolfgang Reitzle

Born 1949

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

Responsible for Gist and the following global and central functions: Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal, Innovation Management, Internal Audit, SHEQ (Safety, Health, Environment, Quality), Six Sigma
Member of the Executive Board since 2002

Dr Aldo Belloni

Born 1950

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

J. Kent Masters

Born 1960

BS Chemical Engineering,
MBA Finance

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

Member of the Executive Board since 2006

Georg Denoke

Born 1965

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

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

Member of the Executive Board since 2006



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

Supervisory Board

(As at 31 December 2008)

Members of the Supervisory Board

Dr Manfred Schneider

Chairman
Chairman of the Supervisory Board
of Bayer AG

Hans-Dieter Katte¹

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

Michael Diekmann

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

Dr Gerhard Beiten

Lawyer

Dr Clemens Börsig

Chairman of the Supervisory Board
of Deutsche Bank 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

Matthew F.C. Miao

(appointed on 3 June 2008)
Chairman of the MiTAC-SYNNEX Group,
Taiwan

Klaus-Peter Müller

Chairman of the Supervisory Board
of Commerzbank AG

Jens Riedel¹

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

Xaver Schmidt¹

(appointed on 8 September 2008)
Trade Union Secretary on the Executive
Board of IG Bergbau, Chemie,
Energie, Hannover

Josef Schregle¹

Manager responsible for Finance and
Financial Control, Engineering Division,
Linde AG

Supervisory Board committees Members as at 31 December 2008

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

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gernot Hahl¹

Standing Committee

Dr Manfred Schneider
(Chairman)

Hans-Dieter Katte¹
Michael Diekmann
Gernot Hahl¹
Klaus-Peter Müller

Audit Committee

Dr Clemens Börsig
(Chairman)

Gernot Hahl¹
Hans-Dieter Katte¹
Klaus-Peter Müller
Dr Manfred Schneider

Nomination Committee

Dr Manfred Schneider
(Chairman)

Michael Diekmann
Klaus-Peter Müller

¹ Employee representative.

The following members retired from the Supervisory Board in the 2008 financial year

Dr Karl-Hermann Baumann
 (retired on 3 June 2008)
 Former Chairman of the Supervisory Board of Siemens AG

Gerhard Full
 (retired on 3 June 2008)
 Former Chairman of the Executive Board of Linde AG

Professor Dr Jürgen Strube
 (retired on 3 June 2008)
 Chairman of the Supervisory Board of BASF SE

Siegried Friebe¹
 (retired on 3 June 2008)
 Chairwoman of the Works Council of Linde-KCA-Dresden GmbH

Josef Schuhbeck¹
 (retired on 3 June 2008)
 Chairman of the Schalchen Works Council, Engineering Division, Linde AG

Wilfried Woller¹
 (retired on 31 August 2008)
 Member of the Managerial Board responsible for management sector 5, IG Bergbau, Chemie, Energie²

¹ Employee representative.

² Until 31 July 2008.

Memberships of other German supervisory boards and comparable German and foreign boards are shown on pages 83 to 85.

Report of the Supervisory Board

Dear shareholders,

During the 2008 financial year, the Supervisory Board conducted detailed reviews of the company's situation, its prospects and its strategic development, as well as the future long-term positioning of The Linde Group. It also concerned itself with significant individual issues. We have performed our duties in accordance with legal provisions, company statutes and company bylaws. These duties involve advising the Executive Board on the running of the company and monitoring the activities of executive management. The Executive Board provided us with regular, comprehensive and up-to-date personal and written reports at our meetings on the state of the business and the economic situation of the company and its subsidiaries, as well as with forecasts. The Supervisory Board was involved in all the major decisions of the company. These include transactions to be carried out and measures to be taken by the Executive Board which require the approval of the Supervisory Board, in particular the annual capital expenditure programme, major acquisitions, divestments and financial measures. The Chairman of the Supervisory Board was also kept up to date on the business situation, significant transactions and decisions taken by the Executive Board, partly as a result of being provided with minutes of Executive Board meetings. The Chairmen of the Supervisory and Executive Boards shared information and ideas with one another throughout the year and held regular consultations on the Group's strategic direction, risk position and risk management. The Supervisory Board was able to satisfy itself as to the effectiveness of the risk monitoring system set up in accordance with § 91 (2) of the German Stock Corporation Law (AktG) on the basis of reports submitted by the Executive Board and a report on the risk monitoring system prepared by the auditors. At no time did the Supervisory Board raise any objections about the proper conduct or efficiency of the executive management of the Group.

Meetings of the Supervisory Board

Four ordinary meetings and one constitutive meeting of the Supervisory Board were held in the 2008 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 2008.

At our meetings, in addition to reviewing current business developments, we also dealt with the risk position of the company, compliance with legal regulations and internal guidelines and those individual transactions of fundamental importance for which the Executive Board requires our approval. After a thorough review of the documents submitted and detailed discussions about each of the proposals of the Executive Board, the Supervisory Board granted all necessary approvals.

In 2008, the advisory and monitoring activities of the Supervisory Board focused in particular on the economic situation and the prospects for the development of the Group, the individual divisions and the subsidiaries. In particular, we had in-depth discussions with the Executive Board about the following issues: the corporate and strategic targets set and the extent to which these could be achieved, their economic significance and the expected impact on the financial situation of our Group. In this context, we also discussed in detail the effects on The Linde Group of the economic downturn at home and abroad and the economic crisis arising from the financial and property crisis in the United States. Verbal reports from the Executive Board on these subjects have satisfied us that the Group's structures and processes are constantly being monitored and streamlined to improve and secure the competitiveness of all divisions in the Group in the long term. We were also informed in detail about the status of the integration of BOC, the British gases group acquired in 2006, and the cost synergies generated as a result of this acquisition, and about a major programme launched in 2008 to optimise processes and improve productivity in the long term.



At our meeting to approve the financial statements on 11 March 2008, we reviewed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2007 and agreed the proposed appropriation of earnings. At this meeting, we also approved the remuneration structure of the Executive Board. Furthermore, we approved the agenda of the Annual General Meeting, including the proposed resolutions. In connection with this, we also agreed the draft for the creation of new conditionally authorised capital for the issue of convertible bonds and/or warrant-linked bonds. On the recommendation of the nomination committee, we approved the nominations to the Annual General Meeting for the re-election by rotation of the shareholder representatives on the Supervisory Board.

Immediately before the Annual General Meeting on 3 June 2008, the Executive Board presented a report on the current situation of the Group. The meeting also served to prepare for the subsequent Annual General Meeting.

At our meeting on 23 September 2008, the Executive Board gave us a detailed report about the economic situation of The Linde Group and its divisions. We were also presented with the outlook for the whole of 2008. In addition, the meeting focused on the status of the implementation and development of the Group's strategies. Topics of discussion included issues such as the strategic positioning and orientation of the Group and its divisions in the global competitive environment. The Executive Board also provided us with further details about a draft resolution presented in advance which related to a transaction requiring the approval of the Supervisory Board. After reviewing the documents and putting questions to the Executive Board, we gave our approval for the transaction submitted by the Executive Board, the acquisition of the remaining 50 percent of the shares in an Australian liquefied propane gas company.

On 28 November 2008, the Executive Board presented us not only with a report on current business developments, but also with a preview of the 2008 financial statements, the budget for the 2009 financial year and the medium-term corporate plan, including financial, capital expenditure and personnel plans. The Executive Board supplied reasons where there were discrepancies between corporate plans or targets set and

actual performance. Against the background of the looming recession, the Executive Board also presented us with budget scenarios on which it commented in detail. We questioned the Executive Board in depth about the assumptions they had made, focusing particularly on issues relating to the opportunities and risks associated with The Linde Group and its divisions, the tendency which had been identified of greater risk potential, the available financial headroom and repayment of debt. We satisfied ourselves that the Executive Board is performing thorough reviews of any risks to the Group that might arise as a result of the difficult economic circumstances and is taking appropriate action as a result. We approved the 2009 capital expenditure programme of The Linde Group. At this meeting, the Executive Board also presented us with a comprehensive special report about one aspect of our engineering technology, air separation plants, the product area with the highest order intake in the Engineering Division in the 2008 financial year.

Corporate governance and declaration of compliance

We continually monitor the implementation of the provisions of the German Corporate Governance Code.

On 13 March 2009, the Executive Board and the Supervisory Board issued an updated declaration of compliance with § 161 of the German Stock Corporation Law (AktG) and made it available to shareholders on a permanent basis on the company's website (www.linde.com). Linde AG has complied with all the recommendations of the German Corporate Governance Code as amended on 6 June 2008. Further information about corporate governance in Linde is given in the joint report of the Executive Board and the Supervisory Board on pages 13 to 17.

Committees and committee meetings

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

The current composition of the committees is given on page 04. Information about the responsibilities of the committees is included in the corporate governance report on pages 13 to 17.

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 is responsible inter alia for employment contracts and pension and other arrangements with members of the Executive Board, and for their remuneration, and prepares the appointment and removal of members of the Executive Board on behalf of the Supervisory Board, held one meeting in 2008. Several decisions were also made in writing. The standing committee dealt mainly with matters relating to the Executive Board. In particular, in the context of the remuneration structure approved by the full Supervisory Board, it determined the amount of remuneration payable to each member of the Executive Board and those components of their remuneration based on bonuses and shares. Moreover, the standing committee decided on adjustments required to the company statutes, where these concerned only the form of words to be used.

The audit committee held five meetings in 2008. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the report on the key audit issues and the presentation by the auditors of the main results of

the audit. The audit committee also discussed the interim financial reports and quarterly financial statements prior to their publication based on reports presented by the Executive Board and the auditors. In addition, the committee prepared the proposal of the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the key audit issues and agreed the audit fees. Moreover, the committee monitored the independence, qualifications, rotation and efficiency of the auditors. The audit committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision of services not related to the audit and the auditors informed the committee at each of its meetings about the fees it had charged in relation to such services. Furthermore, it was provided with information on a regular basis about improvements in the risk management system and compliance structures, about compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The head of Internal Audit presented a report on the structure, roles and responsibilities in that department and on their audit work and the audit plan for 2008. In addition, the audit committee discussed with the Executive Board and the auditors fundamental issues regarding the preparation and audit of the 2008 Group financial statements. The committee paid particular attention here to the proper and timely implementation of a new internal financial reporting system in The Linde Group. In the course of 2008, the audit committee, together with the Executive Board and the auditors, closely followed developments in the German government's draft Law on the Modernisation of Accounting Rules (BilMoG) and advised on the preparations required in order to implement this law.

At the beginning of 2008, the nomination committee concerned itself with preparations for the re-election of shareholder representatives to the Supervisory Board at the Annual General Meeting of Linde AG on 3 June 2008.

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

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

Annual financial statements and Group financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) audited the annual financial statements of Linde AG for the year ended 31 December 2008 prepared in accordance with the principles set out in the German Commercial Code (HGB) together with the management report, as well as the consolidated financial statements of The Linde Group for the year ended 31 December 2008 prepared in accordance with IFRS including the management report applying German generally accepted standards for the audit of financial statements and in supplementary compliance with International Standards on Auditing (ISA). The auditors have confirmed that the Group financial statements and the Group management report meet the requirements set out in § 315a(1) of the German Commercial Code (HGB) and have issued unqualified opinions on both the Group financial statements and annual financial statements. KPMG performed audit reviews of the interim financial reports in the course of the 2008 financial year as instructed. At no time did these reviews give rise to any objections. KPMG also confirmed that the risk management system complies with legal requirements. No risks that might affect the viability of the company as a going concern were identified. In the 2008 financial year, the auditors focused in particular on the audit of pensions in Linde and on the recognition and measurement as well as the administration of the pension fund.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were the subject of extensive deliberations at the audit committee meeting on 3 March 2009 and the meeting of the Supervisory Board to approve the financial statements on 13 March 2009. The auditors took part in the discussions both at the audit committee meeting and at the meeting of the full Supervisory Board. The auditors presented the main results of their audit and were able to

provide supplementary information and to answer questions. The audit committee also presented the results of its review to the full Supervisory Board. We conducted our own examination of all the documents submitted and audit reports and discussed them in detail. After examining the results of the preliminary review by the audit committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and of The Linde Group for the year ended 31 December 2008 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

The term of office of all the members of the Supervisory Board ended with the conclusion of the Annual General Meeting on 3 June 2008. The far-reaching changes in the structure of The Linde Group in the 2006 financial year also involved changes for the Supervisory Board. In compliance with the company statutes and the legal regulations which apply after the 2008 Annual General Meeting, the Supervisory Board now has twelve members instead of 16. The newly elected Supervisory Board will serve for a term of five years. Those who are no longer members of the Supervisory Board are as follows: three long-standing shareholder representatives, Dr Karl-Hermann Baumann, Mr Gerhard Full and Professor Dr Jürgen Strube, and two employee representatives, Mrs Siegfried Friebel and Mr Josef Schuhbeck. Mr Matthew F.C. Miao, Taiwan, was elected to the Supervisory Board as a new shareholder representative at the Annual General Meeting. Those members of the Supervisory Board seeking re-election either as shareholder representatives or employee representatives were duly re-elected. At the constitutive meeting of the Supervisory Board following the Annual General Meeting, we elected the Chairman, Deputy Chairman and Second Deputy Chairman of the Supervisory Board and appointed the members of the committees. On 31 August 2008, Mr Wilfried Woller, an employee representative, retired from the Supervisory Board. Mr Xaver Schmidt applied for his position and was appointed a member of the Supervisory Board by the court with effect from 8 September 2008.

We thanked the retiring members for their valuable contribution to the Supervisory Board, expressing particular gratitude for the many years of service given to Linde by Mr Gerhard Full, ultimately as Chairman of the Executive Board until the end of 2002 and as a member of the Supervisory Board from May 2003.

The current composition of the Supervisory Board and of its committees and the members who retired from the Supervisory Board in the 2008 financial year are set out in the summary on pages 04 to 05.

In the 2008 financial year, there were no changes to the composition of the Executive Board or to the responsibilities of the members of the Executive Board. The duties and responsibilities of the Executive Board members are given in the summary on page 02 of this annual report.

The Supervisory Board would like to thank the Executive Board and all Linde employees for the conscientious and committed approach you have demonstrated in your work in the 2008 financial year.

Munich, 13 March 2009

For the Supervisory Board



Dr Manfred Schneider
Chairman

Corporate Governance

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

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Corporate governance report

Linde AG welcomes the German Corporate Governance Code produced by the Government Commission and last updated in June 2008.

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

Compliance with the German Corporate Governance Code

On 13 March 2009, the Executive Board and Supervisory Board made the annual declaration of compliance with § 161 of the German Stock Corporation Law (AktG). It is published on page 17 of this report and on the company's website. Linde AG has complied with all the recommendations of the German Corporate Governance Code as amended on 6 June 2008.

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

- The Code suggests that the Annual General Meeting is transmitted on the Internet. We transmit the opening remarks of the Chairman of the Supervisory Board and the speech of the Chief Executive Officer, but not the general discussion. In principle, the articles of association permit the transmission of the Annual General Meeting in full via electronic media. It is our view, however, that due to high technical costs and the potential length of the Annual General Meeting the associated costs cannot currently be justified in terms of benefit to the shareholders. Moreover, as far as the verbal contributions are concerned, we do not wish to encroach on the right to privacy of individual speakers. Nevertheless, we will continue to follow developments closely.
- In addition, there is a suggestion in the Code that variable emoluments paid to members of the Supervisory Board should also be linked to the long-term performance of the company. When revised arrangements for the remuneration of the Supervisory Board were agreed at the Annual General Meeting in June 2007, it was specifically decided not to introduce a long-term component.

Close cooperation between the Executive Board and the Supervisory Board

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

Executive Board

The Executive Board of Linde AG manages the company and conducts its business. The current four-member Executive Board reflects the global nature of The Linde Group in its international composition. The Executive Board must consider the interests of the company and seek to achieve a sustainable increase in corporate value. It decides on the strategic direction of the company, obtains the Supervisory Board's approval of this, and ensures that the overall strategy is implemented. It is also responsible for annual and multi-year corporate budgets and for the preparation of the quarterly, half-yearly, annual and Group financial statements. It also ensures that appropriate risk management and risk control systems are in place and provides regular up-to-date detailed reports to the Supervisory Board on all the strategic issues affecting the Group, medium-term corporate plans, business trends, the risk situation, risk management and the compliance of Group companies with legal regulations and Group guidelines. Actions and transactions of the Executive Board which are of fundamental importance require the approval of the Supervisory Board. These include, in particular, the annual capital expenditure programme, major acquisitions, divestments and financial measures. While in office, members of the Executive Board are bound by a detailed restraint clause. Any conflicts of interest must be disclosed immediately to the Supervisory Board, as well as to their fellow board members. The procedural rules of the Executive Board govern the work it performs, the departmental responsibilities of each member of the Executive Board, the issues which must be dealt with by the full Executive Board and the majority required for resolutions to be passed by the Executive Board.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, that number of members which is specified as the minimum number in the relevant regulations. Currently, the minimum number of Supervisory Board members specified is twelve. The appointment of the members of the Supervisory Board is also

governed by the relevant legal regulations. The current term of office of the members of the Supervisory Board ends with the completion of the Annual General Meeting in 2013. No former members of the Executive Board are currently members of the Supervisory Board.

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

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

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

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

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

Supervisory Board committees

The Supervisory Board has four committees:

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board including the main contractual elements. It makes decisions based on resolutions passed at meetings of the full Supervisory Board about employment contracts and pension and other arrangements

with members of the Executive Board. It also provides advice about long-term succession planning for the Executive Board and reviews the effectiveness of the work of the full Supervisory Board.

The Audit Committee also comprises three shareholder representatives and two employee representatives. It does the groundwork for the decisions of the Supervisory Board regarding the adoption of the annual financial statements and the approval of the Group financial statements and makes arrangements with the auditors. In addition, it deals with risk management and compliance issues. Finally, it discusses the interim reports and quarterly and half-yearly financial statements with the Executive Board prior to their publication. The Chairman of the audit committee, Dr Clemens Börsig, has expert knowledge of the application of accounting principles and internal control systems and many years of experience in the field.

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

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

Information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2008 financial year is given in the Report of the Supervisory Board on pages 06 to 11.

Annual General Meeting

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

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

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

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

Consequential loss and liability insurance

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

Directors' dealings

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

In the course of the year, members of the Executive Board informed BaFin (the German Federal Financial Supervisory Authority) about one notifiable purchase transaction and three notifiable sale transactions involving between 2,500 and 30,000 Linde shares. The sale transactions were in connection with the exercise of share options under the Linde Management Incentive Programme 2002. The price per share of the notifiable transactions was between EUR 83.00 and EUR 91.50 and the size of the individual transactions between EUR 207,500 and EUR 2,745,060. In the case of sales of shares which members of the Executive Board subscribed for by exercising share options under the Linde Management Incentive Programme, the subscription rights were included at their value on the grant date in the disclosure of the remuneration of the Executive Board in the relevant financial year. Members of the Supervisory Board did not enter into any notifiable transactions in the 2008 financial year.

Interests in share capital

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

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information about the share option schemes, is on pages 18 to 25 of this financial report and forms part of the management report.

Developing our core values and compliance

Linde has traditionally maintained a high standard of ethical principles. In 2007, the Executive Board developed a corporate philosophy entitled Linde Spirit and devised a new code of conduct known as the Code of Ethics and launched both throughout the Group. Linde Spirit describes the corporate culture which is manifested in the Linde vision and the values and principles underlying our daily actions. The Code of Ethics sets out the commitment made by all the employees of The Linde Group to comply with legal regulations and to preserve and protect the ethical and moral values of the Group. It is based on our corporate culture and is in line with our global values and basic principles. An important feature of the compliance guidelines of The Linde Group is the notification system we have installed, which is known as the Integrity Line. The Integrity Line provides both internal and external stakeholders with the opportunity to express doubts and notify any suspicious circumstances. The Executive Board has also adopted its own guideline on occupational safety, health and environmental protection and quality. Like the Code of Ethics, it applies to all the employees in The Linde Group. The updating of the Group's ethical purchasing principles will be completed in 2009.

To reinforce compliance with legal regulations as well as with rules adopted voluntarily, we have set up a global compliance organisation. A compliance office has been set up by the Executive Board in the centralised legal department. Compliance officers have been appointed in the divisions, business units and operating segments to support the Group-wide observance of the compliance programme. The global compliance manager coordinates and implements compliance measures. The Executive Board and the audit committee of the Supervisory Board are regularly informed about the current state of compliance activities within the Group.

Communications and stakeholder relations

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

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

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

Accountancy, audit and risk management

In June 2008, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft), Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the year ended 31 December 2008 and had also been appointed to conduct audit reviews of the interim financial reports for the 2008 financial year.

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

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

Declaration of compliance with the German Corporate Governance Code

On 13 March 2009, we made the following annual declaration of compliance with § 161 of the German Stock Corporation Law (AktG) and made it available on a permanent basis on the company's website at www.linde.com:

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

Linde AG has complied and will in future comply with all the recommendations of the Government Commission on the German Corporate Governance Code as amended on 6 June 2008.

Since it made its last declaration of compliance on 11 March 2008, Linde AG has complied with all the recommendations of the Code as amended on 14 June 2007.

Munich, 13 March 2009
Linde AG”

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

Munich, 13 March 2009
Linde AG

The Supervisory Board The Executive Board

Remuneration report

(Part of the Management Report)

The remuneration report sets out the structure, the basic features and the amount of the remuneration payable to members of the Executive Board and Supervisory Board. It forms part of the management report and takes account of the recommendations of the German Corporate Governance Code. The remuneration report also contains the information about the remuneration of the Executive Board which is legally required under the provisions of the German Commercial Code (HGB). This information is therefore not repeated in the Notes to the 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, including any significant contractual elements, based on the remuneration system adopted by the full Supervisory Board. The members of the standing committee are the Chairman of the Supervisory Board and his two Deputy Chairmen, as well as one shareholder representative and one employee representative from the Supervisory Board.

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

The remuneration system of the Executive Board comprises cash emoluments, share-based emoluments and pension commitments. The cash emoluments comprise a fixed element and a variable performance-related element and are based on an annual target income, around 40 percent of which on average is paid to the Board member in fixed monthly amounts if all the performance objectives are met in full, while around 60 percent is variable. The variable element comprises a dividend-related bonus and performance-related bonuses. The target income is reviewed at regular intervals, at least every three years. The last review was conducted on 1 January 2008. As a result of this review, the target income of one member of the Executive Board was adjusted. The members of the Executive Board receive no remuneration for any Group offices held.

Fixed emoluments

Each member of the Executive Board receives fixed emoluments comprising a fixed monthly salary and a fixed bonus in advance.

Around 30 percent of the dividend-related bonus is paid in advance in twelve monthly instalments at the same time as the fixed monthly salary.

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

Variable emoluments

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

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

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 and regions for which they are responsible. The annual bonus has an upper limit. The portion based on data will not exceed 200 percent of the bonus amount agreed, and that portion based on targets relating to the functions performed will not exceed 100 percent of the amount. The Chief Executive Officer has entitlements to bonus payments guaranteed by contract if he achieves certain demanding acquisition, divestment and integration targets. The amount of these bonuses is determined in each case by the standing committee. The bonuses have an upper limit.

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

Share-based emoluments

Linde Management Incentive Programme 2002

Until the 2006 financial year, members of the Executive Board received a variable component with a long-term incentive in the form of options granted every year, based on the share option scheme approved at the Annual General Meeting in May 2002. This scheme (Management Incentive Programme 2002) applied to members of the Executive Board, members of the management boards of affiliated companies and selected executives. In 2006, the last options were issued under this scheme. In total, 1.2 million subscription rights were granted to members of the

Executive Board. The options granted to the participants continue to be exercisable as long as the conditions for the exercise of the options are met. Each option confers the right to subscribe to one share in Linde AG at the exercise price. The exercise price for acquiring one new share is 120 percent of the base price. The base price is the average closing price of Linde shares in XETRA trading on the Frankfurt stock exchange over the last five trading days before the issue date of the options. The options 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.

In the 2008 financial year, the five tranches in the scheme were for the most part valuable and exercisable. The exercise prices of the five tranches vary between EUR 32.38 and EUR 81.76. The Supervisory Board determined the options to be allo-

cated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board can decide to restrict the exercise of options issued to members of the Executive Board, if there are exceptional unforeseen movements in the Linde share price. In total, members of the Executive Board held 635,000 options at the balance sheet date (2007: 710,000), which were theoretically all exercisable as the qualifying periods had expired. At 31 December 2007, 525,000 of the 710,000 options held at the year-end were exercisable. In the 2008 financial year, members of the Executive Board exercised 75,000 options (2007: 145,000).

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

Options – Linde Management Incentive Programme 2002

	At 1 January 2008		Exercised in 2008			At 31 December 2008			
	in units	Weighted average exercise price in €	in units	Weighted average exercise price in €	Weighted average share price at exercise date in €	in units	Range of exercise prices in €	Weighted average exercise price in €	Weighted average remaining life in years
Professor Dr Wolfgang Reitzle (Chairman)	520,000	56.73	60,000	32.38	91.34	460,000	32.38 – 81.76	59.91	3.1
Dr Aldo Belloni	165,000	58.22	15,000	56.90	89.28	150,000	32.38 – 81.76	58.36	3.0
Georg Denoke	25,000	75.01	–	–	–	25,000	64.88 – 81.76	75.01	4.0
Total	710,000		75,000			635,000			

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

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

Linde Performance Share Programme 2007

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

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

In the 2008 financial year, the second tranche of options was allocated. Options were granted to 871 (2007: 840) participants.

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

Options – Linde Performance Share Programme 2007

	At 1 January 2008	Granted in 2008	At 31 December 2008	
	in units	in units	in units	Weighted average remaining life in years
Professor Dr Wolfgang Reitzle (Chairman)	41,864	36,946	78,810	2.0
Dr Aldo Belloni	13,954	12,315	26,269	2.0
Georg Denoke	13,954	12,315	26,269	2.0
J. Kent Masters	13,954	12,315	26,269	2.0
Total	83,726	73,891	157,617	

All the options held were not yet exercisable at 31 December 2008. The exercise price of all the options is currently EUR 2.56 each. During the 2008 financial year, none of the options held by the Executive Board expired or were forfeited.

Further information about the value of the options, and about the structure, conditions and, in particular, performance targets of the scheme, are given in Note [21] of the Notes to the financial statements. Information about the rules which apply in the event of a change of control is given on page 45 in the management report (Disclosures in accordance with §289 (4) of the German Commercial Code).

Total cost of share-based emoluments

The total cost of share-based emoluments in 2008 was EUR 12 m (2007: EUR 13 m). During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board:

Cost of share-based payments		
in €	2008	2007
Professor Dr Wolfgang Reitzle (Chairman)	1,057,706	1,196,681
Dr Aldo Belloni	346,158	373,724
Georg Denoke	298,158	175,324
J. Kent Masters	269,358	71,724
Total	1,971,380	1,817,453

Pension commitments

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

also include benefits for any orphans or fatherless children. Each child entitled to maintenance receives 10 percent (in the case of fatherless children) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until the 18th year, although maintenance may continue to be paid until the completion of the 27th year. The maintenance payments to dependants may not exceed the full amount of the pension of the contracting party. Current pensions are adjusted annually to take account of the change in the retail price index for private households based on information provided by German Statistical Office. Once the member of the Executive Board has completed his or her 55th year and ten years of service on the Executive Board, and if the employment contract was terminated early by the Supervisory Board or the period of office was not extended for reasons beyond the control of the member of the Executive Board, he or she would immediately receive the pension earned, taking into account other income.

Emoluments of the Executive Board for 2008

The total cash remuneration of members of the Executive Board for performing their duties in Linde AG and its subsidiaries in 2008 was EUR 11,798,252 (2007: EUR 13,787,249). The total remuneration was EUR 14,798,227 (2007: EUR 16,886,785), which includes options granted to members of the Executive Board under the Performance Share Programme 2007, which have a notional value of EUR 2,999,975 (2007: EUR 3,099,536). In the 2008 financial year, a total of 73,891 options (2007: 83,726) were granted to members of the Executive Board. The value of these options when they were granted was EUR 40.60 (2007: EUR 37.02) per option.

Provided that the annual financial statements of Linde AG for the year ended 31 December 2008 are approved and that the standing committee accordingly comes to a decision on the variable remuneration of 2008, the emoluments for 2008 of the individual members of the Executive Board were as follows:

		Cash emoluments			Share options		Pensions		
		Fixed emoluments	Benefits in kind/ Other benefits	Variable emoluments	Total cash emoluments	Value on the grant date	Total emoluments	Annual amount if pension were paid on balance sheet date	Allocated to pension provision in financial year
in €									
Professor Dr Wolfgang Reitzle (Chairman)	2008	1,816,000	24,308	4,688,750	6,529,058	1,500,008	8,029,066	424,320	367,647
	2007	1,816,000	58,035	4,635,000	6,509,035	1,549,805	8,058,840	408,000	94,433
Dr Aldo Belloni	2008	588,000	31,549	1,227,075	1,846,624	499,989	2,346,613	244,800	-19,645
	2007	588,000	31,469	1,296,600	1,916,069	516,577	2,432,646	244,800	-235,604
Georg Denoke	2008	468,000	13,136	907,500	1,388,636	499,989	1,888,625	94,080	100,455
	2007	360,000	13,275	821,500	1,194,775	516,577	1,711,352	68,640	12,502
J. Kent Masters	2008	624,000	76,189	1,333,745 ¹	2,033,934	499,989	2,533,923	171,360	130,776
	2007	624,000	28,579	2,291,600 ²	2,944,179	516,577	3,460,756	167,280	185,850
Total 2008		3,496,000	145,182	8,157,070	11,798,252	2,999,975	14,798,227		579,233
(%)		24	1	55	80	20	100		
Total 2007		3,787,000	213,814	9,786,435	13,787,249	3,099,536	16,886,785		57,181
(%)		23	1	58	82	18	100		

¹ The 2008 figure includes emoluments provided by BOC companies of EUR 215,245.

² The 2007 figure includes emoluments provided by BOC companies of EUR 1,009,600.

In the case of one member of the Executive Board (J. Kent Masters), payments were made in 2008 and in 2007 via Group companies on the basis of an existing employment contract before his appointment to the Executive Board in 2006 (2008: EUR 215,245; 2007: EUR 1,009,600).

Included in the total cash remuneration for the 2007 financial year were total cash emoluments of EUR 1,223,191 relating to Mr Trevor Burt, a member of the Executive Board until 31 December 2007. The individual components of this amount were disclosed in the 2007 financial report.

The participation of the Executive Board member J. Kent Masters in the pension scheme of BOC USA was terminated on 31 December 2006. Neither the company nor the Group incurred any expenditure in the 2007 or 2008 financial years as a result of this. The endowment sum at 31 December 2006 and the addition to the endowment sum in 2006 from the date of his appointment to the Executive Board were disclosed in the 2006 financial report.

At 31 December 2008, pension provisions relating to members of the Executive Board who were active members of the pension scheme were EUR 6,927,166 (2007: EUR 6,347,933) in The Linde Group and EUR 8,469,098 (2007: EUR 7,242,798) 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 performance-related bonuses paid in the previous three years.

According to Item 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008, the suggestion relating to severance pay caps in contracts with Executive Board members has now become a recommendation. The new recommendation concerns the cap to be imposed on the severance pay of Executive Board members if their contract is terminated early. The recommendation is to be adopted when new contracts are drawn up with Executive Board members or their contracts are renewed. In 2008, Linde did not enter into any new contracts nor did it renew any contracts. It is, however, Linde's intention that it will comply with this recommendation when it enters into new contracts or renews contracts with Executive Board members.

In particular, the intention is that new or revised contracts with Executive Board members would cap severance pay at twice the annual cash emoluments, comprising fixed emoluments, the dividend-related bonus and the performance-related bonus, in the event of an early termination of employment on the Executive Board without cause. If the original remaining term of the employment contract was less than two years, the severance pay would be calculated pro rata.

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

According to Item 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008 the suggestion relating to severance caps in the event of a change of control is also now a recommendation. The new recommendation concerns the cap to be imposed on the severance pay of Executive Board members in the event of a member retiring from the Board due to a change of control. The recommendation is to be adopted when new contracts are drawn up with Executive Board members or their contracts are renewed. In 2008, Linde did not enter into any new contracts nor did it renew any contracts. It is, however, Linde's intention that it will comply with this recommendation when it enters into new contracts or renews contracts with Executive Board members.

In particular, the intention is that new or revised contracts with Executive Board members would provide, in the event of

a member retiring from the Board due to a change in control, for severance pay in the same amount as would have been paid in respect of any other early retirement from the Board. Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual emoluments. The additional compensation would not be paid if the member of the Executive Board had been a member for less than three years, or if he or she had not yet completed his or her 52nd year or had already completed his or her 63rd year when the employment contract ends.

Loans and advances

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

Total emoluments of former members of the Executive Board

Former members of the Executive Board and their dependants received total emoluments of EUR 2,604,480 in the 2008 financial year (2007: EUR 4,534,599).

A provision of EUR 33,942,066 (2007: EUR 35,088,368) has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their dependants. In the financial statements of Linde AG, a provision of EUR 37,716,446 (2007: EUR 37,648,981) was made.

2. Remuneration of the Supervisory Board

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

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

Fixed emoluments

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

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board is EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0.50 per share with full dividend entitlement distributed to the shareholders. The second part of the variable remuneration is EUR 450 for each 0.1 percent by which the return on capital employed (ROCE) of The Linde Group exceeds

the rate of 7 percent in the relevant financial year. ROCE is determined as follows, based on the information in the appropriate audited Group financial statements prepared in accordance with IFRS: earnings before taxes on income, before financial income and financial expenses and before any non-recurring items disclosed, but including the net profit from associates and joint ventures, adjusted for the amortisation of fair value adjustments identified in the course of purchase price allocations, divided by capital employed. Capital employed comprises the aggregate of equity, financial debt, liabilities from financial services and net pension obligations less cash and cash equivalents and securities and receivables from financial services, calculated based on the average of the figures at the balance sheet date for the past financial year and the year prior to that. In 2008, ROCE calculated in this way was 12.4 percent (2007: 10.3 percent).

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

Emoluments of the Chairmen, Deputy Chairmen and committee members

The Chairman of the Supervisory Board receives three times the fixed and variable emoluments, while each Deputy Chairman and each member of the standing committee receives one and a half times the amount. The Chairman of the audit committee receives an additional EUR 40,000 and every other member of the audit committee receives EUR 20,000. However, if a member of the Supervisory Board holds several offices at the same time which

pay a higher level of remuneration, he or she only receives the remuneration for the office which is the most highly paid.

Attendance fees

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

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2008

Based on a dividend of EUR 1.80 (2007: EUR 1.70) per share entitled to dividend and ROCE in The Linde Group of 12.4 percent (2007: 10.3 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,088,603 (2007: EUR 2,107,914) plus VAT of EUR 396,835 (2007: EUR 398,923). Of the total emoluments, EUR 932,527 (2007: EUR 1,059,689) related to fixed emoluments and EUR 1,119,076 (2007: EUR 1,008,225) to variable emoluments. The total expenditure on attendance fees was EUR 37,000 (2007: EUR 40,000).

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

		Fixed emoluments	Variable emoluments	Emoluments for sitting on audit committee	Attendance fees	Total emoluments ¹
in €						
Dr Manfred Schneider (Chairman)	2008	150,000	189,900		3,500	343,400
	2007	150,000	152,550		4,000	306,550
Hans-Dieter Katte (Deputy Chairman)	2008	75,000	94,950		3,500	173,450
	2007	75,000	76,275		4,000	155,275
Michael Diekmann (Second Deputy Chairman)	2008	75,000	94,950		2,000	171,950
	2007	75,000	76,275		1,000	152,275
Dr Karl-Hermann Baumann (until 03.06.2008)	2008	21,175	26,807	16,940	2,000	66,922
	2007	50,000	50,850	40,000	4,000	144,850
Dr Gerhard Beiten	2008	50,000	63,300		2,000	115,300
	2007	50,000	50,850		2,000	102,850
Dr Clemens Börsig	2008	50,000	63,300	23,169 ²	3,000	139,469
	2007	50,000	50,850		2,000	102,850
Gerhard Full (until 03.06.2008)	2008	31,762	40,211		2,000	73,973
	2007	83,320 ³	76,275		4,000	163,595
Siegfried Friebe (until 03.06.2008)	2008	21,175	26,807		1,000	48,982
	2007	50,000	50,850		2,000	102,850
Gernot Hahl	2008	75,000	94,950		3,000	172,950
	2007	75,000	76,275		2,000	153,275
Thilo Kämmerer	2008	50,000	63,300		2,000	115,300
	2007	50,000	50,850		2,000	102,850
Matthew Miao (from 03.06.2008)	2008	28,962	36,665		1,000	66,627
	2007	-	-		-	-
Klaus-Peter Müller	2008	64,481 ⁴	81,633		3,000	149,114
	2007	50,000	50,850		1,500	102,350
Jens Riedel (from 22.01.2007)	2008	50,000	63,300		2,000	115,300
	2007	47,123	47,925		2,000	97,048
Xaver Schmidt (from 08.09.2008)	2008	15,710	19,889		1,000	36,599
	2007	-	-		-	-
Josef Schregle (from 22.01.2007)	2008	50,000	63,300		2,000	115,300
	2007	47,123	47,925		2,000	97,048
Josef Schuhbeck (until 03.06.2008)	2008	21,175	26,807		1,000	48,982
	2007	47,123	47,925		2,000	97,048
Professor Dr Jürgen Strube (until 03.06.2008)	2008	21,175	26,807		1,000	48,982
	2007	50,000	50,850		1,500	102,350
Wilfried Woller (until 31.08.2008)	2008	33,333	42,200	8,470 ⁵	2,000	86,003
	2007	50,000	50,850	20,000	4,000	124,850
Total 2008		883,948	1,119,076	48,579	37,000	2,088,603
(%)		42	54	2	2	100
Total 2007		999,689	1,008,225	60,000	40,000	2,107,914
(%)		47	48	3	2	100

¹ Amounts excluding VAT.

² Audit committee (chairman) from 3 June 2008.

³ Includes EUR 8,320 for membership of the management board of a foreign subsidiary.

⁴ Standing committee from 3 June 2008.

⁵ Audit committee until 3 June 2008.

Loans and advances

In the 2008 financial year, no loans or advances were made to members of the Supervisory Board.

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Corporate organisation

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

Sales and order intake

In the 2008 financial year, Linde AG achieved sales of EUR 2.681 bn, 42 percent above the prior year figure of EUR 1.885 bn. In the Linde Engineering division, sales rose 64 percent to EUR 1.502 bn (2007: EUR 915 m). This was due mainly to the completion of several major contracts, especially in Belgium, Germany and South Africa. Furthermore, sales in the Linde Gas division increased by 23 percent to EUR 1.232 bn (2007: EUR 1.004 bn).

48 percent of sales were to customers in Germany. Exports accounted for 52 percent of sales, with 35 percent (2007: 58 percent) relating to Europe, 53 percent (2007: 37 percent) relating to the Asia/Pacific region, 7 percent (2007: 5 percent) to the Americas and 5 percent (2007: 0 percent) to Africa.

Most of the export business relates to Linde Engineering. The fluctuations in the regional figures are the result of the project business in this division.

Order intake in the Engineering division was EUR 1.653 bn, 15.0 percent below the prior year figure of EUR 1.946 bn. It should be noted that the engineering business became even more international during the financial year, with a large number of contracts accepted and handled by our subsidiaries. The order backlog reached a new record high at EUR 5.323 bn (2007: EUR 5.140 bn). The average duration of a contract is around three years.

Results of operations

Earnings before taxes on income rose from a net loss of EUR 117 m in 2007 to a net profit of EUR 215 m in 2008.

Non-recurring items fell during the reporting period from EUR 433 m to EUR 107 m. In the course of 2008, further progress was made on the post-acquisition group restructuring begun in 2007, which had a significant impact on the results of operations of Linde AG. During the restructuring which took place in 2008, more of the liabilities incurred on the acquisition of BOC were allocated within The Linde Group. During the financial year, the investments in Linde Gas Italia S.r.l., Milan, Italy, and Linde Sogás LDA, Lisbon, Portugal, were sold to Group companies. In addition, the investments in Linde Gas S.A., Lyons, France, Linde Finance B.V., Schiedam, Netherlands, and Linde Gas Benelux B.V., Rotterdam, Netherlands, were transferred into a newly-formed holding company.

On 7 May 2008, Linde AG also sold its valve production facility, MAPAG Valves GmbH, at an enterprise value of EUR 36 m to the international technology group Metso in Finland.

Profits of EUR 107 m arose from these transactions.

Operating profit in 2008 was EUR 94 m compared with EUR 104 m in 2007. This decrease is mainly due to the decrease in gross margin from 32.9 percent to 26.3 percent. The main reason for this is that the Engineering Division, which has lower gross margins than the Gases Division, constituted a higher proportion of sales in 2008 than in 2007. Furthermore, gross margin decreased primarily as a result of the recognition of major projects in the Linde Engineering Division at the lower of cost or market.

The increase in functional costs is mainly due to changes in the way in which costs are recharged within the Group. From 2008, research and development costs in particular have been borne by Linde AG. At the same time, Linde AG entered into license agreements with its subsidiaries. The licence income is included in sales. The significant rise in other operating income and in other operating expenses is almost solely due to exchange gains and losses.

These have arisen principally because Linde AG assumes the financing function for the whole Linde Group and therefore has substantial financial liabilities in foreign currencies.

The other financial result was a loss of EUR 165 m (2007: loss of EUR 432 m). The improvement was mainly due to lower net debt throughout the year. Investment income increased from EUR 211 m in 2007 to EUR 286 m in 2008 as a result of increased income from dividends and profit-sharing agreements.

The net income for the 2008 financial year of EUR 304 m was 18 percent below the prior year figure of EUR 369 m.

Results of operations (summary)

in € million	2008	2007 ¹
Sales	2,681	1,885
Cost of sales	1,978	1,265
Gross profit on sales	703	620
Functional costs	821	657
Other income	788	390
Other expenses	576	249
Operating profit	94	104
Investment income	286	211
Other financial result	-165	-432
Profit before taxes on income	215	-117
Taxes on income	18	-53
Non-recurring items		
Profit on disposal of investments	107	433
Net income	304	369
Retained profit brought forward	582	495
Unappropriated profit	886	864

¹ Adjusted.

Net assets and financial position

The post-acquisition restructuring within The Linde Group had a particularly significant impact on the net assets and financial position of Linde AG in the 2008 financial year.

Total assets rose by EUR 627 m to EUR 14.448 bn.

Fixed assets increased by EUR 61 m to EUR 13.232 bn. The percentage of total assets comprised by fixed assets was 92 percent (2007: 96 percent). The main component of fixed assets is financial assets, due to the function of Linde AG as the holding company of The Linde Group. Total equity (before the appropriation of profit) increased by EUR 140 m to EUR 7.661 bn as a result of net income, the complete conversion of the convertible bond issued in 2004 and the exercise of share options. The equity ratio, based on total assets, fell from 54 percent to 53 percent. Total provisions amounted to EUR 1.643 bn, EUR 60 m higher than in the prior year.

Liabilities increased by EUR 443 m to EUR 5.144 bn. One of the main reasons for this increase was that Linde Finance B.V. raised EUR 600 m on the capital market, which was then transferred to

Linde AG as a loan. The repayment of another loan to a subsidiary in Japan, on the other hand, had the effect of reducing liabilities.

Liquid assets increased by EUR 450 m to EUR 497 m, mainly as a result of the inclusion in the figure of the transferred bond and the concentration of Linde Group liquid funds in Linde AG.

Net financial debt (financial liabilities less financial receivables less liquid assets) was reduced from EUR 3,246 m to EUR 2,977 m, mainly as a result of ongoing post-acquisition restructuring. This restructuring is intended to ensure that Linde AG will be able to continue to pay out dividends in the long term and will be able to avoid significant tax disadvantages in Germany in respect of our original financing structure for the acquisition of The BOC Group plc (due to the introduction of an interest deduction ceiling under German tax reforms).

Balance sheet structure as a percentage of total assets

	2008		2007	
	in € million	in percent	in € million	in percent
Assets				
Financial assets	12,804	89	12,807	93
Other fixed assets	428	3	364	3
Receivables and other assets	714	5	596	4
Liquid assets	497	3	47	-
Other assets	5	-	7	-
Equity and liabilities				
Equity	7,661	53	7,521	54
Special tax-allowable reserves	-	-	16	-
Provisions for pensions	792	5	771	6
Other provisions	851	6	812	6
Liabilities	5,144	36	4,701	34

Research and development

In the 2008 financial year, we invested a total of EUR 143 m (2007: EUR 44 m) in research and development. This increase is mainly due to changes in the way costs are recharged within the Group. As a result of these changes, Linde Group subsidiaries now have contractual research and development agreements with Linde AG and recharge research and development costs incurred locally to Linde AG.

In the Gases Division, we spent EUR 120 m (2007: EUR 22 m). The focus here was on the development of new gases applications.

In the Engineering Division, we spent EUR 23 m in 2008, compared with EUR 22 m in 2007, 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 2008, 172 employees were working in research and development (2007: 177). Of these, 96 employees were in the Gases Division and 76 in the Engineering Division.

Financing and measures to safeguard liquidity

Financing principles and objectives

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

Our external financial headroom is maintained primarily by a major international banking group and the capital markets. Within the Group, the principle of internal financing applies, i.e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans. In accordance with this governing principle, the subsidiaries were again financed in 2008 mainly by our Dutch finance company, Linde Finance B.V. and Linde AG. Centralised financing makes it possible for Group companies to act as a single customer on the capital markets and strengthens our negotiating position with the banks and other market participants.

The Group companies are financed either by the cash surpluses of other business units in cash pools (in Germany, the UK, France, Italy, Switzerland, Scandinavia and the Baltic states, the United States, the Benelux countries, China and Australia), or by Group loans from Linde Finance B.V. or Linde AG. Occasionally, Group Treasury also negotiates credit facilities with local banks, to take account of particular legal, fiscal or other circumstances. Local financing occurs mainly for small amounts and specific projects.

Syndicated credit

In the course of refinancing the BOC acquisition, we reduced the original syndicated credit facilities of GBP 8.9bn (term loan) to around EUR 0.9bn in the Group. The amount was drawn upon the syndicated loan commitment through Linde Finance B.V. and at 31 December 2008 amounted to around EUR 0.9bn in Linde AG. These funds were transferred by Linde Finance B.V. to Linde AG as an intra-Group loan.

The EUR 2bn revolver facility also serves as a back-up for our EUR 1bn Commercial Paper Programme. At 31 December 2008, around EUR 400m of the commercial papers issued by Linde Finance B.V. were outstanding. Both facilities are available until 2011.

Capital market activities

In 2008, despite the difficult environment in the financial markets, we have continued to use the capital markets to ensure the long-term financing of our Group. Following the issue of a five-year EUR 300m fixed-rate bond in September, Linde Finance B.V. placed a seven-year EUR 600m benchmark bond at the year-end. Over the course of the year, three private placements of bonds were made totalling EUR 184m and JPY 6bn.

Under the EUR 10bn Debt Issuance Programme, issues amounting to around EUR 3.5bn in various currencies were outstanding at the year-end.

The unconverted amount (EUR 101m) of the EUR 550m convertible bond issued in 2004 was converted in the first four months of the year into 1,853,668 Linde shares. This means that the bond has now been fully converted.

Rating

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies Moody's and Standard & Poor's. The rating is an essential requirement for a successful and sustainable presence in the capital market. Even after the BOC acquisition, our stated objective is an "investment grade" rating. Only six months after the BOC acquisition, in spring 2007, the rating agencies both increased Linde's rating by one notch to BBB and Baa1 respectively. In April 2008, Standard & Poor's increased its rating still further to BBB+. At the same time, the rating of the subordinated bonds was raised to BBB-/Baa3, which is an investment grade rating.

Rating 2008

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

Corporate responsibility (CR)

Sustainability is part of Linde's tradition and is expressly enshrined in the principles of the company. In the dialogue with our stakeholders – our customers, suppliers, shareholders and employees – we assume our corporate responsibility. One of our principal aims in this area is not only to evaluate the profitability of our diverse production processes and products, but also to ascertain precisely their ecological and social impact and to manage it.

To stimulate discussions throughout society, our most recent Corporate Responsibility Report, published in November 2008, focused particularly on the issues of environmental and climate protection, as well as that of securing energy supplies. In this report, we describe in detail gases applications and technologies which, for example, make renewable energies economically viable, reduce the use of resources or contribute towards reducing waste and emissions.

During the financial year, we met the targets we had set ourselves for our CR activities to the greatest possible extent.

Corporate responsibility management

To implement CR with its related programmes and measures as efficiently as possible in the Group, we have identified clearly-defined areas of activity: employees, SHEQ¹, corporate citizenship, ethics & compliance and capital markets. In the latter case, we are referring to the dialogue in which we are engaging with ethical investors (Socially Responsible Investments).

The task of the corporate responsibility department is to work together with the operating departments to set targets in the respective areas of activity and to achieve those targets.

Corporate responsibility at Linde is managed by a high-level committee, the CR Council. The members of the Council are Professor Dr Wolfgang Reitzle, the Chief Executive Officer of Linde AG, and Dr Aldo Belloni, a member of the Executive Board, together with the managers with overall Group responsibility for Corporate Communications & Investor Relations, Human Resources, Internal Audit, Legal and SHEQ.

CR road-map 2008/09

In the 2008 financial year, we were able to reach some important milestones in the focused development of our CR activities (CR road-map). These include:

- inclusion for the first time of independent third parties in the verification of related CR key figures,

- the development of a Key Performance Indicator for environmental innovations in the Engineering Division,
- the introduction of a web-based tool to collect Group-wide environmental data,
- new joint initiatives with universities to encourage the latest generation of engineers.

In 2009, the current financial year, we intend to focus more particularly on consultations with our customers about environmental and climate protection. Other important objectives for us are to improve the quality of our recording processes and to consolidate our non-financial key data.

Employees

The Human Resources (HR) department is responsible at Group level as a Global Support Function for offering advice and support to all our business units on personnel issues.

In addition to revamping its own organisational structure and increasing the involvement of all HR managers worldwide in the HR strategy, the HR department focused in the 2008 financial year on preparing for the launch of a standardised global personnel management system. The requirements for reporting in accordance with internationally recognised standards have been incorporated into the new data recording system. The measures we have taken will form the basis for efficient top-quality human resources management throughout the world, which will support the achievement of our economic goals in every respect.

People Excellence

To improve our competitiveness still further, even in a difficult environment, we launched right at the beginning of 2008 an entire concept for sustainable process optimisation and increased productivity: HPO (High Performance Organisation). This programme, which will enable Linde to develop gradually into a high performance organisation, demands a huge amount from each of our 52,000 or so employees worldwide. People Excellence refers to an important element of the HPO philosophy which relates to HR. Our objective, therefore, is to ensure that we provide continuing professional development which is tailored to the needs of the individual, so that employees on all levels of the corporate ladder can achieve the best possible results in their work.

Our management development and talent management (i.e. management succession) schemes come under the umbrella of Linde University. Linde University has formed a new collaborative partnership with the University of Oxford. In December 2008, we

¹ Safety, Health, Environment, Quality.

ran part of the programme for 45 managers in our Global Leadership Development Circle (GLDC) at this traditional English university. The title of the course was “Entrepreneurial and Strategic Vision”. The GLDC is a key element of our management development programme.

The up-and-coming generation: New university initiatives

In 2008, our Engineering Division entered into a cooperation agreement via its subsidiary Selas-Linde with the Fachhochschule Deggendorf in Germany, a higher education college specialising in practical courses such as technology. The collaboration will involve Linde supporting a process engineering laboratory at the college and working together on research topics which have a close connection with our business. One example of this is the conversion of organic waste material into bio-gas. We will supervise term papers and dissertations and offer students at the college the opportunity of a term’s work experience in our Group.

In addition, our subsidiary Linde-KCA Dresden Partner is offering a sandwich course for assembly engineers at Dresden International University (DIU). Here, the students are prepared for future work in the course of their education by means of company working practices on the one hand and sound scientific knowledge on the other. After three and a half years of education, the students have two qualifications: industrial mechanic and Bachelor of Engineering assembly engineer (B. Eng.).

Recognition for HR management at Linde Gas Germany

The HR department for the German organisation in our Gases Division responsible for regional employee development developed a Continuing Qualification Process for its 2,500 employees. Starting with a comprehensive demand analysis in the various areas of the business, our HR experts defined subtly differentiated job profiles, which build on each other. KQP allows each employee, whether he or she is an assembly fitter or an engineer, to be provided with a clear plan for progression and therefore the opportunity to qualify for a new and challenging role in our Group. We have developed the appropriate training modules to make this possible, and the employees are awarded certificates on completion of the modules. The aim of this integrated concept is to improve continually the knowledge, ability and resolve of our employees – and to increase the productivity of the whole company as a result. In September 2008, Linde was awarded the 16th German Human Resources Management Prize for this concept, which was presented at the “Zukunft Personal” HRM expo and convention in Cologne.

Corporate culture

Since the acquisition of our British competitor BOC Group in September 2006, we have regularly measured the success of the various measures we have taken to promote the integration of BOC into Linde. Following two previous surveys, we conducted a third and final employee survey in October 2008. More than 2,000 employees worldwide at all levels in the Group answered 40 questions about the factors which we consider to be significant in terms of our corporate culture, issues such as efficiency, motivation, opportunities for personal development and customer focus. The results show overall that, from the point of view of its employees, The Linde Group is on the right path. In comparison with the surveys conducted in 2006 and 2007, our employees now identify more keenly with the vision, strategy, management and objectives of the reorganised Group.

Combining work and family life

Since 2005, Linde has introduced a number of measures to ensure that our employees are able to maintain a better balance between work and family life. We have therefore been working for two years together with a care agency which can also provide advice and a number of services related to family issues. All Linde employees in Germany are free to use the services of this agency. The agency’s costs are assumed by Linde.

In the 2008 financial year, we also set up the “Family Life and Professional Life” working party. In this working party, representatives from the HR department and from the Works Council provide guidance about additional measures to be implemented in future.

Employee representation

We strive to achieve constructive cooperation with employees, employee representatives and trade unions and a fair balance between the economic interests of the Group and the interests of our workforce throughout the world. The Linde Group recognises the right of its employees to join trade unions. In 2008, 80.2 percent of Linde AG employees were employed under collective agreements (2007: 82.7 percent). In Germany, the Works Constitution Act (BetrVG) governs cooperation between company management and employee representatives. Employee representation in The Linde Group is two-tiered, comprising decentralised works councils in the individual units and a central works council for the Group as a whole. In addition to this two-tiered co-determination system, Linde has also had a European works council for a number of years. This provides the opportunity for employee representatives to share information across national boundaries.

Company pension schemes in Germany

The Linde occupational pension scheme in Germany has two main components. The first component of the pension provision for employees comprises employer-financed defined benefit plans which are based on a “building-block” system. The key features of these pension building blocks are optimal risk control and cost transparency, especially given the fact that life expectancy is increasing.

The employer-funded pension is supplemented by the second component, the Linde Pension Plan, which allows our employees to make their own provision for retirement by converting portions of their salary into pension contributions with guaranteed rates of interest. Linde encourages employees to invest in this type of scheme by making a matching contribution. In addition, salary conversion schemes are a tax-effective way of providing for a pension, as no tax is due until the pension is paid out.

The Linde Pension Plan and some of the employer-financed plans are externally funded via a contractual trust arrangement (CTA). This means that, in addition to the statutory insolvency insurance which applies to pension commitments, company pensions have additional legal protection from Pensions-Sicherungsverein AG (PSVaG).

Linde provides employer-financed contributions for 6,560 employees in Germany, while 1,413 former employees have acquired a non-forfeitable entitlement to a company pension (deferred members) and 9,137 pensioners are drawing a company pension from Linde. Around 2,700 employees are currently participating in the Linde Pension Plan.

Thank you to our employees

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

Safety, Health, Environment, Quality (SHEQ)

The SHEQ policy of The Linde Group is the guiding principle for all employees and management executives. Based on this code, we are constantly seeking to improve environmental protection and safety, as well as the quality of our products. The SHEQ management system, which we have introduced worldwide, defines global standards for occupational safety and product safety, as well as for occupational health and environmental protection.

Product stewardship

When we purchase raw materials and supplies, we ensure that we act responsibly towards human beings and the environment. We only choose suppliers who attach as much importance as

we do to occupational safety, health and environmental protection, and quality, and who can demonstrate that this is the case: for example, by having quality management procedures documented in writing.

In the Gases Division, we also conduct customer screenings to reduce the risks arising from handling gases to a minimum. This concept of total product responsibility is called product stewardship.

The New Product Introduction (NPI) process sets out the steps which must be taken when a new product is launched onto the market. In the course of our gases production, we ensure that natural resources are protected and that we can guarantee the safety of our production processes throughout the world.

If gases are not produced on site for the customer, but need to be transported by truck, we ensure that the products which reach the customer are not only of the best possible quality and arrive at the agreed time, but are also transported safely and in an environmentally friendly manner. Even after delivery, we take responsibility for the quality of our gases and for their proper and safe handling.

Safety and environmental protection in plant construction

For our Engineering Division, health, safety and the environment have always been important factors which affect our success, our ability to compete and our sustainability. The management of our Engineering Division has agreed certain HSE essentials, which continued to be implemented in the 2008 financial year.

A more detailed explanation of this concept can be found in our 2008 Corporate Responsibility Report.

Innovations in sustainability

The capacity to innovate has characterised our corporate history right from the very beginning. Many of the new technologies we are continually developing are aimed at the promising environmental and energy market.

An example of this in the Engineering Division is that our processes enable plants to be operated in a particularly energy-efficient way while at the same time conserving resources. In future, we will also be able to make the innovative drive of our Engineering Division measurable from an ecological perspective. During the financial year, we developed Innovation Performance Indicators for this purpose in a scientific dissertation. These indicators will make it possible to quantify and evaluate a significant part of Linde’s environmental performance in a way that is easy to understand.

Social commitment worldwide

Our social commitment or corporate citizenship involves a close relationship with our core operations. This applies particularly to our activities in education and training, science and research. Our corporate citizenship schemes include collaborations, affiliations and support for selected projects and social initiatives of our employees. An example of this is disaster relief following the earthquake in the Chinese province of Sichuan. On behalf of all the sites in the RBU Greater China, the Linde head office in Shanghai donated around EUR 180,000 to the Red Cross in China. In addition, the RBU organised an employee campaign, the proceeds of which were also donated for disaster relief.

Ethics and compliance

In the 2008 financial year, in the field of ethics and compliance, we drove forward the incorporation into company life of the rules of conduct set out in the code of ethics. The compliance team, which is part of the centralised legal department, was strengthened by adding new staff members. We also determined the responsibilities at a regional level.

The code of ethics is now available in almost twenty languages to all employees as well as to third parties (www.linde.com/compliance).

The handling of all cases reported via the integrity line, Linde AG's advice system, is coordinated by the integrity line facilitator in accordance with data protection regulations. The integrity committee, which adopts strictly confidential procedures when it decides how each individual case should be handled, is made up of one representative from each of the following departments: the centralised Legal and Human Resources department, Internal Audit and Corporate Communications.

Socially Responsible Investments (SRI)

Both the rating agency oekom research and the banking firm Sarasin & Cie classified Linde AG in 2008 as a sustainable company, thereby recommending the company as a potential investment to investors who attach importance to ecological and social criteria. oekom research awarded Linde prime investment status. Based on the criteria of the rating agency, Linde is now one of the chemical companies which operates in a particularly sustainable manner.

Our rating by the Swiss company Sustainable Asset Management (SAM), one of the leading asset managers for sustainable investments, improved slightly in 2008 compared to 2007. SAM rates Linde overall as above average in the area of corporate responsibility.

Key data

Recording and measuring non-financial data is a means of recognising the ecological and social impact of our entrepreneurial activity. Our objective is to make continual improvements in sustainability on this basis. Using these figures, we plan and manage our CR measures in a systematic manner while at the same time ensuring that we provide targeted and precise information to our stakeholders.

Here in the Linde AG management report, we publish key personnel data relating to Linde AG. The Linde Group Management Report 2008 gives an overview of personnel and HSE (Health, Safety, Environment) data collected worldwide. We select the data we publish based on international recommendations, such as the guidelines set out by the Global Reporting Initiative (GRI), the World Business Council for Sustainable Development (WBCSD) and the Responsible Care (RC) Initiative.

We are constantly working on systematising our data recording and enhancing the quality of our key data. In 2008, significant progress was made by improving the definitions for the personnel data collected.

In 2009, we will continue to adapt and improve our data recording.

More detailed information about our employees, environmental protection, safety and corporate citizenship can be found in our 2008 Corporate Responsibility Report (see www.linde.com/cr).

Employees in Linde AG

	2008	2007
Employees by division (at the balance sheet date)		
Linde Gas division	2,745	2,689
Linde Engineering division	2,817	2,618
Corporate Centre	247	227
Linde AG	5,809	5,534
Structure of the workforce		
Proportion of part-time employees in %	4.0	4.1
Proportion of fixed-term employees in %	7.8	6.3
Proportion of staff covered by collective wage agreements in %	80.2	82.7
Proportion of apprentices and trainees in total workforce in %	3.9	4.0
Number of apprentices and trainees	225	222
Employee retention		
Staff turnover rate in %	1.3	1.5
Diversity		
Proportion of women in %	21.6	21.5
Age structure of employees in %		
Staff under 30 years old	15.4	12.1
Staff between 31 and 50 years old	57.7	59.6
Staff over 50 years old	26.9	28.3
Employee training		
Average number of training days per employee	2.8	1.9
Average expenditure on training programmes per employee in €	470	314

Risk report

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

Risk management

Risk policy

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

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

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

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

Organisation, responsibilities and risk management tools

The ERM system comprises a number of inter-related risk management and control systems.

We distinguish between risks which relate to the entire Group (Group risks) and risks arising from the activities of the operating business units (business risks). Group risks are identified and managed by members of the Executive Board and the heads of the Group's centralised functions (Global Support Functions), whereas business risks are managed by the operational executives in the divisions.

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

The heads of the Global Support Functions are responsible for establishing processes and control systems in their own areas to ensure compliance with legal requirements and best practice. The Global Support Functions regularly conduct risk reviews to harmonise their risk management activities and adapt them to any changes in the risk situation. In this context, the key controls are recorded and documented centrally.

The central risk management department ensures that the risk management standards are implemented consistently and that the risk management tools and methods are updated. It is responsible for Group-wide communication with the central functions and with the operating units within the regions, Global Business Units and Business Areas. It coordinates the Group-wide recording of all significant risks for The Linde Group and the systematic evaluation of those risks based on uniform guidelines.

A review of the internal control system is performed at regular intervals by local units based on self-assessment. The self-assessment involves companies documenting, for example, whether the processes in the individual functional areas accord with the rules and comply with safety requirements, or whether key controls have been implemented. Internal Audit is responsible for the coordination and evaluation of this process.

Risk recognition, evaluation and management

Risk management comprises both risks relating to the entire Linde Group and risks specific to the divisions, Regional Business Units and Global Business Units, and to the Business Areas and Global Support Functions. The management team of each unit within the Group analyses the main risks affecting their unit. Each risk identified is categorised and evaluated in terms of its loss potential and the expected probability of its occurrence. We use the same assessment criteria throughout the Group. When evaluating the loss potential, we consider not only the impact on earnings, but also the impact on non-monetary aspects such as security, service, reputation and strategy. For each risk, we plan measures that can be taken to manage the risk, so that the risk may be reduced to an acceptable level. The management of the risk comprises a selection or combination of measures to avoid risk, to transfer risk, to reduce risk and to control risk.

For each risk, one person takes responsibility for monitoring the risk and managing the handling of the risk.

Risk workshops involving the management teams of the operating units are our key tool when identifying and evaluating risks and determining the measures to be taken to reduce those risks. All the risks identified are recorded in risk registers which are updated quarterly. In the risk registers, for each risk, we document the measures taken to reduce the risk and make an assessment of the probability of occurrence of the risk and its loss potential in a clear, summarised form, so that the decision-makers are given an overview of the risk position in their unit. We also have a simulation model which enables us to demonstrate the effects of various factors on business performance in the course of our planning. Changes in influencing factors identified by our risk management process are incorporated into the model and allow us to demonstrate the effect of the risks on business performance. We employ statistical mathematical methods to determine the trends.

Reporting

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

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

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

Internal control

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

Continual updating

Our risk management system is continually being updated. In the fourth quarter of 2008, we started to introduce risk management software. This will enable us to increase yet again the efficiency and effectiveness of our forward-looking risk management system.

Risk areas

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

Risks arising from the economic environment

As a company with global operations, we are dependent on cyclical trends in the world economy. In comparison with the assessment made in the 2007 annual report, the global economic situation has taken a significant turn for the worse. The current decline in demand being seen across the world as a result of the crisis in the financial markets represents a risk for us. We may be faced with lost sales, a potential lack of new business and an increase in the risk of bad debts in our operating business due to the increasing inability of our customers to make payments (counterparty risk). The high level of volatility in the financial markets has made it more difficult to make an accurate assessment of the future net assets, financial position and results of operations of The Linde Group.

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

Our focus on gases and plant construction, sectors which sometimes benefit in terms of sales and earnings when there is a deterioration in certain economic conditions, is also a contributory factor in lessening the impact of economic cycles on our Group.

Moreover, during the financial year, we had already launched a number of cost-reduction and efficiency-improvement schemes, the full impact of which will be seen over the next few years.

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

Risks in politically unstable countries

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

External risks

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

Strategy risk

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

In 2008, there were no changes in the growth strategy or in locational decisions which would have given rise to a change in the strategy risk.

Financial risks

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

Due to its global operations, The Linde Group is exposed to a number of financial risks. In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates and exchange rates. The management of counterparty risk is based on the credit ratings of the counterparties. We limit the extent and duration of any financial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading entity to ensure compliance with all the limits set. In the 2008 financial year, as a result of the financial market crisis, these limits were lowered for a great number of the counterparties, and amounts were switched between borrowers, in order to reduce the risk of loss which might occur if a counterparty were to default.

Even before the onset of the crisis in the financial markets, the management of liquidity risk was one of the Treasury department's most important tasks. For years, Linde has pursued a provident and conservative policy of safeguarding liquidity and we have continued to have access to the capital markets in the 2008 financial year. We also have the security of the backing of a major international banking group which provides us with financing commitments, many of which are still unutilised.

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. Based on the operational business model and using sensitivity and scenario analyses, Group Treasury has determined ranges for the fixed-floating rate of the financial liabilities in the main currencies: EUR, GBP, USD and AUD. Group Treasury manages the rates within the agreed ranges and provides regular reports to the Treasury committee about the measures implemented.

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

Within Treasury, the principle of segregation of duties between the front, middle and back offices must be observed and monitored throughout the risk management process. This means that there is a strict personal and organisational separation between the dealing and the processing and verification of a financial transaction. We use a treasury management system to implement, record and evaluate our transactions. The operations within Treasury are subject to regular internal and external reviews, generally once a year. In 2008, a review was performed by our external auditors in addition to that by our internal audit department.

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

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

Hedging decisions are made according to the risk strategies of the Treasury committee. Forward exchange deals, currency swaps, simple currency options and foreign currency loans are all used here. The main currencies are the US dollar (USD), the British pound (GBP), the Australian dollar (AUD) and some Eastern European, South American and Asian currencies. Translation risks are hedged in USD, GBP and AUD within authorised ranges. In our Gases Division, we also use financial instruments, especially to hedge against exposure to electricity price changes. 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 exposure in the major currencies and conduct sensitivity analyses. Based on the range for hedging rates determined by the Treasury committee, Group Treasury concludes the transactions with the banks. Interest rate risks are hedged using long-term fixed-interest bonds, loans and interest rate derivatives. At 31 Decem-

ber 2008, around XX percent of the exposure of the Group was financed at variable rates.

Risks arising from acquisitions and investments

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

Right at the beginning of each project, we use internal and external experts to assess the risks associated with that project. Acquisitions, investments and divestments are also regularly discussed by our investment committee or at meetings of the Executive Board. Assumptions about the project, the feasibility of the project and specific business risks are subjected to detailed review at these meetings.

In the course of the past financial year, Linde AG has completed a variety of acquisitions and sales. The acquisitions made are the result of deliberate measures taken by the company to strengthen our core business. The investments focused on areas offering opportunities for above-average growth and for sustainable increases in the earning power and competitiveness of the Group.

Risks associated with innovation

The capacity to innovate is key to the success of a technology group such as Linde. Our research and development activities focus not only on improvements in existing customer processes, but also on completely new technologies and gases applications which may form the basis for future business success. We are concentrating in particular on the following growth areas: energy and the environment, metallurgy, pharmaceuticals, food and health. In the energy sector, for example, the spotlight of our research and development activities is on hydrogen technology, a field with a high level of innovation. In the case of steel production and metal recycling, where reducing emissions of carbon dioxide and nitrogen oxides is a key issue, our development work often takes place on-site at customers' plants and we intervene directly in the production process. In the food sector and in the pharmaceutical industry, our innovative solutions must meet stringent hygiene requirements and comply with the guidelines set out in the pharmacopoeia.

Innovative projects differ from normal capital expenditure projects because of their novelty and as a result of the additional risks associated with them. The more innovative the project, the greater the uncertainty attached to it. Despite the great opportunities for growth which may be presented by the activities of Linde's research departments, there is a risk that, due to the high level of complexity and the rate of growth of the tech-

nologies and the markets, projects may not be able to proceed for technological, economic, legal or safety reasons.

We address this risk in a number of different ways. Innovation Management, the Group-wide Global Support Function, keeps an eye on the markets, checking constantly to see whether the projects within The Linde Group match our overall strategy and have the potential to generate future profits.

Another approach is the bundling together of our various development activities. In our Healthcare Global Business Unit, for instance, we have brought together Linde's expertise in medical gases in one strong innovation development unit.

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

Our participation in the work of standard-setting bodies and associations, such as those concerned with hydrogen technology, makes a further contribution in this field. We are actively involved in the development of future standards, as the marketing of our innovations may depend on compliance with those standards.

Purchasing risks

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

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

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

Product risks

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

We also involve our customers in our product stewardship. In the Gases Division, we conduct customer screenings for critical products. These investigations aim to minimise the risks which might arise from improper handling of our gases or chemicals. We only supply these products to our customers if they can demonstrate beforehand that they are able to guarantee proper use of the gases and that they are able to meet all the necessary safety standards.

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

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

Production risks

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

Therefore, Linde places a high priority on measures which will prevent business interruptions. These include, in particular, the monitoring and maintenance of plants so that such incidents

may be avoided, and the provision of replacement parts which are of strategic importance.

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

Environmental and safety risks

The manufacturing of our products and the construction of our plants may give rise to risks associated with the production, filling, storage and transport of raw materials, goods or waste. These risks might lead to personal injury, damage to property or environmental damage, which in turn might result in business interruptions, monetary penalties, compensation payments or environmental clean-up costs. The reputation of The Linde Group could also suffer if such an event were to occur.

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

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

Pollution can occur in many guises and can damage the environment in a number of different ways. Where we understand and know about the impact of our processes and activities on the environment, we are able to develop and implement plans to reduce and control such effects. We focus here in particular on reducing emissions and on making continual improvements to our operations to ensure the efficient use of resources, materials and energy. We are currently involved, for instance, in improving the energy efficiency of our production plants and in increasing the efficiency of our transport fleet. Our impact on the environment is disclosed in key figures published every year in our Corporate Responsibility Report.

Project risks

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 euro and may extend over a number of years.

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

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

Personnel risks

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

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

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

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

Legal risks

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

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

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

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

Certain subsidiaries of the Company are parties to lawsuits in the United States for alleged injuries resulting from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process. In these cases, the Company’s subsidiaries are typically one of several or many other defendants. The subsidiaries of the Company named in these cases believe that they have strong defences to the claims asserted in the various cases and intend to defend vigorously such claims. Based on the litigation experience to date, together with current assessments of the merits of the claims being asserted and applicable insurance, we believe that the continued defence and resolution of the weld-

ing fumes litigation will not have a material adverse effect on the financial condition or profitability of the Group. Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict. The Company’s subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims.

IT risks

The business processes (production, administration, sales and distribution etc.) of The Linde Group are supported by a variety of information services and systems. To ensure that operations are not interrupted or disrupted, we devote a great deal of attention to the availability of IT resources and the adequacy of data protection. For us, data security is a vital and integral part of our Group-wide IT strategy. IT security is considered here in its widest sense. We devise and implement procedures to protect data, applications, systems, internal local area networks and wide area networks, and Internet gateways, as well as to protect physical resources. These procedures may be preventive or may be designed in reaction to particular circumstances.

To ensure the effective implementation of the security system, we rigorously apply organisational, technical and personal procedures. Particular attention is paid to access protection (authentication, authorisation, the filtering of data traffic through routers and firewalls, and the identification of potential attacks by means of intrusion detection and prevention systems). All IT server systems (e-mail, the Web, application servers, databases) and terminals (workstations, desktops, notebooks) are provided with reliable protection from possible threats in the form of anti-virus software which is constantly updated. In addition, we regularly perform an automatic update of the operating system platform and of the critical business applications.

There is a formal IT security process, which is defined by a number of policies, standards and recommendations. These are based on internationally recognised security standards such as ISO 27001 and ISO 27002. Regional or industry-specific standards such as Euro-SOX, HIPAA, SAS70 and DSS PCI are also used to enhance IT security.

The measures we take to create a secure and effective IT environment always take account of the need for hardware and software systems and data processing to comply with legal requirements, with a particular focus on relevant national laws and industry-specific standards.

To ensure that security measures are implemented efficiently, we conduct analyses of weaknesses, risks and threats. The relevance and current state of the security measures which have been adopted are assessed by our IT internal audit department and by external IT experts. This ongoing process ensures that

amendments and improvements are constantly being made to the systems.

Risk transfer

The Linde Group has taken out appropriate insurance for potential losses and liability risks to ensure that the potential financial consequences of any risks which have arisen are eliminated or limited. The Group constantly ensures that its insurance is at the optimum level, based on the specific requirements of the divisions. Group insurance contracts are managed by our central service-provider, *Commercium Versicherungsvermittlungs GmbH*, subject to the approval of the Linde AG Executive Board.

Evaluation of the overall risk situation of Linde AG

Based on the risks and future prospects which have been outlined in this report, no risks have been identified in the 2008 financial year which might have a lasting or significant negative impact on the net assets, financial position and results of operations of Linde AG.

However, the global economic environment has worsened considerably since the assessment we made in the 2007 annual report. The extreme volatility of the financial markets increases the difficulty of making a precise assessment of the future net assets, financial position and results of operations of The Linde Group. If the global economic crisis lasts for a long time or becomes more severe, not only may some potential new business dry up, but the financial risks for The Linde Group will also increase, especially the risk of counterparty default.

Nevertheless, the total amount which relates to individual risks within the risk fields will not adversely affect the viability of Linde AG as a going concern. If there is a change in external circumstances, risks which are currently unknown or deemed to be immaterial might have a negative impact on our business operations. We have made all the necessary organisational arrangements to ensure that we become aware at an early stage of any apparent changes in risk situations.

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

Capital subscribed

The company has capital subscribed at the balance sheet date of EUR 431,340,789.76 which is fully paid up. This is divided into 168,492,496 shares at a par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend.

Restrictions affecting voting rights or the transfer of shares

In the 2007 financial year, it was resolved at the Annual General Meeting to introduce a share option scheme (Linde Performance Share Programme 2007) for management boards and lower-ranking executives under which up to 3.5 million subscription rights can be issued. If members of the management board or certain lower-ranking executives subscribe for or acquire shares as a result of exercising options, 25 percent of those shares or, under certain conditions, shares equivalent to 25 percent of the total number of options exercised, are subject to a two-year lock-up period. Under this share option scheme, options have been issued in 2007 and 2008.

Shareholdings exceeding 10 percent of the voting rights

Pursuant to the German Securities Trading Law (WpHG), any investor whose shareholding reaches, exceeds or falls below a given percentage of the voting rights, as a result of purchase or sale or in any other manner, must notify the company and BaFin (the German Financial Supervisory Authority) of this fact. The lowest threshold at which such notification is required is 3 percent. We are not aware of any direct or indirect shareholdings which constitute 10 percent or more of the voting rights.

Shares with special rights

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

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

Employees who hold shares in Linde AG exercise their control rights directly like other shareholders in accordance with the legal regulations in the company statutes.

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

§§ 84 and 85 of the German Stock Corporation Law (AktG) and § 31 of the German Codetermination Law 1976 (MitbestG) apply in respect of the appointment and removal of members of the Executive Board. Members of the Executive Board are appointed for a maximum term of office of five years.

Pursuant to § 31 of the German Codetermination Law 1976 (MitbestG), the appointment of a member of the Executive Board requires at least a two-thirds majority of the members of the Supervisory Board. According to Article 5.1 of the 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. The Supervisory Board may revoke the appointment of a member of the Executive Board or the nomination of one of the members of the Executive Board as Chairman of the Executive Board if there is good cause to do so pursuant to § 84 (3) AktG.

When changes are made to the company statutes, §§ 179, 133 of the German Stock Corporation Law (AktG) and Article 13.2 of the company statutes apply. Resolutions at the Annual General Meeting require 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 require a different majority. According to Article 9.5 of the company statutes, the Supervisory Board is authorised to make amendments to the company statutes which relate to the form of the words.

Powers of the Executive Board to issue and repurchase shares

The Executive Board was authorised, with the approval of the Supervisory Board, to increase subscribed capital by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing, on one or more occasions, new bearer shares, at a par value of EUR 2.56 (Authorised Capital I).

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

The issued share capital can be increased by up to EUR 25,071,910.40 if certain conditions are met. At the Annual General Meeting on 17 May 2000, conditionally authorised capital of up to EUR 50,000,000 was approved, which will only be issued if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005 settle the conversion obligation.

The issued share capital can be increased by up to EUR 50,000,000 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56. The increase in share capital will only take place if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 7 June 2010, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries settle the conversion obligation by 7 June 2010 as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005.

The issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares with a par value of EUR 2.56 subject to certain conditions. The increase in share capital will only take place if (i) the holders of the convertible bonds and warrant-linked bonds, to which were added convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion or option rights or (ii) the holders or debtors of convertible bonds to be issued by the company or by Group companies controlled by the company by 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are not used for this purpose.

The Executive Board is authorised until 2 December 2009 by a resolution passed at the Annual General Meeting on 3 June 2008 to acquire treasury shares of up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised. These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers. The treasury shares acquired under this authorisation can be sold via the stock exchange or by an offer to all shareholders. They can, subject to the approval of the Supervisory Board, also be sold otherwise, and may, subject to the approval of the Supervisory Board, be offered and transferred in the context of

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

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

The convertible bond issued in 2004 included rules on the adjustment to the conversion rate in the event of a change of control. The convertible bond was fully converted in the 2008 financial year.

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

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

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

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

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

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

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

Events after the balance sheet date

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

Outlook

Macroeconomic trends

Global economy: Slowdown expected

Most economists and business cycle analysts are expecting 2009 to usher in the most significant downturn in the global economy since the Second World War. After many years of growth, global gross domestic product (GDP) will shrink in the current year by 1.4 percent, predicts the forecasting company Global Insight.

In the United States, where the effects of the crisis first became apparent, real GDP is expected to fall by 2.7 percent. The US government's economic programmes will at best cushion the impact of the recession. Economists anticipate that the earliest date at which we will see the return of positive growth figures is 2010.

Prospects in the eurozone are similarly gloomy. Global Insight forecasts that economic output will fall by 2.4 percent and that there may be a slight recovery by 2010 at the earliest. Experts are particularly pessimistic about economic prospects in the UK, because a substantial part of its output in the past few years has been derived from the financial market in London, which is no longer driving economic growth. Germany is believed to be better prepared for the crisis than other countries in the eurozone, due to the structural reforms of the past few years. Certainly, export nation Germany is more dependent than other countries on expanding world trade. Global Insight therefore expects real GDP in Germany to shrink by 3.0 percent in the current year, and not to grow again until 2010 at the earliest, when it will rise slightly, if at all.

The global economic crisis is also having an impact on the newly industrialised countries, although most of these regions are still expected to see a rise in GDP in 2009. The economy in China is forecast to grow in 2009 by 5.9 percent, that in India by 4.3 percent. Over the whole Asia/Pacific region, Global Insight is predicting a 0.4 percent increase in GDP. In Latin America (excluding Mexico), it is anticipated that growth in the current year will fall sharply and will reach only 0.3 percent. In Russia, on the other hand, business cycle analysts are expecting GDP to be 1.2 percent lower than in 2008.

The economic programmes which have been launched in most of the industrialised countries and in some of the emerging nations will at least help to cushion the impact of the economic crisis. When and to what extent these measures will have an effect is however uncertain. Meanwhile, the fall in the price of raw materials and energy should have a positive impact, because it will make it possible for many companies to manufacture their products more cheaply and will also boost private consumption.

Outlook for Linde AG

Even our Group is feeling the effects of the global economic crisis. The economy and exchange rate fluctuations are both beyond our control. However, we are doing everything in our power to increase productivity and to make further improvements to our processes. We have renewed our efforts, and launched a new programme, HPO, at the beginning of 2008 which is designed to achieve sustainable improvements in efficiency. We intend to apply this integrated concept to transform Linde AG into a high performance organisation.

Given this economic background, we currently expect to achieve around the same level of sales as in 2008 or a slightly lower figure. As far as net income is concerned, our target is to achieve the same figure as in the 2008 financial year.

Gases industry

Even the German market for industrial gases will not remain unaffected by the global recession. We therefore expect that the Linde Gases Division will not be able to achieve the same level of sales as in 2008.

Engineering

The order backlog of the Linde Engineering Division remains very high. Against this background, and given that some major projects will be invoiced in 2009, we expect to achieve around the same level of sales in this division in the current financial year as in 2008.

In the four main operating areas (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants), we are well-placed globally and we will be able to derive sustained benefit from the long-term growth drivers energy and the environment.

Capital expenditure

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

Dividends

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

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Balance sheet of Linde AG

Balance sheet of Linde AG – Assets

in € million	Note	31.12.2008	31.12.2007
Intangible assets		51	49
Tangible assets		377	315
Financial assets		12,804	12,807
Non-current assets	[1]	13,232	13,171
Inventories	[2]	2,183	2,152
Less advance payments received from customers		-2,183	-2,152
		-	-
Receivables and other assets	[3]	714	596
Cash and cash equivalents	[4]	497	47
Current assets		1,211	643
Prepaid expenses and deferred charges	[5]	5	7
Total assets		14,448	13,821

Balance sheet of Linde AG – Equity and liabilities

in € million	Note	31.12.2008	31.12.2007
Capital subscribed		431	426
Conditionally authorised capital of € 178 m (2007: € 99 m)			
Capital reserve		5,016	4,903
Revenue reserves		1,328	1,328
Unappropriated profit		886	864
Equity	[6]	7,661	7,521
Special tax-allowable reserves	[7]	-	16
Provisions for pensions and similar obligations	[8]	792	771
Other provisions	[9]	851	812
Provisions		1,643	1,583
Liabilities	[10]	5,144	4,701
Total equity and liabilities		14,448	13,821

Income statement of Linde AG

in € million	Anhang	2008	2007 ¹
Sales	[11]	2,681	1,885
Cost of sales		1,978	1,265
Gross profit on sales		703	620
Marketing and selling expenses		292	299
Research and development costs		143	44
General administration expenses		386	314
Other operating income	[12]	788	390
Other operating expenses	[13]	576	249
Investment income	[14]	286	211
Other interest and similar income		124	134
of which from affiliated companies € 77 m (2007: € 23 m)			
Amortisation of financial assets and securities held as current assets		1	1
Interest and similar charges		288	565
of which from affiliated companies € 198 m (2007: € 221 m)			
Profit on ordinary activities		215	-117
Non-recurring items			
Profit on disposal of investments	[15]	107	433
Taxes on income		18	-53
Net income		304	369
Transfer to revenue reserves		-	-
Profit brought forward from prior periods		582	495
Unappropriated profit		886	864

¹ Adjusted. See General Information section of the Notes.

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Summary of fixed asset movements in Linde AG

in € million	Acquisition/manufacturing cost				31.12.2008
	01.01.2008	Additions	Disposals	Transfers	
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	102	12	9	8	113
Payments on account	8	14	-	-8	14
Intangible assets	110	26	9	-	127
Land, land rights and buildings, including buildings on land owned by others	407	55	16	19	465
Technical equipment and machinery	540	42	133	34	483
Fixtures, furniture and equipment	282	44	21	35	340
Payments in advance and plants under construction	89	39	-	-88	40
Tangible assets	1,318	180	170	-	1,328
Investments in affiliated companies	12,347	547	564	-	12,330
Loans to affiliated companies	270	-	5	-	265
Investments in related companies	12	-	-	-	12
Securities held as fixed assets	233	30	21	-	242
Other loans	1	-	-	-	1
Financial assets	12,863	577	590	-	12,850
Fixed assets	14,291	783	769	-	14,305

Summary of fixed asset movements in Linde AG

	Amortisation and depreciation				Net book value	
	Accumulated amortisation/depreciation at 01.01.2008	Charge for the year	Disposals	Accumulated amortisation/depreciation at 31.12.2008	31.12.2008	31.12.2007
in € million						
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	61	18	3	76	37	41
Payments on account	-	-	-	-	14	8
Intangible assets	61	18	3	76	51	49
Land, land rights and buildings, including buildings on land owned by others	305	29	14	320	145	102
Technical equipment and machinery	463	24	110	377	106	77
Fixtures, furniture and equipment	235	39	20	254	86	47
Payments in advance and plants under construction	-	-	-	-	40	89
Tangible assets	1,003	92	144	951	377	315
Investments in affiliated companies	55	1	11	45	12,285	12,292
Loans to affiliated companies	-	-	-	-	265	270
Investments in related companies	-	-	-	-	12	12
Securities held as fixed assets	1	-	-	1	241	232
Other loans	-	-	-	-	1	1
Financial assets	56	1	11	46	12,804	12,807
Fixed assets	1,120	111	158	1,073	13,232	13,171

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General information

The financial statements of Linde AG have been prepared 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 prior year figures for cost of sales and marketing and selling expenses have been adjusted. Marketing and selling expenses for the 2007 financial year increased by EUR 126m as a result, while cost of sales decreased by the same amount. The complete list of shareholdings is filed in the electronic version of the German Federal Gazette (Bundesanzeiger) in the commercial register of the Munich Local Court.

Accounting policies

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

Tangible assets are reported at acquisition or manufacturing cost less 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 six to fifteen years, and fixtures, furniture and equipment four to ten years.

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

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

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

Inventories are stated at the lower of average acquisition or manufacturing cost and market value. Manufacturing cost includes both direct costs and indirect material and production costs. Appropriate allowances are made for inventory risks arising from the length of the storage period and any reductions in usability.

Receivables are reported at face value. Non-interest-bearing and low-interest receivables are stated at the lower of present value and the value permitted for tax purposes. 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. When measuring receivables and other assets, allowances are made for identifiable risks.

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

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

Other provisions are measured so as to take account of identifiable risks and obligations of uncertain timing or amount.

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 Custodian e.V./Vorsorge Aktiv Fonds e.V. These securities held as fixed assets suffered a loss in value at the balance sheet date of EUR 3 m which was only temporary and therefore the securities were not written down to their market value. Due to the current volatility in the market environment as a result of the financial market crisis, we assume that this loss in value was merely temporary.

In the reporting period, an impairment loss of EUR 1 m (2007: EUR 1 m) was recognised in respect of investments in affiliated companies.

Land, land rights and buildings of EUR 41 m (EUR: 41 m) were pledged as security.

[2] Inventories

in € million	31.12.2008	31.12.2007
Raw materials, consumables and supplies	30	27
Work in progress	1,835	1,871
Finished goods and merchandise	17	13
Prepayments	301	241
	2,183	2,152

[3] Receivables and other assets

in € million	31.12.2008	31.12.2007
Trade receivables	187	127
of which due in more than 1 year	20	32
Amounts due from affiliated companies	428	382
of which due in more than 1 year	-	-
of which relating to goods and services	175	47
Amounts due from related companies	2	2
of which due in more than 1 year	-	-
of which relating to goods and services	2	2
Other assets	97	85
of which due in more than 1 year	-	-
	714	596

Included in Receivables and other assets are financial receivables of EUR 210 m (2007: EUR 256 m).

[4] Cash and cash equivalents

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

[5] Prepaid expenses and deferred charges

Prepaid expenses and deferred charges comprise mainly discounts on financial debt with affiliated companies issued in the course of post-acquisition restructuring in The Linde Group.

[6] Equity

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 431,340,789.76 and is fully paid up. It is divided into 168,492,496 shares at a par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend. The entitlement to dividend can be excluded either by law (e.g. in the case of own shares) or by a provision of the Articles, or by a resolution at the Annual General Meeting (e.g. in respect of the commencement of the dividend entitlement of new shares in the year of issue if the shares are issued prior to the Annual General Meeting).

In the 2008 financial year, 1,853,668 new shares were issued arising from the exercise of the convertible bond issued by Linde Finance B.V. in 2004 as a result of the increase in conditionally authorised capital approved at the Annual General Meeting for this purpose held on 17 May 2000. The increase in share capital in this case was EUR 4,745,390.08. As a result of the issue of 291,400 new shares out of 2002 conditionally authorised capital to service the Management Incentive Programme for executives, share capital increased by a further EUR 745,984. Overall, share capital in the 2008 financial year increased from EUR 425,849,415.68 by a total of EUR 5,491,374.08 to EUR 431,340,789.76, divided into 168,492,496 shares.

	Financial year 2008	Financial year 2007
Number of shares at 1 Jan.	166,347,428	160,736,045
Exercise of convertible bond	1,853,668	4,666,932
Exercise of share option programme (MIP 2002)	291,400	944,451
Number of shares at 31 Dec.	168,492,496	166,347,428

Authorised capital

At 31 December 2008, the authorised capital comprised the following:

Authorised Capital I:

The Executive Board was authorised, with the approval of the Supervisory Board, to increase subscribed capital by up to EUR 25,106,534.40 until 7 June 2010 against cash contributions by issuing, on one or more occasions, new bearer shares, at a par value of EUR 2.56. The shareholders are granted subscription rights as a result. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of convertible bonds or warrant-linked bonds issued by Linde AG or by any of its direct or indirect majority-owned subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation, and exclude

subscription rights for an amount of EUR 3,500,000 to the extent necessary to issue employee shares. In addition, the Executive Board can, with the approval of the Supervisory Board, exclude the subscription rights of shareholders for an amount of up to 10 percent of the capital subscribed available at the time of the resolution concerning the use of Authorised Capital I, provided the issue price of the new shares is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares. The upper limit of 10 percent of the share capital is reduced by that proportion of the subscribed capital which relates to own shares held by the company, which were sold after the creation of this Authorised Capital I while excluding the subscription rights of shareholders in accordance with §§ 71 (1) No. 8, sentence 5, 186 (3), sentence 4, of the German Stock Corporation Law (AktG), and that proportion of the subscribed capital which relates to rights to subscribe for shares which were created while excluding subscription rights in accordance with §§ 221 (4), 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board was also authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Authorised Capital II:

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

Conditionally authorised capital

The conditionally authorised capital at 31 December 2008 comprised the following:

2000 conditionally authorised capital:

The issued share capital can be increased by up to EUR 25,071,910.40 if certain conditions are met. At the Annual General Meeting on 17 May 2000, conditionally authorised capital of up to EUR 50,000,000 was approved, which will only be issued if the holders of the convertible bonds or warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 16 May 2005 settle the conversion obligation. The new shares participate in profit from the beginning of the financial year in which they arise as a result of the exercise of conversion or option rights or the settlement of the conversion obligation.

In May 2004, convertible bonds were issued through the fully-owned subsidiary Linde Finance B.V. with a total nominal amount of EUR 550,000,000 while excluding shareholders' subscription rights. Each bond had a nominal amount of EUR 100,000 and there were 5,500 bonds in total. Each bondholder is entitled to exercise the right during the exercise period to convert his or her bond into 1,770.4755 shares, subject to the provisions set out in the bond terms. The convertible bonds grant, subject to adjustments to the conversion rate, conversion rights to shares with a par value of up to EUR 24.93 m with the issue of up to 9,737,615 shares. During the financial year, 1,853,668 new shares were issued with a nominal value of EUR 104,700,000 in total from 1,047 convertible bonds due to the exercise of conversion rights. As a result, conditionally authorised capital in accordance with the resolution passed at the Annual General Meeting on 17 May 2000 was reduced in the financial year by EUR 4,745,390.08 from EUR 29,817,300.48 to EUR 25,071,910.40. Issued share capital increased accordingly during the financial year. The convertible bond was fully converted in the 2008 financial year.

2002 conditionally authorised capital:

The issued share capital can be increased by up to EUR 9,318,842.88, divided into 3,640,173 new shares with a par value of EUR 2.56 if certain conditions are met. It was resolved at the Annual General Meeting on 14 May 2002 to create conditionally authorised capital of EUR 15,360,000, divided into 6,000,000 new shares. The Executive Board was authorised, with the approval of the Supervisory Board, to issue by 14 May 2007 up to 6,000,000 subscription rights to shares to members of the Executive Board of the company, members of the management boards of affiliated companies as defined by §§ 15 ff. of the German Stock Corporation Law (AktG) and to selected executives, each with a term of seven years (Management Incentive Programme). The issued share capital will only be increased if the holders of the option rights issued by the company, following the authorisation given to the Executive Board at the Annual General Meeting on 14 May 2002, use their option rights and the company does not fulfil the option rights by transferring own shares or by making a payment in cash. The new shares issued as a result of the exercise of options are first entitled to dividend in the financial year in which, at the date of their issue, a resolution had not yet been passed at the Annual General Meeting regarding the appropriation of profit.

In the 2008 financial year, options under the Management Incentive Programme were exercised. As a result, 2002 conditionally authorised capital was reduced by EUR 745,984 from EUR 10,064,826.88 to EUR 9,318,842.88, divided into 3,640,173 shares. The issued share capital increased in 2008 as a result.

2005 conditionally authorised capital:

The issued share capital can be increased by up to EUR 50,000,000 by the issue of up to 19,531,250 new shares with a par value of EUR 2.56 if certain conditions are met. The increase in share capital will only take place if the holders of the convertible bonds and warrant-linked bonds, to which were added convertible or warrant-linked bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries by 7 June 2010, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005, exercise their conversion or option rights or if the holders or debtors of convertible bonds to be issued by Linde AG or its direct or indirect majority-owned subsidiaries settle the con-

version obligation by 7 June 2010 as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 8 June 2005. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation.

2007 conditionally authorised capital:

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

2008 conditionally authorised capital:

The issued share capital can be increased by up to EUR 85,000,000.00 by the issue of up to 33,203,125 new bearer shares with a par value of EUR 2.56 if certain conditions are met. The increase in share capital will only take place if (i) the holders of the convertible bonds and warrant-linked bonds, to which were added convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion or option rights or (ii) if the holders or debtors of convertible bonds to be issued by the company or by Group companies controlled by the company by 2 June 2013, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 June 2008, exercise their conversion rights, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

Authorisation to purchase own shares:

The Executive Board is authorised until 2 December 2009 by a resolution passed at the Annual General Meeting on 3 June 2008 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised. These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers. The own shares acquired under this authorisation can be sold via the stock exchange or by an offer to all shareholders. They can, subject to the approval of the Supervisory Board, also be sold otherwise, and may, subject to the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies and in the course of corporate mergers, be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue. Furthermore, in the case of a sale of acquired own shares by an offer to all shareholders, subscription rights to

the shares can be granted to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation. They may also be granted in fulfilment of the company's obligations under the Linde Management Incentive Programme following the resolution passed at the Annual General Meeting on 14 May 2002 (agenda item 8), granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 5 June 2007 (agenda item 7), or they may, subject to the approval of the Supervisory Board, be redeemed. The authorisation given to the Executive Board to purchase own shares based on the resolution passed at the Annual General Meeting on 5 June 2007 was revoked when the new authorisation became effective on 3 June 2008.

in €	31.12.2008	31.12.2007
Capital subscribed	431,340,789.76	425,849,415.68
Authorised capital (total)	105,106,534.40	105,106,534.40
Authorised Capital I	25,106,534.40	25,106,534.40
Authorised Capital II	80,000,000.00	80,000,000.00
Conditionally authorised capital (total)	178,390,753.28	98,882,127.36
Conditionally authorised capital 2000	25,071,910.40	29,817,300.48
Conditionally authorised capital 2002	9,318,842.88	10,064,826.88
Conditionally authorised capital 2005	50,000,000.00	50,000,000.00
Conditionally authorised capital 2007	9,000,000.00	9,000,000.00
Conditionally authorised capital 2008	85,000,000.00	0.00

Notification of voting rights

The following notifications were received by the company in the 2008 financial year from investors who have exceeded or fallen below certain threshold percentages of voting rights set out in § 21 (1) and (1a) of the German Securities Trading Law (WpHG):

1. Allianz SE

Allianz SE, Munich, Germany, informed us in writing on 8 December 2008 that it was revising its notification of voting rights dated 2 October 2008. Allianz SE informed us in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Allianz SE fell below the 5 percent threshold on 30 September 2008 and was now 4.41 percent (7,423,081 voting rights). These voting rights are attributable to Allianz SE in accordance with § 22 (1), sentence 1, No. 1 WpHG via the following companies controlled by Allianz SE, which each have voting rights in Linde AG of 3 percent or more: Allianz Deutschland AG, Munich; Jota-Vermögensverwaltungsgesellschaft mbH, Munich; Allianz-Lebensversicherungs-AG, Stuttgart; AZL-Alico Vermögensverwaltungsgesellschaft mbH, Munich (which merged with Allianz-Lebensversicherungs-AG with effect from 31 October 2008).

In addition, Allianz SE informed us in accordance with § 21 (1) WpHG in conjunction with § 24 WpHG that the share of voting rights in Linde AG held by Allianz Deutschland AG, Munich, Germany, fell below the 5 percent threshold on 30 September 2008 and was now 4.30 percent (7,246,635 voting rights). These voting rights are attributable to Allianz Deutschland AG in accordance with § 22 (1), sentence 1, No. 1 WpHG and are held by Allianz Deutschland AG via the following companies controlled by Allianz Deutschland AG, which each have voting rights in Linde AG of 3 percent or more: Jota-Vermögensverwaltungsgesellschaft mbH, Munich; Allianz-Lebensversicherungs-AG, Stuttgart; AZL-Alico Vermögensverwaltungsgesellschaft mbH, Munich (which merged with Allianz-Lebensversicherungs-AG with effect from 31 October 2008).

2. Commerzbank Aktiengesellschaft

Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us in writing on 6 November 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Commerzbank Aktiengesellschaft fell below the 5 percent threshold on 5 November 2008 and was now 4.72 percent (7,954,307 voting rights). 4.64 percent (7,816,000) of the voting rights were attributable to Commerzbank Aktiengesellschaft via its subsidiary Atlas-Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung in accordance with § 22 (1), sentence 1, No. 1 WpHG.

In addition, Commerzbank Aktiengesellschaft also informed us in accordance with § 21 (1) in conjunction with § 24 WpHG that the share of voting rights in Linde AG held by its subsidiary Atlas-Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung, Bad Homburg v. d. Höhe, at 5 November 2008 fell below the 5 percent threshold and was now 4.64 percent (7,816,000 voting rights).

3. Deutsche Bank AG

Deutsche Bank AG, Frankfurt am Main, Germany, informed us in writing on 21 November 2008 in accordance with §§ 21 (1) and 24 WpHG that the share of voting rights in Linde AG held by Deutsche Bank AG and its subsidiaries DB Equity S. a. r. l., Luxembourg, and DB Valoren S. a. r. l., Luxembourg, fell below the 3 percent threshold on 20 November 2008 and stood at 2.94 percent (4,956,847 voting rights). The voting rights were attributable to Deutsche Bank AG and DB Valoren S. a. r. l. in accordance with § 22 (1), sentence 1, No. 1 WpHG.

4. Fidelity International

Fidelity Management & Research Company, Boston, Massachusetts, USA, informed us belatedly in writing on 21 February 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Fidelity Management & Research Company had exceeded the 3 percent threshold on 26 June 2007 and that it held at that date 3.01 percent (4,862,284 shares). The voting rights are attributable to Fidelity Management & Research Company in accordance with § 22 (1), sentence 1, No. 6 WpHG.

FMR LLC, Boston, Massachusetts, USA, informed us in writing on 6 October 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by FMR LLC fell below the 5 percent threshold on 3 October 2008 and was now 4.73 percent (7,968,486 voting rights). The voting rights are attributable to FMR LLC in part via Fidelity Investment Trust in accordance with § 22 (1), sentence 1, No. 6 in conjunction with § 22 (1), sentence 2 WpHG, which itself holds more than 3 percent of the voting rights in Linde AG.

Fidelity Investment Trust, Boston, Massachusetts, USA, informed us in writing on 26 November 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Fidelity Investment Trust fell below the 3 percent threshold on 24 November 2008 and was now 2.79 percent (4,702,979 voting rights).

FIL Limited, Hamilton HMCX, Bermuda, informed us in writing on 1 December 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by FIL Limited fell below the 3 percent threshold on 28 November 2008 and was now 2.91 percent (4,901,723 voting rights). The voting rights are attributable to FIL Limited in accordance with § 22 (1), sentence 1, No. 6 WpHG.

FIL Investment Management Limited, Hildenborough, Kent, England, informed us in writing on 1 December 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by FIL Investment Management Limited fell below the 3 percent threshold on 28 November 2008 and was now 2.91 percent (4,901,723 voting rights). The voting rights are attributable to FIL Investment Management Limited in accordance with § 22 (1), sentence 1, No. 6 in conjunction with § 22 (1), sentence 2 WpHG.

FIL Investments International, Hildenborough, Kent, England, informed us in writing on 1 December 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by FIL Investments International fell below the 3 percent threshold on 28 November 2008 and was now 2.90 percent (4,887,203 voting rights). The voting rights are attributable to FIL Investments International in accordance with § 22 (1), sentence 1, No. 6 WpHG.

5. Franklin Mutual Series Fund Inc.

Franklin Mutual Advisers, LLC, Short Hills, USA, informed us in writing on 14 January 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Franklin Mutual Advisers, LLC, fell below the 3 percent threshold on 10 January 2008 and was now 2.86 percent (4,757,819 shares). The voting rights are attributable to Franklin Mutual Advisers, LLC, in accordance with § 22 (1), sentence 1, No. 6 WpHG.

6. Northern Cross Investments Ltd

Northern Cross Investments Ltd, Hamilton, Bermuda, informed us in writing on 5 December 2008 in accordance with § 21 (1) WpHG that the share of voting rights in Linde AG held by Northern Cross Investments Ltd exceeded the 3 percent threshold on 29 October 2008 and was now 3.069 percent (5,171,688 voting rights). The voting rights are attributable to Northern Cross Investments Ltd in accordance with § 22 (1), sentence 1, No. 6 WpHG.

[7] Special tax-allowable reserves

The special reserves permitted under § 6b of the German Income Tax Law (EStG) of EUR 16 m (2007: EUR 0 m) were released and credited to the income statement. There was no transfer to replacement assets.

[8] Provision for pensions and similar obligations

In the 2008 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 discount rate of 4.25 percent, a salary trend of 2.5 percent and an expected inflation rate of 1.5 percent.

[9] Other provisions

in € million	31.12.2008	31.12.2007
Tax provisions	321	299
Sundry provisions	530	513
	851	812

Sundry provisions include amounts set aside for

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

The provisions for obligations in Linde AG relating to pre-retirement part-time work are calculated on the basis of individual contractual agreements. Tax provisions have increased as a result of tax audits which have not yet been completed and the recognition of current tax in the 2008 financial year.

[10] Liabilities

in € million	Due within 1 year 31.12.2008	Due in 1 to 5 years 31.12.2008	Due in more than 5 years 31.12.2008	Total 31.12.2008	Total 31.12.2007
Advance payments received from customers	-	970	-	970	848
Bank loans and overdrafts	-	-	-	-	117
Trade payables	192	-	-	192	144
Amounts due to affiliated companies	3,278	254	363	3,895	3,506
of which relating to goods and services	150	-	-	150	37
Amounts due to related companies	1	-	-	1	1
of which relating to goods and services	1	-	-	1	-
Other liabilities	79	7	-	86	85
including taxes of	26	-	-	26	39
including social security of	6	-	-	6	5
of which secured by mortgages	-	-	-	-	-
Liabilities	3,550	1,231	363	5,144	4,701

Liabilities include financial liabilities of EUR 3,684 m (2007: EUR 3,549 m). Of these, EUR 3,131 m (2007: EUR 2,578 m) relate to our fully-owned subsidiary Linde Finance B. V. The amount due to Linde Finance B. V. includes the subordinated bond issued in 2006 in two tranches and the liabilities arising from the partial financing of the BOC acquisition. In the 2008 financial year, a EUR 600 m bond was raised in the capital market by Linde Finance B. V. and transferred to Linde AG as a loan.

Notes to the income statement

[11] Sales

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

Sales – Analysis by division

in € million	2008	2007
Linde Gas	1,232	1,004
Linde Engineering	1,502	915
Consolidation	-53	-34
	2,681	1,885

Sales – Analysis by geographical region

in € million	2008	2007
Germany	1,280	1,013
Other Europe	490	508
Americas	103	41
Asia	708	313
Africa	65	3
Australia	35	7
	2,681	1,885

[12] Other operating income

in € million	2008	2007
Profit on disposal of fixed and current assets	13	7
Exchange rate gains	575	262
Income from the release of special tax-allowable reserves	16	-
Income from the release of provisions	59	5
Revenue from commercial business, rentals and leases	12	6
Charges to Group companies	57	61
Financial result from long-term construction contracts	36	31
Sundry income	20	18
	788	390

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

[13] Other operating expenses

in € million	2008	2007
Loss on disposals of fixed and current assets	7	40
Exchange rate losses	546	155
Charges by Group companies	-	5
Transfer to special tax-allowable reserves	-	2
Sundry expenses	23	47
	576	249

[14] Investment income

in € million	2008	2007
Income from profit-sharing agreements	117	52
Investment income	169	159
of which from affiliated companies	169	159
	286	211

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

[15] Profit on disposal of investments

In 2008, the post-acquisition restructuring which commenced in 2007 continued in The Linde Group. Further borrowings which arose as a result of the BOC acquisition were allocated within The Linde Group. During the financial year, the investments in Linde Gas Italia S. r. l., Milan, Italy, and Linde Sogás LDA, Lisbon, Portugal, were sold to Group companies. In addition, the investments in Linde Gas S. A., Lyons, France, Linde Finance B. V., Schiedam, Netherlands, and Linde Gas Benelux B. V., Rotterdam, Netherlands, were transferred to a newly-formed holding company. Moreover, Linde AG sold its valve production facility, MAPAG Valves GmbH, on 7 May 2008 at an enterprise value of EUR 36 m to the international technology group Metso, Finland. These transactions resulted in a profit on disposal of investments of EUR 107 m.

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

Supplementary information on the Notes

[16] Contingent liabilities/Other financial commitments

Contingent liabilities		
in € million	2008	2007
Guarantees	264	65
Warranties	6,788	6,671
of which from affiliated companies	7,035	6,735

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

In its capacity as the holding company of The Linde Group, Linde AG assumes warranty obligations on behalf of its subsidiaries. Some of these warranties are performance warranties, especially in the Linde Engineering Division. Others are guarantees issued on behalf of individual affiliated companies outside Germany that those companies will continue as going concerns.

Other financial commitments

The total amount of other financial commitments at 31 December 2008 in Linde AG was EUR 162 m (2007: EUR 174 m). This relates to commitments arising from rental and lease agreements, capital expenditure commitments, call-in obligations and similar business transactions.

The Linde Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with our consortium partners totalling EUR 1,692 m (2007: EUR 713 m). Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liabilities in respect of these contracts.

[17] Auditors' fees and services

in € million	2008	2007
Audit	2	2
Other reports	1	1
Other services	-	-
	3	3

[18] Cost of materials

in € million	2008	2007
Cost of raw materials and supplies and goods purchased for resale	1,369	1,582
Cost of external services	172	142
	1,541	1,724

[19] Personnel expenses

in € million	2008	2007
Wages and salaries	419	399
Social security contributions	56	60
Pension costs and staff welfare costs	62	58
	537	517

[20] Employees

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

	2008	2007
Production	3,323	3,370
Sales	667	671
Research and development	174	175
Administration	1,340	1,072
	5,504	5,288
Trainees	206	199
	5,710	5,487

[21] Share option scheme

Linde Performance Share Programme 2007

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

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

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

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

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

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

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

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

Movements in the options issued under the LTIP 2007 were as follows:

Options: Linde Performance Share Programme 2007	
	Number of options
At 1 January 2007	–
Options granted	526,380
Exercised	–
Forfeited	–
Expired	–
At 31 December 2007/1. January 2008	526,380
of which exercisable in 2007	–
Options granted	460,787
Exercised	–
Forfeited	15,734
Expired	–
At 31 December 2008	971,433
of which exercisable in 2008	–

Linde Management Incentive Programme 2002

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

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

The options confer the right to subscribe to shares in Linde AG at the exercise price. The exercise price for acquiring new shares in Linde AG is 120 percent of the base price. The base price is the average closing price of Linde shares in XETRA trading on the Frankfurt Stock Exchange over the last five days before the issue date of the options. The establishment of the exercise price also fulfils the legal requirement for a performance target linked to the rise in the share price of the company. It only makes economic sense to exercise the option if the share price exceeds the exercise price. Setting a performance target of a 20 percent increase in share price links the motivation of the participants in the share option scheme closely 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. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the XETRA closing price of Linde shares on the exercise date. These

arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and of the company. For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options, if there are exceptional unforeseen movements in the price of Linde shares. This was not the case in the 2007 and 2008 financial years.

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

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

Options – Linde Management Incentive Programme 2002		
	Total	Average exercise price in €
At 1 January 2007	4,246,824	62.88
Options granted	–	
Exercised	944,451	53.41
Forfeited	21,000	72.91
Expired	–	
At 31 December 2007/1. January 2008	3,281,373	65.54
of which exercisable at 31.12. 2007	1,958,873	
Options granted	–	
Exercised	291,400	56.86
Forfeited	4,000	81.76
Expired	–	
At 31 December 2008	2,985,973	66.37
of which exercisable at 31.12. 2008	2,985,973	

As a result of the exercise of 291,400 options (2007: 944,451), capital subscribed increased in 2008 by EUR 0m (2007: EUR 2m) and the capital reserve rose by EUR 17m (2007: EUR 48m).

[22] Derivative financial instruments

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

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

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

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

Provisions amounted to EUR 40 m (2007: EUR 5 m). Of this amount, EUR 38 m (2007: EUR 5 m) related to forward exchange transactions, EUR 0 m (2007: EUR 0 m) to swap transactions and EUR 2 m (2007: EUR 0 m) to commodity derivatives.

In addition, premiums of EUR 9 m (2007: EUR 6 m) have been recognised as liabilities under Other liabilities and written off over the life of the instrument. Premiums for derivative financial instruments of EUR 5 m (2007: EUR 0 m) were recognised as assets under Other assets.

Counterparty risks

Linde AG does not believe it has any significant exposure to counterparty risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to our broad uncorrelated customer base. The counterparty risk from derivative financial instruments is limited due to the fact that the counterparties are banks which have good credit ratings from international rating agencies. In addition, an early warning and monitoring system has been introduced. The risk positions outstanding are subject to strict limits and are continually monitored.

Currency risks

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

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

Forward exchange transactions are also used to hedge the exposure to foreign currency risks arising from internal financing. In addition, Linde AG holds some financial instruments for the purpose of hedging translation risks centrally within The Linde Group.

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 are used for this, which have the effect of transforming liabilities at variable interest rates into fixed-interest liabilities or vice versa.

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

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								
in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2008								
Interest rate for six months	3.02	1.70	2.75	1.23	3.78	2.45	22.50	3.91
Interest rate for one year	2.58	1.23	2.02	0.79	3.21	1.80	16.75	4.04
Interest rate for five years	3.18	2.05	3.19	0.94	3.28	2.76	16.50	3.61
Interest rate for ten years	3.71	2.43	3.51	1.26	4.31	3.11	16.50	3.88
2007								
Interest rate for six months	4.58	4.61	5.83	0.92	7.49	4.69	6.12	4.70
Interest rate for one year	4.64	4.26	5.62	1.03	7.55	4.69	6.36	4.74
Interest rate for five years	4.52	4.35	5.18	1.21	7.50	4.71	6.36	4.68
Interest rate for ten years	4.69	4.83	5.11	1.68	7.18	4.85	6.36	4.79

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

Fair value of derivative financial instruments – Assets

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2008	2007
	2008	2007	2008	2007	2008	2007		
Forward exchange transactions	4	15	1	-	169	89	174	104
Foreign currency options	-	-	-	-	14	1	14	1
Swap transactions	41	19	101	14	-	-	142	33
Interest rate options	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
	45	34	102	14	183	90	330	138

Fair value of derivative financial instruments – Liabilities

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2008	2007
	2008	2007	2008	2007	2008	2007		
Forward exchange transactions	5	8	1	-	119	57	125	65
Foreign currency options	-	-	-	-	14	1	14	1
Swap transactions	15	9	-	25	-	-	15	34
Interest rate options	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	2	-	2	-
	20	17	1	25	135	58	156	100

Nominal amounts – Assets

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2008	2007
	2008	2007	2008	2007	2008	2007		
Forward exchange transactions	106	279	4	7	2,207	2,521	2,317	2,807
Foreign currency options	-	-	-	-	161	80	161	80
Swap transactions	1,159	539	1,083	655	7	50	2,249	1,244
Interest rate options	-	-	-	-	-	25	-	25
Commodities	-	-	-	-	-	-	-	-
	1,265	818	1,087	662	2,375	2,676	4,727	4,156

Nominal amounts – Liabilities

in € million	Non-current				Current		Total	
	Due in 1 to 5 years		Due in more than 5 years		Due within 1 year		2008	2007
	2008	2007	2008	2007	2008	2007		
Forward exchange transactions	102	161	4	7	1,724	2,175	1,830	2,343
Foreign currency options	-	-	-	-	161	80	161	80
Swap transactions	225	159	3	922	-	70	228	1,151
Interest rate options	-	-	-	-	-	25	-	25
Commodities	-	-	-	-	4	-	4	-
	327	320	7	929	1,889	2,350	2,223	3,599

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

Supervisory Board

In the 2008 financial year, the total emoluments of the members of the Supervisory Board for discharging their duties in the parent company and in the subsidiaries, including VAT, amounted to EUR 2,485,438 (2007: EUR 2,506,837). Of this amount, EUR 1,109,707 (2007: EUR 1,259,449) related to fixed emoluments and EUR 1,331,700 (2007: EUR 1,199,788) to variable emoluments.

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

Executive Board

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

in €	2008	2007
Fixed emoluments	3,641,182	4,000,814
Variable emoluments	7,941,825	8,665,100
Total cash emoluments	11,583,007	12,665,914

In the 2008 financial year, under the 2007 Performance Share Programme approved at the Annual General Meeting, a total of 73,891 subscription rights (2007: 83,726 subscription rights) were granted to members of the Executive Board as part of their total emoluments. These had a value on the grant date of EUR 40.60 (2007: EUR 37.02) per subscription right, which gives a total of EUR 2,999,975 (2007: EUR 3,099,537).

In 2008 and 2007, there were no advances or loans to members of the Executive Board.

Total remuneration paid to former members of the Executive Board and their dependants amounted to EUR 2,604,480 (2007: EUR 4,534,599).

A provision of EUR 37,716,446 (2007: EUR 37,648,981) has been made for current pensions and future pension benefits in respect of former members of the Executive Board and their dependants.

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

[24] Declaration of compliance with the German Corporate Governance Code

On 13 March 2009, 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.de/InvestorRelations/CorporateGovernance.

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

[25] Proposed appropriation of profits of Linde AG

The Executive Board recommends to the Supervisory Board that, at its meeting to approve the financial statements on 13 March 2009, it proposes a resolution to the Annual General Meeting to be held on 15 May 2009 that the following appropriation of profits be made from the unappropriated profits of EUR 885,937,808.02 (2007: EUR 864,510,888.31): payment of a dividend of EUR 1.80 (2007: EUR 1.70) per share entitled to dividend.

The amount to be distributed in respect of 168,492,496 (2007: 166,347,428) shares entitled to dividend will be EUR 303,286,492.80 (2007: EUR 282,790,627.60). The remaining amount of EUR 582,651,315.22 (including retained earnings brought forward from the previous year of EUR 581,720,260.71) will be carried forward.

Munich, 3 March 2009

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, Munich, for the business year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report, based on our audit.

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

Our audit has not led to any reservations.

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

Munich, 3 March 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Professor Dr Rolf Nonnenmacher
Wirtschaftsprüfer

Günter Nunnenkamp
Wirtschaftsprüfer

Further Information

FURTHER INFORMATION

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Other Board memberships

Supervisory Board

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

Dr Manfred Schneider

Chairman of the Supervisory Board of Linde AG

- External offices:
 - Bayer AG (Chairman)
 - Daimler AG
 - RWE AG
 - TUI AG

Hans-Dieter Katte

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

Michael Diekmann

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

- External offices:
 - BASF SE
 - Siemens AG
- Group offices:
 - Allianz Deutschland AG (Chairman)
 - Allianz Global Investors AG (Chairman)
 - Dresdner Bank AG (Chairman) (retired on 12 January 2009)
- Group offices:
 - Allianz S. p. A.
 (Vice-President of the Management Board)
 - Assurances Générales de France
 (Vice-President of the Management Board)

Dr Gerhard Beiten

Lawyer

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

Dr Clemens Börsig

Chairman of the Supervisory Board of Deutsche Bank AG

- External offices:
 - Bayer AG
 - Daimler AG
 - Deutsche Bank AG (Chairman)
- External offices:
 - Emerson Electric Company
 (Member of the Board of Directors)
 (appointed on 3 February 2009)

Gernot Hahl

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

Thilo Kämmerer

Trade Union Secretary on the Executive Board of
 IG Metall Frankfurt

- External offices:
 - KION GROUP GmbH
 - KION Holding 1 GmbH

Matthew F. C. Miao

(appointed on 3 June 2008)
 Chairman of MiTAC-SYNNEX Group

- External offices:
 - BOC Lienhwa Industrial Gases Co. Ltd
 (Member of the Board of Directors)
- Group offices:
 - Mitac Technology Corporation
 (Member of the Board of Directors)
 - Synnex Corporation
 (Member of the Board of Directors)

Supervisory Board

Klaus-Peter Müller

Chairman of the Supervisory Board of Commerzbank AG

- External offices:
 - Commerzbank AG (Chairman)
 - Dresdner Bank AG (Chairman)
 - (appointed on 12 January 2009)
 - Fraport AG
 - Fresenius SE
 - Steigenberger Hotels AG

- 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)

Jens Riedel

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

Xaver Schmidt

(appointed on 8 September 2008)
Board Secretary of IG Bergbau, Chemie, Energie, Hannover

Josef Schregle

Manager responsible for finance and financial control,
Engineering Division, Linde AG

Members of the Supervisory Board who retired in the 2008 financial year:

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

Dr Karl-Hermann Baumann

(retired on 3 June 2008)
Former Chairman of the Supervisory Board of Siemens AG

- External offices:
 - Bayer Schering Pharma AG

Siegried Friebel

(retired on 3 June 2008)
Chairwoman of the Works Council, Linde-KCA-Dresden GmbH

Gerhard Full

(retired on 3 June 2008)
Former Chairman of the Executive Board of Linde AG

Josef Schuhbeck

(retired on 3 June 2008)
Chairman of the Schalchen Works Council,
Engineering Division, Linde AG

Professor Dr Jürgen Strube

(retired on 3 June 2008)
Chairman of the Supervisory Board of BASF SE

- External offices:
 - Allianz Deutschland AG
 - BASF SE (Chairman)
 - Bayerische Motorenwerke Aktiengesellschaft
 - Bertelsmann AG
 - Fuchs Petrolub AG (Chairman)
 - Hapag-Lloyd AG

Wilfried Woller

(retired on 31 August 2008)
Member of the Executive Board responsible for
management sector 5 of IG Bergbau, Chemie, Energie¹

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

¹ Until 31 July 2008.

Executive Board

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

Professor Dr Wolfgang Reitzle
Chief Executive Officer

- External offices:
 - Deutsche Telekom AG
 - KION GROUP GmbH
 - KION Holding 1 GmbH

Dr Aldo Belloni
Member of the Executive Board

Georg Denoke
Member of the Executive Board

J. Kent Masters
Member of the Executive Board

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

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

Responsibility statement

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

Munich, 3 March 2009

Professor Dr Wolfgang Reitzle
Chief Executive Officer
of Linde AG

Georg Denoke
Member of the Executive Board
of Linde AG

Dr Aldo Belloni
Member of the Executive Board
of Linde AG

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

Financial calendar

Financial Calendar

Press Conference on Annual Results

16 March 2009
Linde AG, Carl von Linde Haus, Munich

Analysts' Conference

16 March 2009
Linde AG, Carl von Linde Haus, Munich

Interim Report

January – March 2009
5 May 2009

Annual General Meeting 2009

15 May 2009, 10 a.m.
International Congress Center, Munich

Dividend Payment

18 May 2009

Interim Report

January – June 2009
3 August 2009

Autumn Press Conference

2 November 2009
Carl von Linde Haus, Munich

Interim Report

January – September 2009
2 November 2009

Annual General Meeting 2010

4 May 2010, 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 Linde AG 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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Imprint

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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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