Well positioned.

FINANCIAL REPORT 2013

LeadIng.

THE LINDE GROUP

Group Governance

Corporate Governance

Combined Management Report

Fundamental information about the Group

Report on the economic position of the Group

Group Financial Statements

Notes to the Group Financial Statements

Further Information

LINDE FINANCIAL HIGHLIGHTS

Linde financial highlights		*2013*	*2012 adjusted*[1]	*Change*
Share				
Closing price	€	152.05	132.00	15.2 %
Year high	€	153.90	136.15	13.0 %
Year low	€	128.60	114.20	12.6 %
Market capitalisation (at year-end closing price)	€ million	28,219	24,445	15.4 %
Earnings per share – undiluted	€	7.10	6.93	2.5 %
Adjusted earnings per share[2]	€	7.85	7.87	−0.3 %
Number of shares outstanding as at 31.12.	000s	185,588	185,189	0.2 %
Group				
Revenue	€ million	16,655	15,833	5.2 %
Operating profit[3]	€ million	3,966	3,686	7.6 %
Operating margin	%	23.8	23.3	+50 bp[4]
EBIT	€ million	2,171	2,055	5.6 %
Profit for the year	€ million	1,430	1,341	6.6 %
Return on capital employed (ROCE)	%	9.7	10.2	−50 bp[4]
Number of employees as at 31.12.		63,487	62,765	1.2 %
Gases Division				
Revenue	€ million	13,971	13,214	5.7 %
Operating profit[3]	€ million	3,846	3,566	7.9 %
Operating margin	%	27.5	27.0	+50 bp[4]
Engineering Division				
Revenue	€ million	2,879	2,561	12.4 %
Operating profit[3]	€ million	319	312	2.2 %
Operating margin	%	11.1	12.2	−110 bp[4]

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE ALSO NOTE 7 IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.
[2] Adjusted for the effects of the BOC purchase price allocation.
[3] EBIT adjusted for amortisation of intangible assets and depreciation of tangible assets.
[4] Basis points.

CORPORATE PROFILE

THE LINDE GROUP

In the 2013 financial year, The Linde Group generated revenue of EUR 16.655 bn, making it the largest gases and engineering company in the world with approximately 63,500 employees working in more than 100 countries worldwide. The strategy of The Linde Group is geared towards long-term, profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

ORGANISATION

The Group comprises three divisions: Gases and Engineering (the two core divisions) and Other Activities (logistics services company Gist). The largest division, Gases, has three reportable segments – EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These are divided into seven Regional Business Units (RBUs)[1]. The Gases Division also includes the two Global Business Units (GBUs) Healthcare (medical gases, medical devices, clinical care and related services) and Tonnage (on-site supply of gases to major customers), as well as the Business Area (BA) Electronics (electronic gases).

GASES DIVISION

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

ENGINEERING DIVISION

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

[1] The new segment structure applies as from 1 January 2014.

THE LINDE WORLD

The Gases Division has three segments – EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These are divided into seven Regional Business Units (RBUs)[1]. The Gases Division also includes the two Global Business Units (GBUs) Healthcare (medical gases and services) and Tonnage (on-site), as well as the Business Area (BA) Electronics (electronic gases). Active the world over, the Engineering Division specialises in olefin, natural gas, air separation, hydrogen and synthesis gas plants.

CUSTOMER SEGMENTATION WITHIN THE GASES DIVISION

FOOD & BEVERAGES	CHEMISTRY & ENERGY	METALLURGY & GLASS	MANUFACTURING INDUSTRY	ELECTRONICS	HEALTHCARE	OTHERS
Aquaculture & Water Treatment Beverages Food	Energy Fine & Petrochemistry Pharma Other Chemistry	Glass & Fibre Optics Heat Treatment Non-ferrous Steel Other Metallurgy & Glass	Aerospace Automotive Heavy Construction & Machinery Light Metal Fab. & Prod. Other manufacturing	Solar Semiconductor Chip Packaging	Hospital Care Homecare Gas Therapies Care Concepts	Education & Research Retail Distributors

[1] The new segment structure applies as from 1 January 2014.

OUR VISION

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

OUR COMPANY VALUES

PASSION TO EXCEL.

INNOVATING FOR CUSTOMERS.

EMPOWERING PEOPLE.

THRIVING THROUGH DIVERSITY.

ABOUT THIS REPORT

[PART OF THE COMBINED MANAGEMENT REPORT]

PREPARATION OF THE MANAGEMENT REPORT

This management report has been prepared in accordance with the rules set out in German Accounting Standards DRS 20 and DRS 17. DRS 20 governs the preparation of management reports for German capital market based holding companies which are required by § 315a of the German Commercial Code (HGB) to prepare a Group management report in accordance with § 315 HGB. DRS 20 is effective for financial years beginning after 31 December 2012. DRS 17 governs the reporting of the remuneration of the members of executive bodies of groups. Linde also follows the German Corporate Governance Code presented by the “Government Commission on the German Corporate Governance Code” and as amended from time to time. This year, Linde’s Group management report has been combined for the first time with the management report of Linde AG in accordance with § 315 (3) HGB in conjunction with § 298 (3) HGB. The management report presented here is therefore entitled the combined management report. The annual financial statements of Linde AG, which are prepared in accordance with the provisions of the German Commercial Code (HGB), and the combined management report will be published simultaneously in the electronic German Federal Gazette (Bundesanzeiger). The information set out on the following pages applies to both The Linde Group and Linde AG unless otherwise indicated. Sections containing information which relates only to Linde AG are clearly designated as such.

AUDIT

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the Group financial statements which were prepared in accordance with International Financial Reporting Standards (IFRS) including the combined management report for the year ended 31 December 2013. Their unqualified audit opinion is presented in the Notes to the Group financial statements on *PAGES 229 TO 230*.

SUSTAINABILITY REPORTING

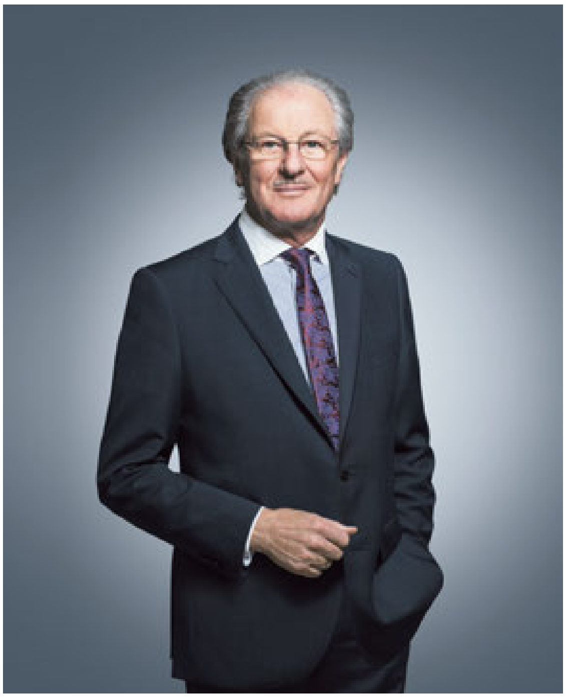
Linde publishes non-financial performance indicators and qualitative information on the subject of sustainable management in its Annual Report. The Corporate Responsibility Report provides supplementary detailed information on this topic. The Group complies with internationally recognised standards for sustainability reporting, such as the Global Reporting Initiative (GRI) guidelines and the requirements set out in the United Nations Global Compact. The GRI once again confirmed that Linde’s Corporate Responsibility Report qualified for the highest application level (A+) for sustainability reporting defined in the GRI Standard. Additional key figures relating to safety and the environment were included in the review when compared with the prior year. The current version of the Corporate Responsibility Report is available online at *WWW.LINDE.COM/CR-REPORT*.

Corporate Governance

01

Group Governance

LETTER TO THE SHAREHOLDERS



Ladies and Gentlemen,

Over the past financial year, the global economy has been anything but dynamic. The main factors acting as a brake on economic trends were sizeable government deficits, currency fluctuations and high levels of unemployment in many industrialised countries. We have been able to hold our own pretty well in this environment, although conditions became increasingly difficult as the year progressed and unfavourable exchange rate effects had an adverse impact on our growth, especially in the second half of the financial year.

We succeeded once again in achieving increases in Group revenue and Group operating profit. The operations in the Healthcare product area acquired in the course of 2012 and positive trends in our engineering business made a particular contribution here. Group revenue rose by 5.2 percent to EUR 16.655 bn (2012: EUR 15.833 bn), while we achieved a 7.6 percent increase in Group operating profit to EUR 3.966 bn (2012: EUR 3.686 bn). When comparing the figures with those for 2012, currency fluctuations need to be taken into account. Unfavourable exchange rate effects had an adverse impact on revenue of over EUR 650 m and on operating profit of almost EUR 150 m. If exchange rates had remained stable, we would have exceeded our original earnings target of EUR 4 bn.

This relatively robust performance shows that Linde's business model, which is geared towards stability and sustainability, is fit for purpose. On the basis of our global footprint and well-balanced position, we were able to compensate for faltering demand in some markets. The rigorous implementation of our wide range of efficiency improvement measures also enabled us to preserve the high profitability of the Group. This has allowed us to maintain our dividend policy which is geared towards continuity. At the Annual General Meeting on 20 May 2014, the Executive Board and Supervisory Board will propose that you, our shareholders, be paid a dividend of EUR 3.00 per share. This is an increase of just over 11 percent compared with last year's dividend of EUR 2.70.

We will carry on doing everything we can to maintain this positive business performance and we have set ourselves ambitious targets for the coming months and years. After adjusting for exchange rate effects, we are seeking once again to achieve higher figures for Group revenue and Group operating profit in the 2014 financial year than in 2013. In the 2016 financial year, we want to achieve Group operating profit of at least EUR 5 bn and a return on capital employed (reported ROCE) of around 13 percent. We set these medium-term targets at the end of 2012 based on the assumption that there would not be any significant shifts in exchange rates compared with the rates prevailing at that time. However, if exchange rates over the coming years are as unfavourable as they have been recently, this would reduce Group operating profit in 2016 by around EUR 400 m and might also have an adverse impact on return on capital employed.

Closely linked with our medium-term targets are the measures we have designed to achieve sustainable process optimisation and efficiency gains, which we will continue to implement with rigour. We have adopted a holistic approach here and plan to reduce total gross costs by EUR 750 m to EUR 900 m in the years from 2013 to 2016.

At the same time, we are working to ensure that we continue to benefit from the megatrends which will be the key influences on economic trends over the coming years: energy and the environment, the healthcare market and disproportionate growth in the emerging economies.

I would like to use this opportunity to thank you, our shareholders, for your loyalty and for the trust you have placed in us over the past twelve years. My colleagues on the Executive Board and I would also like to thank our employees throughout the world for the skills and commitment they have devoted to making Linde what it is today: the largest gases and engineering company in the world, globally well positioned, boasting a sustainable business model and offering promising prospects for the future.

When I pass on the reins to my successor as Chief Executive Officer, Dr Wolfgang Büchele, in May of this year, I can be certain of one thing. It will continue to be worth investing in Linde in future.

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

THE EXECUTIVE BOARD

PROFESSOR DR WOLFGANG REITZLE
BORN 1949

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

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

PROFESSOR DR ALDO BELLONI
BORN 1950

Doctorate in Chemical Engineering [Dr.-Ing.]

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

THOMAS BLADES
BORN 1956

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

Responsible for the Americas reportable segment,
the Global Business Unit Healthcare,
Global Operations and Marketing & Technology
Merchant and Packaged Gases
Member of the Executive Board since 2012

GEORG DENOKE
BORN 1965

Degree in Information Science
Degree in Business Administration [BA]

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

SANJIV LAMBA
BORN 1964

Chartered Accountant
Bachelor of Commerce

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

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

THE SUPERVISORY BOARD

Members of the Supervisory Board

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

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

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

PROFESSOR DR ANN-KRISTIN ACHLEITNER
Professor at the Technical University Munich [TUM]

DR CLEMENS BÖRSIG[2]
Chairman of the Board of Directors of Deutsche Bank Foundation, Former Chairman of the Supervisory Board of Deutsche Bank AG

ANKE COUTURIER[1]
Head of Global Pensions, Linde AG

FRANZ FEHRENBACH
[appointed on 29 May 2013]
Chairman of the Supervisory Board of Robert Bosch GmbH, Managing Partner of Robert Bosch Industrietreuhand KG

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

DR MARTIN KIMMICH[1]
[appointed on 29 May 2013]
Second Authorised Representative of IG Metall Munich

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

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

FRANK SONNTAG[1]
[appointed on 29 May 2013]
Chairman of the Works Council of Linde Engineering Dresden GmbH

[1] Employee representative.
[2] Independent expert member as defined by § 100 (5) and § 107 (4) of the German Stock Corporation Law (AktG).

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

Supervisory Board committees

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

- DR MANFRED SCHNEIDER [CHAIRMAN]
- HANS-DIETER KATTE[1]
- MICHAEL DIEKMANN
- GERNOT HAHL[1] [retired on 29 May 2013]
- XAVER SCHMIDT[1] [appointed on 29 May 2013]

Standing Committee

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

Audit Committee

- DR CLEMENS BÖRSIG[2] [CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- GERNOT HAHL[1]
- HANS-DIETER KATTE[1]
- DR MANFRED SCHNEIDER

Nomination Committee

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

The following members retired from the Supervisory Board in the 2013 financial year:

- THILO KÄMMERER[1]
  [retired on 29 May 2013]
  Trade Union Secretary of IG Metall
- MATTHEW F. C. MIAU
  [retired on 29 May 2013]
  Chairman of MiTAC-SYNNEX Group, Taiwan
- JENS RIEDEL[1]
  [retired on 29 May 2013]
  Chairman of the Leuna Works Council,
  Gases Division, Linde AG

[1] Employee representative.
[2] Independent expert member as defined by § 100 (5) and § 107 (4) of the German Stock Corporation Law (AktG).

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

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

Our company performed well once again during the 2013 financial year.

The Supervisory Board would like to thank the Executive Board and all Linde employees for their dedicated approach to their work and sense of responsibility. Without their vigour and commitment, the company would not have been able to perform as well as it did.

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

Meetings and resolutions of the Supervisory Board

Five Supervisory Board meetings were held in the 2013 financial year, one of which was a constitutive session. All members of the Supervisory Board attended all the Supervisory Board meetings held during their respective periods of office in 2013. The members of the Executive Board regularly attended Supervisory Board meetings. Where necessary, the Supervisory Board met without any Executive Board members being present. This is regularly the case at the beginning of meetings when the items on the agenda relate to the Executive Board itself.

In addition to reviewing current business developments, our meetings also addressed Linde's financial and risk situation, strategy, compliance with legal regulations and with internal guidelines, and key individual business transactions requiring Supervisory Board approval. After a thorough review of the documents submitted and detailed discussions on the proposals of the Executive Board, the Supervisory Board granted all the necessary approvals. In 2013, all the resolutions adopted by the Supervisory Board were adopted at meetings.

Once again during the reporting year, the Supervisory Board's advisory and monitoring activities focused on the Group's growth prospects, its individual lines of business and its reportable segments. We regularly discussed the potential impact of the global economic situation with the Executive Board, alongside issues relating to the development of individual markets, while also discussing how to plan for the future and considering the stability of future trends. A key priority in 2013, in addition to the ongoing integration of the healthcare activities acquired in 2012, was succession planning for the Executive Board, and for the CEO in particular.

At the Supervisory Board meeting to approve the financial statements on 6 March 2013, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2012 and agreed the proposed appropriation of profit. We discussed issues relating to succession planning for the Executive Board and, on the basis of a proposal from the Standing Committee, agreed on the targets reached in relation to the variable cash emoluments and total emoluments earned by the individual Executive Board members for 2012. In addition, we issued the declaration of compliance with the German Corporate Governance Code and adopted the Report of the Supervisory Board and the Corporate Governance Report for 2012, as well as the agenda for the Annual General Meeting, including the proposed resolutions. In this regard we agreed on the proposal for a new remuneration system for the Supervisory Board. We also dealt with the capital measures submitted to the Annual General Meeting on 29 May 2013 and with further changes to the articles of association. Based on the recommendation of the Nomination Committee, we also adopted the proposed nominations to the Annual General Meeting for the regular election of new shareholder representatives to the Supervisory Board. In addition to its regular reports on business performance and the general position of The Linde Group, the Executive Board also presented us with an updated plan for the 2013 financial year and the updated medium-term business plan. This included information on variances from the prior-year budget. The Executive Board dealt in detail with selected key performance indicators and briefed us on their financial and operational impact on Linde.

Immediately before the Annual General Meeting on 29 May 2013, the Executive Board reported on current business development and on Linde's economic situation. We were also provided with progress reports on the integration of the healthcare activities acquired in 2012 in Europe and the United States. We were satisfied that the relevant processes were progressing rapidly. Additionally, after detailed explanations provided by the Executive Board, we approved a transaction requiring Supervisory Board consent, namely the early refinancing of the EUR 2.5 bn syndicated revolving credit facility. The meeting was also used to prepare for the subsequent shareholder meeting.

At the constitutive meeting following the 2013 Annual General Meeting, the Supervisory Board elected its Chairman and the two Deputy Chairmen, and made the necessary committee appointments.

At our meeting on 27 September 2013, and as recommended by the Standing Committee, we appointed Dr Wolfgang Büchele as a member of the Executive Board with effect from 1 May 2014. The appointment was made in line with the recommendation in the German Corporate Governance Code to the effect that initial appointments should be made for a term of three years. With effect from the closure of the 2014 Annual General Meeting, we appointed Dr Wolfgang Büchele as the new CEO, succeeding Professor Dr Wolfgang Reitzle. Additionally, Sanjiv Lamba's appointment as a member of the Executive Board was extended by five years, so that his term of office will run until 8 March 2019. The Executive Board also outlined in detail the economic situation facing The Linde Group and its divisions and described the outlook for the full 2013 financial year. Moreover, the meeting focused on progress made in implementing the strategies highlighted in earlier years, strategic development and the Group's competitive environment. The latest developments in relation to strategy and Linde's competitive position, as well as the state of the healthcare business, were all covered in detail. Key questions discussed included the strategic positioning and direction of the Group and its divisions, and projects considered or launched in this regard, as well as the impact of such projects on Linde's financial position, net assets and results of operations. Taking into account the current general economic climate, the Executive Board outlined the opportunities and risks in an internationally competitive environment, as well as the significance of the process optimisation and efficiency gains programme and further measures to be taken in that direction. We were also provided with an in-depth report on the Americas segment. Based on verbal reports from the Executive Board, the Supervisory Board is satisfied that the Group's structure and processes are being continually assessed and streamlined in order to increase and consolidate long-term competitiveness across all lines of business. The Supervisory Board was also presented with one transaction requiring its approval in the form of an internal structural and financing measure. This was duly approved.

At the final meeting of the year on 4 December 2013, we looked at current business developments and the performance of the Group in comparison with its main competitors. On the basis of comprehensive documentation, we also dealt with the preview of the 2013 financial statements, the budget for the 2014 financial year and the medium-term business plan for the years 2015 to 2017, including financial, capital expenditure and human resources plans. Each of these was considered in detail. We carried out an intensive review of the assumptions made by the Executive Board, particularly with regard to the risks for the company associated with the general economic environment. The Executive Board explained any variances between the plans and targets and the actual results. We also dealt at length with the motion from the Executive Board relating to the 2014 investment programme. After careful examination of the matter, we granted our approval. Also on the agenda were issues relating to succession planning for the Executive Board and the emoluments paid to the Executive Board, and the five-year extension of the appointment of Georg Denoke as a member of the Executive Board and Director of Human Resources, taking his term of office up until 11 September 2019.

The meeting was followed by an information and discussion event devoted to risk management and the internal control system in The Linde Group.

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 chairs all the committees with the exception of the Audit Committee. The current members of each committee are listed on PAGE 7. Information about the responsibilities of each committee is given in the Corporate Governance Report on PAGES 14 TO 20.

The Standing Committee of the Supervisory Board held two meetings during the reporting year. In addition, three resolutions were passed during written and/or telephone proceedings. The Chairman of the Standing Committee also remained in close contact with the other committee members outside meetings in order to liaise on particular issues. The Committee prepared Supervisory Board decisions on Executive Board remuneration, on the appointment of the new CEO and on the extension of existing Executive Board appointments. The Standing Committee also adopted changes to the articles of association required as a result of the issuing of shares to fulfil share options and gave its consent to two members of the Executive Board taking up secondary occupations.

The Audit Committee met on five occasions during the year under review. In the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer, it discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profit and the audit reports, including the report on the audit focus and the presentation by the auditors of the main results of the audit. The Audit Committee raised no objections on the basis of its reviews. No significant weaknesses in the accounting-related internal control system or in the system for the early identification of risks were detected by the auditors. The Audit Committee also discussed the interim and half-year financial reports prior to their publication based on reports presented by the Executive Board and the auditors. In addition, this Committee prepared the proposal from the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the audit focus and agreed the audit fees. Moreover, the Audit Committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit itself. The Audit Committee also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision of services not related to the audit, and the auditors informed the Committee at each of its meetings about the fees it had charged in relation to such services. Furthermore, it kept up to date on the evolution of the risk management system and compliance structures, compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The Audit Committee also reviewed the evolution of control systems within the Group based on a presentation by the Executive Board. It received a report on the structure, roles and responsibilities within the Internal Audit department, on its audit work and the audit plan for 2013. The Audit Committee was briefed on the efficiency of the internal control system, risk management system and internal audit system; it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question. The Executive Board also briefed the Audit Committee on a regular basis with regard to the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity. It explained new accounting standards and the impact of their application, as well as tax issues affecting Linde AG and The Linde Group. For selected agenda items, department heads and external advisors also attended meetings of the Audit Committee, submitting reports and answering questions. In addition, the Chairman of the Audit Committee held talks on issues of significance in the periods between committee meetings, with the Chairman of the Supervisory Board, Chief Executive Officer, Chief Financial Officer and the auditors in particular. The Audit Committee and, where necessary, the Supervisory Board were regularly appraised of the outcome of these discussions.

During the 2012 financial year and at the beginning of 2013, the Nomination Committee consulted on several occasions outside its meetings and in accordance with its remit on candidates for the regular election of shareholders to the Supervisory Board at the 2013 Annual General Meeting. Finally, during a meeting in early 2013, the Committee submitted its recommendation for the Supervisory Board's nomination for the election. The Nomination Committee based its recommendation on the criteria proposed in the German Corporate Governance Code and the terms of the rules of procedure and the German Stock Corporation Law (AktG). Particular attention was paid to fulfilment of the requirements set out in the German Stock Corporation Law regarding independence and expertise in the fields of accounting and auditing, qualities that must be held by a member of the Supervisory Board and Audit Committee. Additionally, in assessing the suitability of candidates who were over the age of 72 or who would turn 72 during their period of office, the Nomination Committee took account of age.

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

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

The committee chairmen reported in detail on the agendas and outcomes of their committee meetings at the plenary Supervisory Board meeting following their sessions.

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and permanently verify that the provisions are being implemented correctly. In March 2014, the Executive Board and the Supervisory Board issued an updated declaration of compliance in accordance with § 161 of the German Stock Corporation Law (AktG) and made it permanently available to its shareholders on the company's website *WWW.LINDE.COM*. Further information on corporate governance at Linde can be found in the Corporate Governance Report on *PAGES 14 TO 20*.

Annual financial statements and Group financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) audited the annual financial statements of Linde AG prepared in accordance with the principles set out in the German Commercial Code (HGB), as well as the consolidated financial statements of The Linde Group for the year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union including the combined management report of Linde AG and The Linde Group in accordance with German generally accepted standards for the audit of financial statements and in supplementary compliance with International Standards on Auditing (ISA). The auditors have confirmed that the Group financial statements and the combined management report meet the requirements set out in § 315a (1) of the German Commercial Code (HGB) and have issued unqualified opinions on both the Group financial statements and annual financial statements. In accordance with the terms of its engagement, KPMG performed audit reviews of the interim and half-yearly financial reports in the 2013 financial year. At no time did these reviews give rise to any objections. KPMG also confirmed that the system for the early identification of risks complies with legal requirements. No risks that might affect the viability of the company as a going concern were identified. The audit focus during the 2013 financial year was on reviewing the integration of joint ventures into Linde AG's accounting-related control environment. No significant weaknesses in the accounting-related internal control system or in the system for the early identification of risks were detected by the auditors. Once again during the reporting year, the auditors declared their independence to the Audit Committee.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were then the subject of extensive deliberations at the Audit Committee meeting on 13 March 2014 and the meeting of the Supervisory Board to approve the financial statements on 14 March 2014. The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board. They presented the main results of their audits and were able to provide supplementary information and to answer questions. The Audit Committee also presented the results of its review to the Supervisory Board. We conducted our own examination of all the documents submitted and the audit reports and discussed them in detail. After considering the results of the preliminary review by the Audit Committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and the Group financial statements for the year ended 31 December 2013 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 profit.

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

The period of office of all the Supervisory Board members ended with the closure of the Annual General Meeting on 29 May 2013. A new Supervisory Board has been elected for a five-year term. The shareholder representative Matthew F. C. Miau and the employee representatives Thilo Kämmerer and Jens Riedel no longer sit on the Supervisory Board, and we have thanked them for their valuable contribution to our work. The Annual General Meeting elected Franz Fehrenbach to the Supervisory Board in the capacity of shareholder representative. In terms of employee representatives, Dr Martin Kimmich and Frank Sonntag were elected as new members of the Supervisory Board in accordance with the provisions of the German Codetermination Law (MitbestG). Otherwise, those shareholder and employee representatives who stood for re-election were confirmed in their positions on the Supervisory Board. At the constitutive Supervisory Board meeting following the Annual General Meeting, we confirmed the mandates of the Chairman and the two Deputy Chairmen, and appointed the members of the Supervisory Board's committees.

An overview of the current composition of the Supervisory Board and its committees, and of the outgoing members in 2013, can be found on *PAGES 6 TO 7*.

On 27 September 2013, the Supervisory Board appointed Dr Wolfgang Büchele as a member of the Executive Board of Linde AG as of 1 May 2014, also appointing him as CEO with effect from the close of the 2014 Annual General Meeting. Dr Wolfgang Büchele succeeds Professor Dr Wolfgang Reitzle, who is retiring with effect from the end of the 2014 Annual General Meeting.

MUNICH, 14 MARCH 2014
ON BEHALF OF THE SUPERVISORY BOARD

DR MANFRED SCHNEIDER
[CHAIRMAN OF THE SUPERVISORY BOARD OF LINDE AG]

Corporate Governance

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code presented by the 'Government Commission on the German Corporate Governance Code' and as amended from time to time. In March 2013, the Executive Board and Supervisory Board of Linde AG issued a declaration of compliance with the recommendations of the German Corporate Governance Code as amended on 15 May 2012 in accordance with § 161 of the German Stock Corporation Law (AktG) and made this declaration permanently available to the public on the Linde website.

The German Corporate Governance Code was amended on 13 May 2013 following the issuing of this declaration of compliance in March 2013. These amendments entered into force upon their publication in the official section of the German Federal Gazette on 10 June 2013. The Executive Board and Supervisory Board studied the requirements of the German Corporate Governance Code as amended on 13 May 2013 in detail, before issuing the following declaration of compliance in March 2014.

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

All the recommendations of the 'Government Commission on the German Corporate Governance Code' as amended from time to time have been complied with since the last declaration of compliance and – except for the following exceptions or clarifications – will be complied with in future.

Clause 5.4.6 para 2 sentence 2

Until 29 May 2013, the Supervisory Board members received fixed compensation and also performance-related compensation with variable components which had a one-year rather than a multi-year assessment basis. Clause 5.4.6 para 2 sentence 2 of the German Corporate Governance Code as amended on 15 May 2012 recommended for the first time that any performance-related compensation for supervisory board members should be based on the long-term performance of the company. In accordance with section 87 para 1 sentence 3 of the German Stock Corporation Act (Aktiengesetz), this can be regarded as a recommendation for a multi-year assessment basis. The Annual General Meeting on 29 May 2013 changed the compensation of the members of the Supervisory Board to purely fixed compensation taking effect from 30 May 2013 so that the recommendation has been observed since then.

Clause 4.2.3 para 2 sentence 6

In accordance with clause 4.2.3 para 2 sentence 6 of the German Corporate Governance Code as amended on 13 May 2013, the Executive Board members' remuneration in total and as to its variable components should be capped at a given maximum amount. Employment contracts with Executive Board members which were concluded before this recommendation took effect do not include a ceiling for the Executive Board members' total remuneration; variable components are capped as is described below. As we understand clause 4.2.3 para 2 sentence 6 of the German Corporate Governance Code, a modification of existing contracts is not recommended.

The short-term variable cash emoluments of which to date 60 percent are paid in cash and 40 percent are converted into virtual shares and the Long Term Incentive Plan which provides for remuneration in the form of options to purchase shares (performance shares) and bonus shares linked to personal investment (matching shares) each have a cap at the time of the agreement, i.e. conversion of the bonus into virtual shares and granting of option rights and matching shares rights. However, the value of the virtual shares at the time of payment and the value of the performance shares and matching shares after a multi-year qualifying period are not limited in terms of amounts. An additional cap like that was not deemed appropriate. In such a case, the synchronisation of interests of shareholders and Executive Board members to be achieved by share-based remuneration would be disrupted, which in our opinion would not be in the shareholders' interest. It is, however, intended to provide for short-term variable emoluments to be fully paid in cash in future linked to an obligation to use 40 percent of the cash amount to acquire shares of the company and to hold them for a blocked period of four years. Therefore, the issue to cap this variable component upon expiration of a qualifying period does no longer arise in this respect.

The Supervisory Board may exercise its discretion to grant Executive Board members a special payment for exceptional performance. This special payment has not been limited to date. In future, the amount shall be limited.

Since in future the value of the performance shares and the matching shares after expiration of a multi-year qualifying period are not to be capped, a ceiling for the remuneration amount will not be set in future."

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

Linde AG also complies with the suggestions made in the Code, with only one exception:

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

Corporate governance practices

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

Linde upholds high ethical standards. In 2007, the Executive Board developed a corporate philosophy entitled The Linde Spirit and devised a new code of conduct known as the Code of Ethics, launching both throughout the Group. In 2013, a new version of The Linde Spirit brochure was issued in order to highlight the major importance of the core values to which the Group is committed. The Linde Spirit describes the corporate culture which is manifested in the Linde vision and the values and principles that underpin day-to-day activities. The 2013 edition of the brochure reflects how The Linde Spirit is translated into everyday reality. The Code of Ethics sets out the commitment made by all employees in The Linde Group to comply with legal regulations and to uphold and protect the ethical and moral values of the Group. It is based on Linde's corporate culture and accords with its global values and fundamental principles. The Executive Board has also issued its own guidelines on competition law, antitrust law, the engagement of sales agents, occupational safety, environmental and health protection, quality and procurement. Like the Code of Ethics, these guidelines apply to all employees throughout The Linde Group. In 2013, a new global guideline on corruption prevention entered into force. This is binding on all employees. A global Code of Conduct for Linde AG suppliers was also published in 2013, with the aim of making our expectations of our suppliers even more transparent.

Compliance

To reinforce compliance with both legal regulations and voluntary principles, the Group has a global compliance organisation. Linde's Group-wide compliance activities are focused in particular on antitrust law, the fight against corruption, export control and data protection. The dedicated compliance organisation is affiliated to Group Legal. Compliance officers have been appointed in the divisions, business units and operating segments to support Group-wide observance of the compliance programme. The Chief Compliance Officer coordinates and implements compliance measures. The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current state of progress in the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating the rules as necessary. Training is provided for Linde employees worldwide. Classroom-based courses are supplemented by a Group-wide e-learning programme. By the end of 2013, more than 42,500 e-learning training sessions had been held on the Code of Conduct, along with some 7,500 e-learning sessions on antitrust law. In addition, more than 10,000 members of staff were provided with training on site by skilled trainers. We thereby create a working environment in which our employees are entirely familiar with our rules and guidelines. Additionally, throughout 2013, more than 3,500 queries relating to compliance issues were handled by the dedicated Compliance Officers.

The Integrity Line reporting system is an important element of the compliance framework at The Linde Group. It enables both internal and external stakeholders to raise issues or report any doubts or suspicions that they might have. In 2013, the Internal Audit, Human Resources and Group Legal departments and the department for Health, Safety and the Environment carried out around 90 investigations on the basis of information received via the Integrity Line. If an internal investigation reveals that the doubts or suspicions raised were justified, a prescribed process is used within a defined timeframe to determine which measures are required and whether these have been implemented.

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

Executive Board and Supervisory Board procedures

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

Executive Board

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

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

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

The Executive Board has no committees.

The international composition of the Executive Board also reflects The Linde Group's global footprint and its intercultural diversity. Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on PAGE 234 or on the Linde website. The CVs of Executive Board members are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the number of members specified as the minimum number in the relevant regulations. Currently, the minimum number specified by law is twelve. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations. In accordance with the recommendations of the German Corporate Governance Code, the shareholder representatives were elected individually at the last election to the Supervisory Board at the Annual General Meeting on 29 May 2013. The current term of office of the members of the Supervisory Board ends with the closure of the Annual General Meeting in 2018. The Supervisory Board's Nomination Committee prepares for the election of shareholder representatives by the General Meeting, as was also the case in 2013. When proposing candidates to the Supervisory Board, it takes into account the targets set by the Supervisory Board in terms of its future composition, as well as such criteria as the requirements of the German Stock Corporation Law (AktG), the Corporate Governance Code and the Supervisory Board's procedural rules. The composition of the Supervisory Board is balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All Supervisory Board members must ensure that they have sufficient time to perform those duties. All members of the Supervisory Board attended all of the Supervisory Board meetings held during their respective periods of office in 2013. One Supervisory Board member, Michael Diekmann, also sits on the executive board of a listed company; he holds no more than three supervisory board offices in listed companies or in comparable supervisory bodies of other business entities that do not belong to the same group as the company for which he performs his executive board duties. Linde AG undertakes to support Supervisory Board members as appropriate in the pursuit of any training or professional development necessary for the performance of their duties. The new members who joined the Supervisory Board in 2013 were provided with comprehensive introduction packs and information.

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

- International expertise
  With operations in more than 100 countries, The Linde Group has a global footprint. To reflect this, at least five of the Supervisory Board members should have extensive international expertise.
- Potential conflicts of interest and independence
  At least 75 percent of the Supervisory Board members should have no business or personal ties with the company or its corporate bodies that could constitute a significant and not just temporary conflict of interest. The mere existence of an employment relationship between employee representatives and the company or its affiliated companies does not preclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of the main competitors of The Linde Group. No more than two former Executive Board members should sit on the Supervisory Board.
- Age limit for Supervisory Board members
  Supervisory Board members should be no older than 72.
- Diversity
  The Supervisory Board is committed to diversity in its composition and to the fair representation of women in particular. At least two members of the Supervisory Board should be women.

These targets were taken into account during the scheduled elections to the Supervisory Board in 2013, with the current composition of the Board meeting the criteria.

More than five members of the current Supervisory Board have acquired extensive international expertise as a result of their careers to date. No conflicts of interest arose for any member of the Supervisory Board during the 2013 financial year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No Supervisory Board members currently have management or advisory roles on the executive bodies of any of Linde's major competitors. Four Supervisory Board members, Anke Couturier, Gernot Hahl, Hans-Dieter Katte and Frank Sonntag, are company employees. No other consultancy, service or work contracts have been concluded between Supervisory Board members and the company. No former members of the company's Executive Board are currently members of the Supervisory Board. One Supervisory Board member, Dr Manfred Schneider, reached the age limit in the 2010 financial year. At the Annual General Meeting in 2013, the member in question was also re-elected for a five-year term. When proposing candidates for the 2013 elections, the Supervisory Board was aware of the age limit defined in the procedural rules. However, it had good reason for also proposing candidates who had already reached 72 or who would reach this age during their term of office. The appointments were approved at the Annual General Meeting. The proportion of women on the Supervisory Board was confirmed during the re-election of the Supervisory Board in 2013. There continue to be two women members. The Supervisory Board currently considers the inclusion of two women on the Board to be appropriate. This level of representation is in line with the number of female executives with experience in the management of industrial companies, and also reflects the proportion of women in the workforce of The Linde Group, at around 27 percent, and the proportion of women holding senior management positions in the Group, at around 13 percent. We will be closely monitoring legal developments regarding statutory quotas of women on supervisory boards.

The procedural rules of the Supervisory Board include rules regarding the independence of its members. No member of the Supervisory Board is in a personal or commercial relationship with the company or its bodies that could represent a conflict of interests. One member of the Supervisory Board, Michael Diekmann, sat during the previous financial year on the executive board of a company with which Linde has business relationships, and he continues to sit on this board. Transactions with this company took place under the same conditions as for non-related third parties. These transactions did not affect the independence of the Supervisory Board member concerned. Linde AG has no controlling shareholder whose relationship with a member of the Supervisory Board could jeopardise that member's independence. Consequently, the Supervisory Board is only composed of individuals with a sufficient level of independence.

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

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

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

Supervisory Board committees

The Supervisory Board has four committees, which do the groundwork for the plenary Supervisory Board. If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee.

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board, including the terms and conditions of employment contracts, pension contracts and any other contracts pertinent to the remuneration of Executive Board members, and the total remuneration of individual Executive Board members. Moreover, the Standing Committee is responsible for approving transactions with Executive Board members and related parties, as well as for approving other activities of the Executive Board members, especially the holding of positions on supervisory boards and comparable boards of business entities that are not part of The Linde Group. It also provides advice on long-term succession planning for the Executive Board and reviews the efficiency of the work of the Supervisory Board on a regular basis. After preparatory work by the Standing Committee, the full Supervisory Board discusses the results of the efficiency review, identifies improvements that can be made and stipulates appropriate measures.

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

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

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

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

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the annual financial statements were being prepared are given on PAGES 6 AND 7 or may be consulted on the Internet at WWW.LINDE.COM/SUPERVISORYBOARD. Information about the activities of the Supervisory Board and its committees and about the work it has done with the Executive Board in the 2013 financial year is provided in the Report of the Supervisory Board on PAGES 8 TO 13.

Additional corporate governance information

Annual General Meeting

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

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

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

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

Consequential loss and liability insurance

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

Directors' dealings

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

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. On 31 December 2013, Executive Board members held a total of 276,000 shares and share options in Linde AG (0.149 percent of shares issued), while Supervisory Board members held a total of 5,000 shares and share options in Linde AG (0.003 percent of shares issued).

Remuneration of the Executive Board and Supervisory Board

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

Communications and stakeholder relations

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

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

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

Accounting, audit and risk management

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

In May 2013, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the 2013 financial year and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2013 financial year. The auditors issued a detailed declaration confirming their independence to the Audit Committee of the Supervisory Board. There were no conflicts of interest. It was agreed with the auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events arising from the audit that have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the Corporate Governance Code.

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The Internal Audit department regularly reviews the risk management system and internal audit system to ensure that they are efficient and functioning well. The auditors also assess the system in place for the early identification of risk and provide regular reports on their findings at a global level to the Executive Board and Supervisory Board. Additionally, the Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues in this context. It receives regular reports from the Executive Board about risk management, the risk position, and the identification and monitoring of risks. In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the Committee any significant weaknesses that they identify in the internal control system in relation to the accounting process and in the system for the early identification of risks. Further details about risk management in The Linde Group are provided in the OPPORTUNITY AND RISK REPORT ON PAGES 88 TO 103. This includes the report on the accounting-related internal control system.

REMUNERATION REPORT

(PART OF THE
COMBINED MANAGEMENT REPORT)

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

1. Remuneration of the Executive Board

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

The remuneration system for the Executive Board, described in more detail below, has applied since 1 January 2012. It was approved at the 2012 Annual General Meeting of Linde Aktiengesellschaft with a majority of 96.45 percent.

The amount and structure of the remuneration payable are based on the size and international reach of the Group, its economic and financial situation, and its performance and prospects, as well as on customary remuneration practice among peers and the remuneration structure which applies elsewhere in the company. To gauge customary practice among peers, Linde compares its remuneration system with that of several other groups of companies (DAX 30 companies, similar German and international companies). As regards the remuneration structure which applies elsewhere in the company, the Supervisory Board will consider when determining the emoluments of the Executive Board, in accordance with clause 4.2.2 (2), sentence 2 of the German Corporate Governance Code as amended on 13 May 2013, the relationship between the remuneration of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time. The emoluments also depend on the duties of each individual member of the Executive Board, and on his or her personal performance and the performance of the Executive Board as a whole. The remuneration is calculated so that it is competitive at international level and gives Board members an incentive to create sustainable performance and growth in a dynamic environment. In its evaluation and weighting of various criteria, the Supervisory Board was advised by an independent external expert on executive pay. In connection with the introduction of the new remuneration system in 2012, the amounts of the fixed cash emoluments and the variable remuneration components were reviewed in turn and in some cases revised.

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

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

Total emoluments

The remuneration system comprises the following components:

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

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

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

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

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

Fixed cash emoluments

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

Benefits in kind/Other benefits

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

Variable cash emoluments

Variable cash emoluments are based on two equally-weighted key ratios, return on capital employed (ROCE) and the operating margin, based on the customary definitions used by the Group which are given on PAGES 41 AND 42. For each of the two measurement factors, a minimum target is defined in the form of an ambitious long-term performance hurdle. If this hurdle is not reached in respect of one of the measurement factors, the variable cash emoluments linked to this factor are not paid. If neither minimum target is reached, there is no entitlement at all to variable cash emoluments. The amount of the variable cash emoluments based on reaching the ROCE and operating margin targets may be modified by an individual performance component.

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

Measurement factors for variable cash emoluments

Group ROCE

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

Operating margin

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

Individual performance component

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

Deferral

40 percent of the variable cash remuneration is deferred. This portion of the remuneration is converted into virtual shares to be held for a period of at least three years. The virtual dividend entitlements arising from the virtual shares during the qualifying period are included in the conversion into cash once the qualifying period has elapsed. Once the three-year qualifying period has expired, the virtual shares may be converted into a cash amount at any time during the following two years, with the exception of certain blocked periods. The conversion into virtual shares of the amount to be deferred and the conversion from virtual shares into the amount to be paid are based on the average closing price of Linde shares on the last 60 stock exchange trading days before the relevant conversion date. If there are exceptional circumstances, the Supervisory Board may limit wholly or in part the actual payment at a later date of the deferred amount.

Cap

For the 60 percent of variable cash emoluments based on the achievement of one or both targets which is payable in cash, there is a cap of 250 percent of fixed cash emoluments. For the remaining 40 percent of the variable cash emoluments, there is a cap at the time of the conversion of this amount into virtual shares of 165 percent of fixed cash emoluments.

Regular reviews

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

Share-based emoluments Linde Management Incentive Programme 2002

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

The Supervisory Board determined the options to be allocated to members of the Executive Board and, for other employees entitled to options, the Executive Board decided on the allocations, with the approval of the Supervisory Board. With effect from the 2004 tranche, the Supervisory Board could decide to restrict the exercise of options issued to members of the Executive Board if there were exceptional unforeseen movements in the Linde share price.

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

1 OPTIONS – LINDE MANAGEMENT INCENTIVE PROGRAMME 2002

		At 1 January		Exercised in the financial year			At 31 December			
			Weighted average exercise price		Weighted average exercise price	Weighted average share price at exercise date		Range of exercise prices	Weighted average exercise price	Weighted average remaining life
		in units	in €	in units	in €	in €	in units	in €	in €	in years
Professor Dr Wolfgang Reitzle (Chief Executive Officer)	2013	–	–	–	–	–	–	–	–	–
	2012	65,000	81.76	65,000	81.76	122.56	–	–	–	–
Professor Dr Aldo Belloni	2013	–	–	–	–	–	–	–	–	–
	2012	40,000	81.76	40,000	81.76	122.13	–	–	–	–
Georg Denoke	2013	–	–	–	–	–	–	–	–	–
	2012	15,000	81.76	15,000	81.76	123.35	–	–	–	–
TOTAL	2013	–		–			–			
	2012	**120,000**		**120,000**			–			

In the 2012 financial year, the members of the Executive Board exercised all the options they held in this scheme, and as at 31 December 2012 they no longer held any options in the scheme. None of the options held by the Executive Board under the Linde Management Incentive Programme 2002 expired or were forfeited in the 2012 financial year. Sanjiv Lamba (a member of the Executive Board from 9 March 2011) and Thomas Blades (a member of the Executive Board from 8 March 2012) were not participants in this scheme as they joined The Linde Group after the last tranche of options had been issued.

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

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting on 5 June 2007 to introduce a new long-term incentive scheme (Linde Performance Share Programme 2007) which would cover a five-year period. Participants in the scheme included 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 could be issued in five annual tranches, in each case within a period of twelve weeks following the company's Annual General Meeting. The Supervisory Board determined the allocation of options to members of the Executive Board, while the Executive Board determined the allocation for lower tiers of management. Options were granted to members of the Executive Board for a particular value. The number of options to be issued to a member of the Executive Board was determined on the basis of the fair value per option according to an actuarial report at the grant date. The term of the options is calculated as three years, two months and two weeks from the issue date. The options in a tranche are exercisable once a vesting period of three years from the date of issue has expired, over a period of four weeks, if and to the extent that certain performance targets are met. Each option confers the right to subscribe for one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56.

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

The first tranche of options under the Linde Performance Share Programme 2007 was allocated after the 2007 Annual General Meeting. In the 2011 financial year, the final tranche of options under the Linde Performance Share Programme 2007 was allocated.

At the beginning of June 2013, the vesting period for the fourth tranche of this scheme ended. 95 percent of the options in this fourth tranche were exercisable as a result of the three performance targets being met (2012: 100 percent).

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

2 OPTIONS – LINDE PERFORMANCE SHARE PROGRAMME 2007

		At 1 January	Granted in the financial year	Exercised in the financial year		Forfeited in the financial year	At 31 December	
					Weighted average share price at exercise date			Weighted average remaining life
		in units	in units	in units	in €	in units	in units	in years
Professor Dr Wolfgang Reitzle (Chief Executive Officer)	2013	68,421	–	37,197	144.33	1,835	29,389	0.4
	2012	127,175	–	58,754	122.13	–	68,421	0.8
Professor Dr Aldo Belloni	2013	22,807	–	12,399	144.33	612	9,796	0.4
	2012	42,392	–	19,585	123.09	–	22,807	0.8
Georg Denoke	2013	22,807	–	12,399	146.11	612	9,796	0.4
	2012	42,392	–	19,585	122.13	–	22,807	0.8
Sanjiv Lamba	2013	11,747[2]	–	1,859[1]	141.73	92[1]	9,796	0.4
	2012	14,685[2]	–	2,938[1]	117.40	–	11,747[2]	1.3
TOTAL	2013	**125,782[2]**	–	**63,854[2]**		**3,151[2]**	**58,777**	
	2012	**226,644[2]**	–	**100,862[2]**		–	**125,782[2]**	

[1] Options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.
[2] Including options granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.

The exercise price of all the options is currently EUR 2.56 for each option. In the 2012 and 2013 financial years, none of the options held by the Executive Board under the Linde Performance Share Programme 2007 expired. All the options held at 31 December 2013 were not yet exercisable. Thomas Blades (a member of the Executive Board from 8 March 2012) is not a participant in this scheme as he joined The Linde Group after the final tranche had been issued.

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

Long Term Incentive Plan 2012

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

Options to purchase performance shares

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

Personal investment and matching shares

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

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

3 OPTIONS, MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

		Options			Matching shares		
		At 1 January	Granted in the financial year	At 31 December	At 1 January	Granted in the financial year	At 31 December
		in units	in units	in units	in units	in units	in units
Professor Dr Wolfgang Reitzle (Chief Executive Officer)	2013	25,258	19,947	45,205	2,746	2,240	4,986
	2012	–	25,258	25,258	–	2,746	2,746
Professor Dr Aldo Belloni	2013	8,419	6,649	15,068	915	747	1,662
	2012	–	8,419	8,419	–	915	915
Thomas Blades	2013	8,419	6,649	15,068	915	747	1,662
	2012	–	8,419	8,419	–	915	915
Georg Denoke	2013	8,419	6,649	15,068	915	747	1,662
	2012	–	8,419	8,419	–	915	915
Sanjiv Lamba	2013	8,419	6,649	15,068	915	747	1,662
	2012	–	8,419	8,419	–	915	915
	2013	**58,934**	**46,543**	**105,477**	**6,406**	**5,228**	**11,634**
TOTAL	2012	**–**	**58,934**	**58,934**	**–**	**6,406**	**6,406**

All the options held at 31 December 2013 were not yet exercisable. The exercise price of all the options is currently EUR 2.56 per option. During the reporting period, none of the options and/or rights to matching shares held by the members of the Executive Board expired or were forfeited. Matching shares were not allocated. The weighted average remaining term of the options and rights to matching shares is 3.0 years (2012: 3.6 years).

To meet the conditions for participation in the Long Term Incentive Plan 2012, Professor Dr Wolfgang Reitzle made a personal investment in 2013 of 2,240 shares in the company (2012: 2,746 shares in the company) and the other members of the Executive Board each made a personal investment of 747 shares in the company (2012: 915 shares in the company).

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

Information about the rules which apply to the option schemes in the event of a change of control is given on PAGES 108 TO 109 in the combined management report for Linde AG and The Linde Group (Disclosures in accordance with § 289 (4), § 315 (4) of the German Commercial Code (HGB)).

Total cost of share-based emoluments and remeasurement of virtual shares

The total cost of share-based emoluments in 2013 was EUR 13 m (2012: EUR 22 m). During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board and the gain on remeasurement of current entitlements to virtual Linde shares:

4 COST OF SHARE-BASED PAYMENTS AND CHANGE IN VALUE OF EXISTING ENTITLEMENT TO VIRTUAL SHARES

	Cost of share-based payments		Change in value of virtual shares[1]	
in €	2013	2012	2013	2012
Professor Dr Wolfgang Reitzle (Chief Executive Officer)	977,343	1,746,305	209,625	–
Professor Dr Aldo Belloni	325,776	582,098	91,768	–
Thomas Blades	197,916	62,508	51,810	–
Georg Denoke	325,776	582,098	68,931	–
Sanjiv Lamba	237,407[2]	282,071[2]	50,527	–
TOTAL	**2,064,218**	**3,255,080**	**472,661**	–

[1] From 2012, 40 percent of the variable cash remuneration is converted as at the balance sheet date into virtual shares with dividend entitlement and not paid for at least another three years. (The amounts paid in each case are dependent on movements in the Linde share price.)
[2] Including the cost of share-based payments granted to Sanjiv Lamba (member of the Executive Board from 9 March 2011) as an executive of The Linde Group.

In the statutory financial statements of Linde AG, the company has opted not to recognise share-based remuneration systems as personnel expenses, in accordance with legal regulations. For the matching shares of Linde AG employees, a cost of EUR 0.8 m (2012: EUR 0.3 m) was recognised in accordance with the German Commercial Code (HGB). Of this amount, EUR 0.3 m (2012: EUR 0.1 m) related to rights to matching shares of members of the Executive Board.

Pension commitments

For members joining the Executive Board of the company on or after 1 January 2012, a defined contribution pension scheme was introduced in the form of a direct commitment, which will provide benefits in the form of old age pensions, disability pensions and surviving dependants' pensions. For new members, the annual contributions made by the company during the period of employment will be 45 percent of the fixed cash emoluments (and therefore around 11 percent of the target emoluments). After 15 years of contributions, a target pension level of around 50 percent of the final fixed cash emoluments would be achieved as an old age pension. The capital is invested with an external provider. The pension commitment is designed to be similar to the Linde Pension Plan (Linde Vorsorgeplan) for employees. Insolvency insurance is provided as a result of the integration of the pension commitments into the existing Contractual Trust Arrangement (CTA). The contributions participate in the performance of the CTA and also participate in potential CTA surpluses. The model provides for guaranteed minimum interest of 3 percent plus any overperformance. The regular old age pension is payable from the age of 65 and in the case of early retirement from the age of 62. The employers' contributions are legally non-forfeitable in accordance with the German Company Pension Law (BetrAVG). When the benefits fall due, the Executive Board member is entitled to the account balance inclusive of guaranteed interest. In the case of death or disability, a minimum benefit is payable for a period of service on the Board of less than ten years. In this case, the amount payable is topped up by the missing contributions to the amount that would have been payable if the Executive Board member had served on the Board for ten years (up to a maximum age of 65). Those entitled to the full pension account are, firstly, the widow, widower or civil partner of the Executive Board member and, secondly, orphans of the Executive Board member if there is no widow, widower or surviving civil partner.

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

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

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

Pension commitments for members of the Executive Board who were already on the Board at 1 January 2012 are set out in individual contracts. The pension is based on a particular percentage of the most recently paid fixed monthly pensionable emoluments. The percentage rate on entry is 20 percent. This percentage increases for every year of service completed by the member of the Executive Board by 2 percentage points. The maximum percentage that can be achieved is 50 percent of the last fixed monthly emoluments paid. For pension commitments agreed before 1 July 2002, the percentage rate on entry was 40 percent and the maximum percentage that could be achieved was 60 percent. Payments are made on a monthly basis once the member has retired from the Group and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work, and surviving dependants' pension in the event of death). Widowed spouses receive 60 percent of the pension of the deceased member of the Executive Board. The commitments also include benefits for any orphans or children who have lost one parent. Each child entitled to maintenance receives 10 percent (in the case of children who have lost one parent) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until his or her 18th year, although maintenance may continue to be paid until he or she reaches the age of 27. If the deceased has left several children, the amounts are reduced proportionately and limited in total to half the pension to which the contracting party was entitled. The total maintenance payments to surviving dependants must not exceed the full amount of the pension of the contracting party. Current pensions are adjusted annually to take account of the change in the consumer price index for private households based on information provided by the German Statistical Office. If a member of the Executive Board has reached the age of 55 and completed ten years of service on the Executive Board, and his or her employment contract is terminated early by the Supervisory Board or his or her term of office is not extended for reasons beyond the control of the member of the Executive Board, he or she would immediately receive the pension earned, taking into account other income. If, however, an Executive Board member has not completed ten years of service on the Board or if the employment contract is terminated before he or she reaches the age of 55, he or she acquired entitlement by law to a pension as a supplement to the occupational pension in the amount specified by law, provided the Executive Board member was employed by the company for a minimum period of three consecutive years.

Emoluments of the Executive Board for 2013

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in 2013 was EUR 13,342,303 (2012: EUR 13,188,329). Of this amount, EUR 3,926,278 (2012: EUR 3,858,540) related to fixed remuneration components which are not performance-related and EUR 9,416,025 (2012: EUR 9,329,789) related to variable short-term or long-term performance-related components. The measurement of benefits in kind and other benefits was based on their value for tax purposes. In accordance with the changes to the remuneration system agreed by the Supervisory Board with effect from 1 January 2012, 60 percent of the variable cash emoluments (EUR 5,649,615) will be paid in 2014. The corresponding figure for 2012 which was payable in 2013 was EUR 5,597,873. 40 percent of the variable cash emoluments (EUR 3,766,410 in 2013 and EUR 3,731,916 in 2012) is converted into virtual shares which are subject to a three-year holding period, thereby becoming a new long-term remuneration component. For the conversion into virtual shares, the price used is the average closing price of Linde shares in the Xetra trading system on the Frankfurt Stock Exchange on the last 60 stock exchange trading days before 31 December 2013. This average price was EUR 145.59 (2012: EUR 131.62). In the 2013 financial year, a total of 25,870 (2012: 28,354) virtual shares was issued to members of the Executive Board. The amount paid out once the qualifying period has expired depends on movements in the price of Linde shares. There is no limit on the amount that may be paid out. The total remuneration of the members of the Executive Board was EUR 16,842,623 (2012: EUR 16,688,205). Included in the total remuneration are options and rights to matching shares which were granted to members of the Executive Board under the terms of the Long Term Incentive Plan 2013. In each case, the options and matching shares are shown at their value on allocation. In the 2013 financial year, members of the Executive Board were granted a total of 46,543 (2012: 58,934) options with a value on allocation of EUR 60.16 (2012: EUR 47.51) per option and 5,228 (2012: 6,406) rights to matching shares with a value on allocation of EUR 133.95 (2012: EUR 109.26) per right to a matching share.

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2013, the emoluments for the individual members of the Executive Board for 2013 are as follows:

E5 TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD

in €		Cash emoluments: Fixed emoluments	Cash emoluments: Benefits in kind/Other benefits	Cash emoluments: Variable emoluments short-term[1] (60 %)	Cash emoluments: Variable emoluments long-term[2] (40 %)	Total cash emoluments[2]	Long Term Incentive Plan: Options – Value on the grant date	Long Term Incentive Plan: Matching shares – Value on the grant date	Total emoluments	Pensions: Service cost in financial year[3] IFRS	Pensions: Service cost in financial year[3] HGB
Professor Dr Wolfgang Reitzle (Chief Executive Officer)	2013	1,250,000	27,385	2,485,035	1,656,690	5,419,110	1,200,012	300,048	6,919,170	1,270,760	1,030,108
	2012	1,250,000	32,746	2,482,620	1,655,080	5,420,446	1,200,008	300,028	6,920,482	864,795	768,153
Professor Dr Aldo Belloni	2013	780,000	41,448	1,064,160	709,440	2,595,048	400,004	100,061	3,095,113	137,863	114,886
	2012	780,000	46,133	1,086,900	724,600	2,637,633	399,987	99,973	3,137,593	111,628	98,913
Thomas Blades (from 08.03.2012)	2013	600,000	23,983	767,640	511,760	1,903,383	400,004	100,061	2,403,448	325,584	293,887
	2012	488,636	60,697	613,685	409,124	1,572,142	399,987	99,973	2,072,102	289,637	265,311
Georg Denoke	2013	640,000	21,683	743,220	495,480	1,900,383	400,004	100,061	2,400,448	171,972	113,591
	2012	640,000	26,268	816,288	544,192	2,026,748	399,987	99,973	2,526,708	117,423	100,086
Sanjiv Lamba	2013	525,000	16,779	589,560	393,040	1,524,379	400,004	100,061	2,024,444	186,122	123,711
	2012	525,000	9,060	598,380	398,920	1,531,360	399,987	99,973	2,031,320	114,753	97,736
TOTAL	2013	**3,795,000**	**131,278**	**5,649,615**	**3,766,410**	**13,342,303**	**2,800,028**	**700,292**	**16,842,623**	**2,092,301**	**1,676,183**
(in percent)		22	1	34	22	79	17	4	100		
TOTAL	2012	**3,683,636**	**174,904**	**5,597,873**	**3,731,916**	**13,188,329**	**2,799,956**	**699,920**	**16,688,205**	**1,498,236**	**1,330,199**
(in percent)		22	1	34	22	79	17	4	100		

[1] From 2012, 60 percent of the variable cash remuneration is paid directly in the year following the balance sheet date.
[2] From 2012, 40 percent of the variable cash remuneration is converted as at the balance sheet date into virtual shares with dividend entitlement and not paid for at least another three years. (The amounts paid in each case are dependent on movements in the Linde share price.)
[3] No past service cost arose in the 2013 or 2012 financial years.

When comparing the figures for 2013 and 2012, the appointment of Thomas Blades on 8 March 2012 should be taken into account. The figures for 2013 include for the first time his emoluments for a whole financial year.

In 2013, the service cost for pension obligations in accordance with IFRS was EUR 2,092,301 (2012: EUR 1,498,236), while the figure in accordance with the German Commercial Code (HGB) was EUR 1,676,183 (2012: EUR 1,330,199). At the balance sheet date, the present value for accounting purposes of pension commitments accruing to the individual Executive Board members was as follows: Professor Dr Wolfgang Reitzle EUR 15,467,302 (2012: EUR 16,847,344) (Group), EUR 13,302,171 (2012: EUR 12,699,877) (Linde AG); Professor Dr Aldo Belloni EUR 4,974,581 (2012: EUR 5,329,415) (Group), EUR 4,370,627 (2012: EUR 4,176,945) (Linde AG); Thomas Blades EUR 2,430,284 (2012: EUR 2,388,879) (Group), EUR 2,242,703 (2012: EUR 2,049,567) (Linde AG); Georg Denoke EUR 3,749,025 (2012: EUR 4.483,999) (Group), EUR 2,732,610 (2012: EUR 2,547,025) (Linde AG); Sanjiv Lamba EUR 2,707,497 (2012: EUR 3,223,287) (Group), EUR 1,972,599 (2012: EUR 1,829,690) (Linde AG). The change in the present value of the pension commitments is the result of the unwinding of interest of entitlements acquired in previous years and actuarial gains from changes in interest rates, holdings and mortality tables.

Other remuneration-related arrangements

The Supervisory Board has the right, at its own discretion, to award a special payment to an Executive Board member for exceptional performance. No such payment was granted in the 2013 financial year.

Benefits in the event of termination of a contract

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

In compliance with the German Corporate Governance Code, all contracts with members of the Executive Board include the following provision. In the event of the early termination of the employment contract of a member of the Executive Board without due cause for that termination, his or her severance pay will be capped at twice the annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash (i.e. 60 percent)). The calculation is based on the annual cash emoluments for the last full financial year prior to the removal of the member from the Executive Board. If the annual cash emoluments of the member of the Executive Board for the financial year in which his or her employment is terminated are likely to be significantly higher or lower than the annual cash emoluments for the last full financial year, the Supervisory Board may at its discretion make an adjustment to the calculation of the annual cash emoluments. If the remaining term of the employment contract was less than two years, the severance pay would be calculated pro rata. For the period on the basis of which the severance pay is determined, the members of the Executive Board receive no pension payments.

If Linde AG is acquired by another company and there is a change of control, and an employment contract is terminated within nine months of that date by mutual consent or as a result of a failure to renew the contract at the appropriate time or as a result of the resignation of the Executive Board member due to his or her position on the Board being unduly compromised by the takeover, members of the Executive Board have an entitlement to benefits based on their contractual cash emoluments but limited in extent. However, the burden of proof is on the member of the Executive Board to demonstrate the actual circumstances as a result of which his or her position has been unduly compromised. The recommendation of the German Corporate Governance Code relating to severance caps in the event of a change of control is also being followed. In accordance with the Code, all Executive Board contracts provide for severance pay in the event of a member retiring early from the Board due to a change in control equivalent to the amount payable in the event of early retirement from the Board without cause under any other circumstances. Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash (i.e. 60 percent)). The additional compensation would not be payable if the member of the Executive Board had served on the Board for less than three years or if he or she had not yet reached the age of 52 or had already reached the age of 63 when the employment contract ended. If the member of the Executive Board receives benefits on the occasion of or in connection with the acquisition by a majority shareholder, a controlling company or another legal entity, these are taken into account when the compensation and severance pay benefits are calculated. The pension entitlement is determined in accordance with the rules for the early termination of an employment contract without cause.

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

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

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

Loans and advances

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

Total emoluments of former members of the Executive Board

Former members of the Executive Board and their surviving dependants received total emoluments of EUR 2,830,896 in the 2013 financial year (2012: EUR 2,907,672).

A provision has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants of EUR 37,150,987 (2012: EUR 39,260,114). In the annual financial statements of Linde AG, a provision of EUR 32,921,398 was made (2012: 33,390,728). The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures in the Group financial statements and the annual financial statements.

2. Remuneration of the Supervisory Board

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

As a result of a resolution passed at the Annual General Meeting on 29 May 2013, the relevant amendments were made to the articles of association with effect from 30 May 2013. The remuneration of the Supervisory Board in 2013 was therefore based on the old articles of association until 29 May 2013 and on the amended articles from 30 May 2013. From the 2014 financial year, the remuneration of the Supervisory Board will be determined solely on the basis of the rules set out in the amended articles of association.

Supervisory Board remuneration structure from 30 May 2013

Under the new system approved at the 2013 Annual General Meeting, the remuneration of the Supervisory Board changed so that it comprises only fixed emoluments. In addition, the emoluments paid to members of the Supervisory Board for sitting on the Supervisory Board committees were adjusted so as to take account of the extent of responsibility and actual work involved.

Annual fixed emoluments
Each member of the Supervisory Board receives annual fixed emoluments of EUR 150,000.

Emoluments of the Chairman and Deputy Chairmen of the Supervisory Board
The Chairman of the Supervisory Board receives annual fixed emoluments of EUR 450,000 and each of the Deputy Chairmen receives annual fixed emoluments of EUR 225,000. These fixed amounts include the recompense for chairing and serving on committees.

Emoluments of the Standing Committee and Audit Committee
Each member of the Standing Committee and the Audit Committee (excluding the Chairman and Deputy Chairmen of the Supervisory Board) receives EUR 30,000 in addition to his or her annual fixed emoluments and the Chairman of the Audit Committee receives EUR 60,000 in addition to his or her annual fixed emoluments.

Attendance fees
The company pays members of the Supervisory Board an attendance fee of EUR 1,000 every time they attend a Supervisory Board meeting or committee meeting. This amount remains unchanged if several meetings take place on the same day.

Payment date, VAT and reimbursement of expenses
The remuneration of the Supervisory Board is paid after the end of the relevant financial year. The company reimburses members of the Supervisory Board for their expenses and also for VAT on their emoluments and on their expense reimbursements. The company can take out liability insurance for the benefit of members of the Supervisory Board to cover the legal liability arising from their activities as Board members.

Voluntary personal investment
In connection with the change in the remuneration system of the Supervisory Board approved at the 2013 Annual General Meeting, the members of the Supervisory Board made a personal commitment to the Supervisory Board that, in return for 25 percent of the fixed gross emoluments payable in each financial year, they would purchase Linde shares and in each case hold these shares for the duration of their membership of the Supervisory Board of Linde AG. This does not apply if the Supervisory Board members remit at least 85 percent of their fixed emoluments to the Hans-Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions (DGB) or to the employer as a result of an obligation under a service or employment contract. If in these cases, the proportion of fixed emoluments transferred is less than 85 percent, the personal commitment applies to the proportion of the fixed emoluments which has not been transferred.

Supervisory Board remuneration structure until 29 May 2013
According to the rules governing the remuneration of the Supervisory Board until 29 May 2013, the emoluments of the members of the Supervisory Board comprise two components: a fixed component and a variable one which is dependent on the Group's performance. Part of the variable component depends on the dividend. Another part is linked to the return on capital employed (ROCE) for The Linde Group in the relevant financial year.

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

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

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

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 fixed and variable emoluments. The Chairman of the Audit Committee receives an additional EUR 40,000 and every other member of the Audit Committee an additional EUR 20,000. However, if a member of the Supervisory Board holds several offices at the same time which pay a higher level of remuneration, he or she only receives the remuneration for the office which is the most highly paid.

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

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

Emoluments of the Supervisory Board for 2013

Based on a dividend of EUR 3.00 (2012: EUR 2.70) per share entitled to dividend and adjusted ROCE for The Linde Group of 10.9 percent (2012: 11.5 percent), the total emoluments of the Supervisory Board (fixed emoluments, variable emoluments and attendance fees) amounted to EUR 2,452,248 (2012: EUR 2,273,972) plus VAT of EUR 465,927 (2012: EUR 432,055). Of the total emoluments, EUR 1,789,503 (2012: EUR 855,219) related to fixed emoluments and EUR 605,245 (2012: EUR 1,371,753) to variable emoluments. The total expenditure on attendance fees was EUR 57,500 (2012: EUR 47,000).

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

6 EMOLUMENTS OF THE SUPERVISORY BOARD

in €		Fixed emoluments	Variable emoluments	Emoluments for sitting on Audit Committee	Attendance fees	Total emoluments[1]
Dr Manfred Schneider (Chairman)	2013	327,534	113,342	–	7,000	447,876
	2012	150,000	258,750	–	6,000	414,750
Hans-Dieter Katte[2] (Deputy Chairman)	2013	163,767	56,671	–	7,000	227,438
	2012	75,000	129,375	–	6,000	210,375
Michael Diekmann (Second Deputy Chairman)	2013	163,767	56,671	–	4,000	224,438
	2012	75,000	129,375	–	4,000	208,375
Professor Dr Ann-Kristin Achleitner	2013	109,178	37,780	25,917	6,000	178,875
	2012	50,000	86,250	20,000	4,500	160,750
Dr Clemens Börsig	2013	109,178	37,780	51,836	6,000	204,794
	2012	50,000	86,250	40,000	4,500	180,750
Anke Couturier (from 06 December 2012)	2013	109,178	37,780	–	3,000	149,958
	2012	3,552	6,128	–	500	10,180
Franz Fehrenbach (from 29 May 2013)	2013	88,904	253	–	2,500	91,657
	2012	–	–	–	–	–
Gernot Hahl[2]	2013	119,383	56,671	35,506	7,000	218,560
	2012	75,000	129,375	–	6,000	210,375
Thilo Kämmerer[2] (until 29 May 2013)	2013	20,411	37,780	–	1,000	59,191
	2012	50,000	86,250	–	2,500	138,750
Dr Martin Kimmich[2] (from 29 May 2013)	2013	88,904	253	–	2,500	91,657
	2012	–	–	–	–	–
Matthew F. C. Miau (until 29 May 2013)	2013	20,411	37,780	–	1,000	59,191
	2012	50,000	86,250	–	2,000	138,250
Klaus-Peter Müller	2013	119,383	56,671	17,753	4,000	197,807
	2012	75,000	129,375	–	4,000	208,375
Jens Riedel[2] (until 29 May 2013)	2013	20,411	37,780	–	1,000	59,191
	2012	50,000	86,250	–	2,500	138,750
Xaver Schmidt[2]	2013	109,178	37,780	–	3,000	149,958
	2012	50,000	86,250	–	2,500	138,750
Frank Sonntag[2] (from 29 May 2013)	2013	88,904	253	–	2,500	91,657
	2012	–	–	–	–	–
TOTAL	2013	**1,658,491**	**605,245**	**131,012**	**57,500**	**2,452,248**
(in percent)		**68**	**25**	**5**	**2**	**100**
TOTAL	2012	**795,219[3]**	**1,371,753[3]**	**60,000[3]**	**47,000[3]**	**2,273,972[3]**
(in percent)		**35**	**60**	**3**	**2**	**100**

[1] Amounts excluding VAT.
[2] The employee representatives have decided to forward their remuneration to the Hans Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions.
[3] This includes the emoluments of Supervisory Board member Josef Schregle who retired from the Supervisory Board on 31 October 2012: fixed emoluments of EUR 41,667, variable emoluments of EUR 71,875, attendance fees of EUR 2,000, which gives total emoluments of EUR 115,542.

Loans, advances and other emoluments

At 31 December 2013, there were no loans or advances to members of the Supervisory Board. Moreover, the members of the Supervisory Board received no payments or advantages for services they provided individually, in particular, advisory or agency services.

LINDE IN THE CAPITAL MARKET

Stock markets hit all-time highs

Most international stock exchanges saw significant growth in 2013. The German share index DAX began the trading year at 7,779 points, rising above 8,000 points on 20 March 2013. On 19 April, the DAX fell to its lowest level for the year of 7,460 points before making further substantial increases in the course of the year. In May, against a background of high capital inflows, the index climbed again over 8,000 points and in October it even rose above 9,000 points. On 27 December 2013, the DAX reached its highest level for the year of 9,589 points. At 31 December 2013, the index stood at 9,552 points, 25.5 percent higher than at the end of the 2012 financial year. This means that the DAX outperformed most other major international stock market indices in 2013.

In comparison, the MSCI Euro Index increased in value by 18.1 percent and the DJ EURO STOXX by 20.5 percent. Even the most significant national indices in Europe failed to perform as well as the DAX. The CAC 40 Index in Paris rose by 18.0 percent, while the FTSE Eurofirst 300 Index in London increased by 16.9 percent.

Trends in the US stock markets were even more dynamic. The S & P 500 Index was up 29.6 percent, while the NASDAQ technology index (NASDAQ composite) increased even more, by 38.3 percent. In the emerging economies, however, the picture was different. The MSCI Emerging Markets Index lost 5.0 percent in the course of 2013.

Increase of almost EUR 4 bn in Linde's market capitalisation

Linde shares performed well in this generally good stock market climate. The closing price of the shares at 31 December 2013 was EUR 152.05, 15.2 percent higher than the figure at the end of 2012 of EUR 132.00. This meant that the Group's market capitalisation rose significantly during the year by EUR 3.8 bn to EUR 28.2 bn (31 December 2012: EUR 24.4 bn).

Linde shares had a modest start to 2013, with the lowest price for the year (EUR 128.60) being reached on 11 January. After that, the share price rose, boosted in part by the good results for the 2012 financial year which were published in March 2013, going above EUR 140 for the first time in the company's history. On 13 May 2013, the Linde share price even went above EUR 150 for the first time, reaching a historic high of EUR 153.90 on 28 May 2013. For the rest of the year, Linde shares moved in a more horizontal direction.

The good performance overall of Linde shares is evidence that the capital market recognises the stability of the Group's business model with its long-term contract structures as well as the attractive growth opportunities in the international gases and engineering business.

The market is rewarding the Group for becoming even more robust as a result of the expansion of its healthcare business, its strong footprint in the emerging economies and its promising position in the energy and environment growth area. The continuing implementation of the Group's holistic HPO (High Performance Organisation) programme, which is designed to achieve lasting efficiency improvements, also contributes to the positive assessment of Linde in the capital market. Market participants' confidence also grew as a result of the publication of ambitious medium-term targets for the return on capital employed (ROCE) and operating profit performance indicators for the year 2016.

Linde was also successful during the financial year in terms of sustainability ratings in the capital market. In September 2013, the Group was again included in the global Dow Jones Sustainability Index (DJSI World). Analysts at RobecoSAM acknowledged thereby Linde's continuous improvement in the area of sustainability. The Group was recognised in particular for its activities in the fields of compliance, environmental management systems and risk and crisis management. In 2013, Linde was also recognised in the new United Nations Global Compact 100 Index. This index lists companies which are notable not only for their support for the principles of the UN Global Compact but also for their profitability.

Linde is a regular participant in the survey conducted by CDP, an investor initiative which relates to climate protection reporting and performance. In 2013, the Group was included for the second year in succession in the regional Carbon Disclosure Leadership Index (CDLI) for Germany, Austria and Switzerland.

The leading international rating agencies Moody's and Standard & Poor's award Linde a high credit rating. In May 2013, Moody's confirmed its good credit rating of A3 with a stable outlook. Standard & Poor's increased its rating of the Group in December 2013 by one notch from A to A+ and also confirmed the stable outlook. The agencies hereby recognise the Group's conservative financial policy and its robust business model as well as its good liquidity situation.

During the financial year, Linde was able to benefit repeatedly from these ratings and the good conditions in the international capital markets for corporate bonds. In the second quarter of 2013, the Group issued a ten-year EUR 650 m bond with a 2 percent coupon and a five-year USD 500 m bond with a coupon of 1.5 percent. In the third quarter, Linde also redeemed a EUR 400 m subordinated bond early by exercising a call option.

In addition, Linde agreed a new five-year EUR 2.5 bn syndicated credit facility in July 2013, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). The credit line replaces the

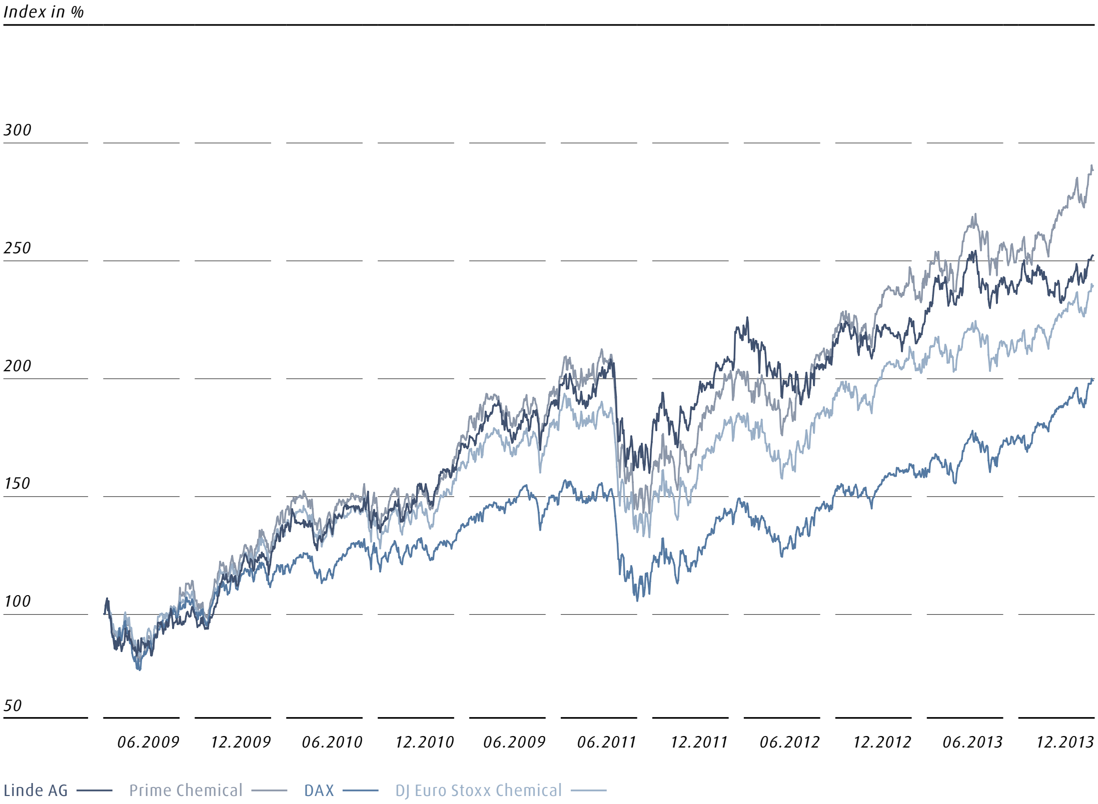
EUR 2.5 bn facility from 2010 which had not been drawn down. With the syndicated credit facility supplementing its liquid funds, Linde had a solid general liquidity reserve at 31 December 2013.

7 CAPITAL MARKET-BASED FIGURES

		2013	2012
Number of shares with dividend entitlement for the financial year	No.	185,587,803	185,188,968
Year-end closing price	€	152.05	132.00
Year high	€	153.90	136.15
Year low	€	128.60	114.20
Total dividend of Linde AG for the financial year	€ million	557	500
Market capitalisation[1]	€ million	28,219	24,445
Average weekly volume	No.	2,257,467	2,789,171
Volatility[1] *(200 days)*	%	14.6	20.8
Information per share			
Cash dividend	€	3.00	2.70
Dividend yield	%	2.0	2.0
Operating cash flow	€	16.94	14.39
Earnings (reported EPS)	€	7.10	6.93

[1] As at 31 December 2013.

1 LINDE SHARE PERFORMANCE IN 2009–2013 COMPARED WITH INDICES

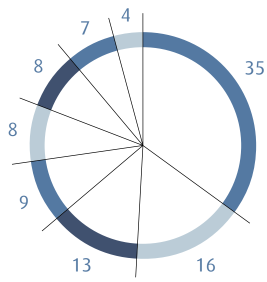


8 LINDE PERFORMANCE IN COMPARISON WITH THE MOST IMPORTANT INDICES[1]

	2013 in percent	Weighting Linde shares in percent
Linde (including dividend)	17.3	–
Linde (excluding dividend)	15.2	–
DAX	25.5	3.51
Prime Chemical	22.3	13.97
DJ EURO STOXX	20.5	0.90
DJ EURO STOXX Chemical	16.6	10.10
FTSE Eurofirst 300	16.1	0.47
FTSE E300 Chemical	14.6	9.25
MSCI Euro	18.1	0.44

[1] As at 31 December 2013.

1 INSTITUTIONAL INVESTORS HOLDINGS BY REGION IN %



USA	35 (2012: 45)	France	8 (2012: 9)
Germany	16 (2012: 16)	Switzerland	8 (2012: 3)
UK	13 (2012: 14)	Other	7 (2012: 4)
Scandinavia	9 (2012: 5)	Asia	4 (2012: 4)

Stable shareholder structure

In the annual shareholder identification survey, Linde identified the shareholders of around 77 percent (2012: around 81 percent) of the shares outstanding at 31 December 2013. These are solely institutional investors. In the case of the shareholders who have not been identified, it is assumed that 77 percent of these shares too can be allocated to institutional investors. On the basis of this approach to the calculation, the proportion of private investors who held Linde shares at 31 December 2013 was around 5 percent (31 December 2012: 4 percent).

The proportion of institutional investors from the United States was around 35 percent at the end of 2013, compared with 45 percent at 31 December 2012. Americans continue to constitute the largest group of investors from a single country. The proportion of shares held by European institutional investors rose from 51 percent at the end of 2012 to 58 percent at the end of 2013. German institutional investors held 16 percent of Linde's shares at the end of both 2012 and 2013. The proportion of British institutional investors fell slightly from 14 percent at 31 December 2012 to 13 percent at 31 December 2013. The fourth largest group of investors is based in the Scandinavian countries. The holding of these investors almost doubled from 5 percent of the total at the end of 2012 to 9 percent at the end of 2013. The proportion of shares held by Asian investors remained constant at 4 percent. The proportion of investors who are oriented towards sustainability increased during the reporting period to around 7 percent (2012: 4 percent).

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

Dividend payment

Linde has adopted an earnings-based dividend policy geared towards continuity. The Executive Board and Supervisory Board will recommend the payment of a dividend of EUR 3.00 per share at the Annual General Meeting on 20 May 2014. This is an increase of 11.1 percent over the prior-year dividend of EUR 2.70. This gives a dividend payout ratio of 42.3 percent (2012: 40.6 percent) based on the net income for the year attributable to Linde AG shareholders. The dividend yield was around 2.0 percent (2012: 2.0 percent) based on the year-end closing price.

Resolutions passed at the Annual General Meeting on 29 May 2013

Authorised Capital I was abolished in accordance with Article 3.6 of the articles of association and the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 47 m until 28 May 2018 against cash and/or non-cash contributions by issuing, on one or more occasions, a total of up to 18,359,375 new bearer shares (Authorised Capital I). The subscription rights of the shareholders may be excluded.

In addition, the authorisation granted to the Executive Board to issue convertible and/or warrant-linked bonds was revoked and the corresponding 2010 conditionally authorised capital in accordance with Article 3.8 of the articles of association was abolished, and the Executive Board was authorised, with the approval of the Supervisory Board, to issue convertible and/or warrant-linked bonds until 28 May 2018. It was resolved to create a new 2013 conditionally authorised capital to issue the option and conversion rights.

Furthermore, the 2002 conditionally authorised capital in accordance with Article 3.9 of the articles of association was abolished without substitution.

Investor relations (IR) activities stepped up again

In 2013, Linde again significantly stepped up its efforts to communicate with participants in the capital markets, conducting more than 800 (2012: more than 700) conversations with investors worldwide. At 24 conferences and 38 roadshows on four continents, several events for private investors and in the course of plant visits, Linde has offered its shareholders and potential investors the opportunity to speak personally to representatives of the Group, including members of the Executive Board.

The Group also held an event for sell-side analysts. This provided analysts with the opportunity to discuss the business performance of the Group, new trends, future challenges and opportunities for growth with members of the Executive Board of Linde AG.

Linde has been able to convince German and international investors of the potential offered by its products, technologies and services in the promising energy and environmental sectors and especially in the healthcare sector. Presentations focused in particular on the Group's performance in the emerging economies and in the Engineering Division, which saw a substantial increase in order intake in the reporting period. As in the prior year, the business performance of US homecare company Lincare, acquired by the Group in summer 2012, was also of great interest to investors. Moreover, Linde provided a commentary on the current business performance of the whole Group, the impact of exchange rates and the growing synergies between its gases business and engineering businesses.

Transparency, continuity and reliability will remain the guiding principles for Linde's investor relations work in 2014. The IR team will put forward the arguments which continue to make an investment in the Group an attractive proposition: its forward-looking and robust business model characterised by long contract periods, financing geared towards the long term and an excellent position in the fast-growing economies, in the energy and environment sector and in the healthcare market.

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

9 LINDE SHARE INFORMATION

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

02

Combined Management Report

Fundamental information about the Group

BUSINESS MODEL OF THE LINDE GROUP

The Linde Group

The Linde Group is a gases and engineering company with global operations. Its Corporate Centre is based in Munich, Germany. Linde has around 63,500 employees and is represented in more than 100 countries worldwide. It generated revenue in the 2013 financial year of EUR 16.655 bn. The Group comprises three divisions:

- Gases Division
- Engineering Division
- Other Activities

Gases Division

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

Industrial gases

Linde produces and markets the air gases oxygen, nitrogen and argon, which it makes in its own air separation plants [SEE GLOSSARY] as well as hydrogen, acetylene, carbon monoxide, carbon dioxide, shielding gases for welding applications, noble gases and high-purity specialty gases. Linde gases are used across all the continents of the world in almost all industry sectors, in trade, and in science and research. Linde also develops and markets systems and plants for gases applications all over the world in several technological application centres. In addition, the Group provides its customers with comprehensive support services and technical equipment. The Linde Industrial Gases business unit is the world's largest supplier of welding and safety products.

Medical gases

The Global Business Unit Healthcare is a globally leading gases healthcare company specialising along an integrated respiratory care path. Linde Healthcare combines pharmaceutical gases, medical devices, services and clinical care into purposeful solutions for patients and healthcare professionals throughout the care continuum from hospital to home. It operates in 60 countries and its products and services meet high safety, quality and efficacy standards as stipulated by the authorities and official governmental bodies.

Linde Healthcare's products and services are used in the diagnosis and treatment of a large number of clinical conditions. Linde Healthcare provides pharmaceutical gases, medical devices, services and clinical care for chronic obstructive pulmonary disease (COPD), asthma, sleep apnoea, pulmonary hypertension [SEE GLOSSARY] in neonates, anaesthetic use and pain. SEE ANNUAL, PAGE 34.

Product areas

Within the Gases Division, Linde allocates its activities to the following product areas:

- On-site
- Healthcare
- Cylinder gases
- Liquefied gases

In the case of the on-site business, customers are generally supplied via an on-site gas production plant, while in the other product areas gases are delivered to the customer in gas cylinders or in tankers.

Operational management

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

In the course of internal restructuring of the business in the Americas reportable segment, RBU South America was merged with RBU North America as at 1 January 2014. The new Regional Business Unit, RBU Americas, combines the respective strengths of the two former RBUs to form an efficient joint organisation and is now even better positioned to respond effectively to customer needs. The operating business in the three reportable segments is therefore now divided between seven Regional Business Units.

Within the Gases Division, Linde has established Global Business Units (GBUs), one Business Area (BA) and global functions which are managed centrally. These business units and business areas ensure the rigorous application of best practices and the implementation of defined process standards across the Group. Moreover, centralisation provides support for key account management especially in the on-site business and the electronic gases business and takes into consideration the specific requirements of the increasingly regulated healthcare sector.

Global and central functions support the business units and business areas. SEE MANAGEMENT ORGANISATION, PAGES 234 TO 235.

Engineering Division

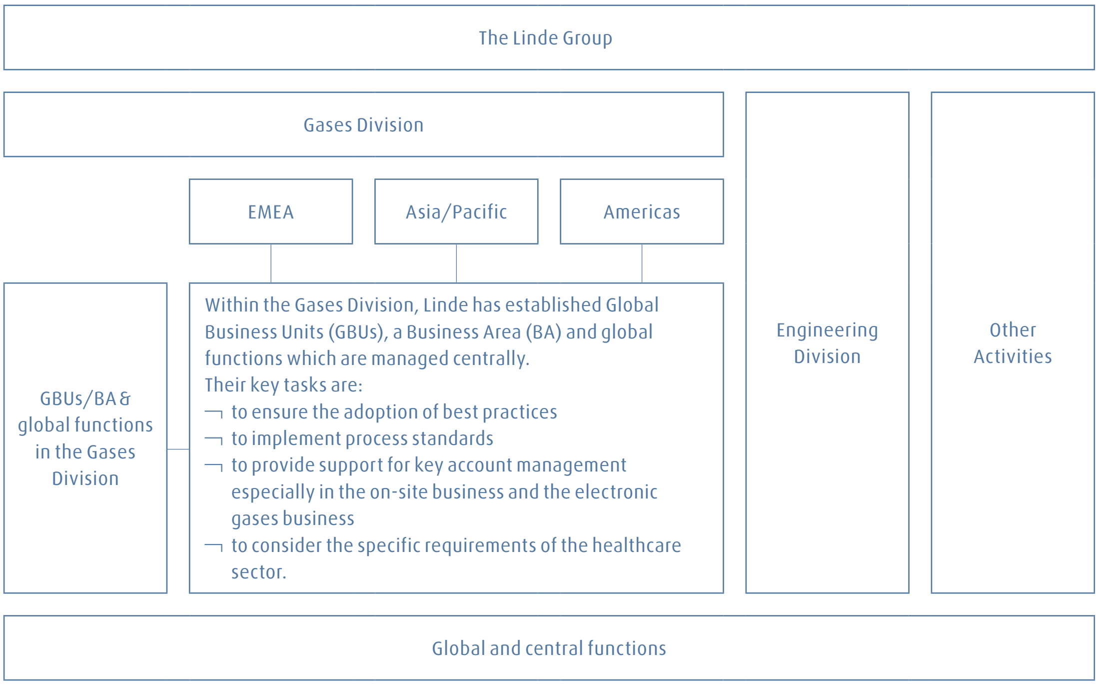
Linde's Engineering Division is successful throughout the world, with its focus on promising market segments such as olefin plants *[SEE GLOSSARY]*, natural gas plants, air separation, hydrogen and synthesis gas plants. In contrast to virtually all its competitors, the company can rely on its own extensive process engineering know-how in the planning, project development and construction of turnkey industrial plants. Linde plants are used in a wide variety of fields: in the petrochemical and chemical industries, in refineries and fertiliser plants, to recover air gases, to produce hydrogen and synthesis gases, to treat natural gas and in the pharmaceutical industry. The Engineering Division either supplies plants directly to the customer or to the Gases Division, which operates the plants on behalf of the customer under a gases supply contract.

The Engineering Division is centrally managed and supported by the Group's global and central functions. At Group level, one of the members of the Executive Board is responsible for the Engineering Division. SEE MANAGEMENT ORGANISATION, PAGES 234 TO 235.

Other Activities

Other Activities comprises the operations of logistics services company Gist. Gist specialises in the distribution of chilled food and beverages, and operates principally in the United Kingdom and Ireland.

ORGANISATION OF THE LINDE GROUP



Corporate management

The Executive Board is international in composition and is responsible for the management of the company. Each member of the Executive Board is responsible for one reportable segment. SEE MANAGEMENT ORGANISATION, PAGES 234 TO 235. By reflecting the operating model in the allocation of responsibilities to individual members of the Executive Board, the Group ensures that the individual strengths and skills of the Executive Board members are used effectively at both regional and product level.

VALUE-BASED MANAGEMENT OF THE LINDE GROUP

Core financial performance indicators

One of the key elements of Linde's corporate strategy is the pursuit of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value. To measure the medium-term and long-term financial success of this value-based management strategy, the Group uses the following core performance indicators:

- Group revenue and the revenue of the Gases Division and the Engineering Division,
- Group operating profit (Earnings Before Interest, Tax, Depreciation and Amortisation, EBITDA) and the operating profit of the Gases Division and the Engineering Division and
- return on capital employed (ROCE) for the Group.

These performance indicators are submitted on a regular basis to the entire Executive Board and are used for internal management purposes. The variable remuneration of the Executive Board is also based on these performance indicators. SEE REMUNERATION REPORT, PAGES 21 TO 32. The operating margin is derived from two of the performance indicators (revenue and operating profit) and is also a key financial figure.

Other financial and non-financial indicators

To manage its operating business and represent its performance, Linde also uses other indicators such as EBIT (Earnings Before Interest and Tax, SEE GLOSSARY), free cash flow before financing activities (operating free cash flow) and segment-specific performance indicators such as order intake in the Engineering Division. Order intake is a key indicator of future business performance in the plant construction business, which is geared towards the long term. Another financial indicator used is earnings per share (EPS). Since this figure is based on post-tax earnings, it also takes account of financing and fiscal components.

The calculations of operating free cash flow and of earnings per share are given on PAGES 66 AND 148 of this financial report.

Other non-financial indicators include the number of serious transport incidents [SEE GLOSSARY], the number of work-related accidents, CO_2 emissions, and water and energy consumption. Further information on these figures is given on PAGES 77 TO 87 of this financial report.

Calculation of the core financial performance indicators

The core performance indicator ROCE is calculated as EBIT adjusted for non-recurring items divided by capital employed. In the 2013 financial year, ROCE calculated in this way (reported ROCE) was 9.7 percent (2012: 10.2 percent).

The ROCE performance indicator is also disclosed after eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation (adjusted performance indicators). The acquisition of BOC in the 2006 financial year resulted on the one hand in an increase in capital employed. On the other hand, earnings were adversely affected, particularly in past years, by the amortisation of fair value adjustments identified in the course of the purchase price allocation. This reduced the return on capital, although Linde's operating performance did not change as a result of the identification of fair value adjustments and their amortisation. The adjustment was necessary, especially in the first few years after the acquisition, in order to present the operating performance of the Group in a manner which was transparent and allowed comparisons with its major competitors. In the 2013 financial year, the adjusted ROCE figure achieved by Linde was 10.9 percent (2012: 11.9 percent). The Group also discloses adjusted EBIT and adjusted EPS.

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

DEFINITION ROCE

RETURN

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

+/–

Non-recurring items

/

CAPITAL EMPLOYED[2]

Equity

+

Financial debt

+

Liabilities from finance leases

+

Net pension obligations

–

Cash & cash equivalents and securities

–

Receivables from finance leases

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

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

Group operating profit (EBITDA) is calculated by adjusting Group EBIT for non-recurring items and for the amortisation of intangible assets and depreciation of tangible assets. The amortisation of intangible assets and depreciation of tangible assets are included in functional costs. They are disclosed in the segment report on PAGES 120 TO 121.

EBIT is calculated as Group revenue less cost of sales and other functional costs (marketing and selling expenses, research and development costs, administration expenses) less other operating expenses. In addition, the figure includes other operating income and the share of profit or loss from associates and joint ventures. SEE TABLE 12, PAGE 51. EBIT is also adjusted for non-recurring items. Non-recurring items are items which, due to their nature, frequency and extent, are likely to have an adverse impact on how accurately the EBIT figure reflects the sustainability of Linde's earning capacity in the capital market. In 2013, as in 2012, there were no non-recurring items based on this definition.

TARGETS AND STRATEGY OF THE LINDE GROUP

A world leader

Linde has set itself the target of becoming the leading gases and engineering company in the world. This means becoming the leading company not only in terms of its key financial figures, such as revenue and operating profit, but also in terms of its reputation in the market and with customers and all other stakeholders. Linde sees its role as providing its customers with high-quality products and services and offering sustainable value added.

Linde is committed to behaving responsibly towards people and the environment and to conserving natural resources, as set out in its global corporate responsibility policy. The Group complies thereby with its foundational principle of sustainability, one of the four principles underlying the Linde Spirit. The Linde Spirit defines the values of the Group. More information about this can be found at *WWW.LINDE.COM/LINDESPIRIT*.

Earnings-based growth

The strategy of the Group is geared towards sustainable earnings-based growth. Linde continues to work towards achieving constant improvements in the Group's performance and promoting the expansion of the Group's business activities. In particular, Linde wants to benefit disproportionately from the megatrends energy, the environment and health in particular. Another of the Group's objectives is to exploit effectively the excellent market opportunities arising in the emerging economies.

In these economies and especially in China, Linde has the advantage of a leading market position. The Group became involved in these countries at an early stage, installing technologies which were relevant to those markets, thus gaining a competitive advantage. Linde intends to translate this advantage into market share and to secure and expand its market share in the emerging economies over the next few years. To this end, Linde is investing above all in projects with good prospects in the on-site business (on-site supply of gases to customers): for example, in the chemical industry. Most of the Group's investment in the 2013 financial year (EUR 1.194 bn) was made in the emerging economies (2012: EUR 966 m). The plan is to continue to apply this strategy over the next few years.

In the promising market for energy and environmental technologies, Linde is continuing to expand its product portfolio. The range comprises processes and technologies required along the entire length of the value chain of renewable and fossil fuels: from production via conversion, transport and storage to their most efficient use. The Group has also focused its research funds on the continuing development of this promising market. *SEE RESEARCH AND DEVELOPMENT, PAGE 74 TO 76.*

In the energy sector, the importance of shale gas is growing: i.e. natural gas recovered from shale. Linde is benefiting from this trend in both its Engineering Division and its Gases Division. This is because the newly-extracted natural gas does not simply result in greater demand for natural gas processing plants but also in the construction and expansion of chemical clusters. One example of this is the petrochemical site in La Porte, Texas. Linde is going to develop the supply of gases on this site by building a large air separation plant and installing a new gasification train for its existing synthesis gas complex.

In the case of enhanced oil and gas recovery (EOR and EGR), industrial gases such as nitrogen play a key role. Linde is well positioned for the award of new projects in this market.

With the processes they have developed for CO_2 management, the Group's engineers and technicians are making a vital contribution to efficient and environmentally friendly energy production and use. The Group intends to continue to increase this commitment by focusing on innovations. Together with research institutions and partners in industry, Linde is developing, for example, technologies for the capture of CO_2 in power plants, the storage of captured CO_2 under the earth's surface and CO_2 recycling.

Linde is a pioneer in the development of hydrogen technology and is continuing to drive forward the establishment of a hydrogen filling station infrastructure. In addition, the Group is working on exploiting growing market potential for its technical skills in the field of power-to-gas. Examples of this are processes designed to convert energy from renewable sources into gas such as hydrogen using electrolysis, so that it may be stored more easily.

Since its acquisition of Lincare and purchase of Air Products' Continental European homecare operations in 2012, Linde has become a globally leading gases healthcare company specialising along an integrated respiratory care path. Linde is leveraging its international platform to expand its respiratory therapies and clinical care services worldwide. The Group has defined its strategy in the healthcare segment as providing a similar range of products and services in all regions of the world, achieving synergies and making further improvements to its sales and cost structures.

Another element of Linde's strategy is to ensure that it benefits from long-term growth drivers in the global healthcare sector. The market is characterised by a growing, ageing population, an increase in chronic diseases such as asthma and COPD (chronic obstructive pulmonary disease), and a greater emphasis on patient care in settings other than hospitals. Rising prosperity especially in Asia is also generating ever-growing demand for healthcare.

High Performance Organisation

Linde will continue to refine its processes on the basis of its HPO (High Performance Organisation) programme, a holistic concept designed to achieve sustainable efficiency gains.

The Group began to apply this programme in 2008 and is continuing to implement the measures defined therein. These activities are linked to measurable targets. Linde is seeking to achieve reductions in gross costs of EUR 750 m to EUR 900 m in the four-year period from 2013 to 2016. The Group sees potential above all in the supply chain for the cylinder gas and liquefied gases business *(SEE ANNUAL, PAGE 20)* as well as in the areas of procurement and IT. Linde intends to make further improvements in the organisation of procurement in order to continue to achieve a lasting positive impact on costs and cash flow in future. This applies to both expenditure and processes. In addition to making structural changes, the Group will also continue to work on optimising its supplier portfolio and product range in order to reduce costs. In 2013, for example, Linde embarked on a number of sustainable improvement projects for complex categories of goods. The aim of these projects is to implement the structures which will ensure that procedures continue to be effective in future. Important factors in this context are cooperation across functional and organisational boundaries, standardisation and optimised processes. Moreover, Linde is implementing pricing initiatives to counteract rising costs in the volatile markets for energy and raw materials.

Sustainability

Sustainability is a vital component of the Group's strategy. Linde combines long-term economic value added with environmental and social responsibility. Its sustainability activities are based on clear principles:

Focus on Linde's core business: When developing its sustainability measures, Linde considers its main business processes and the entire life-cycle of its products.

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

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

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

Linde wants to apply the fundamental principle of sustainability to an even greater extent to drive its business operations. The Group is constantly analysing how its products help its customers develop more sustainable processes: e.g. through increased energy efficiency or reduced emissions.

The main decision-making body for sustainability-related activities is the Corporate Responsibility Council. The members of this committee are Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG, and Professor Dr Aldo Belloni, member of the Executive Board, together with the heads of the Group's global and central functions: Communications & Investor Relations, Human Resources, Legal & Compliance, Internal Audit and SHEQ. *[SEE GLOSSARY].* In 2013, the CR Council advised inter alia on the introduction of a global Code of Conduct for Suppliers and on the extension of the global environmental targets.

Linde is continually evaluating which themes are relevant to the sustainable development of the Group and which issues most concern the Group's stakeholders. Based on this materiality analysis, Linde establishes its priorities for sustainability measures. Internal workshops involving experts on particular topics and strategies and the experience derived from interdisciplinary working parties also contribute to the debate. In the course of this process, Linde also considers information about environmental and social risks derived from the Group risk management analysis.

The Group maintains regular contact in a variety of ways with its main stakeholders. These include Linde employees, shareholders, customers, suppliers, non-governmental organisations, politicians, the research and scientific community, neighbours and the general public. Linde is also involved in trade associations and scientific collaborations, and with specialist subject networks and sustainability networks such as the German Global Compact Network.

Measurable medium-term targets

Linde will continue to pursue a corporate strategy of sustainable earnings-based growth. This strategy underpins its claim of being the leading gases and engineering company in the world with measurable targets.

Linde's target for the 2016 financial year is to achieve Group operating profit of at least EUR 5 bn and a return on capital employed (ROCE) of around 13 percent (reported ROCE) or around 14 percent (adjusted ROCE).

These medium-term targets are based on current economic forecasts, according to which the global economy will grow at a faster rate in the coming years than it did in the 2013 financial year. They are also founded on the assumption that there will not be any significant shifts in exchange rates compared with those prevailing at the end of 2012 when the medium-term outlook was formulated. As explained elsewhere in this financial report, exchange rates have changed significantly during the current reporting period, moving in a direction which was unfavourable to Linde. If exchange rates over the coming years remain at similar levels to those which have applied recently, this would reduce Group operating profit by around EUR 400 m in 2016 and might also have an adverse impact on return on capital employed.

Linde has also set itself a number of non-financial targets. These targets are linked in particular to further improvements in the area of safety and environmental protection. The Group is focusing above all on ensuring production-related safety and transport safety, increasing energy efficiency and reducing emissions. By 2017, Linde wants to achieve a 5 percent improvement in the average energy intensity of the air separation plants it has installed. The base year is 2008. The benchmark is the global average efficiency of the air separation plants operating at the design plant load. Here, the Group is seeking to achieve a total reduction in carbon dioxide emissions of around 2.5 million tonnes. At the beginning of 2013, Linde also set itself a new global target for the hydrogen plants (HyCO plants SEE GLOSSARY) it has installed. The Group aims to increase the energy efficiency of its hydrogen plants by 2 percent by 2015, compared with the base year of 2009.

Linde has also set itself the target of halving the frequency of serious transport incidents by the end of 2017, compared with the base year of 2012.

Report on the economic position of the Group

MACROECONOMIC ENVIRONMENT

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

	% Weighting	% Growth 2009	2010	2011	2012	2013
EMEA	34.2	–4.3	2.6	2.4	0.4	0.7
Eurozone	19.2	–4.4	1.9	1.7	–0.6	–0.5
Germany	5.6	–5.1	3.9	3.4	0.9	0.5
Asia/Pacific	19.6	5.1	8.5	6.5	5.3	5.5
China	8.9	9.2	10.4	9.3	7.7	7.7
Americas	34.7	–2.6	3.1	2.3	2.7	1.9
USA	26.2	–2.8	2.5	1.8	2.8	1.7
WORLD	**100.0**	**–2.1**	**4.1**	**2.8**	**2.3**	**2.1[2]**

[1] Source: The Economist Intelligence Unit Ltd., in respect of countries in which Linde operates. The prior-year figures have been adjusted on the basis of the latest available data (as at 21 January 2014).
[2] In respect of 120 countries.

11 INDUSTRIAL PRODUCTION (IP)[1]

	% Growth 2009	2010	2011	2012	2013
EMEA	–12.1	6.0	2.9	–1.5	–0.7
Eurozone	–14.7	6.6	2.7	–2.9	–0.7
Germany	–15.5	10.1	7.4	–0.4	–0.5
Asia/Pacific	3.4	13.3	7.9	5.7	5.1
China	11.1	15.7	13.7	10.0	9.6
Americas	–10.4	5.8	3.3	2.9	2.2
USA	–11.3	5.7	3.3	3.6	2.4
WORLD	**–9.6**	**8.2**	**3.4**	**1.3**	**1.4[2]**

[1] Source: The Economist Intelligence Unit Ltd., in respect of countries in which Linde operates. The prior-year figures have been adjusted on the basis of the latest available data (as at 21 January 2014).
[2] In respect of 120 countries.

Global economic trends

Linde operates in more than 100 countries worldwide and offers its customers a diverse portfolio of products and services. Macroeconomic trends and economic conditions in the various regions therefore both have a significant influence on the Group's business situation. So that the business performance of Linde can be put into perspective, a summary is given below of economic trends in 2013.

World economic growth slowed in 2013 compared with 2012. Based on data from the international forecasting institute The Economist Intelligence Unit (EIU), global gross domestic product (GDP) rose by only 2.1 percent (2012: 2.3 percent). This is the lowest growth rate since the financial crisis. Growth in global industrial production, an important indicator for Linde's business, was also very modest in 2013 at just 1.4 percent (2012: 1.3 percent).

The main factors which had an adverse impact on the global economy were sizeable government deficits, currency fluctuations and high levels of unemployment in many industrialised countries. The situation in the international financial markets, however, continued to improve in the course of the financial year as a result of expansionary monetary policy.

EMEA (Europe, Middle East and Africa)

The economy in the EMEA region as a whole saw only slight growth of 0.7 percent in 2013 (2012: 0.4 percent), while industrial production fell by 0.7 percent, compared with a fall of 1.5 percent in 2012. Once again, there were substantial variations in economic trends in the various sub-regions. In Western Europe, there was a small increase in economic output of 0.2 percent, following a decrease of 0.1 percent in 2012. Industrial production declined once again, although the fall of 1.2 percent was an improvement on the 2.3 percent fall in 2012. Of the major economies in Western Europe, Germany and the UK saw relatively robust economic trends. In Germany, GDP rose by 0.5 percent in 2013, while the UK achieved an even higher increase of 1.8 percent (2012: 0.3 percent). Industrial production in Germany, on the other hand, fell by 0.5 percent (and in 2012 by 0.4 percent). Economic output in France was at virtually the same level as in 2012, while GDP in Italy, Spain and Portugal fell for the second year in succession.

In Eastern Europe, the economy continued to slow down. Whereas growth of 2.1 percent was still to be seen here in 2012, the economy expanded by only 1.4 percent in 2013. Industrial production in Eastern Europe also lost momentum, mainly as a result of significantly weaker growth in Russia, rising by only 0.9 percent (2012: 1.5 percent).

GDP growth in the Middle East in 2013 failed to reach the high figure achieved in 2012 of 4.9 percent. However, the 3.3 percent increase in economic output here was an above-average growth rate compared with the increase in global GDP.

In the African economies, positive economic trends continued. GDP for the African countries in which Linde operates rose in 2013 by 4.1 percent (2012: 4.3 percent). There were, however, significant differences here between individual countries: for example, the economy in South Africa grew by only 1.9 percent in 2013 (2012: 2.5 percent). Industrial production here even shrank by 0.3 percent, whereas it increased by 2.5 percent in 2012.

Asia/Pacific

The most favourable economic trends in 2013 were once again to be seen in the Asia/Pacific region. Here, GDP rose by 5.5 percent (2012: 5.3 percent), while industrial production increased by 5.1 percent (2012: 5.7 percent). In China, the economy remained robust, with GDP growth in 2013 of 7.7 percent, exactly the same rate as in 2012. Positive trends also continued for industrial production in China, which rose by 9.6 percent, although this was not quite as high a rate of growth as the figure of 10.0 percent achieved in 2012. In South and East Asia, economic output rose by 4.4 percent in 2013, a faster rate of increase than the figure of 3.7 percent seen in 2012. In contrast, industrial production was significantly weaker here. IP rose by only 1.2 percent (2012: 2.1 percent).

In Australia, the economic situation deteriorated further in the course of 2013. The increase in GDP was only 2.4 percent here, compared with economic growth of 3.6 percent in 2012. Growth in industrial production, which is particularly affected by the mining industry, slowed in the course of the year. In 2013, industrial production rose by 3.2 percent, while the increase in IP in 2012 was 4.8 percent. The business climate in manufacturing industry in particular had an impact here.

Americas

Economic trends in the United States in 2013 were not as stable as in 2012. GDP here increased by only 1.7 percent (2012: 2.8 percent). Industrial production also grew by 2.4 percent, a slower rate of growth than the 3.6 percent seen in 2012. Whereas the situation in the US labour and property markets continued to improve, economic trends were adversely affected in the main by budgetary policy and the lengthy negotiations about compliance with the debt ceiling.

In South America, economic output increased at a faster rate in 2013 than in the prior year, with GDP rising by 3.1 percent (2012: 2.6 percent). Industrial production saw slight growth of 0.4 percent, compared with a fall of 0.7 percent in 2012. Nevertheless, economic trends in South America remained below expectations. At the beginning of the year, economic experts had forecast higher rates of growth than were actually achieved, particularly for Brazil, Colombia and Venezuela.

SECTOR-SPECIFIC BACKGROUND

Gases industry

The international gases market as a whole grew at a moderate rate in 2013. Different rates of growth were again to be seen in each region and industry sector. The competitive situation among the world's four largest gases suppliers did not change significantly in the course of the year.

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

The market environment in the steel industry in 2013, as in 2012, was affected by significant surplus capacity. Demand for steel in Europe was modest. Many steel-producers had to rationalise and focus their production on lower-cost locations.

Steel production continued to grow in Asia. The greatest contribution in this area came from China.

Economic trends in the chemical sector in the past year also varied from country to country. While chemical production in Europe fell for the second year in succession, significant rates of growth were to be seen in this sector in China and in the United States. Demand is expected to continue to rise steadily in the US in particular over the coming years, given low prices for raw materials.

The oil and natural gas industry is currently growing at an especially fast rate as a result of the increasing exploitation of unconventional oil and gas deposits. Global investment in new refinery projects is shifting its focus more and more towards North America and the emerging Asian economies.

In the manufacturing sector, the market environment for the automotive industry improved in the course of the financial year. This was true above all in the US, but also for the large Asian countries, China and India.

Demand for plastic products has been rising for years. This trend, which continued in 2013, is particularly evident in China. The semiconductor market has also continued to grow over the past year, although rates of growth were lower than in previous years. Falling demand for personal computers has had an adverse impact on this market.

In the case of LEDs *[SEE GLOSSARY]*, the situation improved during the year. The trend towards buying larger TV screens had a positive effect here.

In 2013, as in 2012, surplus capacity and consolidation had an impact on the solar cell market. There are, however, growing signs that the lowest point has now been reached. Recently, there has been a rise in demand in China, Japan and the US.

Against a background of sustained population growth, the performance of the food and beverage industry remained relatively steady in 2013. Consistent consumer trends include healthier eating, higher consumption of meat protein and more processed foods. At the same time, demand for convenience products *[SEE GLOSSARY]* continues to rise.

In the global healthcare market, the long-term growth drivers remained intact in 2013: a growing, ageing world population, an increase in chronic diseases such as asthma and COPD (chronic obstructive pulmonary disease), and a greater emphasis on patient care in settings other than hospitals and on disease prevention. At the same time, however, the healthcare sector is subject to increasing regulation and cost pressure.

Engineering business

The market for large-scale international engineering projects continued to recover in 2013 from the 2009/10 economic and financial crisis. The greatest investment activity was to be seen in the energy sector.

Air separation plants

Trends in the air separation plant market were more dynamic in 2013 than in 2012. Most investment was in new projects in Asia, especially those concerned with coal gasification. This process requires large quantities of oxygen, one of the gases produced in air separation plants. Linde was able to benefit disproportionately from this trend and was awarded a number of new projects.

Olefin plants

The petrochemical industry is going through a process of structural change. As a result of the increasing exploitation of shale gas in the United States, prices for important feedstocks in the sector have changed. One example of this is that ethane is now cheaper in the US than in the Middle East, which makes the implementation of new ethane cracker projects *[SEE GLOSSARY]* more cost-effective.

Against this background, the market for olefin plants has grown at a faster rate in North America over the past year, while growth in this segment in Asia and Europe was more modest. In Europe, there is now a trend towards converting existing naphtha crackers to run on cheap ethane from the US.

Natural gas plants

In 2013, global demand for natural gas treatment, processing and liquefaction plants continued to increase.

In North America, the increased exploitation of shale gas reserves resulted in natural gas prices falling to a historic low and gave rise to a large number of projects based on natural gas.

Hydrogen and synthesis gas plants

Lively investment activity was to be seen in 2013 in the market for hydrogen and synthesis gas plants, focusing in particular on the emerging economies in Asia and the Middle East. Momentum in this field was also generated by modernisation projects in the Commonwealth of Independent States (CIS, SEE GLOSSARY) especially in the petrochemical and fertiliser industries. In addition, the exploration of shale gas reserves in North America had a positive impact on the hydrogen and synthesis gas plant segment.

BUSINESS REVIEW OF THE LINDE GROUP

In the 2013 financial year, the technology company The Linde Group continued to give a relatively steady business performance, although conditions were not favourable. The economy was anything but dynamic (especially in the mature markets) and even in some of the emerging economies growth lagged behind the figures originally forecast. Moreover, in the second half of the year, exchange rate effects increasingly had an adverse impact on business performance.

Nevertheless, Linde was again able to achieve increases in Group revenue and Group operating profit. The operations in the Healthcare product area acquired in the course of 2012 and positive trends in the Engineering Division made a particular contribution here. Moreover, on the basis of its global footprint and well-balanced spread across different sectors, the Group was able to compensate for faltering demand in some markets. The rigorous implementation of its efficiency improvement measures has also enabled Linde to preserve its high rate of profitability.

Revenue, operating profit and ROCE

In the 2013 financial year, Group revenue rose by 5.2 percent to EUR 16.655 bn (2012: EUR 15.833 bn). During the reporting period, exchange rate fluctuations increasingly had an adverse impact on revenue trends, especially in the second half of the year. Exchange rate effects have arisen purely on the translation of various local currencies into the reporting currency (the euro) at the end of the reporting period. In particular, the Australian Dollar and the US Dollar, the British Pound, the South African Rand and currencies in the emerging economies fell sharply against the euro. After adjusting for these effects (which equate to revenue of EUR 656 m), the increase in revenue was 9.7 percent. US homecare company Lincare, acquired by Linde in August 2012, contributed EUR 1.563 bn to Group revenue. The Lincare business is included in the Americas reportable segment and the Healthcare product area within the Gases Division.

Linde was able to reinforce its profitability at a high level and increased its Group operating profit in the 2013 financial year by 7.6 percent to EUR 3.966 bn (2012: EUR 3.686 bn). The Group operating margin rose to 23.8 percent, higher than the prior-year figure of 23.3 percent.

Adverse currency fluctuations also had an impact on Group operating profit in 2013 compared with that achieved in 2012. The effect of these distortions was to reduce earnings by EUR 148 m. Without the distortions, Linde would have achieved a 12.1 percent increase in Group operating profit.

Return on capital employed (ROCE) in 2013 was 9.7 percent (2012: 10.2 percent). When comparing the figures for 2013 and 2012, it should be noted that a large number of the major projects in the on-site business are still in the construction phase and are therefore not yet making a contribution to earnings. In addition, impairment losses of EUR 70 m (2012: EUR 46 m) had an adverse impact on EBIT and therefore also on the return on capital employed. Other items which had an adverse impact on EBIT were the amortisation of fair value adjustments of EUR 119 m (2012: EUR 50 m) identified in the course of purchase price allocations relating to Linde's acquisition of Lincare and purchase of Air Products' Continental European homecare business.

Return on capital employed after adjusting for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation was 10.9 percent in 2013 (2012: 11.9 percent).

Results of operations

The statement of profit or loss prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 6.013 bn in the 2013 financial year (2012: EUR 5.712 bn) after deducting cost of sales. This gives a gross margin of 36.1 percent (2012: 36.1 percent).

The cost of sales and other functional costs (marketing, selling and administration expenses, research and development costs) increased during the reporting period mainly as a result of the expansion in Linde's business activity. At the same time, the rigorous Group-wide implementation of the programme designed to achieve sustainable productivity gains (HPO) had a positive impact. Linde will continue to apply these efficiency improvement measures over the coming years.

The total charge for amortisation and depreciation increased by EUR 164 m to EUR 1.795 bn (2012: EUR 1.631 bn). This was due mainly to impairment losses and the amortisation of fair value adjustments, which are described above. During the reporting period, Linde recognised dividend income of EUR 57 m in other operating income. Since the beginning of the 2013 financial year, dividend payments from operating companies in which an investment is held have been allocated to other operating income when certain conditions applied. *SEE NOTE [7] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

EBIT improved by 5.6 percent to EUR 2.171 bn (2012: EUR 2.055 bn), while the EBIT margin remained unchanged from 2012 at 13.0 percent.

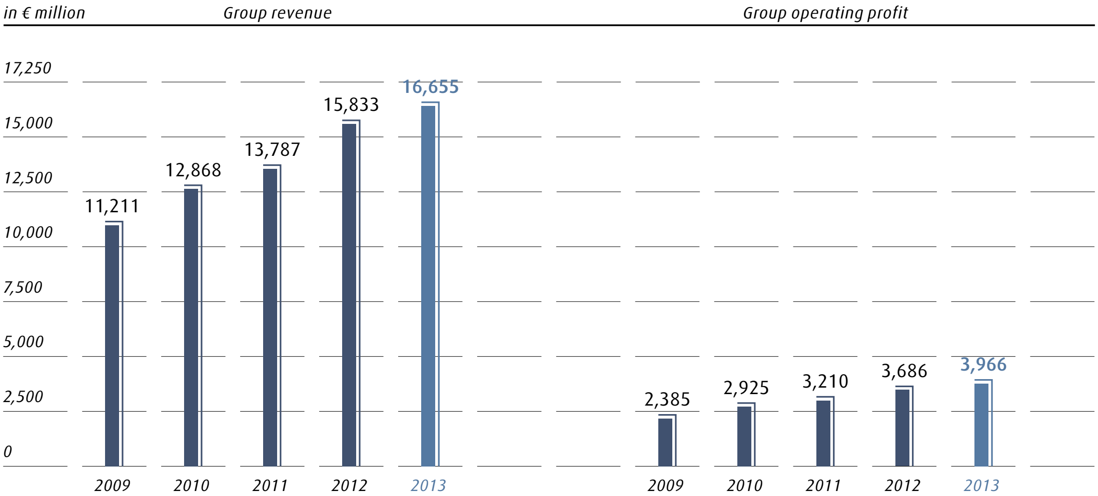
The net financial result (financial income less financial expenses) in 2013 was a net loss of EUR 377 m (2012: net loss of 321 m). The change was due mainly to the reduction in finance income from embedded finance lease agreements and to the decrease in investment income.

Linde was able to achieve a 3.5 percent increase in earnings before tax (EBT) to EUR 1.794 bn (2012: EUR 1.734 bn).

The income tax expense was EUR 364 m (2012: EUR 393 m). The release of tax provisions following the completion of tax audits and an adjustment to the deferred tax liability as a result of tax rate reductions in the UK both had a positive impact on the income tax rate, which fell from 22.7 percent in 2012 to 20.3 percent in 2013. Linde's profit for the period (after deducting the tax expense) in the 2013 financial year was EUR 1.430 bn (2012: EUR 1.341 bn).

After adjusting for non-controlling interests, profit for the year attributable to Linde AG shareholders was EUR 1.317 bn (2012: EUR 1.232 bn). This gives earnings per share of EUR 7.10 (2012: EUR 6.93). On an adjusted basis (i.e. after adjusting for the effects of the purchase price allocation from the BOC acquisition), earnings per share stood at EUR 7.85 (2012: EUR 7.87).

1 GROUP REVENUE AND GROUP OPERATING PROFIT



12 RESULTS OF OPERATIONS OF THE LINDE GROUP

	2013		2012 adjusted[1]	
	in € million	in percent	in € million	in percent
Revenue	16,655	100.0	15,833	100.0
Cost of sales	10,642	63.9	10,121	63.9
Gross profit	6,013	36.1	5,712	36.1
Marketing and selling expenses	2,512	15.1	2,321	14.7
Research and development costs	92	0.6	101	0.6
Administration expenses	1,419	8.5	1,373	8.7
Other operating income	358	2.1	304	1.9
Other operating expenses	193	1.2	179	1.1
Share of profit or loss from associates and joint ventures (at equity)	16	0.1	13	0.1
EBIT	2,171	13.0	2,055	13.0
Financial result	–377		–321	
Profit before tax	1,794		1,734	
Income tax expense	364	20.3	393	22.7
Profit for the year	1,430		1,341	
attributable to Linde AG shareholders	1,317		1,232	
attributable to non-controlling interests	113		109	

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

13 REVENUE AND OPERATING PROFIT BY DIVISION

	2013		2012 adjusted[1]	
in € million	Revenue	Operating profit	Revenue	Operating profit
Gases Division	13,971	3,846	13,214	3,566
Engineering Division	2,879	319	2,561	312
Other Activities (including consolidation)	–195	–199	58	–192
GROUP	**16,655**	**3,966**	**15,833**	**3,686**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

GASES DIVISION

Linde achieved revenue growth in the Gases Division in the 2013 financial year of 5.7 percent to EUR 13.971 bn (2012: EUR 13.214 bn). During the reporting period, the Lincare business contributed revenue of EUR 1.563 bn to the total revenue of the Gases Division. On a comparable basis (i.e. after adjusting for exchange rate effects, changes in the price of natural gas and the impact on the consolidation of the Lincare acquisition), the increase in revenue in the Gases Division was 3.3 percent.

In the second half of 2013 in particular, growth in the Gases Division was affected by unfavourable exchange rate movements. If an adjustment is made for these exchange rate effects, the rate of growth in Linde's gases business in the 2013 financial year would have been 10.7 percent.

Linde's Gases Division achieved a 7.9 percent increase in operating profit in the 2013 financial year to EUR 3.846 bn (2012: EUR 3.566 bn). This gives an operating margin of 27.5 percent (2012: 27.0 percent). Unfavourable exchange rate movements also had an impact on the earnings trend in the Gases Division. Linde would have achieved a 12.3 percent increase in operating profit if these exchange rate movements had not occurred. The adverse effect on earnings of the exchange rate movements amounted to EUR 141 m.

Linde increased its capital expenditure in the Gases Division in the 2013 financial year to EUR 2.254 bn (2012: EUR 2.005 bn). Most of this investment was in large-scale projects in the on-site and liquefied gases product areas.

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

14 GASES DIVISION

in € million	*2013*	*2012 adjusted[1]*
Revenue	13,971	13,214
Operating profit	3,846	3,566
Capital expenditure (excluding financial assets)	2,254	2,005
Number of employees (at the balance sheet date)	51,536	51,405
Revenue from joint ventures	127	133

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

15 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	2013			*2012 adjusted[1]*		
in € million	*Revenue*	*Operating profit*	*Operating margin in percent*	*Revenue*	*Operating profit*	*Operating margin in percent*
EMEA	6,090	1,759	28.9	6,061	1,722	28.4
Asia/Pacific	3,767	1,005	26.7	3,860	996	25.8
Americas	4,231	1,082	25.6	3,394	848	25.0
Consolidation	–117			–101		
GASES DIVISION	**13,971**	**3,846**	**27.5**	**13,214**	**3,566**	**27.0**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

EMEA
(Europe, Middle East, Africa)

In the EMEA reportable segment, the Group's largest sales market, revenue in the 2013 financial year of EUR 6.090 bn was a little higher than the figure for the 2012 financial year of EUR 6.061 bn. On a comparable basis, the growth in revenue was 3.6 percent. Operating profit in the EMEA region improved slightly in the reporting period by 2.1 percent to EUR 1.759 bn (2012: EUR 1.722 bn). The operating margin therefore rose to 28.9 percent (2012: 28.4 percent).

The Continental European homecare operations acquired by Linde in 2012 from Air Products were a contributory factor in the strengthening of the business in the EMEA region.

Business trends in the EMEA region were adversely affected by the continuation of unfavourable economic conditions in the eurozone. Demand in the liquefied gases and cylinder gas product areas was correspondingly modest here. The on-site business, on the other hand, saw positive trends, boosted by the start-up of new plants.

With the acquisition of French homecare-provider Calea France SAS and the purchase of the remaining shares in former joint venture OCAP, Linde has again created the conditions it needs to continue to strengthen its market position in Europe. Dutch company OCAP is a specialist provider which supplies recycled carbon dioxide to greenhouses. Both transactions were completed in the first quarter of 2013.

In the Regional Business Unit (RBU) Continental & Northern Europe, Linde achieved revenue growth of 2.5 percent to EUR 3.582 bn (2012: EUR 3.494 bn). This region therefore continued to account for the largest proportion of total revenue in the EMEA reportable segment.

The start-up of several plants in the course of the financial year also contributed to continuing business expansion in the RBU Continental and Northern Europe.

In Norway, Linde continued to extend its supply network, bringing an air separation plant in Korstö on stream in the first quarter of 2013. From this plant, the Group supplies industrial gases to customers in the region. Linde invested EUR 18 m in the new plant.

A new air separation plant operated by Linde also started production on the Stolberg site in Germany in the 2013 financial year.

Another of the Group's air separation plants was started up at Sagunto in Spain in the first quarter of 2013. From this plant, Linde now supplies the regional market with gaseous oxygen, nitrogen and argon. The new plant, which was built by the Group's own Engineering Division, replaces an old existing plant. By using new technologies, Linde was able to achieve a 40 percent improvement in efficiency in the production of industrial gases. Linde invested a total of EUR 40 m in the new project on the Sagunto site.

In the third quarter of 2013, Linde opened the largest air separation plant in North Africa, located in Algiers in Algeria. There, the Group produces liquefied oxygen for customers in the healthcare sector and argon for numerous industries in the region. Linde also supplies liquefied nitrogen to oil company Sonatrach. The amount invested in this project was EUR 28 m (N.B.: For reporting purposes, Algeria is included in the RBU Continental & Northern Europe.)

Following the successful coming on stream of the first LNG terminal in Sweden in the 2011 financial year, the Group made further progress in Europe in the growth market for liquefied natural gas in 2013. Back in 2012, Linde formed a joint venture (Bomin Linde LNG) in Hamburg with Bomin, a subsidiary of Marquard & Bahls and one of the leading suppliers of shipping fuels, to create a liquefied natural gas (LNG, SEE GLOSSARY) infrastructure for shipping in north-western Europe. In December 2013, the joint venture signed a contract to supply shipping company AG EMS with the first LNG-fuelled ship in Germany. In the course of 2013, the plans for the construction and operation of Germany's first LNG filling terminals in Hamburg and Bremerhaven also came a step closer to reality. The joint venture completed its final preparatory planning and is moving towards organising the manufacture of the necessary plant components and the construction of the terminal. Linde's Engineering Division is also involved in this work.

In the field of environmentally friendly technologies, Linde agreed a specific action plan in September 2013 with six partners in the H_2Mobility Initiative to set up a hydrogen filling station network for fuel cell vehicles in Germany. By 2023, Germany's public hydrogen infrastructure, which today comprises 15 filling stations, will be expanded to around 400 H_2 filling stations. The first 100 hydrogen stations are expected to start operating within the next four years. This will ensure sufficient fuel supplies to meet the requirements of fuel cell vehicles. For this forward-looking infrastructure project, the H_2Mobility Initiative assumes that the total investment required will be in the region of EUR 350 m. SEE ANNUAL, PAGE 48.

The revenue trend in the RBU Africa & UK was adversely affected in the 2013 financial year by unfavourable exchange rate effects. Against this background, Linde generated revenue of EUR 1.560 bn, but was unable to match the revenue generated in 2012 of EUR 1.631 bn. On a comparable basis, revenue in the RBU Africa & UK rose by 4.2 percent.

In the UK, Linde achieved above-average growth in the on-site business. Here, the Group also benefited from volume increases in the electronic gases market. In Africa, the fastest rate of growth was to be seen in the Healthcare product area. There were steady trends in this region in the liquefied gases and cylinder gas business.

During the year, Linde paved the way for further expansion in its on-site business in the UK. In April 2013, the Group signed a long-term on-site agreement with SSI Steel UK to supply the company with gaseous oxygen, nitrogen and argon on its Teesside site in the north-east of England. The agreement also covers the refurbishment of two existing air separation plants and the modernisation of the control system for the current pipeline network. Over a period of two years, Linde will be investing GBP 25 m in this project.

During the financial year, Linde built an LNG filling station for the logistics company DHL on the Bawtry site in England. DHL wants to continue to reduce its CO_2 emissions and is focusing in particular on converting part of its truck fleet to the fuel LNG. Using natural gas is much more environmentally friendly than using diesel. When burning LNG, carbon dioxide emissions are reduced by around 30 percent.

In the RBU Middle East & Eastern Europe, Linde generated a slight increase in revenue of 0.6 percent to EUR 978 m (2012: EUR 972 m). In this region, growth was also slowed down by unfavourable exchange rate effects. On a comparable basis, revenue in the RBU Eastern Europe & Middle East rose by 3.5 percent. The greatest momentum was to be seen in the on-site and Healthcare product areas. SEE ANNUAL, PAGE 6.

One event which had a positive impact on the on-site business was the start-up of the air separation plant in Temirtau in Kazakhstan. This large air separation plant, the first of its kind in the country, was brought on stream by Linde in March 2013 and is now working at full capacity. From this plant, the Group supplies its customer ArcelorMittal with gaseous oxygen and nitrogen. In addition, the new plant produces liquefied products for the regional market in Kazakhstan.

Moreover, Linde started production at a new air separation plant in Kaluga in Russia in the second quarter of 2013. From this plant, the Group supplies steel-producer ZAO KNPEMZ with industrial gases and also serves the liquefied gases market in the Moscow region and neighbouring areas. SEE ANNUAL, PAGE 10.

In June 2013, Linde also entered into a long-term contract for the supply of gases to the company SIBUR on its site in Dzerzhinsk, Russia. The agreement also encompasses the construction and operation of two air separation plants. Investment in the project is around EUR 70 m. SIBUR is the largest petrochemical group in Russia and Eastern Europe. SEE ENGINEERING DIVISION, PAGE 60.

In a joint venture with JSC KuibyshevAzot, Linde is to provide long-term supplies of ammonia to the chemical company in Togliatti in Russia. Both partners signed an agreement to this effect in May 2013, which involves the construction of a large ammonia plant and an investment of around EUR 275 m. Linde and JSC KuibyshevAzot each hold 50 percent of the shares in the newly-formed company, Linde Nitrogen Togliatti. SEE ENGINEERING DIVISION, PAGE 62.

During the reporting period, Linde signed a long-term on-site agreement with ArcelorMittal, the world's largest steel group, for the supply of gaseous oxygen and nitrogen on the Kryvyi Rih site in Ukraine. The contract involves the construction of an air separation plant and is worth around EUR 64 m.

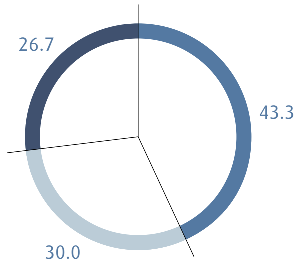
Linde also won a contract for an on-site project in the Czech Republic. The Group will be responsible for supplying gases to a production plant operated by Moravia Steel, another steel-producer. Linde's Engineering Division will build an air separation plant for this purpose. The amount of the investment is EUR 60 m.

The general market environment in Eastern Europe in 2013 was characterised by a slowdown in economic activity. This had an adverse impact on volume trends in the liquefied gases and cylinder gas business.

The economy in the Middle East on the other hand remained relatively robust. In the third quarter of 2013, Linde started supplying customers in Qatar from its new helium source (Helium II). This helium source, the largest in the world, is operated by Ras Gas in Ras Laffan Industrial Park. Linde had previously secured long-term rights to 30 percent of the output.

The current global helium market is affected by the short supply of helium resources. The rare gas is required, for example, in the production of MRI scanners and the manufacture of semiconductors and LCD screens. With Helium II, Linde now has the widest portfolio of sources within the industry. The Group has invested more than EUR 35 m in new helium tanks to supply this noble gas to its customers.

2 ANALYSIS OF SALES BY REPORTABLE SEGMENT IN %



EMEA	43.3 (2012: 45.5)
Americas	30.0 (2012: 25.5)
Asia/Pacific	26.7 (2012: 29.0)

Asia/Pacific

In the Asia/Pacific reportable segment, Linde generated revenue of EUR 3.767 bn in the 2013 financial year, a figure which was not quite as high as the figure of EUR 3.860 bn achieved in 2012. This was mainly as a result of unfavourable exchange rate effects. On a comparable basis, revenue in this segment rose by 4.1 percent.

Business performance was adversely affected in particular by the weaker economic environment in the manufacturing industry and in the mining industry in the South Pacific region.

Operating profit in the Asia/Pacific segment in 2013 of EUR 1.005 bn was slightly higher than the figure for 2012 of EUR 996 m. The operating margin therefore increased to 26.7 percent (2012: 25.8 percent).

In the RBU Greater China, revenue generated by Linde rose by 4.2 percent to EUR 1.234 bn (2012: EUR 1.184 bn). On a comparable basis, revenue rose by 6.1 percent. The greatest increases to be seen in this region were in the cylinder gas product area and on-site business.

A number of plant start-ups during the year strengthened the Group's on-site business in the RBU Greater China. In the second quarter of 2013, for example, an air separation plant built by Linde on the Guangzhou site in China started production. This plant will supply liquefied gases and cylinder gas to customers in the region. Another plant came on stream in Chengdu in October 2013.

In the fourth quarter of 2013, a hydrogen plant in Jilin Chemical Industrial Park in China started up. The new plant, which has a production capacity of 25,000 normal cubic metres of hydrogen per hour, supplies high-purity hydrogen to several customers on this integrated site. The site is adjacent to production facilities for Evonik Industries and Jishen, a joint venture between PetroChina Jilin Beifang Chemical Group and Jilin Shenhua Group.

In the Nanjing Industrial Park in China, Linde has ramped up new gases production plants to supply oxygen to its customers Yangtze Petrochemical Company Limited and Dynamic Chemical Company Limited. The Group also supplies liquefied gases and cylinder gas to other customers in the region from this site.

Production also began in the third quarter of 2013 at the air separation plant built by Linde for the on-site supply of gases to Chinese steel-producer Fujian Fuxin Special Steel on the Zhangzhou site in China.

Revenue also rose in 2013 in the Greater China region as a result of Linde having assumed responsibility in the 2012 financial year for the supply of gases to the chemical company Dahua Group on the Songmu Island site in Dalian, China. Linde operates two air separation plants here under an on-site contract. Linde is also building a new air separation plant in Dalian with a production capacity of 38,000 normal cubic metres of oxygen per hour.

Another on-site project, a plant supplying high-purity electronic gases to Samsung Electronics in Suzhou Industrial Park in eastern China, saw a successful start-up in the first quarter of 2013.

In addition, the hydrogen and synthesis gas plant built by Linde for Bayer AG in Caojing, China, came on stream in the 2013 financial year.

The Group also made further progress in the growth market for liquefied natural gas in the RBU Greater China. In the first quarter of 2013, Linde was awarded a contract by Sichuan Tongkai Energy and Development Company to build a natural gas liquefaction plant in Bazhong. *SEE ENGINEERING DIVISION, PAGE 60.*

Linde is to build two natural gas liquefaction plants for PetroChina in Jincheng and Xinghe. The plants, which each have a capacity of 550,000 tonnes of LNG per annum, are expected to come on stream in May 2015. The contract is worth EUR 55 m. *SEE ENGINEERING DIVISION, PAGE 60.*

Revenue growth in RBU Greater China was adversely affected by the reversal of a contract to purchase air separation plants which had been transferred to Linde in 2012 by a steel company.

In the RBU South & East Asia, Linde was only able to generate a slight increase in revenue of 1.6 percent to EUR 1.109 bn (2012: EUR 1.091 bn), principally as a result of fluctuations in exchange rates. On a comparable basis, revenue in this RBU rose by 8.9 percent.

Linde achieved volume increases in all product areas in this region, especially in the on-site business, and also achieved a high rate of growth in the liquefied gases product area.

One of the factors which had a positive impact on the Group's on-site business was the restart of a plant which had suffered a temporary stoppage in 2012. Trends in this product area also benefited from the ramp-up of new plants, including the air separation plant supplying gases to Tata Steel in Jamshedpur, India. The plant is the largest of its type in India. During the year, Linde brought two more air separation plants on stream in India, for the Steel Authority of India Limited (SAIL) at Rourkela.

In the fourth quarter of 2013, the largest air separation plant in Thailand started up in Map Ta Phut. From this new plant, which has a production capacity of 800 tonnes of industrial gases per day, Linde supplies customers in various industry sectors who are based on this industrial site. The amount invested was EUR 65 m.

The start of operations of an air separation plant in Sri Lanka also boosted the good business performance in the liquefied gases product area. The plant produces oxygen, nitrogen and argon.

In November 2013, the largest air separation plant in Indonesia also started production in Cilegon. Linde built this plant for the steel company Krakatau POSCO. From this plant, the Group also supplies regional customers with liquefied gases. The total investment in this project was EUR 88 m.

In the course of 2013, Linde also made further investments targeting the expansion of the gases business in the Asia/Pacific segment. The Group is implementing another project on the Map Tha Phut site in Thailand. In this case, Linde is building a new CO_2 plant. The investment here is around EUR 12 m. The new plant, which will come on stream in 2014, will enable Linde to supply customers in the energy, chemical and food industries with liquefied CO_2.

In Singapore, the Group signed a new long-term nitrogen supply contract with Oiltanking Singapore Limited. Linde will supply the customer with nitrogen from Jurong Island and to do so constructed a new pipeline infrastructure on that site and invested in additional product compressors. The supply of nitrogen commenced in the first quarter of 2013.

In January 2013, the Group extended its existing long-term supply contract with Samsung Total Petrochemicals Co., Ltd. (STC). Under the agreement, Linde will build a new air separation plant in Seosan, South Korea, on STC's site, expanding its production capacity in the region. The plant has a capacity of 20,000 normal cubic metres per hour of gaseous oxygen and 40,000 normal cubic metres per hour of gaseous nitrogen. From this site, Linde will also supply regional customers with liquefied gases and cylinder gas. *SEE ENGINEERING DIVISION, PAGE 61.*

In contrast to the situation in the Greater China and South & East Asia regions, the market in the South Pacific region in 2013 was characterised by decline in volumes. Except in the service sector, the economy here remained weak. Moreover, the mild winter in this region had an adverse impact on the LPG (Liquefied Petroleum Gas) business.

Against this background, revenue in the RBU South Pacific in the 2013 financial year saw a significant drop of 10.1 percent to EUR 1.426 bn, compared with the figure for 2012 of EUR 1.587 bn. This region was also affected by unfavourable exchange rate effects. On a comparable basis, revenue in the RBU South Pacific was only 0.9 percent down on the prior year.

Linde intends to expand its production capacity in Australia and announced in January 2013 that it would build a new air separation plant and a new nitrogen liquefaction plant on the Kwinana site south of Perth. This project is part of an extensive investment programme worth around EUR 80 m, as a result of which Linde will ensure long-term security of supply for its customers in Western Australia.

In Tarcutta in 2013, the Group opened its first public filling station for liquefied natural gas in Australia. This station will form part of the filling station network which is due to be constructed on Australia's east coast.

Americas

In the Americas reportable segment, revenue in the 2013 financial year rose by 24.7 percent to EUR 4.231 bn (2012: EUR 3.394 bn).

This significant increase was due above all to the contribution made by US homecare company Lincare. Linde completed its acquisition of this company in August 2012. Lincare operates solely in North America and in the 2013 financial year contributed revenue of EUR 1.563 bn to the total revenue of the Americas reportable segment. On a comparable basis (i.e. after adjusting for exchange rate effects and changes in the price of natural gas and the effect of the Lincare acquisition on the consolidation), the increase in revenue in this segment was 2.4 percent. This is in line with economic trends in the region.

Operating profit rose by 27.6 percent to EUR 1.082 bn (2012: EUR 848 m), mainly as a result of the Lincare business. The operating margin was 25.6 percent (2012: 25.0 percent). One item contributing to the earnings trend in the Americas segment was income of EUR 57 m which Linde received during the 2013 financial year in the form of a dividend payment from a company in which it holds an investment.

As a result of the acquisition of Lincare, there was a significant rise in revenue in the RBU North America. Linde was able to compensate for price cuts in the US healthcare business by increasing global purchasing efficiency and making regional cost reductions.

Linde also achieved growth in North America in the liquefied gases and cylinder gas business. The liquefied gases product area also benefited from positive trends in the electronic gases business, particularly in relation to technical material and equipment. Meanwhile, the on-site business was characterised by a slight decline. Revenue in the RBU North America increased overall by 35.6 percent to EUR 3.528 bn (2012: EUR 2.602 bn).

In Delta, Ohio, the Group brought on stream a nitrogen liquefaction plant in the second quarter of 2013, thereby expanding its capacity in the Midwest of the United States as planned.

In June 2013, Linde announced that it was going to continue to develop the supply of gases at its major petrochemical site La Porte in Texas. The Group will build a large air separation plant there as well as installing a new gasification train for its existing synthesis gas complex. It will also supply related equipment and infrastructure elements. Linde will be investing a total of more than USD 200 m in this project. The new plants are due to come on stream in 2015. The new air separation plant will be the largest plant of this type operated by Linde in the United States.

Together with the new gasification unit, it will also comprise the largest complex in the world for the production and subsequent processing of synthesis gas to be based on natural gas. In the Houston area, Linde will therefore have a fully-integrated site for the production of air gases and syngas products. This expansion project will ensure that Linde is able to provide long-term security of supply to its petrochemical customers in La Porte.

This industry sector is once again a growth market, especially against the background of the increasing exploitation of shale gas reserves in the United States.

In the RBU South America, revenue in the 2013 financial year of EUR 707 m was significantly below the prior-year figure of EUR 797 m. Here too, business performance was affected by unfavourable exchange rate effects. On a comparable basis, revenue in this RBU rose by 8.5 percent.

Market conditions varied considerably in the various countries in the RBU South America. Linde generated increased revenue above all in Venezuela and Argentina, particularly in the liquefied gases and cylinder gas product areas and in the Healthcare business. In contrast, business performance in Brazil, the largest market in South America, was much more modest. An impairment loss of EUR 59 m was also recognised there by Linde during the reporting period. This charge was deemed necessary following a reassessment of local market conditions.

Product areas

As explained above in the commentaries on the reportable segments, each product area contributed to a different extent to the business performance of the Gases Division.

In the cylinder gas product area, revenue rose on a comparable basis by 1.0 percent to EUR 4.050 bn (2012: EUR 4.009 bn). In the liquefied gases product area, revenue increased on a comparable basis by 2.4 percent to EUR 3.328 bn (2012: EUR 3.249 bn). In the on-site business (where Linde supplies gases on site to major customers), revenue rose on a comparable basis by 5.6 percent to EUR 3.578 bn (2012: EUR 3.389 bn). Growth in this product area was adversely affected by the reversal of a contract to purchase air separation plants which had been transferred to Linde in 2012 by a steel company in the Greater China region. If an adjustment is made for this, the increase in revenue in the on-site business would have been 6.2 percent.

In comparison with the other product areas, the fastest rate of growth was to be seen, as expected, in the Healthcare business. Following the acquisitions made by the Group in the course of 2012, revenue here rose by 48.2 percent to EUR 3.015 bn (2012: EUR 2.035 bn). When making the comparison between 2013 and 2012, it is important to take into account the acquisition of US homecare company Lincare, which was completed in August 2012. In the 2013 financial year, Lincare contributed a total of EUR 1.563 bn to the revenue of the Healthcare product area. After adjusting for the effect of the Lincare acquisition on the consolidation and for exchange rate effects, the increase in revenue in the Healthcare business was 4.8 percent.

Linde is a globally leading gases healthcare company specialising along an integrated respiratory care path.

The global megatrend healthcare remains intact. This promising market is boosted by demographic trends and ongoing improvements in diagnostic and therapy options. In addition, more and more people in the emerging economies are gaining better access to medical care.

Linde's healthcare activities cover Hospital Care and Homecare. The Hospital Care business offers hospitals, clinics and other institutions complete medical gas solutions - covering the full range of medical gases and related therapies, as well as services and medical devices. Homecare focuses both on the supply of medical gases and the provision of medical services to patients with chronic respiratory diseases in settings other than hospitals. Therapies offered by Linde include respiratory therapies such as oxygen therapy, ventilation therapy and sleep therapy.

Against the background of the expansion in the homecare business described above, Linde increased revenue in this area in the 2013 financial year to EUR 2.079 bn (2012: EUR 1.956 bn).

A growing proportion of this expansion relates to REMEO®, an integrated care path for patients requiring ventilation for long periods outside the acute care setting. In the past year, Linde has continued to expand this clinical care programme, especially in Europe and in South America where it has established new centres.

Hospital Care revenue rose by 1.5 percent to EUR 936 m (2012: EUR 922 m), reinforcing Linde's position in major markets such as Asia/Pacific and the Americas. In Europe, the Group also achieved some key successes in 2013: Linde's nitrous oxide/oxygen gas mixture, which is an inhaled analgesic, was launched successfully in Romania and Germany. *SEE ANNUAL, PAGE 44.*

16 GASES DIVISION: REVENUE BY PRODUCT AREA

in € million	*2013*	*2012 adjusted*[1]	*Change in percent*
Liquefied gases	3,328	3,249	2.4
Cylinder gases	4,050	4,009	1.0
On-site	3,578	3,389	5.6
Healthcare	3,015	2,878[2]	4.8
GASES DIVISION	**13,971**	**13,525**	**3.3**

[1] Adjusted for exchange rate effects and changes in the price of natural gas as well as for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

[2] Adjusted for the consolidation effect of Lincare.

ENGINEERING DIVISION

GASES DIVISION <53
ENGINEERING DIVISION 59
OTHER ACTIVITIES >63

2013 was a successful year for Linde's international engineering project business. Revenue in the Engineering Division increased by 12.4 percent to EUR 2.879 bn (2012: EUR 2.561 bn).

Operating profit improved by 2.2 percent to EUR 319 m (2012: EUR 312 m). At 11.1 percent, the operating margin did not reach the exceptionally high figure of 12.2 percent achieved in 2012, but did again reach a level well above the industry average.

There was a strong upward trend in order intake. This rose to EUR 3.911 bn in 2013, 38.9 percent above the figure for 2012 of EUR 2.815 bn. Orders from the Group's Gases Division made a substantial contribution to this significant increase.

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

More than a third of new orders came from the Asia/Pacific region. Around 30 percent of new orders came from North America and around a quarter from Europe. In North America, projects for the efficient exploitation of shale gas again had an impact on Linde's business.

Just over half of the new business in the division in 2013 related to air separation plants and hydrogen and synthesis gas plants, while more than a third related to olefin plants and natural gas plants.

At 31 December 2013, the order backlog of the Engineering Division was EUR 4.504 bn, significantly above the high figure at 31 December 2012 of EUR 3.700 bn.

17 ENGINEERING DIVISION

in € million	*2013*	*2012*
Revenue	2,879	2,561
Order intake	3,911	2,815
Order backlog	4,504	3,700
Operating profit	319	312
Operating margin	11.1 %	12.2 %
Capital expenditure (excluding financial investments)	33	30
Number of employees (at the balance sheet date)	6,997	6,564

18 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY REGION

	Revenue		*Order intake*	
in € million	*2013*	*2012*	*2013*	*2012*
Europe	621	647	947	685
North America	613	376	1,168	670
South America	46	93	33	75
Asia/Pacific	1,247	864	1,509	1,007
Middle East	273	472	161	346
Africa	79	109	93	32
ENGINEERING DIVISION	**2,879**	**2,561**	**3,911**	**2,815**

19 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE

	Revenue		*Order intake*	
in € million	*2013*	*2012*	*2013*	*2012*
Olefin plants	378	684	735	322
Natural gas plants	684	471	702	758
Air separation plants	959	704	1,214	898
Hydrogen and synthesis gas plants	619	419	984	539
Other	239	283	276	298
ENGINEERING DIVISION	**2,879**	**2,561**	**3,911**	**2,815**

Olefin plants

The increasing exploitation of large shale gas reserves also pushed prices for the feedstock natural gas down in the petrochemical industry in 2013. As a result, the revival in investment activity in the market for olefin plants has continued. Linde is well positioned in this product area and has all the skills required to implement such projects worldwide.

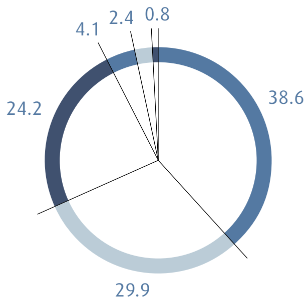
In the 2013 financial year, the Group (in a consortium with Petrofac and GS Engineering & Construction Corporation) was awarded the engineering contract for a major project in the Tengiz and Karabatan regions in Kazakhstan by the petrochemical company KLPE LLP. The contract includes inter alia the plans for the construction of a gases production plant, an ethylene plant, a pipeline network and a polyethylene plant.

Together with its partner Samsung Engineering Co., South Korea, Linde was able successfully to bring on stream an acrylic acid plant for Tasnee Sahara Olefins Co. and Dow Chemical. The site of the new plant is Al Jubail, Saudi Arabia.

For Borouge, a joint venture between the Abu Dhabi National Oil Company and Borealis, Linde has almost completed an ethylene plant in Ruwais in the United Arab Emirates. The plant has an annual production capacity of 1.5 million tonnes of ethylene and is the third ethylene plant which Linde has built in the past few years for Borouge on the Ruwais site. Ethylene is used as a precursor in the chemical industry.

In Tobolsk in western Siberia, a polypropylene plant built by Linde successfully commenced production. The contractor here was Tobolsk Polymer LLC, a subsidiary of SIBUR Holding. The plant has an annual capacity of 500 kilotonnes of polypropylene. The project is one of the key investments in Russia's petrochemical industry.

3 ORDER INTAKE BY REGION IN %



Asia/Pacific	38.6 (2012: 35.8)	Middle East	4.1 (2012: 12.3)
North America	29.9 (2012: 23.8)	Africa	2.4 (2012: 1.1)
Europe	24.2 (2012: 24.3)	South America	0.8 (2012: 2.7)

Natural gas plants

Like the olefin plant sector, the market for natural gas treatment and processing plants is benefiting from the increasing exploitation of shale gas reserves. In the natural gas plant product segment, order intake in 2013 was similar to the figure in 2012 and Linde was able to win new orders for projects in North America in particular.

The Group is to build, for example, two additional cold boxes for the natural gas liquefaction plant operated by Sabine Liquefaction, a subsidiary of Cheniere Energy, on the Cameron Parish site in Louisiana in the United States. Linde will construct four cold boxes in total for this project. The first two of these are in the course of completion. The liquefied natural gas (LNG) plant [SEE GLOSSARY] is part of the first LNG export terminal in the US. From 2015 onwards, Cameron Parish is expected to supply LNG to customers in Asia and Europe.

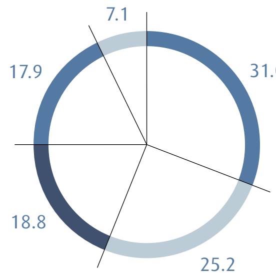
In the LNG growth market, the Group was also awarded a number of major projects in 2013 in Asia and Europe.

Linde is currently building a natural gas terminal in Emden in northern Germany commissioned by the Norwegian company Gassco AS. The value of the order is around EUR 260 m. A contract to this effect was signed in the first quarter of 2013. The new terminal is expected to be completed by the end of 2015.

In the first quarter of 2013, Linde also won a contract from China to supply a mid-scale LNG plant. This contract was awarded by Sichuan Tongkai Energy and Technology Development Company, which is continually expanding its business on the Bazhong site in Sichuan with environmentally friendly technologies.

Linde is to build two natural gas liquefaction plants for PetroChina in Jincheng and Xinghe in China. The contract covers engineering, the supply of the plant parts and the bringing on stream of the plants. The plants, which each have a capacity of 550,000 tonnes of LNG per year, are expected to come on stream in May 2015. The contract is worth EUR 55 m.

4 SALES BY PLANT TYPE IN %



Air separation plants	31.0 (2012: 31.9)	Natural gas plants	17.9 (2012: 26.9)
Hydrogen and synthesis gas plants	25.2 (2012: 19.1)	Other	7.1 (2012: 10.7)
Olefin plants	18.8 (2012: 11.4)		

Air separation plants

Stronger growth was to be seen in the overall market for air separation plants in 2013 than in 2012. Linde was able to benefit from this positive trend and was awarded a number of significant contracts relating to the supply of oxygen for coal gasification projects, especially in Asia.

The Group will, for example, build six air separation plants for the production of oxygen for Shenhua Ningxia Coal Industry Group Co. Ltd. and Shenhua Logistics Group Co. Ltd. in Yinchuan in north-western China. The companies signed a contract with Linde to this effect worth around EUR 200 m in the first quarter of 2013. The oxygen is required to extract liquid fuels from coal (Coal-to-Liquid or CTL). This project is currently one of the biggest CTL schemes in the world. The plants are expected to be completed in 2016.

In addition, Linde is to build three air separation plants for another Chinese customer in the north-west of the country. This contract is worth around EUR 100 m. These plants will also produce oxygen for the conversion of coal into liquid fuels and are also expected to come on stream in 2016.

In the 2013 financial year, Linde won a major contract from Reliance Industries Ltd. (RIL) in India to build seven air separation plants for the production of gaseous oxygen at the refinery and petrochemical site of Jamnagar. The order, worth around EUR 500 m, is also for the supply of two synthesis gas purification units on a Rectisol® basis *[SEE GLOSSARY]*. RIL requires large quantities of oxygen for its proposed plants in Jamnagar for the gasification of petroleum coke and coal. *SEE HYDROGEN AND SYNTHESIS GAS PLANTS, PAGE 62.*

On the Seosan chemical site in South Korea, Linde invested EUR 45 m in the construction of a new air separation plant, to supply oxygen and nitrogen to the industrial facilities located there.

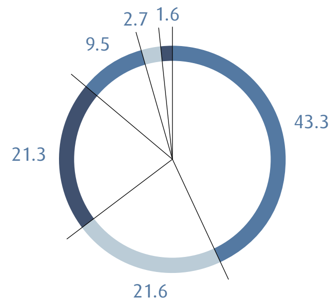
High demand for air separation plants was also to be seen in Russia and the CIS countries *[SEE GLOSSARY]* during the financial year.

Under a long-term on-site agreement signed in the second quarter of 2013, Linde will supply gases to the petrochemical company SIBUR in Dzerzhinsk in the Nizhny Novgorod region. To do so, it will build and operate two new air separation plants. At the same time, Linde is modernising the four existing air separation plants on the site. Investment in this project is around EUR 70 m. The new plants will have a total production capacity of around 30,000 normal cubic metres of gaseous oxygen per hour.

In addition, during the past financial year, Linde's Engineering Division was awarded numerous contracts by the Group's Gases Division to build air separation plants, including plants in the Czech Republic and the United States. In the US, Linde will continue to develop the supply of gases at its major petrochemical site La Porte in Texas. As part of this contract, Linde will build and operate a large air separation plant on this site. *SEE GASES DIVISION, PAGE 57.*

New projects in South Africa and in the Middle East are further confirmation of the success of Linde's integrated business model and examples of the way in which Linde's Engineering Division supports the targeted expansion of the on-site business in the Group's Gases Division.

5 SALES BY REGION IN %



Asia/Pacific	43.3 (2012: 33.7)	Middle East	9.5 (2012: 18.4)
Europe	21.6 (2012: 25.3)	Africa	2.7 (2012: 4.3)
North America	21.3 (2012: 14.7)	South America	1.6 (2012: 3.6)

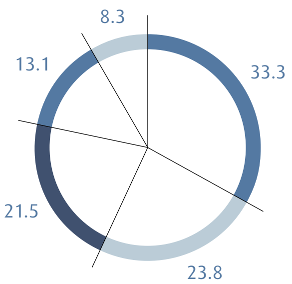
Hydrogen and synthesis gas plants

The market environment for hydrogen and synthesis gas plants improved significantly in the 2013 financial year, especially in the emerging economies of Asia and the Middle East. In Russia and the CIS countries, momentum was generated by the increasing trend towards the modernisation of plants.

In the course of 2013, the scope of the major project commissioned by Reliance Industries Ltd. (RIL) which Linde is implementing on the Jamnagar site in India *(SEE AIR SEPARATION PLANTS, PAGE 61)* was again widened to include, in addition to the seven air separation plants and the synthesis gas purification plants, four sulphur recovery plants and a pressure swing adsorption plant for the production of pure hydrogen. As a result, the total value of the order for Linde is now over EUR 700 m.

In a joint venture with chemical company JSC KuibyshevAzot, Linde will build and operate a large ammonia plant on the Togliatti site in the Samara region of Russia. Investment in this project, the contract for which was signed in the second quarter of 2013, is worth a total of around EUR 275 m. The ultra-modern and highly energy-efficient on-site plant will have a production capacity of 1,340 tonnes of ammonia per day. Completion of the plant is scheduled for 2016.

6 SALES BY PLANT TYPE IN %



Air separation plants	33.3 (2012: 27.5)	Olefin plants	13.1 (2012: 26.7)
Natural gas plants	23.8 (2012: 18.4)	Other	8.3 (2012: 11.0)
Hydrogen and synthesis gas plants	21.5 (2012: 16.4)		

Other types of plant

In 2013, Linde won a contract from Jubail United Petrochemical Company, a subsidiary of Saudi Basic Industries Corporation, to build the world's largest plant for the purification and liquefaction of carbon dioxide (CO_2) in the Jubail Industrial Park in Saudi Arabia. The plant will have a capacity of 1,500 tonnes of CO_2 per day and will source the CO_2 from two nearby ethylene glycol plants. After being processed, the CO_2 will be linked via pipeline directly to sites for the production of methanol and urea. Methanol is a basic product in the chemical industry, while urea is used for example in the manufacture of fertilisers. Carbon dioxide recycling via this project will save around 500,000 tonnes of carbon emissions per year.

Linde and Sapphire Energy decided during the year to expand their partnership to include the commercialisation of a new industrial-scale conversion technology needed to upgrade algae biomass into green crude oil. Linde is now moving beyond the original partnership involving the supply of CO_2 to the algae production plants and is working together with Sapphire Energy to develop a technology for the conversion of algae biomass into a product similar to crude oil. This would then be further processed in existing refineries into conventional biofuels. For this purpose, Linde is building the first commercial demonstration plant at Sapphire's site in New Mexico in the United States.

In the 2013 financial year, Linde also continued to focus on developing promising technologies in the field of renewable raw materials.

One example of these activities is the new Fraunhofer Centre for Chemical Biotechnological Processes (CBP) in Leuna, Germany, which was transferred to the customer during the reporting period. Subsequent to the transfer, Linde was awarded a follow-up contract to expand the CBP. The aim of the CBP is to upscale innovative biotechnological and chemical processes for commercial production, enabling companies to manufacture chemical base materials from renewable raw materials.

Linde is also making further progress in the area of thermal energy storage. The Group is to build a facility in Cologne, Germany, for the German Aerospace Centre (DLR) to test high-temperature applications of molten salt in solar thermal power stations.

OTHER ACTIVITIES

In the 2013 financial year, the Other Activities segment comprised Linde's logistics services company Gist.

Gist specialises in the distribution of chilled food and beverages and operates in a relatively stable market environment. Gist generated revenue in 2013 of EUR 563 m (2012: EUR 596 m).

The Linde subsidiary continued to strengthen its long-term partnership with retail chain Marks & Spencer. This largely compensated for the expiry of some other contracts.

During the year, Marks & Spencer awarded Gist the contract to supply its new Continental European branches in France, Holland and the Czech Republic.

Gist also succeeded in concluding a number of new smaller supply contracts in the UK in 2013.

NET ASSETS AND FINANCIAL POSITION OF THE LINDE GROUP

Net assets

Linde continued to support the development of its business in 2013 through targeted capital expenditure and acquisitions, focusing once again on investment in its Healthcare product areas and in large-scale projects. The large-scale projects underpin the expansion of the on-site segment and the liquefied gases business. Over the past twelve months, exchange rate effects have had a significant impact on the Group's net assets.

Total assets fell by EUR 1.548 bn to EUR 32.749 bn at 31 December 2013 (31 December 2012: EUR 34.297 bn). Non-current assets of EUR 26.516 bn comprised a substantial proportion (81 percent) of total assets. Within the figure for non-current assets, the largest items were goodwill of EUR 10.395 bn (31 December 2012: EUR 10.826 bn) and tangible assets of EUR 11.384 bn (31 December 2012: EUR 11.173 bn).

Goodwill was EUR 431 m below the prior-year figure. Additions relating to acquisitions totalled EUR 122 m, but the total was reduced by exchange rate effects of EUR 550 m. The additions in 2013 relate mainly to the purchase of French homecare-provider Calea France SAS and the purchase of the remaining shares in the former joint venture OCAP.

Other intangible assets fell by EUR 567 m to EUR 3.076 bn (31 December 2012: EUR 3.643 bn). This was due primarily to adverse exchange rate effects of EUR 271 m. Additions relating to acquisitions and investments in 2013 totalled EUR 20 m. Amortisation had the opposite effect, reducing the total figure for other intangible assets.

Tangible assets rose by EUR 211 m to EUR 11.384 bn. Contributing to the increase were additions relating to acquisitions of EUR 141 m and additions relating to investments of EUR 2.200 bn.

Items which had the opposite effect, that of reducing the tangible assets total, were depreciation and impairment losses of EUR 1.409 bn and exchange rate movements.

Investments in associates and joint ventures increased during the reporting period by EUR 6 m to EUR 214 m, principally as a result of the contribution of positive earnings figures from these companies. Exchange rate movements had the opposite effect, reducing the total figure for investments in associates and joint ventures.

Receivables from finance leases, which almost exclusively relate to long-term gas supply contracts classified as leases in accordance with IFRIC 4, fell by EUR 113 m to EUR 327 m. The decrease was due to regular amortisation of these lease receivables.

Securities, which are included in current assets, fell by EUR 654 m, from EUR 824 m at 31 December 2012 to EUR 170 m at 31 December 2013, mainly as a result of sales.

At 31 December 2013, equity stood at EUR 13.586 bn, EUR 72 m below the figure at 31 December 2012 of EUR 13.658 bn. Factors which had a negative impact on equity were exchange rate effects of EUR 1.325 bn (2012: EUR 201 m) and the dividend payment of EUR 563 m (2012: EUR 497 m). On the other hand, earnings after tax of EUR 1.430 bn (2012: EUR 1.341 bn) resulted in an increase in the figure for Group equity. The equity ratio at 31 December 2013 was 41.5 percent (31 December 2012: 39.8 percent).

Provisions for pensions and similar obligations fell by EUR 86 m to EUR 1.027 bn (31 December 2012: EUR 1.113 bn). The main reason for this was the change in actuarial assumptions.

For off balance sheet commitments, *SEE NOTE [38] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

Financial position

Financial management at Linde comprises capital structure management, cash and liquidity management, the management of market price risks (e.g. currency risk and interest rate risk) and pension assets, and the management of counterparty risk and country risk. Group Treasury *[SEE GLOSSARY]* controls centrally the global financial management of all the Group companies. More detailed information about this can be found on *PAGES 67 AND 68*.

The capital structure of the Group is determined in such a way as to optimise cost and risk. Gross financial debt fell by EUR 1.004 bn to EUR 9.577 bn (31 December 2012: EUR 10.581 bn). During the 2013 financial year, Linde was able to repay in full the USD acquisition loan it had raised for the purchase of Lincare in July 2012. To do so, the Group successfully placed two new bonds in the second quarter of 2013: a ten-year EUR 650 m bond with a coupon of 2.00 percent and a five-year USD 500 m bond with a coupon of 1.50 percent. Both bonds were issued under the EUR 10 bn Debt Issuance Programme *[SEE GLOSSARY]*. Moreover, in the third quarter of 2013, Linde redeemed a EUR 400 m subordinated bond early by exercising a call option.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 December 2013, it stood at EUR 8.229 bn, a decrease of EUR 244 m compared with the figure at 31 December 2012.

The dynamic indebtedness factor (net financial debt to operating profit) improved from 2.3 at 31 December 2012 to 2.1 at 31 December 2013. This figure continues to be below the upper limit which the Group has set for itself of 2.5. The Group's gearing (the ratio of net debt to equity) was 60.6 percent, an improvement on the prior-year figure of 62.0 percent.

The maturity profile of the financial debt demonstrates that The Linde Group continues to be financed on a long-term basis. Of the gross financial debt of EUR 9.577 bn (31 December 2012: EUR 10.581 bn), EUR 1.161 bn (31 December 2012: EUR 1.346 bn) is disclosed as current and EUR 8.416 bn (31 December 2012: EUR 9.235 bn) as non-current financial debt. Of the non-current financial debt, EUR 4.561 bn (31 December 2012: EUR 5.145 bn) is due in more than five years.

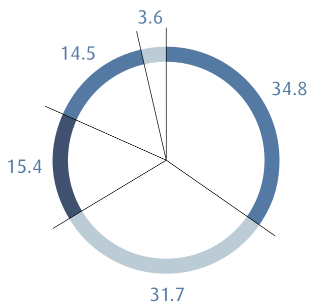
Gross financial debt repayable within one year is matched by short-term securities of EUR 170 m and cash and cash equivalents of EUR 1.178 bn.

In July 2013, Linde agreed a new five-year EUR 2.5 bn syndicated credit facility, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). The credit line replaces the EUR 2.5 bn facility from 2010 which had not been drawn down.

At 31 December 2013, available liquidity was therefore EUR 2.687 bn (31 December 2012: EUR 3.262 bn).

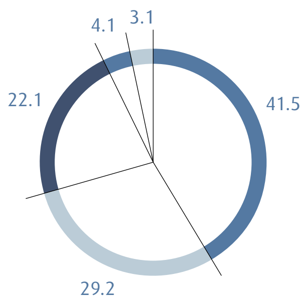
7 BALANCE SHEET ITEMS AS A PERCENTAGE OF TOTAL ASSETS OF EUR 32.749 BN (2012 EUR: 34.297 BN)

Assets in percent



Goodwill	31.7 (2012: 31.6)
Tangible assets	34.8 (2012: 32.6)
Other non-current assets	14.5 (2012: 15.8)
Other current assets	15.4 (2012: 16.3)
Cash and cash equivalents	3.6 (2012: 3.7)

Equity and liabilities in percent



Equity	41.5 (2012: 39.8)
Financial debt	29.2 (2012: 30.8)
Other liabilities	22.1 (2012: 21.9)
Other provisions	4.1 (2012: 4.3)
Provisions for pensions	3.1 (2012: 3.2)

GROUP STATEMENT OF CASH FLOWS

Cash flow from operating activities in the 2013 financial year was EUR 3.144 bn, a significant rise of 18.0 percent when compared with the figure for 2012 of EUR 2.664 bn. The rate of increase in cash flow was higher than the rate of increase in operating profit, which rose by 7.6 percent to EUR 3.966 bn (2012: EUR 3.686 bn). The main factor contributing to this higher percentage increase was the improvement in working capital. Income taxes paid, on the other hand, which rose by EUR 61 m (from EUR 491 m in 2012 to EUR 552 m in 2013), mainly as a result of the positive earnings trend and payments arising from tax audits, had the opposite effect on cash flow from operating activities.

In 2013, Linde continued to apply its growth-based investment strategy, spending EUR 2.203 bn (2012: EUR 1.885 bn) on investments in tangible assets, intangible assets and financial assets. Investments affecting the movement of funds were 16.9 percent higher than in 2012. Most of the investment was made in the Gases Division.

Payments made for investments in consolidated companies totalled EUR 143 m, a significantly lower figure than that for 2012 of EUR 2.997 bn. The high figure in 2012 included the purchase prices for US homecare company Lincare and Air Products' Continental European homecare operations. Significant acquisitions in the 2013 financial year were the purchase of the French homecare-provider Calea France SAS and the purchase of the remaining shares in the former joint venture OCAP.

The operating free cash flow consequently improved from a cash outflow of EUR 2.071 bn to a cash inflow of EUR 969 m.

The sale of securities resulted in proceeds on disposal in 2013 of EUR 651 m (2012: EUR 850 m). The funds released were used to redeem financial debt.

The amount by which redemptions of loans and capital market liabilities exceeded proceeds in 2013 was EUR 760 m. In 2012, the amount by which proceeds of loans and capital market liabilities exceeded redemptions was EUR 1.412 bn. The Linde AG capital increase of EUR 1.391 bn in 2012 was used to finance the acquisition of US homecare company Lincare.

The cash inflows from the disposal of non-controlling interests of EUR 52 m related mainly to the sale of shares in the subsidiary Linde India Limited to minority shareholders, which was necessary to comply with changes in the rules in Indian law governing capital markets. In 2012, the high figure for cash outflows for the purchase of non-controlling interests of EUR 491 m related mainly to the buy-out of minority shareholders in Lincare.

After deducting dividend payments of EUR 563 m (2012: EUR 497 m) and net interest payments of EUR 379 m (2012: EUR 402 m) as well as other changes such as exchange rate effects and proceeds from the issue of employee shares, the change in cash and cash equivalents in 2013 was a decrease of EUR 55 m (2012: increase of EUR 232 m).

20 GROUP STATEMENT OF CASH FLOWS (SUMMARY)

in € million	*2013*	*2012 adjusted*[1]
OPERATING PROFIT	3,966	3,686
Change in working capital	24	–294
Income taxes paid	–552	–491
Other changes	–294	–237
CASH FLOW FROM OPERATING ACTIVITIES	3,144	2,664
Cash outflow for investments in tangible assets, intangible assets and financial assets (excluding securities)	–2,203	–1,885
Payments for investments in consolidated companies	–143	–2,997
Cash inflows from the disposal of assets	171	147
OPERATING FREE CASH FLOW	969	–2,071
Payments for/proceeds from investments in securities	651	850
Net cash inflows/outflows from the proceeds/repayment of loans and capital market debt	–760	1,412
Cash inflows from capital increase	–	1,391
Cash inflows/outflows due to changes of non-controlling interests	52	–491
Dividend payments to Linde AG shareholders and non-controlling interests	–563	–497
Net interest payments	–379	–402
Other changes	–25	40
CHANGE IN CASH AND CASH EQUIVALENTS	–55	232

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

FINANCING AND MEASURES TO SAFEGUARD LIQUIDITY

Financing principles and objectives

The aim of external financing and measures to safeguard liquidity is to ensure that the Group has adequate liquidity at all times. The international financial and sovereign debt crisis has again made it clear how important it is for companies to procure sufficient liquidity.

For Linde, external financial headroom is maintained primarily by the capital markets and a major international banking group. Within the Group, the principle of internal financing applies: i.e. the financing requirements of subsidiaries are covered wherever possible by intra-Group loans. In accordance with this guiding principle, the subsidiaries were again financed in 2013 mainly by Dutch finance company, Linde Finance B.V., and by Linde AG. Centralised financing makes it possible for Group companies to act as a single customer on the capital markets. This ensures that the subsidiaries are financed in a cost-efficient manner.

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

In view of the financial and sovereign debt crisis, Linde maintained an adequate liquidity position in 2013. In addition to cash and cash equivalents of EUR 1.178 bn, Linde also holds securities totalling EUR 170 m. These securities are mainly German government bonds with maturities of less than one year.

Syndicated credit facility

In July 2013, Linde took advantage of the favourable market environment, refinancing early the EUR 2.5 bn revolving credit line which had been due to run until May 2015. The new credit facility, which is for the same amount, is available for a five-year period, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). Thirty-three major German and international banks used by Linde are involved in the syndicated facility. The new credit line means that the Group has ensured continued access to a solid long-term general liquidity reserve. The facility had not been drawn down at the end of the 2013 financial year. It also serves as back-up for Linde’s EUR 2 bn Commercial Paper Programme *[SEE GLOSSARY]*. At 31 December 2013, there were no commercial papers outstanding under this programme.

Capital market activities

During the 2013 financial year, Linde continued to make successful use of the capital markets for refinancing purposes. It also improved the maturity profile of its financial debt, ensuring long-term financing of the Group.

In April 2013, Linde AG issued a EUR 650 m bond and a USD 500 m bond under the EUR 10 bn Debt Issuance Programme. The ten-year EUR bond has a coupon of 2.00 percent and the five-year USD bond has a coupon of 1.50 percent.

Linde used some of the funds generated by these two bond issues to repay in full the Lincare acquisition loan. The amount outstanding on this loan at 31 December 2012 was USD 1.225 bn (EUR 922 m).

During the financial year, Linde Finance B.V. also issued two bonds under the EUR 10 bn Debt Issuance Programme. In May 2013, it issued a six-year USD 150 m variable-interest bond and in June 2013 it issued a six-year AUD 100 m bond with a fixed coupon of 4.25 percent. Both bond issues are guaranteed by Linde AG.

Under the EUR 10 bn Debt Issuance Programme, issues totalling EUR 6.9 bn in various currencies were outstanding at 31 December 2013 (31 December 2012: EUR 6.1 bn).

In May 2013, Linde Finance B.V. decided to redeem early the EUR 400 m undated subordinated bond issued in 2003 in accordance with the terms and conditions of the bond. On 3 July 2013, the call option was exercised and the bond was redeemed.

21 SELECTION OF OUTSTANDING PUBLIC BONDS

Issuer	Rating	Nominal amount	Coupon rate in percent	Maturity date	ISIN
Linde Finance B.V.	A3/A+	$ 400 m	3.625	13.11.2014	XS0465484938
Linde Finance B.V.	A3/A+	A$ 150 m	3-M BBSW[2] + 0.850	19.08.2015	XS0531121290
Linde Finance B.V.	A3/A+	€ 600 m	6.750	08.12.2015	XS0403540189
Linde Finance B.V.[1]	A3/A+	£ 200 m	6.500	29.01.2016	XS0123544529
Linde Finance B.V.	A3/A+	€ 1,000 m	4.750	24.04.2017	XS0297699588
Linde Finance B.V.	A3/A+	€ 750 m	3.125	12.12.2018	XS0718526790
Linde Finance B.V.	A3/A+	€ 500 m	1.750	11.06.2019	XS0790015548
Linde Finance B.V.	A3/A+	A$ 100 m	4.250	20.06.2019	XS0947397302
Linde Finance B.V.	A3/A+	€ 600 m	3.875	01.06.2021	XS0632659933
Linde Finance B.V.	A3/A+	£ 300 m	5.875	24.04.2023	XS0297700006
Linde AG	A3/A+	NOK 2,000 m	2.750	28.09.2017	XS0835302513
Linde AG	A3/A+	$ 500 m	1.500	18.04.2018	DE000A1R0733
Linde AG	A3/A+	€ 1,000 m	1.750	17.09.2020	XS0828235225
Linde AG	A3/A+	€ 650 m	2.000	18.04.2023	DE000A1R07P5
Subordinated bonds[1]					
Linde Finance B.V.	Baa2/A–	€ 700 m	7.375	14.07.2066 Call right from 2016	XS0259604329
Linde Finance B.V.	Baa2/A–	£ 250 m	8.125	14.07.2066 Call right from 2016	XS0259607777

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

Rating

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

Over recent years, Linde's ratings have continued to improve, based on the Group's solid business model and conservative financial policy.

Following the introduction of a new uniform global rating methodology, S & P reviewed all its corporate ratings in November 2013 and increased Linde's rating in December 2013 from A to A+. Moody's continues to rate the creditworthiness of The Linde Group as A3. The subordinated bonds are rated at A– by S & P and Baa2 by Moody's.

22 RATING 2013

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

CAPITAL EXPENDITURE OF THE LINDE GROUP

The capital expenditure decision-making and allocation process is centralised in The Linde Group. Every item of capital expenditure which exceeds specific size criteria must at least be approved by the member of the Executive Board responsible for that area or by a central investment committee comprising all the members of the Executive Board. Capital expenditure decisions are carefully reviewed, as they are a critical success factor for a project-based, investment-focused company such as Linde.

In 2013, Linde continued to apply its growth-based capital expenditure strategy. The Group has again invested specifically in those areas in which opportunities exist for above-average growth and which contribute towards increasing the profitability and competitiveness of the Group. Linde therefore focused its investment in particular on the Healthcare structural growth market and on large-scale projects which support the on-site and liquefied gases product areas.

Investment in tangible and intangible assets in the 2013 financial year (excluding financial assets) totalled EUR 2.268 bn (2012: EUR 2.038 bn). The investment ratio was 13.6 percent of Group revenue (2012: 12.9 percent). Not all capital expenditure was recognised in the statement of cash flows in the relevant financial years as items affecting the movement of funds. In 2013, the figure for payments shown in the cash flow statement was EUR 106 m lower than the total capital expenditure for the year.

Most of the Group's capital expenditure (2013: EUR 2.254 bn; 2012: EUR 2.005 bn) was once again incurred for the global expansion of its gases business. Linde's primary focus in 2013 was on the chemical and petrochemical customer segments. The investment ratio in the Gases Division in 2013 was 16.1 percent of revenue, which exceeded the 2012 figure of 15.2 percent, as expected.

In addition, Linde continued to strengthen its good competitive position in the international market by spending a total of EUR 191 m on acquisitions and investments in financial assets (2012: EUR 3.244 bn). Investments in consolidated companies during the 2013 financial year totalled EUR 141 m (2012: EUR 3.149 bn), of which EUR 66 m related to the purchase of OCAP and Calea SAS. Both these companies were allocated to the EMEA segment.

The remaining investment in financial assets of EUR 50 m (2012: EUR 95 m) related mainly to capital increases in joint ventures, additions as a result of asset deals *[SEE GLOSSARY]* or long-term loans to associates and joint ventures. If these investments are included, total capital expenditure in the 2013 financial year was EUR 2.459 bn (2012: EUR 5.282 bn).

23 CAPITAL EXPENDITURE BY DIVISION

in € million	2013	2012 adjusted[1]
Gases Division	2,254	2,005
Engineering Division	33	30
Other Activities[2]	–19	3
GROUP (EXCLUDING FINANCIAL ASSETS)	**2,268**	**2,038**
Financial assets	191	3,244
GROUP	**2,459**	**5,282**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*
[2] Including consolidations.

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

	2013		2012 adjusted[1]	
	in € million	in percent	in € million	in percent
EMEA	883	39.2	778	38.8
Asia/Pacific	854	37.9	789	39.4
Americas	517	22.9	438	21.8
GASES DIVISION	**2,254**	**100.0**	**2,005**	**100.0**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

EXECUTIVE BOARD SUMMARY OF THE 2013 FINANCIAL YEAR FOR THE LINDE GROUP

Against a background of sizeable government deficits worldwide, currency fluctuations and the high levels of unemployment persisting in many industrialised countries, there was weaker growth in the global economy in 2013 than in the previous year.

As in 2012, most of the impetus in the global economy came once again from the emerging economies of Asia. However, even in these regions, the pace of growth was slower than in the previous year. In the mature economies there was however a slight revival in 2013.

Linde has been able to hold its own well in this environment. The Group once again achieved an increase in Group revenue as expected and also continued to improve Group operating profit. The operations in the Healthcare product area acquired in the course of 2012 and positive trends in the Engineering Division made a particular contribution here.

In the 2013 financial year, Group revenue rose by 5.2 percent to EUR 16.655 bn (2012: EUR 15.833 bn). Over the course of the reporting period, unfavourable exchange rate fluctuations increasingly had an impact on revenue trends. After adjusting for these effects, the increase in revenue was 9.7 percent.

Group operating profit was up 7.6 percent to EUR 3.966 bn (2012: EUR 3.686 bn). The Group operating margin rose to 23.8 percent (2012: 23.3 percent). Unfavourable exchange rate effects also had an impact on Group operating profit. Without these distortions, Linde would have achieved the original target it set itself of generating Group operating profit of at least EUR 4 bn.

Return on capital employed (ROCE) in 2013 was 9.7 percent (2012: 10.2 percent). When comparing the figures for 2013 and 2012, it should be noted that a large number of the major projects in the on-site business are still in the construction phase and are therefore not yet generating a contribution to earnings. Moreover, impairment losses and the amortisation of fair value adjustments identified in the course of the Lincare acquisition and the purchase of Air Products' homecare business have had an adverse impact on ROCE. The figure for return on capital employed in 2013 after adjusting for the amortisation of fair value adjustments identified in the course of the BOC acquisition was 10.9 percent (2012: 11.9 percent).

Earnings per share improved slightly by 2.5 percent to EUR 7.10 (2012: EUR 6.93).

In the Gases Division, Linde achieved revenue growth in 2013 of 5.7 percent to EUR 13.971 bn (2012: EUR 13.214 bn). The operating profit of the Gases Division rose by 7.9 percent to EUR 3.846 bn (2012: EUR 3.566 bn). The Group therefore achieved its target for this division of achieving higher figures for revenue and operating profit in 2013 than in 2012.

In the Engineering Division, revenue increased in the 2013 financial year by 12.4 percent to EUR 2.879 bn (2012: EUR 2.561 bn). The Group therefore significantly exceeded the target it had set for itself of generating the same level of revenue in this division in 2013 as in 2012. This was partly due to the relatively high level of order intake, especially in the first half of 2013. At 11.1 percent, the operating margin in the Engineering Division also exceeded Linde's own target, which was to achieve an operating margin of around 10 percent.

This relatively steady overall business performance shows that Linde's business model, which is geared towards stability and sustainability, is fit for purpose. On the basis of its global footprint and well-balanced spread across different sectors, the Group is able to compensate for faltering demand in some markets or industry sectors.

With the acquisitions it made in the Healthcare business in the course of 2012, which have contributed a whole twelve months of revenue and earnings to the Group for the first time in the 2013 financial year, Linde has significantly strengthened its position in a stable growth market.

Furthermore, the rigorous implementation of the wide variety of efficiency improvement measures included in the holistic HPO programme again helped to reinforce the high level of profitability achieved by the Group in 2013.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LINDE AG

General information

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

The statutory financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG). The main differences between these financial statements and the Group financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) are in respect of revenue recognition and the measurement of financial instruments. The core financial performance indicator (and also the sole financial indicator) of Linde AG is the net income for the year. The dividend payable to Linde AG shareholders is distributed out of net income for the year.

Net assets of Linde AG

The total assets of Linde AG fell in 2013 by EUR 551 m, from EUR 20.705 bn to EUR 20.154 bn.

Non-current assets rose by EUR 119 m to EUR 18.008 bn. The percentage of total assets comprised by non-current assets was 89,4 percent (2012: 86,2 percent). The main component of non-current assets is financial assets, due to the function of Linde AG as the holding company of The Linde Group. Financial assets increased in 2013 by EUR 89 m. Receivables and other assets rose from EUR 1.411 bn to EUR 1.486 bn. The main contributory factor here was the increase in financial receivables from affiliated companies. Linde AG also enters into Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG are collateralised with cash on a regular basis. The corresponding amounts due from banks are disclosed under this heading.

Linde AG holds 100 percent of the shares in a special fund. This fund is disclosed in securities held as current assets. In the course of 2013, the holding of securities was reduced by EUR 652 m. Linde used most of the funds generated from the sale of securities to redeem financial debt.

Liquid assets fell by EUR 96 m to EUR 491 m.

Equity (before the appropriation of profit) increased by EUR 61 m to EUR 9.669 bn. This was due to a number of different factors. During the reporting period, share options were exercised by employees, which resulted in an increase in equity of EUR 2 m. Linde AG purchased own shares to service its new share option scheme (Linde Performance Share Programme 2012). This reduced the equity figure by EUR 3 m. The net income for the year gave rise to an increase in equity of EUR 562 m, while the payment of the prior-year dividend reduced the equity figure by EUR 500 m.

The equity ratio rose from 46.4 percent to 48.0 percent mainly as a result of the increase in total assets. The main reason for the lower figure for total assets in 2013 than in 2012 was the reduction in the figure for securities of EUR 652 m and the associated reduction in financial debt.

Provisions totalled EUR 1.352 bn, a similar figure to that for 2012.

The liabilities of Linde AG fell by EUR 595 m to EUR 9.133 bn.

25 BALANCE SHEET STRUCTURE OF LINDE AG AS A PERCENTAGE OF TOTAL ASSETS

	2013		2012	
	in € million	in percent	in € million	in percent
Assets				
Financial assets	17,528	87.0	17,439	84.2
Other non-current assets	480	2.4	450	2.2
Receivables and other assets	1,486	7.4	1,411	6.8
Securities	149	0.7	801	3.9
Liquid assets	491	2.4	587	2.8
Other assets	20	0.1	17	0.1
TOTAL ASSETS	20,154	100.0	20,705	100.0
Equity and liabilities				
Equity	9,669	48.0	9,608	46.4
Provisions for pensions	512	2.5	471	2.3
Other provisions	840	4.2	898	4.3
Liabilities	9,133	45.3	9,728	47.0
TOTAL EQUITY AND LIABILITIES	**20,154**	**100.0**	**20,705**	**100.0**

Financial position of Linde AG

The net financial debt of Linde AG (securities held as non-current assets, securities held as current assets, financial liabilities, financial receivables, liquid assets) increased in 2013 by EUR 39 m, from EUR 6.547 bn to EUR 6.586 bn. This was due to the financing of the subsidiaries.

During the reporting period, Linde AG repaid in full the USD acquisition loan it raised in July 2012 to purchase Lincare. To do so, it successfully placed two new bonds in the second quarter of 2013: a EUR 650 m bond and a USD 500 m bond.

Results of operations of Linde AG

Revenue in Linde AG in the 2013 financial year was EUR 2.193 bn, significantly below the figure for 2012 of EUR 3.153 bn. EBIT fell from EUR 266 m to EUR 130 m.

The Linde Gas Division achieved a slight increase in revenue of 1.3 percent to EUR 1.317 bn (2012: EUR 1.300 bn). In the Linde Engineering Division, Linde AG saw a significant decrease in revenue from EUR 1.879 bn in 2012 to EUR 902 m in 2013 financial year. This was as expected, because in the 2012 financial year two major projects were billed at EUR 847 m and EUR 151 m respectively.

In the 2013 financial year, Linde AG recognised revenue from contracts based mainly in the following countries: Saudi Arabia, Kazakhstan, Taiwan, Italy and Israel.

Linde AG generated 47.3 percent (2012: 34.5 percent) of its revenue from customers in Germany. Exports accounted for 52.7 percent (2012: 65.5 percent) of revenue, with 31.7 percent (2012: 16.2 percent) relating to Europe, 56.7 percent (2012: 65.6 percent) to the Asia/Pacific region and 8.8 percent (2012: 15.7 percent) to the Americas. Sales to Africa accounted for 2.8 percent of Linde AG's exports in 2013 (2012: 2.5 percent). Most of the export business relates to the Linde Engineering Division. As the international plant construction business is project business, there are always fluctuations in the regional figures year by year.

Order intake in the Linde Engineering Division increased by 28.1 percent, from EUR 1.244 bn in 2012 to EUR 1.593 bn in 2013. Linde AG entered into contracts for major projects within its core competences: natural gas, air separation and petrochemicals.

The order backlog at 31 December 2013 was EUR 4.036 bn, 16.5 percent above the 2012 figure of EUR 3.466 bn. The average duration of a contract is around three years.

26 RESULTS OF OPERATIONS OF LINDE AG (SUMMARY)

in € million	2013	2012
Revenue	2,193	3,153
Cost of sales	1,442	2,264
GROSS PROFIT ON REVENUE	**751**	**889**
Functional costs	768	790
Other income	395	404
Other expenses	248	237
EBIT	**130**	**266**
Investment income	600	467
Other financial result	–164	–147
PROFIT BEFORE TAXES ON INCOME AND EXTRAORDINARY RESULT	**566**	**586**
Extraordinary result	–	15
Taxes on income	4	40
NET INCOME	**562**	**561**
Transfer to revenue reserves	–5	–61
UNAPPROPRIATED PROFIT	**557**	**500**

The gross margin improved from 28.2 percent to 34.2 percent. The main reason for the increase in the margin was the decrease in the proportion of revenue relating to the Linde Engineering Division compared with the prior year. The engineering business generally has lower gross margins than the gases business.

Functional costs fell by 2.8 percent, from EUR 790 m in 2012 to EUR 768 m in 2013. The rigorous implementation of the Group-wide HPO (High Performance Organisation) programme designed to achieve sustainable productivity gains also had a positive impact on costs. Linde is continuing to apply these efficiency improvement measures.

Other income and other expenses remained at a similar level in 2013 to that seen in 2012.

Investment income rose in 2013 to EUR 600 m (2012: EUR 467 m). Included in the figure are dividends of EUR 408 m (2012: EUR 268 m) and income from profit-sharing agreements of EUR 192 m (2012: EUR 199 m). Linde AG has direct or indirect profit-sharing agreements with most of its German subsidiaries. For the dividend payments which derive from subsidiaries mainly outside Germany, distributions are vote on in the individual companies.

The main changes under the heading Other financial result were impairment losses of EUR 11 m (2012: EUR 23 m) recognised on financial assets and exchange losses on the measurement of the plan assets relating to pension obligations of EUR 14 m (2012: exchange gains of EUR 35 m).

The profit before taxes on income and the extraordinary result was EUR 566 m, which was slightly below the prior-year figure of EUR 586 m.

After deducting tax, Linde AG generated net income for the year in 2013 of EUR 562 m (2012: EUR 561 m).

RESEARCH AND DEVELOPMENT

The Linde Group

Ongoing, focused research and development activities are vital for the long-term success of a global technology company such as Linde.

During the 2013 financial year, Linde spent a total of EUR 92 m on research and development (2012: EUR 101 m). Capitalised development costs in 2013 totalled EUR 11 m (2012: EUR 17 m). Further information about these costs is given in NOTE [14] of the Notes to the Group financial statements. As at 31 December 2013, there were 367 employees in total working in this field (2012: 385), of which 241 in the Gases Division and 126 in the Engineering Division. To protect its innovations from the competition, Linde filed 263 new patents across the Group over the course of the past financial year. As at 31 December 2013, Linde technologies were protected by a total of 2,605 patents.

By drawing on the findings of its pure research, the Group is continuously moving into new areas of application for its gases and is constantly striving to make further improvements to its processes and plant technologies. Application development is always set in the context of commissions and therefore involves close liaison with customers, taking into account their individual requirements. The Linde Group pays particular attention to the environmental compatibility of its production processes. SEE ANNUAL, PAGE 62.

As a technology leader in this area, Linde has pooled the skills of its engineers, merging its activities into a central Clean Energy Group. This team, which operates across the different business areas, works on the development of innovative products and processes that help to make renewable energies economically viable, to reduce consumption of natural resources and to cut emissions which are harmful to the climate.

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

Once again during the year under review Linde was able to demonstrate its pioneering role in environmentally friendly hydrogen technology. Together with five partners from the energy and automotive sectors, the Group signed an action plan in September 2013, under the terms of which around 400 hydrogen filling stations will be built in Germany between now and 2023.

In 2013, Linde also developed a 500-bar trailer for compressed hydrogen gas, which is already being used in transport on public roads. This innovation will make it possible to transport larger quantities of hydrogen much more efficiently in future.

During the reporting period, Linde has refined its Carbo-V® technology to such an extent that demonstration-level operations together with a partner can now commence. This process is a route for the production of both synthesis gases and green hydrogen through thermo-chemical conversion of solid biomass and biogenic residues. Wood and wood biomass, which can already be obtained in a way that conserves resources and which do not compete with food production, are converted into biofuels such as biodiesel.

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

The continuing increase in the quantity of electricity derived from renewable sources means that new solutions for large-scale storage are needed. Linde is involved in many projects in this area, including activities at the Mainz Energy Park in Germany. In cooperation with partners from the energy industry and various research institutes, the Group is trialling processes for the production, storage, use and the feed-in of hydrogen from renewable electricity to the natural gas network. SEE ANNUAL, PAGE 48.

Another technology option is liquefied air energy storage. Linde is working together in this field with partners from the power plant and energy sector to develop flexible electricity storage systems which can be swiftly realised.

In the area of thermal energy storage, Linde is working with the German Aerospace Centre (DLR) in a project sponsored by the German Federal Ministry for the Environment on a combined latency-sensitive high-temperature thermal energy storage system based on salt. This type of thermal storage is suitable for both solar thermal and conventional power plants and can also be integrated into industrial processes. This innovation is helping to meet rising demand for plant flexibility and energy efficiency.

Gases Division

In the Gases Division, Linde invested EUR 68 m in research and development in 2013 (2012: EUR 74 m), focusing its activities on six areas of particular strategic importance: environmentally sound practices, efficient industrial processes and clean energy, healthy eating, convenience food, geographic and demographic shifts, and performance materials.

The project portfolio is encompassed in four R&D areas: chemicals & energy, metal & glass, food and drink, and manufacturing. In all areas, Linde is focusing to a greater extent on the environmental compatibility of the materials used and on health and safety aspects of production.

The promotion of research and development also remains a priority for the Healthcare business (medical gases, medical devices, clinical care and related services). Ongoing improvements of already licensed products to develop next generation products, coupled with new products and services, enable Linde to tap into new markets in this promising sector. In particular, the Group backs research which focuses on the medical applications of gases and on the development of devices and services that address the needs of patients with chronic respiratory diseases.

Engineering Division

In the 2013 financial year, the Engineering Division spent a total of EUR 24 m on research and development activities (2012: EUR 27 m). As in previous years, this money was primarily allocated to the development of new and existing technologies in the product lines of natural gas plants, air separation plants, olefin plants, and hydrogen and synthesis gas plants. Linde is always looking for ways to make further improvements in the energy efficiency and environmental credentials of its plants.

In the hydrogen and synthesis gas plant product area, for example, the focus lies on the development of compact steam reformers such as HYDROPRIME® for decentralised hydrogen production.

During the reporting year, Linde was able to bring a new plant technology for the production of small quantities of hydrogen to the pilot stage. In this process, palladium membranes are used in steam reformers. This helps to make a significant improvement in the energy efficiency and cost-effectiveness of plants of this type.

Together with industrial partners (BASF and ThyssenKrupp) and research partners, Linde is developing a process for the thermal splitting of methane. The first stage in this process involves the use of innovative high-temperature technology to produce hydrogen and carbon from natural gas. Compared with conventional processes, this method produces significantly lower CO_2 emissions. Then, large quantities of CO_2, including some produced by other industrial processes, are used to convert the hydrogen into synthesis gas. This project is being supported by the German Federal Ministry of Education and Research.

In the natural gas plant product area, Linde refined its CRYOPLUS® technology for shale gas extraction during the financial year and developed innovative solutions for the liquefaction, storage and regasification of natural gas.

In 2013, Linde also improved its cracker technology so as to make a considerable improvement in the output of C4 products (hydrocarbon compounds with four carbon atoms) from the splitting of naphtha. Newly-built ethane crackers which are the result of the increased exploitation of natural gas from shale, especially in the United States, generally produce only a small quantity of C4 products.

27 RESEARCH AND DEVELOPMENT

	Expenditure (in € million)					*Number of employees*				
	2013	*2012*	*2011*	*2010*	*2009*	*2013*	*2012*	*2011*	*2010*	*2009*
Gases Division	68	74	72	68	66	241	246	220	199	206
Engineering Division	24	27	26	26	23	126	139	122	125	140
GROUP	**92**	**101**	**98**	**94**	**89**	**367**	**385**	**342**	**324**	**346**

Linde AG

In the 2013 financial year, Linde AG spent a total of EUR 126 m (2012: EUR 140 m) on research and development (R & D), which was more than the total of EUR 92 m recognised in the financial statements of The Linde Group. Where subsidiaries conduct research and development activities, they charge their costs to Linde AG on a cost-plus basis. This mark-up is eliminated at Group level. Licence fees paid to subsidiaries are also eliminated at Group level.

R & D expenditure in the Linde Gas division in 2013 was EUR 108 m (2012: EUR 123 m). In the Linde Engineering division, Linde AG invested EUR 18 m in 2013 (compared with EUR 17 m in 2012) in innovations and the development of technologies for the main types of plant.

At 31 December 2013, Linde AG employed 208 staff in research and development (2012: 210 staff). Of these, 121 employees (2012: 124 employees) were in the Linde Gas Division and 87 employees (2012: 86 employees) in the Linde Engineering Division.

EMPLOYEES AND SOCIETY

Employees across the world

As at 31 December 2013, The Linde Group employed a total of 63,487 members of staff, an increase of 722 compared with the previous year-end. The acquisitions carried out in France and in the Netherlands resulted in the addition of new employees during the reporting period. On average, 9.4 percent of employees left Linde during the year under review at their own request. Depending on the region, this turnover rate ranged from 2.0 percent to 20.2 percent.

The aim of Linde's human resources strategy is to acquire the employees best suited to the Group across the world, to nurture these employees and to build up long-term loyalty. To help achieve this goal, Linde has pinpointed key strategic focuses, which include talent management, continuing professional development, future-oriented workplace models and equal opportunities. The main priorities are to adapt the Group to changing social developments, to create attractive working conditions and to promote excellence.

28 EMPLOYEES BY REPORTABLE SEGMENT AT THE BALANCE SHEET DATE

	31.12.2013	31.12.2012 adjusted[1]
Gases Division	51,536	51,405
EMEA	21,544	21,636
Asia/Pacific	12,122	11,809
Americas	17,870	17,960
Engineering Division	6,997	6,564
Other Activities	4,954	4,796
GROUP	63,487	62,765

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

Remuneration and social benefits

The remuneration package of Linde employees comprises various elements. In addition to a basic fixed salary, employees receive variable remuneration components depending on their position within the Group. Linde also offers its staff social benefits in line with the conditions which apply in the different regions. These benefits include occupational pensions, health insurance at subsidised or special rates, and medical screening. Personnel expenses during the reporting year totalled EUR 3.423 bn (2012: EUR 3.117 bn), of which EUR 2.974 bn related to salaries (including social security contributions) and EUR 193 m to pensions. In 2013, 45.6 percent of Linde staff were employed on the basis of collective wage agreements (2012: 45.1 percent).

The Group's performance management system provides the foundation for comparable and fair staff appraisals. A global IT module dedicated to this system has been introduced. Using the system, performance evaluations which are binding on all managers worldwide can be carried out uniformly across the Group. Linde's global performance management system includes job evaluations of all executive positions within the Group. These evaluations take account of such criteria as transparency, equal opportunities and pay in line with market conditions. Remuneration levels are reviewed by means of internal and external comparisons to ensure that they are appropriate and in line with the market. Managers' pay is based on the performance of both the Group as a whole and of the individual employee. By means of the Linde Long Term Incentive Plan, senior managers may also acquire Linde share options and thus participate directly in the company's growth in value. In the 2013 financial year, managers below Executive Board level invested in 24,701 Linde shares via the scheme. For each of these shares, these plan participants are entitled to an additional Linde share on the expiry of the four-year qualifying period.

In 2013, Linde carried out an exemplary analysis of the salaries of employees not employed on the basis of collective wage agreements. The main focus was the head offices of Linde AG, Linde Gas, Linde Gas Germany and Linde Engineering. The analysis did not reveal any significant differences in the remuneration paid to male and female employees in comparable positions.

Employees in more than 50 countries have access to occupational pensions and healthcare benefits. Through defined benefit plans *[SEE GLOSSARY]*, 27,475 active employees are being paid an occupational pension, and 18,309 former employees have acquired a vested claim to a company pension. In total, 31,006 pensioners are drawing an occupational pension within the Group.

Linde has created globally binding rules on the modification, introduction or closure of pension plans. Any such measure must be agreed in advance with the Global Pension Committee, which is composed of the Chief Executive Officer, the Chief Financial Officer and experts in accounting, finance and human resources.

Winning talent

The recruitment of well-trained experts and the provision of continuing professional development for existing employees are key elements of Linde's human resources strategy. The Group cooperates with prestigious universities and research institutions across the world in order to attract newly qualified graduates. In 2013, Linde launched a new round of its two-year graduate-entry programme for European graduates, with participants from 15 countries.

The Group also provides training opportunities in various technical and commercial areas, encompassing 17 different professions in Germany, for example. In the year under review, 75 percent of one year's cohort of apprentices and trainees in Germany were taken on as permanent employees at the end of their vocational training and a further 20 percent were offered a fixed-term contract.

The number of apprentices and trainees as a proportion of the total number of employees in the Group was 0.9 percent in 2013, of which 55 percent were in non-German companies.

Linde invested around EUR 13 m in the continuing professional development of its employees during the reporting year. Group-wide CPD programmes are provided through Linde University. These focus on such subject areas as change leadership and intercultural communications and diversity. The Linde University Campus in China celebrated its second anniversary in 2013 and was able to continue to expand its range of training opportunities. By the end of 2013, more than 1,600 employees had participated in training seminars in the region.

The Linde Group offers its executive staff around 130 different professional development modules across the world. In September 2013, for example, the Future Leader Programme for the new generation of managers was launched in the Asia/Pacific region.

Another key component of the Group's long-term human resources strategy is succession planning for its skilled personnel and its management team. The aim is to nurture potential and to ensure knowledge transfer.

Work-life balance

Linde has introduced a range of initiatives to help its employees achieve a work-life balance. The focus is on flexible working times, supporting employees who are reliant on childcare or have a family member who requires care, and providing assistance during periods of poor health or social hardship. The various measures are designed to suit the specific local situation and requirements.

Flexible working models range from flexitime or part-time hours to teleworking. Part-time employees in the Group accounted for approximately 1.9 percent of the workforce in 2013.

In the RBU Greater China, Linde introduced a flexible working scheme for around 700 office staff during the year under review. In Germany, the Group has agreed a teleworking model for employees in the Engineering Division who are caring for a family member or who are themselves recovering from ill-health.

In some regions, Linde offers its staff the chance to acquire additional holiday entitlement or to take time off to complete training or for their own private projects. In the UK, for example, five employees in the region took a sabbatical during the year.

In Germany, Linde currently has a stock of 33 daycare places in Greater Munich. Elsewhere in Germany, the Group's employees receive a subsidy towards childcare places. In addition, a family service bureau is available to help employees find appropriate childcare. In the course of 2013, this bureau was used more than 280 times by employees in Germany.

In Germany, a total of 344 employees took parental leave in 2013, 35.8 percent of whom were fathers. In the same year, more than 235 employees returned to Linde after a period of parental leave. Linde is currently reviewing its concept for the support of childcare provision in Germany.

In order to promote the physical and mental health of its employees, Linde offers advisory services in many countries covering such areas as family crises and addiction problems, as well as initiatives designed to prevent illness. In North America, for example, all members of staff have the opportunity to take part in a health programme introduced in 2013. This programme is supported financially by Linde.

Labour standards and social standards

In its Code of Conduct, which is binding on the entire Group, Linde commits to the principles of the UN Human Rights Charter and the core labour standards of the International Labour Organisation (ILO). Through regular reviews across all the regions, information is collated on the processes that the Group has put in place to ensure compliance with labour standards and the upholding of human rights. Furthermore, labour standards are the subject of consultations with employee representatives.

To detect potential weaknesses, Linde evaluates the information supplied to the Integrity Line, a service that employees and external stakeholders can use to report any breaches of the Group's Code of Conduct. Around 36 percent of the reports received via the hotline in 2013 related to human resources issues.

In the Benelux countries, a number of staff were given training on the subject of workplace harassment. This will enable them to act as points of contact for over 600 employees in the region.

In 2013, Linde continued to review the extent to which the Group's global guidelines incorporate respect for human rights. The guidelines and processes which have been reviewed and revised to date include the Code of Conduct, purchasing guidelines, purchasing terms and conditions, purchasing agreements, the Integrity Line Policy and Group risk management. At the beginning of 2014, the Executive Board also adopted an official Group position on human rights, in which it reiterates its support for human rights and describes the Group's processes which confirm this commitment.

Diversity

Linde has identified diversity as one of four values that are especially important to the Group. For a global group, an intercultural workforce is a crucial advantage. Linde relies on employees who understand their local markets and can use their different experiences and perspectives to advance the work of their team.

As at 31 December 2013, the Group employed staff from 139 different countries, 65 nations are represented in the German companies alone. The proportion of senior managers from countries other than Germany in The Linde Group exceeded 70 percent in the reporting year, with more than 50 nations represented at this level. In 2013, more than 260 Linde employees were sent on secondment to subsidiaries abroad.

Another of Linde's main priorities in the area of diversity is the promotion of female managers. The Group has set itself the target of increasing the proportion of women in senior managerial positions to between 13 and 15 percent by 2018. Many measures have been introduced in a bid to achieve this target. Diversity as a value has also been integrated into executive development. Moreover, the promotion of diversity forms part of the individual target agreements for managerial staff in the relevant positions.

In 2013, Linde launched an initiative in several regions and across various business areas which is designed to support women as they develop their careers within the Group. In Germany, the Group has designed an internal mentoring programme for women and a training programme aimed at supporting female managers. Once again, the number of women taking part in Linde's two major management development programmes grew during the reporting year. In the Global Leadership Development Circle, the most important development programme for senior managers, the proportion of women rose to 23.4 percent, which is almost twice as high as the previous level. In the Global Talent Circle, which is aimed at middle management, the proportion of women taking part is 35.6 percent (2012: 29.0 percent).

Another important issue in relation to diversity is how to tackle the impact of demographic change and ensure cooperation between employees from all age groups. The Family and Career working group has been looking at demographic issues at Linde since 2008. With its health management measures and opportunities for flexible working, the Group is responding to the particular challenges presented by an ageing workforce.

Involving employees

Linde strives to work together with employee representatives and trade unions on the basis of partnership. Its system of employee representation in Germany is two-tiered, consisting of works councils in the decentralised units and a central works council for the Group as a whole. In addition, for some years now, Linde has had a European Works Council, currently with 24 members, which is responsible for cross-regional issues. Regional-level works councils are in place in other countries. In Greater China, for example, more than 90 percent of the workforce is represented by labour unions.

Activities during the reporting year included the conclusion of a new company framework agreement for a pay scale area in Germany. This agreement covers rules on working hours which take into account the different life stages in employees' careers. Every year, three or four meetings are held between the Group works council and company representatives.

Employee satisfaction is a key factor in Linde's success. Open feedback from its staff enables management and the Group to continue to develop. In 2013, Linde introduced a large number of measures in response to the findings from the global employee survey conducted during the previous year. These measures focused, for example, on communication between managers and their staff, and individual career planning. In Africa, Linde set up focus groups in which employees from different areas of the Group and from different levels in the hierarchy discuss various aspects of Linde's corporate culture. Plans are in place for a third global employee survey in 2014.

Linde employees are encouraged to use their experience and skills to come up with ideas for further improvements. In 2013, employees submitted their suggestions on such areas as optimising products, improving efficiency, providing better customer service and increasing employee commitment. In the RBU Greater China, employees have submitted more than 200 suggestions since 2011, 80 of which had been implemented in practice by the end of 2013. Estimated cost savings of around EUR 5 m were made as a result.

Occupational safety and health protection

One of the aims of Linde's global safety management is to protect its employees. In addition, the Group helps its staff to remain in good health and fit for work. For this purpose, Linde has put in place global standards governing occupational safety and health protection. These standards are the subject of regular reviews. Risk assessments and audits are carried out to review work safety. In 2013, audits were conducted at 58.1 percent of Linde's operating sites (2012: 62.4 percent).

Linde has set itself the goal of continuing to reduce the number of workplace accidents. In 2013, the number of workplace accidents resulting in lost working days per million hours worked was 2.3 (2012: 2.5). The equivalent figure for contractors during 2013 was 1.7 (2012: 1.3).

It is with the deepest regret that the Group must report that four Linde employees lost their lives whilst working for the Group in 2013. Two accidents, at sites in Indonesia and China, resulted in the death of three employees, while one British employee died in a road accident.

When implementing initiatives relating to health protection, Linde focuses in particular on the risks associated with manual and repetitive activities. The proportion of workplace accidents and chronic illnesses at Linde that can be attributed to manual activities ranges from around

30 to 50 percent each year. In 2013, the Group provided instruction for specialist trainers in this area in North America. At its subsidiary Lincare, Linde carried out an ergonomic review of delivery vehicles with the aim of deploying optimum loading systems to minimise the health risks faced by workers.

Social commitment

Linde is involved in a variety of projects across the world associated with social and community issues. The Group focuses on initiatives which are linked with its business activities, and is, above all, committed to projects in the field of education. Linde also supports a range of local activities covering such areas as safety, environmental protection, health and social affairs. These activities are based on the needs which have been identified in the individual regions where Linde operates. Cross-regional involvement in such projects is coordinated by the Group's Corporate Centre, with local initiatives being organised by managers in the region concerned.

In 2013, Linde provided funding of several million euro for social and community projects and initiatives, of which around EUR 2.7 m was donated by the Group. Through its initiatives during the year under review, Linde reached around 70,000 children, school pupils and students.

As well as financial donations, Linde also donates products. For example, the Group provided the hydrogen used to fill fuel-cell vehicles in the Shell Eco-marathon, a competition designed to promote sustainable mobility.

Through selected initiatives Linde also supports corporate volunteering, by granting staff time off work to volunteer or by topping up employees' donations.

Access to education

By the end of 2013, more than 12,000 students had attended courses offered by the Carl von Linde Academy. Based at the Technical University of Munich (TUM), this institution provides up-and-coming engineers, IT experts and natural scientists with key skills that extend beyond the limits of their theoretical subjects, covering such areas as business ethics and innovation. Linde has supported the development of the Academy, donating foundation capital of more than EUR 8 m.

Linde also worked during the reporting year to extend its cooperation with the Schloss Hansenberg boarding school (ISH) in Hesse in Germany. In the context of a public-private partnership, the Group is now the key partner from the business sector. The school fosters the talents of pupils with particularly strong academic and social skills. Linde has been involved with the ISH since 2007 and more than 490 pupils have completed their schooling there during this time.

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

Safety

In keeping with its particular focus on safety, Linde is involved in a range of community road safety projects across several countries. One such example is the comprehensive safety programme for young road users in Australia and New Zealand.

During 2013, more than 13,000 children took part in the Child Road Safety Programme organised by Gist, Linde's logistics division. As part of this programme, HGV drivers regularly visit primary schools, taking their vehicles with them, to raise pupils' awareness of the importance of road safety.

Emergency aid

In 2013, Linde provided emergency aid in several of the world's regions. Following the floods in Germany in early summer 2013, the Group matched the donations made by its employees in Germany, resulting in total aid of EUR 150,000. During the reporting year, Linde staff and the Group also donated more than USD 170,000 to help victims of Typhoon Haiyan in the Philippines.

29 ADDITIONAL INDICATORS ABOUT EMPLOYEES

		2013	2012 adjusted[1]
Structure of the workforce			
Age structure of the staff			
Staff up to 30 years old	in %	18.2	17.6
Staff between 31 and 50 years old	in %	58.0	58.4
Staff over 50 years old	in %	23.8	24.0
Temporary staff	in %	6.2	6.4
Part-time employees	in %	1.9	1.7
Apprentices and trainees in total workforce	in %	0.9	0.9
Apprentices and trainees in Germany	in %	3.1	3.2
Proportion of female employees			
in total workforce	in %	27.3	26.9
in Germany	in %	25.9	25.4
in senior management positions	in %	13.2	12.3
Nationalities of employees in Germany		65	67
Non-German nationalities in senior management positions	in %	72.9	69.7
Severely disabled employees in Germany	in %	3.5	3.1
Staff covered by collective wage agreements	in %	45.6	45.1
Employee retention and training			
Staff turnover rate[2]	in %	9.4	10.1
Average length of service	in years	8.9	9.3
Employees who have taken up training opportunities	in %	60.3	61.0
Training days *(per employee)*		3.0	2.6
Expenditure on training programmes *(per employee)*	in €	341.3	385.5
Occupational health and safety			
Workplace accidents with at least one day of absence	per million hours worked	2.3	2.5
Workplace accidents with at least one day of absence		304	324
Fatal industrial accidents of employees		4	4[3]
Fatal industrial accidents of contractors		6	4
Number of days sick leave *(per employee)*		4.7	4.7

[1] Adjusted for the effects of the first-time retrospective application of new IFRSs. SEE ALSO NOTE 7 IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS. Also adjusted for the figures of US homecare company Lincare, which was acquired in 2012 by Linde.
[2] The staff turnover rate relates to employees who have left the Group voluntarily during the financial year.
[3] At the end of 2012 one employee suffered fatal injuries as a result of an accident. The internal reporting of this work-related accident was completed after the 2012 editorial deadline. The indicator has been adjusted retrospectively.

SAFETY AND ENVIRONMENTAL PROTECTION

Strategy

Linde has implemented Group-wide safety and environmental protection management systems. These focus in particular on the Group's sites, the transportation of products and product use by Linde customers. Linde's main priorities are to minimise safety risks and the Group's environmental impact, and to ensure that energy, resources and materials are used efficiently. Through its products and services, Linde helps its customers to make their business processes safer and more environmentally friendly.

The management systems for safety and environmental protection are based on global standards and guidelines, and Linde conducts audits to verify compliance with these voluntary commitments. In order to analyse potential weaknesses, the Group has also implemented a global process for the documentation and evaluation of events relevant to safety and environmental protection. Near-misses from which the Group can learn important lessons are also recorded in this way. In 2013, the Group prepared 59 information sheets describing major incidents, their main causes and the resulting measures, and circulated these internally.

Linde also prepares global risk management and emergency response plans to ensure that it is prepared for critical incidents. These are designed to protect employees and neighbours, as well as the Group's property. Linde takes into account the potential impact on sites and business processes of such major adverse events as fires and explosions, natural disasters, crime and pandemics. When it comes to safety and environmental issues, the Group also works with neighbourhood communities. In 2013, for instance, Linde worked with local authorities to carry out safety initiatives in several Asian countries.

The Group systematically trains its employees in occupational health and safety, product safety and environmental risks. In 2013, Linde also launched a global campaign to raise employees' awareness of the safety issues of particular relevance to the Group. Around 30,000 employees were provided with training entitled "Permit to Work system" and around 20,000 employees received training entitled "Working at height". Other training programmes are planned for 2014.

Once again during the reporting year, Linde received several awards in recognition of its commitment to environmental and safety management issues. Among the accolades were awards from the European Industrial Gases Association (EIGA) for transport and plant safety. Linde also received awards in Belgium and Thailand for its measures to reduce its environmental impact, such as CO_2 emissions.

Involving suppliers

When selecting suppliers, Linde not only relies on commercial criteria such as quality, price and availability, but also considers safety and environmental aspects. In 2013, the Executive Board of Linde AG adopted a new global Code of Conduct for Suppliers, setting out minimum requirements in the areas of safety, environmental protection, social responsibility and corporate integrity. In the Linde Engineering Division, for example, all new suppliers have been obliged to comply with the Code of Conduct since its introduction during the year. In addition, Linde had an external risk analysis of its supply chain carried out during the period under review. This analysis focused on country risk and product risk. The results provide a good basis for future measures when selecting and assessing suppliers. Linde also involves its suppliers in its safety and environmental management processes. In 2013, for example, around 380 contractors in India were provided with training in the areas of process safety and fire prevention.

Production

Safety is a number-one priority at the Group's sites across the world. Linde works to identify and assess the risks that the operation of its plants could present to employees, local residents and neighbouring companies. In addition, it has introduced a Group-wide management system, so that major potential hazards of its plants can be recorded on a uniform basis worldwide. This programme, known as the Major Hazards Review Programme (MHRP, SEE GLOSSARY), enables the Group to identify control mechanisms to limit these risks as far as possible. By the end of 2013, Linde had certified 76 percent of the relevant plants in accordance with the MHRP.

During the reporting year, more than 1,400 safety, environmental protection and health protection audits were carried out by the Group itself or by third parties. The internal audits are conducted in accordance with international standards on quality, environmental management and safety: namely ISO 9001, ISO 14001 and OHSAS 18001. In 2014, Linde plans to obtain ISO 14001 certification for four more business units in its Engineering Division.

Transport

Alongside ensuring site safety, another of the priorities in Linde's safety management approach is the safe transportation of its products. Linde is constantly working on minimising the number of transport-related incidents. With this in mind, it has set itself a global target. By the end of 2017, the Group is aiming to halve the rate of such incidents compared with 2012. In 2013, the number of serious transport incidents per million kilometres travelled was cut further to 0.062 (2012: 0.075).

In order to achieve its global target, the Group has defined a package of measures. These measures include:

- revising local and global minimum standards for transport activities and integrating these into the Group's global standards database;
- training employees and contractors in the revised standards;
- implementing an audit programme in order to verify compliance with these standards;
- installing safety-related technology such as in-vehicle camera recording equipment;
- introducing the new "ActSafe" transport safety programme for drivers.

By the end of 2013, 75 transport auditors had been trained and 23 percent of sites with transport operations had been audited. In South-East Asia alone, around 1,500 drivers at more than 60 different sites attended safety training designed to prevent motorcycle accidents.

In 2013, Linde also decided to expand its global training programme in defensive driving, so that as well as reaching truck drivers it will also be available to drivers of smaller motor vehicles, such as company cars.

Meanwhile, in China, since 2012 Linde has installed new on-board computers in around 200 trucks in its fleet. These play a part in investigating the causes of accidents and ensuring that drivers comply with working time limits. The data gathered in this way is helping Linde to improve its transport safety measures even further.

Linde also involves transport contractors in its transport safety initiatives. The Group adheres to global guidelines. To take an example, drivers from contractors commissioned by Linde take part in the Group's driver training sessions. Since 2007, uniform safety rules have been in place which must be observed by all suppliers when providing transport services for Linde. This requirement has also been incorporated as a criterion into the Group's purchasing contracts, which is effective in 83 countries.

Product stewardship

Linde monitors product safety along the product value chain, from the procurement of materials via production through to use by the customer, doing so in accordance with a globally applicable product stewardship guideline. To this end, the Group analyses such aspects as the ecological impact and the toxicity of substances, documenting the results in a central database. This database serves as a data source for transport safety measures and also as a source of information that Linde provides to its customers and the general public.

Linde holds more than 18,000 product safety data sheets in a variety of languages. Over the next five years, it plans to continue to improve these data sheets and to refine the labelling of its products for transportation purposes. A budget of more than EUR 3 m has been earmarked for this purpose.

For those sites where highly hazardous chemicals are produced or handled, Linde has also developed specialist product safety risk assessments, carried out on a uniform basis across the world. The main focus during the reporting year was South-East Asia. The corresponding audits were carried out in 17 countries. To date, such risk assessments have only been carried out for those sites that account for around 75 percent of revenue from chemicals in this region.

Depending on the risk, specially trained Linde staff assess whether the conditions are in place for proper gas handling prior to delivery to the customer's site. Linde also offers training to customers in the safe handling of its products. Both employees and customers take advantage of these training offers. Through the Group's own customer safety programme LIPROTECT®, for example, around 1,200 participants in Germany received training in 2013 in how to handle gases responsibly. During the year, Linde also launched a new e-learning programme devoted to the safe handling of chemicals.

A range of services covering all aspects of handling gases is also available to Linde customers, with the key areas including risk assessments, as well as inspection, maintenance and repairs. Linde's emergency teams are available to support customers should help be required at any time of day or night.

Linde complies in full with the requirements of REACH [SEE GLOSSARY], the EU regulation on chemicals. By the second registration deadline on 31 May 2013, Linde had registered five substances with an annual production volume of more than 100 tonnes with the European Chemicals Agency (ECHA). The Group is also actively working together with the European Industrial Gases Association (EIGA) and other trade bodies with the assistance of customers and suppliers. Using its global Internet platform, Linde provides comprehensive information about what the Group is doing to comply with its statutory obligations and which substances it has registered.

Through its product stewardship programme, Linde also supports the Global Product Strategy (GPS) devised by the International Council of Chemical Associations for the safe handling of chemical substances and the United Nations' Globally Harmonised System of Classification and Labelling of Chemicals. In 2013, Linde implemented new statutory regulations in the United States, based on the GHS rules.

Raw materials

For Linde, making efficient use of resources is a key lever in reducing its environmental impact and in cutting the Group's costs. As a producer of air gases, Linde's most important raw material is air from Earth's atmosphere. In order to manufacture products, Linde's principal input is energy. Here, to protect resources, the Group relies on global measures designed to increase energy efficiency in its own plants and processes. In addition, Linde uses materials such as steel and aluminium. These metals are required in particular for the manufacture of components used in plant construction. Gas cylinders, which are a main packaging material for Linde, are reused and refilled. A typical Linde cylinder will be used three and a half times a year on average and can last for decades.

The Group also works together with its customers to promote a responsible approach to the consumption of resources. Industrial gases from Linde can be used, for example, to reduce emissions and energy requirements compared with conventional recycling processes when processing various materials, such as aluminium and rubber.

Linde technologies also help promote the use of renewable raw materials. In 2013, Linde extended its cooperation with a US company that produces green oil from algae. The shared goal is to develop a technology for commercial use that enables algae biomass to be processed into oil on an industrial scale, creating a viable environmentally friendly source of energy.

Looking to 2014, Linde is planning to conduct a global supply chain analysis regarding conflict minerals [SEE GLOSSARY] as defined in the US Dodd-Frank Act.

Energy and climate protection

Linde is continuously working on using resources even more efficiently and on achieving further reductions in its greenhouse gas emissions. This is based on a global review of the energy efficiency of the Group's plants and processes and on global monitoring of emission levels. With regard to climate protection measures in its own business processes, the Group focuses in particular on those areas which are responsible for the majority of the CO_2 emissions and which offer the opportunity to make substantial cuts in emissions. Linde is achieving its greatest positive impact on climate protection through its products. Across numerous sectors, the Group offers gases applications and technologies which make its customers' production processes more environmentally sound, reduce the consumption of natural resources and help renewable energy sources to become a viable option.

Linde received a number of awards for its initiatives to support climate protection in 2013. Linde Gas Benelux was the first gases company in the Benelux countries to receive the Lean and Green Award for its voluntary commitment to cut its CO_2 emissions in bulk transport by 20 percent by 2016. The award is bestowed by a non-profit network for sustainable mobility founded by the Dutch government. Meanwhile, in North America, Linde was awarded an environmental prize in recognition of its launch of LNG-fuelled articulated lorries and the associated reduction in climate gases.

Emissions balance sheet

Linde reports its greenhouse gas emissions worldwide, basing its figures on the standards set out in the international Greenhouse Gas Protocol [SEE GLOSSARY]. The rise in reported emissions for 2012 and 2013 compared with previous years is due partly to changes in customers' requirements but above all to changes in international accounting rules. Just as Linde applies these rules when it reports its key financial figures, they also form the basis for the publication of global environmental indicators. Against this background, joint ventures have been included in the figures in 2012 and 2013 that had not been included in prior years. The inclusion of companies acquired in 2012 also contributed to higher emission figures.

In order to be able to disclose product-specific CO_2 balance sheets to its customers, Linde has developed a calculation method for its major air gases. This method includes the products' full life-cycle and was externally certified in 2013.

During the year under review, Linde once again took part in the survey conducted by the investor initiative CDP to evaluate climate protection reporting and performance. For the second time in succession, Linde was included in the regional Carbon Disclosure Leadership Index for Germany, Austria and Switzerland.

Global goals and measures

Linde has set itself global targets in the areas of energy efficiency and climate protection. Most of the Group's power requirements and thus the majority of its indirect CO_2 emissions relate to the operation of around 400 air separation plants. Linde's target is to improve the average energy intensity of its globally installed air separation plants by 5 percent by 2017. The reference year is 2008. The benchmark is the global average efficiency of the air separation plants operating at the design plant load. By the end of 2013, Linde had already achieved a 3.8 percent improvement in average energy intensity. During the year under review, the Group brought on stream a new air separation plant in Spain which will be 40 percent more efficient than its predecessor. In addition, Linde is working consistently on using technical improvements to reduce even further the energy consumption and CO_2 emissions of its air separation plants. The process control optimisation of an air separation plant in Switzerland in 2013, generated cost savings of EUR 520,000.

In 2013, the Group set itself a new global target for its installed hydrogen (HyCO) plants. Linde's aim is to increase the actual energy efficiency of these hydrogen plants by 2 percent by 2015 compared with the reference year of 2009. The benchmark is the actual energy efficiency of the respective plants when they are working. It is the operation of these plants that accounts for most of the Group's direct emissions. In order to achieve this target, Linde is implementing a number of different measures. These include optimising plant capacity utilisation and installing energy-efficient cooling systems.

A third key focus of the climate protection measures is product transportation. The Linde transportation fleet made journeys covering more than 500 million kilometres in 2013. Through a range of measures, Linde is reducing the distances travelled, lowering fuel consumption and cutting transport emissions. These include optimised routes, improved use of transport capacity and training drivers in driving methods which conserve resources. Linde is reducing the number of journeys required in various regions by using larger, optimally sized tanks. In Germany, for example, Linde was able to cut delivery costs by around EUR 500,000 in 2013 by this means.

Regional targets support the Group's global climate protection strategy. A number of small measures relating to the energy-efficient use of lighting or devices are helping to achieve the overall goals.

Energy consumption and energy efficiency

In 2013, Linde identified around 300 projects which contribute towards reducing energy consumption. By implementing these projects, the Group achieved cost savings of more than EUR 35 m. In California, for example, Linde has been working with energy companies on 16 projects since 2009 to optimise energy use at Linde sites. As a result, it has reduced energy costs at these sites by USD 1.75 m per year.

As an energy-intensive company, Linde is reliant on access to a reliable and competitively priced energy supply. The Group is exploring the use of renewable energies, the level of which currently corresponds to the energy mix applicable in different locations across the world.

Through its products and technologies, Linde is helping to make renewable energies an economically viable option.

Products for energy efficiency and climate protection

Linde offers its customers solutions which cover many areas of sustainable electricity and fuel generation, contributing to greater energy efficiency for customers and promoting climate protection. One example of this is the conversion of energy into hydrogen. So that surplus electricity generated from wind and sun does not go to waste, it can be converted into hydrogen using electrolysis in a process known as power-to-gas and then stored. Linde is working together with energy companies and partners in the automotive industry on optimising this process.

Emissions to air

Linde monitors emissions of air pollutants in accordance with local legislation. Normally, the Group's air separation plants produce hardly any direct emissions to air. Some of the Group's other production processes can in some cases result in emissions of inorganic gases such as carbon monoxide (CO), sulphur oxides (SO_X), nitrogen oxides (NO_X), ammonia (NH_3) and volatile organic compounds (VOCs). VOC emissions are mainly released during the coating and cleaning of metals such as those used in gas cylinders, storage tanks and plant components. Together with its customers and partners, Linde is working on solutions to reduce these emissions. In 2013, for example, Linde worked with other companies to develop a mobile system for the treatment of ships' emissions, improving the cleaning processes for vessels used to transport chemicals. Using liquid nitrogen, the vapours from volatile organic compounds are condensed out of the waste gases, helping to improve air quality in the ports where these ships dock.

Water

One of the aims of Linde's environmental management is to use water sustainably at its sites. Over 85 percent of the Group's water requirement is needed for cooling processes. Most of this cooling water is simply heated and can subsequently be fed back into the water system without the need for any further treatment. Linde takes care to ensure that the temperature reached does not pose any risk to the surrounding ecosystem. Only a small proportion of the water used is consumed or contaminated. This water is used in the manufacture of products, as a source of steam and in office buildings. During the reporting year, the Group's water consumption was around 44.5 m cubic metres. In accordance with local legislation, the Group measures emissions of phosphates, nitrates and organic compounds.

Linde uses closed loop systems as a means of reducing its water consumption, as these enable water to be used several times. Depending on the water quality and the equipment used in the plants, this means that only a small quantity of the water needs to be replaced. Water consumption levels and the availability of water vary from one location to another. Consequently, measures to reduce water consumption and to protect water resources are defined and implemented at local level. In 2013, Linde carried out several water-related projects, including improvements to cooling water systems such as cooling towers and water pumps in North America and at one site in Germany. The initiatives at these sites generated cost savings for the Group of more than EUR 110,000. In Poland, Linde has installed a system at one of its sites which recycles waste water and collects rainwater. This cuts water consumption levels by around 3,600 cubic metres per annum and is also helping to lower costs.

Linde offers its customers solutions to improve the quality of drinking water, to optimise the treatment of waste water and to reuse water through closed loop systems.

Waste

Linde endeavours to reduce the amount of waste it produces or avoid the creation of waste in the first place. Linde's main waste products are oil and oleaginous materials, chemicals, waste which contains metal and gas cylinders which have reached the end of their useful life. Closed loop systems for products help to increase material and resource efficiency and to cut the volume of waste produced. Lime slurry, for example, a by-product of acetylene production, can be used in other industries without any further treatment being required. Any waste which cannot be reused or recycled is disposed of in an environmentally sound manner and in accordance with local regulations. The Group classifies its waste as hazardous or non-hazardous in accordance with national laws. The increased amount of waste in 2013 compared to 2012 is due to the impact of several major construction projects in the Gases Division.

Linde's waste management targets are determined by regional requirements, as the type of waste produced differs greatly from one site to another depending on the processes being carried out. In the UK, for instance, Linde has set itself a target of increasing its waste recycling rate in the region to 65 percent by 2014. A recycling rate of 60 percent was achieved in 2013.

In the South-East Asia region, Linde set up a pilot project in 2013 to optimise waste management. The aim of the project was to reduce both costs and environmental impact. The results will form the basis for the development of additional waste management measures in other regions. In Africa, Linde developed a new recycling programme in 2013. The breathing bags produced by the regional subsidiary Afrox and used by mine workers have to be replaced every ten years. Afrox took back thousands of these breathing sets and recycled some of them into products such as bags and aprons.

30 SAFETY AND ENVIRONMENTAL PROTECTION

		2013	2012 adjusted[1]
Use of resources			
Electricity consumption	in million MWh	23.4	23.5
of which by air separation plants	in million MWh	20.7	20.8
Natural gas consumption	in million MWh	36.4	35.9
of which by HyCO plants	in million MWh	23.0	22.8
Consumption of other energy sources[2]	in million MWh	14.8	13.4
Water consumption[3]	in million m^3	44.5	47.4
Emissions			
Direct CO_2 emissions	in million t	7.2	7.6
of which by HyCO plants	in million t	4.2	4.3
Linde transport fleet	in million t CO_2 e	0.49	0.50
Indirect CO_2 emissions	in million t	13.0	12.8
of which by air separation plants	in million t	11.8	11.6
Emissions of other greenhouse gases[4]	in million t CO_2 e	0.3	0.4
Total greenhouse gas emissions	in million t CO_2 e	21.0	21.3
Waste	in thousand t	124.9	81.5
Audits und Training			
Production sites certified to ISO 9001	in %	77.9	79.6
Production sites certified to ISO 14001	in %	31.8	31.8
Production sites certified to OHSAS 18001	in %	17.8	17.7
Employees of Linde Gas who have taken up HSE training opportunities	in %	57.8	54.0
Sites where occupational health and safety audits have been conducted[5]	in %	58.1	62.4
Sites where environmental audits have been conducted[5]	in %	51.8	54.5
Transport safety			
Serious transport incidents involving trucks *(per 1 million km)*		0.062	0.075

1 Adjusted for the effects of the first-time retrospective application of new IFRSs. SEE ALSO NOTE 7 IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS. Also adjusted for the figures of US homecare company Lincare, which was acquired in 2012 by Linde.
2 Other energy sources include for example thermal energy, heating oil, biofuel energy, propane, butane and from 2013 diesel fuel.
3 Water consumption relates to drinking water and industrial water used. Once-through water is drawn from a natural or other sources, solely warmed and ultimately piped back to the original source at a temperature not posing any risk to the surrounding ecosystem.
4 Includes greenhouse gases specified in the Kyoto Protocol: methane (CH_4), nitrous oxide (laughing gas, N_2O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF_6) and since 2013 nitrogen trifluoride (NF_3). We monitor compliance with local regulatory requirements worldwide and report our data for all sites legally obliged to report emissions.
5 The figures disclosed relate to internal and external audits conducted at production sites worldwide.

OPPORTUNITY AND RISK REPORT

Opportunity management

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. To achieve sustainable profitable growth, the Group must be able to recognise such opportunities when they arise and exploit them effectively, while at the same time properly evaluating risks. In the course of strategic discussions between the Executive Board and those personnel responsible for the operating units which take place on a regular basis, opportunities and potential investments are identified, evaluated, managed and controlled. The development of the strategy of The Linde Group is based to a large extent on the results of these meetings. In turn, this strategy and the corporate goals derived therefrom are also the starting point for Linde's risk management process.

Fundamentally, Linde is seeking to achieve a good balance between opportunities and risks. Its overriding objective is to increase the value of the Group for all stakeholders by tapping into new market opportunities.

To the extent that it is probable that such opportunities will arise, their expected impact already has been recognised in the Group's targets and strategies, in its outlook for 2014 and in its medium-term targets, as is explained in this report. The following section therefore focuses on potential future developments which might lead to a positive variance from the Group's short-term outlook and medium-term targets.

Opportunity areas

Opportunities which might arise if the performance of the global economy were better than expected

Linde operates in more than 100 countries worldwide and supplies almost all industry sectors. It is well positioned, especially in the emerging economies. The Group leads in terms of market share in four out of five of these regions. Linde is therefore particularly strong in those markets which are expected to grow at the fastest rate, even in the medium term. Global economic growth and worldwide industrial production have a decisive influence on growth in the Group's revenue and earnings. In the current year 2014, economists expect an increase in global gross domestic product of 2.9 percent and an increase in worldwide industrial production of 3.3 percent. *SEE OUTLOOK, PAGE 104 TO 106.* If the economy were to grow at a faster rate than that originally forecast, not only in the emerging nations but also in the more mature markets, this could have a more positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG than is being projected.

Opportunities arising from increased climate protection efforts and the growing importance of natural gas as a fuel

Modern society depends on energy supplies which are affordable, reliable and environmentally friendly. Demand for energy around the world is continuing to rise, but this is posing a threat to the climate and the environment. Achieving an economy increasingly based on clean energy necessitates the continued expansion of renewable energy sources and the use of new technologies to ensure that finite resources are utilised in the most environmentally friendly manner possible. Linde has the technical skills required to benefit from the market opportunities in this area.

One example of this is the efficient exploitation of oil and natural gas reserves (Enhanced Oil and Gas Recovery: EOR and EGR) through the use of industrial gases such as nitrogen.

Linde is also well equipped for the rising demand for natural gas. The Group controls the technologies along the value added chain from the liquefaction and transport of natural gas to its safe delivery to the end user.

As a result of the growing importance of shale gas (i.e. natural gas produced from shale), there are new opportunities for Linde in this area in both the gases and engineering business. The availability of cheap natural gas due to the shale gas boom is leading to the development or expansion of chemical clusters. On the one hand, the Engineering Division is benefiting from the fact that these clusters are creating demand for the construction of plants and on the other hand opportunities are being created for the Gases Division due to the high level of demand for oxygen and other industrial gases.

In the context of climate change, the greenhouse gas carbon dioxide (CO_2) has a particular role to play. Linde provides the technologies to reduce and recycle CO_2 and is developing, for example, plants for the purification of waste gases and capture of carbon dioxide in power stations. Linde is also involved in recycling CO_2 in greenhouses through its Dutch subsidiary OCAP.

Hydrogen may assume a key function in the supply of energy in future, not only as a fuel but also as storage for electricity generated from renewable energy sources. Linde is a pioneer in the ongoing development of hydrogen technology and is supporting the breakthrough of this ecofriendly fuel in a wide variety of fields.

If global climate protection measures are expanded, the market for environmental technologies will continue to grow. This could have a more positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG than is being projected.

Opportunities which might arise as a result of regulatory changes in the environment governing healthcare

The global megatrend healthcare is driven by demographic trends and improvements in diagnostics and therapies, especially in the case of chronic illnesses. In addition, increasing numbers of people are gaining access to healthcare, particularly in the emerging economies. What is more, rising pressure on healthcare budgets is providing private companies with the opportunity to create new tailor-made offerings. As a result of the targeted acquisitions and investments it has made in the past few years, Linde is now a globally leading gases healthcare company specialising along an integrated respiratory care path.

The healthcare market is largely state-regulated and is governed by specific authorisation and licensing rules. If the relevant reimbursement policy enables more people to be offered access to wide-ranging medical services, especially in the emerging economies, this could have a more positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG than is being projected. Infrastructure investment and increasing wealth in the emerging economies may also have a positive impact on revenue and earnings trends.

Opportunities arising from innovations and R & D

A key element in Linde's business success is its ability to bring innovations to the market which offer sustainable value added. Therefore, the Group is constantly working on improving the quality of its research and development activities and increasing the extent of its cooperation with customers and partners. If even greater progress is made in this area than is currently anticipated, this could mean that more new or improved products are launched onto the market or that new products become available sooner than expected. This might lead to an increase in the revenue and earnings of The Linde Group and a more positive earnings trend in Linde AG.

Additional information about future R & D opportunities can be found in RESEARCH AND DEVELOPMENT, PAGE 74 TO 76.

Financial opportunities

Movements in interest rates have an impact on Linde's financial result. The Group keeps a close eye on events in the international financial markets, in order to identify and respond swiftly to any opportunities arising. SEE FINANCING AND MEASURES TO SAFEGUARD LIQUIDITY, PAGE 67 TO 68.

Exchange rates also have an impact on Group revenue and Group operating profit. Currency differences arise as a result of the translation of various local currencies into the euro (the reporting currency). The greater the volatility of the euro in relation to other currencies, the more significant the impact of currency translation on Linde's revenue and earnings.

If movements in interest rates and exchange rates prove more favourable to the Group than is currently being forecast, this would have a more positive impact on the financial result and/or the revenue and operating profit of The Linde Group and the earnings of Linde AG than is currently being projected.

Opportunities in purchasing

Purchase prices also have an impact on the profitability of the Group. This applies particularly to material groups which are dependent on raw materials such as steel, aluminium and brass as well as on energy costs. Linde pursues a portfolio purchasing strategy across the entire Group. Within the framework of its HPO concept, designed to achieve sustainable efficiency gains, the Group has embarked on a large number of new projects in order to continue to improve its purchasing performance and to make controls in this area even more transparent. In the current year 2014, Linde will expand its procurement activities primarily in best cost countries [SEE GLOSSARY], especially in India and China.

If the measures introduced were to generate even greater improvements than are currently anticipated and/or if the cost of raw materials were to fall, this could have a more positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG than is being projected.

Opportunities arising from organisational and process-related improvements

Constant improvements in Linde's business processes and strict cost management help to ensure that the Group's profitability and competiveness continue to be strengthened. Linde has developed a holistic concept which is designed to achieve sustainable efficiency gains, known as High Performance Organisation or HPO. This is linked to measurable targets. SEE OUTLOOK, PAGE 104 TO 106. Linde sees the greatest potential for optimisation in the supply chain of its cylinder gas and liquefied gases business as well as in the areas of purchasing and IT. One example of this is the standardisation and automation of gases filling plants in various regions of the world.

If Linde were to exceed its HPO targets, this would have a more positive impact on revenue and earnings trends in the Group and in Linde AG than is being projected.

Opportunities arising from personnel

The success of a company depends largely on the commitment, motivation and skills of its employees and executives. Linde has established comprehensive programmes to foster employee motivation and employee loyalty. SEE EMPLOYEES AND SOCIETY, PAGE 77 TO 81, AND PERSONNEL RISKS, PAGE 101.
If these activities were to have a greater positive impact than is currently forecast, this could make a contribution to the revenue and earnings of the Group and of Linde AG which is greater than is currently being projected.

Opportunities arising from acquisitions

Following its acquisition of Lincare and purchase of Air Products' Continental European homecare operations in 2012, Linde has become globally present in the homecare business. The Group now has a strong market position, especially in the United States and Europe, the most important markets in this field. There are no current plans for acquisitions of this order of magnitude. However, the Group does continue to deem it possible that smaller-scale regional additions may be made to the portfolio. Further acquisitions in the healthcare sector or in other business areas could have a more positive impact on revenue and earnings trends of The Linde Group and Linde AG than is being projected.

Risk management and internal control system

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

In this context, the purpose of risk management is to make it more certain that growth and earnings targets as well as strategic objectives are met. The Executive Board of the Group has established a comprehensive, systematic and efficient risk management system (Enterprise Risk Management or ERM), the basic principles of which are laid down in Group guidelines. The ERM system has been tailored to suit Linde's corporate structure. It is a vital component of the Group's management process and takes into consideration not only economic risks but also ecological and social risks.

The key elements of the ERM concept are the risk management system and the internal control system, which are interrelated. The design of the systems is based on the Three Lines of Defence Model (TLoD) proposed in the guidance issued by FERMA [SEE GLOSSARY] and the ECIIA [SEE GLOSSARY] on the implementation of Article 41 of the 8th EU Directive, which seeks to provide a structured account of the interaction between the various actors in risk management and internal control.

The risk management system focuses on the identification and handling of risks. It has always sought to address not only those risks that might affect the viability of the Group as a going concern, as required by the German Law on Control and Transparency in Business (KonTraG, SEE GLOSSARY), but also all significant risks for the Group. The international standard ISO 31000/2009, which sets out best practice for risk management, forms the framework around which Linde's risk management system is built.

The aim of the internal control system is to prevent risks arising in the course of operations by adopting appropriate controls and processes, especially with regard to conformity with the law, compliance with strategy, the quality of accounting and reporting, the quality of processes and the protection of assets. Linde does not limit itself to risks that might have a direct impact on the net assets, financial position or results of operations of the Group, but also examines risks which might only have an indirect impact on key financial figures, such as risks to the Group's reputation. The internal control system comprises all the controls and processes which are embedded in the Group's business operations. The structure of the internal control system is based on the globally recognised framework published in 1992/94 by COSO (the Committee of Sponsoring Organisations of the Treadway Commission) and entitled "Internal Control – Integrated Framework".

Internal control system

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

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

- **Capital expenditure guideline:** The decision and allocation process for capital expenditure in the Group is centralised. Each major item of capital expenditure is approved by a central investment committee and/or by the Executive Board of The Linde Group.
- **Treasury guideline:** The Treasury guideline, which applies worldwide, essentially addresses the financial risks which may be encountered by a group with global operations, such as counterparty risk, liquidity risk and risks arising from changes in interest rates and exchange rates. Clear guidelines are set for the subsidiaries to minimise these risks and to manage them actively. A monthly report on these risks is produced by the Treasury Committee, which is chaired by the member of the Executive Board of the Group who is responsible for finance.
- **Purchasing guideline:** Global purchasing activities present The Linde Group with a complex set of requirements in terms of its business conduct. Linde adheres to the principles of free and fair competition. The Group therefore rejects any illegal business practices when purchasing goods and services. Linde has supplemented its employee code of conduct with a purchasing guideline which applies equally to all Group personnel. In these rules, Linde sets out principles relating to business conduct and the avoidance of conflicts of interest.

- **Corporate responsibility guideline:** Linde is committed to responsible behaviour in all its divisions. The corporate responsibility guideline defines the principles for sustainability in the Group. In individual areas such as safety and environmental protection, Linde has devised supplementary guidelines and standards which provide concrete examples of how to incorporate the CR guideline into the everyday life of the Group.
- **Code of Conduct for Suppliers of The Linde Group:** To prevent the occurrence of ecological, social and compliance risks in the supply chain, Linde has introduced a global Code of Conduct for Suppliers. In addition, the Group has conducted an analysis of sustainability risks in its supply chain with an external partner, which will form the basis for further measures designed to achieve sustainable supply chain management within the Group. Linde has provided training on the subject of the Code of Conduct for Suppliers to personnel responsible for procurement.

In addition to implementing the central standards referred to above, each operating unit is responsible for adapting the internal control system to local needs and for the functionality of the system.

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

Accounting-related internal control system

The procedures for the preparation of the Group financial statements are centrally defined, monitored and implemented.

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

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

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

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

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

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

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

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

Risk management system

Organisation, responsibilities and risk management tools

Linde distinguishes between risks which relate to the entire Group (Group risks) and risks arising from the activities of the operating business units (business risks). Group risks are identified by members of the Executive Board and heads of the Global Support Functions, and managed by the personnel to whom the responsibility for those risks has been allocated. Business risks are managed by those responsible for the operating segments in the divisions. They identify, analyse, manage and monitor the risks in their respective areas on a continual basis, while the next tier of management is responsible for controlling those risks.

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

Risk recognition, evaluation and management

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

The management team of each operating unit within the Group analyses the main risks affecting that unit. Then the executives in the various units categorise each risk they have identified and evaluate it in terms of criteria determined centrally, including the potential impact of the risk on the Group and the expected probability of its occurrence. When analysing the impact of the risk, Linde considers not only the impact on the results of operations, but also the impact on non-monetary aspects such as safety, service, reputation and strategy. When evaluating the potential impact of risks and the expected probability of their occurrence, the units use a standard scale devised by the central risk management department. This scale has four different risk ratings ranging from low risk to very high risk. Each risk is awarded a risk rating on this standard scale based on its potential impact and a risk rating based on the expected probability of its occurrence.

For each risk, the next step for those in charge is to plan the measures which 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 a combination of measures to avoid risk, transfer risk, reduce risk and control risk. For each risk, responsibility for the risk is assumed by an individual appointed by management. This person then monitors the risk and manages the handling of the risk.

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

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

The operating units record all risks identified in risk registers which are updated on a quarterly basis. Documented in the risk registers in a clear, summarised form are the measures proposed in order to reduce the risk and the two risk ratings (based on the centrally determined risk scale) which seek to quantify the potential impact of the risk and the probability of its occurrence, so that those with responsibility for the risks have an overview of the risk position in their unit.

Risk reporting

Risk reporting is conducted by the central risk management department. The units included in the risk reporting process may differ from those included in the consolidation to the extent that risk reporting applies to all operating business units over which Linde AG has management control (in the sense of rights which may be asserted) and for which the annual revenue exceeds a certain figure determined internally. In addition, other operating business units which do not meet the aforementioned criteria may be included in the risk reporting process on the basis of specific risk assessments. Uniform standards apply throughout the Group to the reporting of the status of any significant risks and any changes in those risks. Local units make their risk reports using Group-wide web-based reporting tools. In addition, any risks which arise unexpectedly or which have repercussions for the whole Group are communicated directly to the appropriate Group personnel, irrespective of the normal reporting channels.

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

The risk report submitted to the Executive Board comprises status reports for all the Group risks identified within The Linde Group and the most significant business risks, together with an overall summary of all the risks reported within the Group and a description of the activities of the central risk management department. The reporting of the most significant business risks reflects Linde's organisational structure. In line with this structure, the most significant risks identified in each organisational unit are reported, using an identical reporting format. These risks have previously been identified by those responsible for risks in the divisions, RBUs, GBUs and BAs, supported by the central risk management department, in a process of consolidation which takes all the risks in the relevant organisational unit into consideration.

For all Group risks and for the most significant business risks, the report includes an assessment of the potential impact of the risk and an assessment of the probability of the occurrence of the risk, expressed in terms of the risk ratings determined centrally.

Audit
The internal audit department performs reviews at regular intervals of the efficiency and effectiveness of the risk management system and the internal control system. Independent external auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) 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.

KPMG AG Wirtschaftsprüfungsgesellschaft also audits the Group financial statements and performs a review of the interim and half-year financial reports. Operating units which are material to the Group are also subject to a review or audited by companies in the KPMG AG Wirtschaftsprüfungsgesellschaft network. In the course of the audit of the Group financial statements, key audit issues are also regularly identified and reported.

Both the external auditors and the internal auditors are involved in the testing of subsystems which are relevant to accounting and reporting, such as the Treasury system and the bookkeeping systems of the operating units.

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

The relevant accounting-related internal controls are reviewed and optimised on a regular basis to ensure an efficient, functional process. The chart of accounts used throughout the Group, for instance, is adapted regularly to meet new internal or external requirements. Furthermore, Linde reviews all the guidelines which apply to operating units and Global Support Functions when the need arises, in order to ensure that processes are improved and amended.

Risk areas

Risks which Linde considers significant and which might have a relevant adverse impact on The Linde Group and on its net assets, financial position and results of operations, were they to occur, are described below.

These comprise, firstly, individual Group risks or business risks which, irrespective of the probability of their occurrence, have been allocated the highest of the four ratings in the rating scale in terms of their potential impact. Secondly, they comprise clusters of individual business risks with the same cause which are not significant to The Linde Group in terms of their individual rating for the potential impact of the risk, but might have a significant adverse impact if viewed as a risk cluster and aggregated.

To provide a better overview, the risks are summarised below by risk area. Each risk area represents the principal cause of the risk. A description is given not only of the potential impact of the risk but also of the main strategies currently being employed to manage the risk (from a net perspective). Unless otherwise stated, the risks relate to all reportable segments, although the extent to which they do so may vary.

The order in which the risk areas are shown is based on the Group's current estimate of the relative overall importance of the risk area, starting with the risk area with the greatest relative importance. This does not apply to the description of the risks within a risk area. The estimate of the relative importance of a risk area is based on a comprehensive assessment of the total number of all the individual risks included in the risk area and the ratings of those risks for their potential impact.

Economic risks
Under economic risks, Linde includes risks arising from uncertainty in the global economy and customer and sales risks which relate to specific customer or product segments or sales markets. Risks relevant to Linde here are risks associated with competition, risks associated with the setting of prices and risks associated with the commercialisation of new or existing customer projects.

Risks associated with the global economy
As a company with global operations, Linde is dependent on cyclical trends in the world economy. The following risk factors are continuing to increase uncertainty about the global economic trends which lie ahead: high levels of sovereign debt in major economies, uncertainty in the financial markets, the ongoing crisis in large parts of Europe and the associated feelings of insecurity about future developments in the eurozone, continuing relatively high levels of unemployment in the United States and in some European countries, the unpredictable political future in some regions of the world and a potential slowing of growth in the Asian markets and other growth markets. The high level of volatility in the financial markets is still making it difficult to arrive at an accurate assessment of the future net assets, financial position and results of operations of

The Linde Group. If the global economy should weaken significantly, there is the threat of lost sales, a potential lack of new business and an increase in the risk of bad debts in the operating business due to the increasing inability of customers to make payments (counterparty risk).

In its function as the parent company of The Linde Group, Linde AG holds investments in Group companies. The carrying amounts of these investments run the risk of a diminution in value should the economic situation of those Group companies change for the worse. This scenario may have an adverse impact on the net income for the year of Linde AG.

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

While this does not mean that the Group will be able to prevent a potential decline in global demand having a negative impact on its growth targets, it does mean that it may be able to mitigate the effects of such a decline.

Risks associated with competition

Global competition means that the Group is exposed to the risk of losing market share, which may in turn result in a fall in revenue and profit. Despite high barriers to market entry, increased competition is to be seen in markets with good growth potential. More mature markets are generally characterised by greater stability. At the same time, the migration of existing industries to lower-cost economies is increasing the economic pressure on these markets. In the sales markets of North America and Europe, Linde counters the ongoing risk of price competition with its extensive technical skills in areas such as gases applications.

In the Healthcare product area, there is the risk both in the United States and in Europe that potential budget cuts in the healthcare sector and the ever-increasing trend towards outsourcing by government agencies and health insurance funds will cause price competition to continue to increase. To counter this, Linde's research and innovation activities focus on the development of products and services which take account of the increasing downward pressure on costs in the healthcare sector. These include, for example, new forms of treatment which reduce the length of time spent in hospital by acute care outpatients as well as new therapy plans.

Linde's overriding strategy is to counter those risks associated with competition by constantly conducting analyses of its market environment, its situation in relation to the competition and the legal framework in each business segment and region. The Group obtains vital information about customers' requirements by maintaining regular contact with customers, reinforcing its proximity to the market. Linde uses the information it receives to develop and supply products tailored to suit the needs of the market and to enhance its competitive position and continue to raise its market profile. In the cylinder gas product area, the new GENIE™ gas cylinder is an example of a customer-oriented product innovation which allows Linde to differentiate itself from the competition.

Moreover, the Group is continuing with the rigorous implementation of its schemes to reduce costs and improve the efficiency of its processes, with the aim of enhancing its competitiveness. In plant construction, for example, experts from Linde's Engineering and Gases Divisions have been working on enhancing the competitiveness of the plant portfolio by adopting even greater standardisation and modularisation. In the cylinder gas business, an initiative was launched to develop a modular, scalable plant programme for filling plants. This should make it possible in future to use a modular approach to adapt filling plants to suit a variety of market conditions, so that they do not require much space, yet achieve increased productivity and provide optimal occupational safety.

Risks associated with the setting of prices

Risks associated with the setting of prices generally arise in areas where certain cost increases cannot be passed onto the customer through price indexing included in the contract. Here, the high level of volatility in energy prices and the price of raw materials means that there is a risk that targets for revenue and earnings might not be met if the resulting increase in costs is either not taken into consideration at all when agreeing contracts or setting prices, not taken into consideration in good time, or taken into consideration only to suffer a loss in market share. In 2012, to counter this risk, Linde launched the Pricing Initiative, which forms part of its HPO programme. The aim of this initiative is to achieve more differentiated and more effective pricing by taking a wide variety of factors into account, whilst ensuring that its products remain profitable in future and that at the same time the Group retains its market share.

Risks associated with commercialisation

Customer and sales risks associated with the commercialisation of new customer projects and existing projects cannot be eliminated, especially in the growth markets. There might be technical or economic reasons on the customer side or in the sales markets which could require changes being made to the project, as a result of which it may not be possible to produce the quantities originally assumed in the business plan in full or it may only be possible to produce such quantities behind schedule. This might give rise not only to uneconomic production processes, but also to significant adverse variances from budgeted cash flow, thereby jeopardising revenue and earnings targets attached to the investment. To ensure that critical shortfalls are identified and remedied at an early stage, Linde has introduced project prioritisation and additional project management measures. Moreover, the Group has taken steps to ensure that all relevant parties are involved in the risk assessment before the project commences.

Risks associated with the provision of services

Risks associated with the provision of services comprise all those risks arising from processes taking place at Linde's operating sites, including the distribution of products to customers and related logistics services. These include safety risks during the production process, production risks such as machinery failure, plant breakdowns and capacity bottlenecks, project risks in plant construction and risks associated with products and services.

Safety risks

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

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

One of Linde's main preventive strategies is ensuring high safety standards for production processes and service processes. Processes with a particularly high exposure to risk have to comply with strict safety requirements. One of the ways Linde dealt with this was to develop and introduce a Major Hazards Review Programme. This programme is used for the systematic evaluation of risks which might lead to accidents or damage to property or to the environment. It helps the Group minimise the risk of incidents that might occur if the safety levels being maintained in its processes were inadequate and it is constantly being updated so as to address potential new risks. In the Engineering Division, Linde places great emphasis on the uniform integration of safety, health and environmental protection and quality into plant construction and project execution processes. By applying clearly-structured process-based management standards, the Group ensures that relevant aspects, from the engineering design to the assembly and commissioning of the plants on the project sites, are planned, implemented and monitored.

A risk to Linde's employees and to the net assets, financial position and results of operations of the Group is also posed by natural disasters, pandemics and terrorist or other criminal attacks. These risks may also have a retroactive impact on Linde if the Group's customers are significantly affected by any of them.

Linde addresses these risks, which are covered in some cases by insurance, via Business Continuity Management. In the business units, under the direction of the Group-wide SHEQ function (Safety, Health, Environment, Quality), local risk reduction measures and contingency plans are implemented. The aim is to minimise as far as possible the potential consequences of serious events and to ensure the fastest possible return to normal operations, even in the case of highly improbable events or losses of a grave nature.

Production risks

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

Therefore, Linde gives high priority to measures designed to prevent business interruptions. These include, in particular, the monitoring and maintenance of plants so that such incidents may be avoided, and the provision of spare parts of strategic importance. If, despite these preventive measures, a business interruption should occur, the Group has supply networks operating between its production plants so that any business interruption would have only a limited effect or no effect at all on its customers.

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

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

Project risks in plant construction

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

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

Risks associated with products and services

Risks associated with products and services may in extreme cases result in consequences such as potential liability claims, the risk that contracts might not be extended and the risk that Linde might lose its reputation. Principal possible causes of risks associated with products and services are product defects or an inadequate level of customer care when it is providing services, especially in the Gist division or Healthcare product area.

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

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

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

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

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

Financial market risks and country risk

Financial market risks

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

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

One of the main criteria for the management of counterparty risk is the credit rating of the counterparty. The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps *[SEE GLOSSARY]* or in the market capitalisation of counterparties. Trading and position limits are defined on this basis. Regular reviews of these limits are performed by a supervisory unit which is independent of the trading entity. Both Linde AG and Linde Finance B.V. also conclude Credit Support Annexes (or CSAs) with their principal banks. Under these agreements, the positive and negative fair values of derivatives are collateralised with cash on a regular basis by the contracting parties. This significantly reduces counterparty risk.

With regard to the management of liquidity risk, Linde has for years pursued a prudent and conservative policy of safeguarding liquidity. As in the past, it has continued to have access to the capital markets in the 2013 financial year. In addition, the EUR 2.5 bn syndicated credit facility which served as a liquidity reserve and was due to expire in 2015 was refinanced early. As a result, Linde has access to agreed unutilised financing commitments of EUR 2.5 bn available until 2018 provided by an international banking group, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). This diversification of financing sources ensures that a concentration of risk in the area of liquidity is avoided.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. These fluctuations affect both the interest expense borne by the Group and the fair value of financial instruments. Interest rate risk is centrally managed. On the basis of the operational business model and using the results of sensitivity and scenario analysis, the Treasury Committee determines ranges for the fixed-floating ratio of the financial liabilities and in the main currencies: Euro (EUR), British Pounds (GBP), US Dollars (USD) and Australian Dollars (AUD). Group Treasury manages the rates within the agreed ranges and submits regular reports to the Treasury Committee about the measures implemented. Methods of hedging exposure to the risk include entering into trading transactions with banks (interest rate derivatives) and using long-term fixed-interest bonds and loans. In 2013, on average 59 percent of the exposure of the Group was financed at fixed rates, while at 31 December 2013 the figure was 60 percent.

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

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

Translation risks are hedged within authorised ranges. Hedging decisions are made according to the risk strategies of the Treasury Committee. Forward exchange transactions, cross-currency interest rate swaps *[SEE GLOSSARY]*, currency options and foreign currency loans are all used here. The main currencies are US Dollars (USD), British Pounds (GBP), Australian Dollars (AUD) and some Eastern European, South American and Asian currencies. In the Gases Division, the Group also uses financial instruments, especially to hedge against exposure to changes in the price of electricity, natural gas and propane gas.

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

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

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

For further information. *SEE NOTE [29] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

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

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

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

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

As a guideline, the Executive Board defines risk tolerance at Group level. Measures designed to modify scheme structure are coordinated by the Global Pension Committee and implemented in the local pension schemes. The impact of various scenarios such as high rates of inflation, recession or deflation on the net funding position of pensions is analysed and incorporated into investment decisions. The Group Investment Panel for Pension Assets assesses the long-term opportunities and risks associated with various asset classes and makes decisions or recommendations regarding the investment strategy of the major pension schemes. The investment panel is chaired by the Executive Board member responsible for finance and receives advice from external experts.

Country risk

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

Strategic risk

Linde's long-term growth targets are based inter alia on the megatrends energy and the environment, health and on dynamic trends in the emerging economies.

Achieving the growth targets entails risks both within and outside the Group. Risks arise on the one hand from uncertainty about the future evolution of these megatrends, which are influenced by social, legal and economic factors. On the other hand, there are also risks associated with the internal measures adopted by the Group to achieve its targets. These include above all acquisition and investment projects. Linde designs appropriate processes to manage and reduce the risks associated with these projects.

Right at the beginning of each project, the Group assesses the risks. Investments in tangible assets, acquisitions and sales are discussed and approved by the investment committee or at meetings of the Executive Board. Project assumptions, the feasibility of the project and specific business risks are accorded careful consideration at these meetings. The Group evaluates, for example, the country/currency risk, the credit ratings of individual customers and trends in the local (gases) markets, as well as the underlying terms and conditions of the contract and the cost of the investment. The two significant acquisitions in the Healthcare product area in the 2012 financial year (Air Products' Continental European homecare operations and US homecare company Lincare Holdings Inc.) were integrated into the Group to a great extent in the course of 2013.

In the course of the past financial year, Linde completed a variety of corporate acquisitions and sales. The acquisitions made are the result of deliberate steps taken by the Group to implement its long-term growth strategy. The investments focused on areas offering opportunities for attractive levels of growth and for sustainable increases in the profitability and competitiveness of the Group.

In many emerging economies (especially in China), Linde has a leading market position and has gained a competitive advantage as a result of its early commitment to technologies relevant to the market. To avoid the risk of losing this competitive advantage and in consequence losing market share to competitors who are new entrants to the market, Linde has devised an integrated strategy to accelerate sustainable growth. Its successful approach centres on continuing to follow strategic trends in the tonnage business as they develop and to expand in other segments. This includes the customers in the steel segment and the cylinder gas product area.

In addition, the Executive Board, the Supervisory Board and Group management personnel hold regular meetings to evaluate the extent to which targets have been achieved and implement any corrective measures required. This also involves Linde paying close attention to global economic trends, so that it can take the necessary steps to adapt to changing conditions, by adjusting the timeframe or geographical application of its targets. Overexposure to a single region or customer might, for example, have an adverse impact on Linde's net assets, financial position and results of operations and on its future growth prospects in a situation where economic conditions were worsening or customers were failing to extend their contracts. To counter this risk, the Group applies portfolio management to define and monitor target ranges for its investments. In addition, Linde's integrated business model means that it is in a position to offer its customers different construction and operator models and thus to manage its concentration risk.

Regulatory and legal risks

Regulatory risks

Changes in the regulatory environment might have a negative impact on Linde's costs and international competitiveness. Examples of this are the design of the EU Emissions Trading Scheme and the extra burden being placed on energy-intensive industrial gases production by rising electricity prices and additional statutory levies.

In Germany in particular, the future evolution of the Renewable Energy Act (EEG) involves uncertainty for Linde, both in terms of the exemptions received in 2013 and in terms of the future burden of electricity costs. In relation to 2013, there is the risk that the EEG levy of EUR 118 m which was not paid as a result of the exemption might need to be paid at a later date.

In consequence, the international competitiveness of Linde in Germany may worsen considerably, depending on what happens to the EEG in future, which may lead to decreases in revenue and earnings.

Even in the Healthcare product area, which is largely state-regulated, regulatory changes might pose risks to Linde which have been described in the section on economic risks above.

The Group is also appreciably affected by measures being taken to regulate the international financial markets. In a variety of jurisdictions, Linde must comply with comprehensive new rules and reporting requirements when processing financial transactions. Breaches of these rules and requirements may incur significant penalties from the relevant supervisory authorities. Examples which could be quoted here are the Dodd Frank Act in the United States and EMIR (European Market Infrastructure Regulation).

Linde counters these risks by conducting a continuous forward-looking analysis of the legal environment in the various business units and by developing the systems required. In addition, the measures described in the section on risks associated with competition (which are designed to ensure constant customer contact and the development of innovative products and services) contribute towards a reduction in the potential impact of changes in the regulatory environment.

Legal risks

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

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

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

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

Certain subsidiaries in The Linde Group are party to lawsuits in the United States for alleged injuries arising from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process. In these cases, the subsidiaries are typically one of several or many other defendants. Based on the litigation experience to date, together with current assessments of the claims being asserted and applicable insurance, Linde believes that the continued defence and resolution of the welding fumes litigation will not have a material adverse effect on the financial position or results of operations of the Group. Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict. The subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims. The legal actions described above are those currently considered to involve major legal risks. They do not necessarily represent an exhaustive list.

Purchasing risks and supply chain risks

A key element in the success of the business units is the ready availability of products and services purchased by Linde, which must be of suitable quality, and obtainable in appropriate quantities at prices in line with market conditions. This applies not only to certain gases which Linde does not produce itself, but also in particular to material groups which are dependent on raw materials such as steel, aluminium and brass as well as energy.

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

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

In addition to adopting purchasing strategies based on groups of materials, Linde is continuing to optimise its supplier portfolio and the contract status of its suppliers so as to minimise purchasing risks. For products and services where the price depends to a great extent on volatile primary markets, the cost risks are minimised by using time-optimised agreements. An example of this is the purchase of energy. On the purchasing side, the impact of price volatility risks relating to the procurement of electricity and natural gas is cushioned by long-term purchasing strategies in the deregulated energy markets. Linde's procurement activities in the relevant wholesale energy markets are governed by a global risk guideline which determines the ranges for price hedging over the next few years. Compliance with the guideline is monitored by a global committee. Data transparency is established by means of a professional IT tool for the energy trade. Furthermore, on the sales side, due to the amount of energy consumed in industrial gases production, fluctuations in the price of electricity and natural gas are passed through to customers using appropriate price formulas.

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

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

IT risks

Information technology is vitally important for maintaining high-quality processes throughout the Linde organisation. As even business-critical processes are dependent on the availability of IT infrastructure, software applications and data, significant breakdowns or long-term interruptions in the relevant systems or data loss may adversely affect the execution of business processes and production processes and therefore have an adverse impact on the net assets, financial position and results of operations of the Group.

Breaches of data protection rules, unauthorised data retrieval or the loss of sensitive corporate data may result in compensation claims, penalty charges, long-term damage to reputation and a loss of confidence in the company.

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

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

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

The IT security process is structured and defined by a number of policies, standards and recommendations. These are based for the most part on internationally recognised security standards such as ISO 27001/27002 and ISO 27005 as well as on service management standards such as ISO 20000. Industry-specific standards are also used to enhance IT security and process maturity: for example, protecting patient data in the course of the Group's healthcare activities.

The measures taken by Linde to create and maintain a secure IT environment which complies with legal requirements apply to the entire life-cycle of corporate data, from data generation and processing to data transmission and storage. The focus here is on the relevant regional and national legislation, as well as on industry-specific standards.

Risk analysis is conducted to ensure the effectiveness of the security precautions adopted by Linde. These include a review of the appropriateness of the IT systems and corresponding control mechanisms in place. The relevance, stage of maturity and current state of the security measures adopted are monitored via self-assessments and reviewed by the IT internal audit department and external IT auditors. This ongoing process makes it possible to make any amendments or improvements that might be required, contributing to a sustainable increase in the effectiveness of the security measures.

In addition, measures are continually being adopted to keep the current IT landscape (including software applications) technically up to date, based on a long-term programme of consolidation. So, for example, high-risk systems are identified, and updated or replaced with new systems. Targeted outsourcing activities during the reporting period have enabled Linde to continue to develop its capacity for data backup, data recovery and data protection. As a result, the Group is better equipped to deal with any outages or the malicious acts of third parties (malware infection, malicious attacks, cyber attacks). Working parties regularly analyse process risks posed by the outsourcing of IT resources. Such risks are reduced if necessary by the implementation of organisational or technical measures.

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

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

Personnel risks

The success of the Group is dependent on the commitment, motivation and skills of its employees and executives. The principal risk factors associated with attracting well-qualified staff and ensuring their long-term loyalty to the Group are the ever-increasing shortage of skilled personnel and fierce competition in the labour market. Competition for workers of the right calibre is now becoming even more intense, especially in the Asian markets.

This volatile and difficult market environment means that Linde needs to have the ability to make constant improvements in its processes and to act swiftly to adapt its organisational structure to keep up with rapidly changing industry requirements. Each individual employee needs to be ready and willing to embrace change. This attitude is an essential prerequisite for the successful implementation of the processes of change. For Linde, maintaining a relationship with employee representatives and trade unions which is based on mutual trust and constructive cooperation plays a significant role here.

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

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

Linde's range of staff development schemes is supplemented by extensive opportunities for gaining qualifications and for professional development. This comprehensive programme strengthens its position as an attractive employer in the competitive market for skilled workers. The Group is drawing up new professional development schemes for engineering in particular, further enhancing its attractiveness as an employer.

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

The Group has also continued to expand its existing training and development programmes for employees and executives, which fall under the heading of People

Excellence. Linde University has also been expanded to include an Asia/Pacific campus. These programmes are designed to ensure that key positions can be filled by staff from within the organisation, especially in the technical field, and that Linde will be able to use its own resources to meet the challenges of highly competitive labour markets in the Asia/Pacific region.

Linde conducted another global employee survey in 2012, under the People Excellence banner. Employee satisfaction levels were shown to have improved significantly since the previous survey, the first to have been conducted by the Group. The detailed results of the second survey were analysed in depth in 2013. Employees and managers discussed these results in order to identify the actions required for positive change. Linde will be able to use the survey to identify any shifts in levels of employee loyalty at an early stage and to take suitable measures to address them.

Research and development risks

The capacity to innovate is key to the success of a technology company such as Linde. The Group's research and development activities focus not only on improvements in existing customer processes, but also on new technologies and gases applications which may form the basis for future business success. Linde is concentrating in particular on the following growth areas: energy and the environment, metallurgy, food, health and new materials. Innovative projects differ from normal capital expenditure projects because of their novelty. Generally, the more innovative the project, the greater the risks attached to it. Despite the great opportunities for growth which may be presented by the activities of Linde's research departments, there is a risk that, due to the high level of complexity and rate of growth of the technologies and the markets, projects may not be able to proceed for technological, economic, legal or safety reasons. On the other hand, there is also the risk that competitors might develop new technologies faster or in a more sustainable manner and then launch them onto the market and of this presenting a threat to Linde's core technologies.

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

The Group also bundles together its development activities. In the Global Business Unit Healthcare, for example, Linde has assembled its expertise in medical therapies, gases and devices within a single innovation and development unit. This has allowed optimisation of knowledge sharing and streamlining of R&D processes, resulting in both an increase in the speed of innovation and a reduction in the technological risks associated with innovation. In the Gases Division, global teams of experts in the development of applications ensure that development projects are geared towards the current and future requirements of various industries around the world. A rigorous development process with defined milestones identifies variances from target as soon as possible and the appropriate corrective action is taken. In addition, current project costs and project targets are under constant review.

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

Environmental risks

As discussed in the section on Safety risks above, the Group's various operating processes in particular are also associated with risks which might lead to environmental damage. Linde understands and knows about the environmental impact of its processes and is therefore in a position to develop and implement plans to limit and control such effects. The Group focuses in particular on reducing emissions and on making continual improvements to its operations to ensure the efficient use of resources, materials and energy. Linde is involved, for instance, in improving the energy efficiency of its production plants and in increasing the performance of its transport fleet. However, the possibility that the Group's activities might lead to environmental damage or that remediation works might cost more than originally budgeted cannot be entirely ruled out.

Tax risks

As a group with global operations, Linde is governed by the tax rules and regulations applicable in each country in which it operates. When tax rules change, this may result in a higher tax expense and the need to make higher tax payments. In addition, changes in tax legislation may have a significant impact on the Group's tax receivables and tax liabilities as well as on its deferred tax assets and deferred tax liabilities. Moreover, uncertainty about the tax environment in some regions may restrict the Group's opportunities to enforce its rights under the law. Linde also operates in countries with complex tax regulations which could be interpreted in different ways. Future interpretations of these regulations and/or changes in the tax system might have an impact on the tax liabilities, profitability and business operations of the Group. Linde is regularly audited by the tax authorities in various jurisdictions. Tax risks which might arise from the issues discussed above are being identified and evaluated on an ongoing basis by the Group.

Executive Board summary of the risk situation of The Linde Group

In terms of the relative importance of the risk areas within the Group, there has been no significant change in Linde's risk situation compared to 2012. The three major risk areas for the Group continue to be: economic risks; risks associated with the provision of services; financial market risks and country risk.

Given the risk management procedures in place, the Executive Board has not identified any risks in the 2013 financial year which might, individually or in total, have an adverse impact on Linde's net assets, financial position and results of operations and thereby on the viability of The Linde Group as a going concern.

If there were to be a change in circumstances, risks which are currently unknown or deemed to be immaterial might gain in importance. The Group has made the organisational arrangements necessary to ensure that it becomes aware at an early stage of any apparent changes in risk situations and makes an appropriate response to such changes.

OUTLOOK

Macroeconomic trends

Economists are expecting stronger growth in the global economy in 2014 than was achieved in 2013. For this to be the case, the experts are relying on the debt crisis in the eurozone countries continuing to ease and the Chinese economy avoiding a hard landing. Nevertheless, there are still a number of risks that might affect global economic trends. Factors which might hamper growth include high ongoing government deficits in major economies, the uncertain political situation in some regions of the world and persistently high unemployment in many industrialised countries.

Against this background, the international forecasting institute The Economist Intelligence Unit (EIU) is predicting growth in global gross domestic product (GDP) for 2014 of 2.9 percent, following a rise of only 2.1 percent in 2013. Global industrial production (IP) is forecast to increase in 2014 by 3.3 percent. In 2013, IP rose by only 1.4 percent.

It is expected that there will continue to be considerable variations in economic trends in different regions of the world in 2014. In the EMEA region (Europe, Middle East, Africa), economists are expecting an increase in economic output of 1.8 percent. The actual figure achieved in 2013 was 0.7 percent. The experts are also forecasting significant growth in industrial production. The EIU is predicting an increase in IP in 2014 of 1.6 percent. In 2013, the EMEA region had to deal with a decline in IP of 0.7 percent.

In Western Europe and in the eurozone, economists are expecting the economy to stabilise and GDP rates to rise. The EIU is forecasting growth of 1.4 percent for Western Europe in 2014, compared with actual growth of 0.2 percent in 2013. The EIU forecast for growth in the eurozone in 2014 is 0.8 percent. In 2013, the economy in the eurozone shrank by 0.5 percent. The economic trends in Germany should remain relatively steady in 2014. Here, GDP growth of 1.4 percent is expected, compared with actual GDP growth in 2013 of 0.5 percent.

Following a tailing-off of the economy in the Middle East and in Eastern Europe in 2013, an economic revival is being forecast for these regions in 2014. In the Middle East, the economic experts are predicting GDP growth of 4.1 percent (compared with actual GDP growth in 2013 of 3.3 percent), while in Eastern Europe economic output is forecast to rise by 2.8 percent (compared with an actual increase of 1.4 percent in 2013). The EIU is also expecting an improvement in the economic climate in South Africa in 2014 and is predicting GDP growth there of 3.3 percent (compared with actual GDP growth in 2013 of 1.9 percent).

It is the view of the forecasting institute that economic prospects for the United States are improving and it is therefore predicting GDP growth of 2.6 percent there in 2014 (compared with actual GDP growth in 2013 of 1.7 percent), while industrial production is expected to increase by 3.0 percent (compared with an actual increase of 2.4 percent in 2013).

In South America, the economists are forecasting relatively steady economic trends in 2014, with GDP growth of 2.6 percent (compared with actual GDP growth in 2013 of 3.1 percent). Industrial production is expected to rise by 2.0 percent (compared with an actual increase of 0.4 percent in 2013).

As in previous years, the strongest growth rates in 2014 are expected to be seen in the Asia/Pacific region. The EIU is forecasting that its economic output will rise by 5.7 percent (compared with an actual increase in 2013 of 5.5 percent). An increase in industrial production of 6.4 percent is expected, compared with the actual rise in 2013 of 5.3 percent. Within the Asia/Pacific region, it is anticipated that China will again have the fastest rate of growth. Economists are predicting that economic output here will grow by 7.3 percent in 2014 (compared with an actual increase in 2013 of 7.7 percent). Chinese industrial production is forecast to increase at 9.1 percent, an even faster rate of increase than that for output. The actual increase in IP in China in 2013 was 9.6 percent.

Industry sector outlook

Gases industry

Forecasts of global economic trends indicate that the global gases market will grow at a slightly faster pace in 2014 than was the case in 2013. It is anticipated that this year the highest rates of growth in the sector will continue to be in the emerging economies, especially in Asia. Industrial production is also expected to expand in Western Europe and in the United States, which should have a positive impact on the market environment.

Engineering business

For 2014, industry experts are forecasting the continuing revival of investment activity in the international market for large-scale plant construction. This should derive principally from ever brisk demand in the growth markets of Asia, the Middle East and Eastern Europe. New plant construction projects in the petrochemical industry and in the market for natural gas, hydrogen and synthesis gas plants are also expected to come out of North America in view of the increasing exploitation of natural gas from shale.

Long-term growth trends, such as the rise in global energy requirements, increasing demand for environmentally friendly technologies and the growing use of unconventional sources of energy, will remain intact in 2014.

Outlook – Group

Leading economic research institutes are forecasting an economic revival in 2014. They expect higher rates of increase in both global gross domestic product (GDP) and global industrial production (IP) than in 2013. Uncertainty remains, however, as to the sustainability and pace of economic growth. High levels of sovereign debt in major economies continue to have the greatest impact on macroeconomic trends. The global economy could also be adversely affected by currency fluctuations, high levels of unemployment in many industrialised countries or the uncertain political situation in some regions of the world.

Linde assumes that it will be able to continue to deliver a steady business performance. Based on current economic predictions and after adjusting for exchange rate effects, the Group expects to achieve solid growth in Group revenue in the 2014 financial year compared with the figure achieved in 2013. Linde anticipates that it will achieve a moderate improvement in Group operating profit in the 2014 financial year after adjusting for exchange rate effects.

The currencies which are relevant for Linde increasingly lost value against the euro in the course of the 2013 financial year. Taking the exchange rates prevailing at 31 December 2013, for example, Group revenue would have been EUR 570 m lower and Group operating profit around EUR 130 m lower than the reported figures for these performance indicators for the 2013 financial year.

Linde is seeking to achieve a figure of around 10 percent for return on capital employed (reported ROCE) in the 2014 financial year. It should be noted here that a large number of major projects in the on-site business are still in the construction phase and will only make more significant contributions to earnings in the coming years.

If the economy grows at a faster rate in 2014 than is being forecast when this financial report is being completed, especially in the emerging economies, this could result in the performance indicators described here being significantly higher than the figures which Linde is currently expecting to achieve.

N.B.: A detailed description of the Group's medium-term targets is given in *TARGETS AND STRATEGY OF THE LINDE GROUP, PAGES 43 TO 45*.

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a slightly faster pace in 2014 than was the case in 2013. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline which will make a contribution to revenue and earnings in the 2014 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, a steady business performance is expected.

Against this background, Linde expects to achieve (after adjusting for exchange rate effects) a moderate increase in revenue and operating profit in the Gases Division in 2014 when compared with the 2013 financial year.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business in 2014. Linde is well positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and also has a high order backlog.

Linde expects to achieve solid revenue growth in the Engineering Division in 2014 compared with 2013. It anticipates an operating margin of around 10 percent.

Capital expenditure

Linde's investment strategy targets opportunities which offer above-average growth prospects. In the 2014 financial year, the Group will continue to pursue the same strategy.

Based on the investment decisions it has already made and the great number of investment opportunities still available (including those in the promising energy sector), Linde expects that it will invest around the same amount in its Gases Division in 2014 as it did in 2013. The ratio of investment to revenue in this division will probably again exceed 13 percent.

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

Financing

In the 2014 financial year, Linde will continue to apply its strategy of safeguarding liquidity and maintaining long-term financing. Depending on developments in the financial markets and the growth opportunities available, Linde continues to regard 2.5 as the upper limit for its dynamic indebtedness factor (net financial debt to operating profit).

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

Dividends

Continuity and prudence will continue to be the most important criteria for Linde's dividend policy in future. As in previous years, the Group will determine the level of the dividend for the 2014 financial year on the basis of the operating profit figures, while at the same time taking wider macroeconomic trends into account.

Outlook for Linde AG

For Linde AG, the parent company of The Linde Group, net income for the year is the core performance indicator. *SEE NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LINDE AG, PAGE 71 TO 73.* Investment income for the year is the figure which has the greatest influence on this performance indicator.

Based on the prevailing economic situation which has been described in detail, the Group expects a moderate improvement in the net income for the year of Linde AG in 2014, compared with the figure for 2013.

Statements relating to the future

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

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289a OF THE GERMAN COMMERCIAL CODE

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

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

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

TAKEOVER-RELATED DISCLOSURES

Capital subscribed

Information about the composition of capital subscribed is given in *NOTE [22]* of the Notes to the Group financial statements.

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, shares have been issued in each of the years 2007 to 2011.

Shareholdings exceeding 10 percent of voting rights

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

Shares with special rights

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

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

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

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

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

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

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

Powers of the Executive Board to issue and repurchase shares

Information about the powers of the Executive Board to issue and repurchase shares is given in *NOTE [22]* of the Notes to the Group financial statements.

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

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

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

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

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

Under the terms and conditions of the Linde Performance Share Programme 2007 for management boards and lower-ranking executives, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in the years 2007 to 2011 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined. Under the terms and conditions of the Linde Long Term Incentive Plan 2012 (LTIP 2012) for management boards and lower tiers of management, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in 2012 are that, in the event of a change of control, cancellation rights apply, which means that options may be settled in cash in an amount to be determined.

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

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

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred for The Linde Group between the balance sheet date and 26 February 2014.

MUNICH, 26 FEBRUARY 2014

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

Notes to the Group Financial Statements

03

Group Financial Statements

GROUP STATEMENT OF PROFIT OR LOSS

31 GROUP STATEMENT OF PROFIT OR LOSS

in € million	*Note*	*2013*	*2012 adjusted*[1]
Revenue	[8]	16,655	15,833
Cost of sales		10,642	10,121
GROSS PROFIT		**6,013**	**5,712**
Marketing and selling expenses		2,512	2,321
Research and development costs		92	101
Administration expenses		1,419	1,373
Other operating income	[9]	358	304
Other operating expenses	[9]	193	179
Share of profit or loss from associates and joint ventures (at equity)		16	13
EBIT		2,171	2,055
Financial income	[11]	98	144
Financial expenses	[11]	475	465
PROFIT BEFORE TAX		**1,794**	**1,734**
Income tax expense	[12]	364	393
PROFIT FOR THE YEAR		**1,430**	**1,341**
attributable to Linde AG shareholders		1,317	1,232
attributable to non-controlling interests		113	109
Earnings per share *in €* – undiluted	[13]	7.10	6.93
Earnings per share *in €* – diluted	[13]	7.08	6.87

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

GROUP STATEMENT OF COMPREHENSIVE INCOME

32 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million, SEE NOTE [22]	*2013*	*2012 adjusted[1]*
PROFIT FOR THE YEAR	**1,430**	**1,341**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**–1,001**	**–311**
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**–1,040**	**–123**
Unrealised gains/losses on available-for-sale financial assets	16	–4
Unrealised gains/losses on derivative financial instruments	269	82
Currency translation differences	–1,325	–201
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**39**	**–188**
Remeasurement of defined benefit plans	39	–214
Change in effect of the limit on a net defined benefit asset (asset ceiling under IAS 19R.64)	–	26
TOTAL COMPREHENSIVE INCOME	**429**	**1,030**
attributable to Linde AG shareholders	366	943
attributable to non-controlling interests	63	87

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

GROUP STATEMENT OF FINANCIAL POSITION

33 GROUP STATEMENT OF FINANCIAL POSITION

in € million	Note	31.12.2013	31.12.2012 adjusted[1]	01.01.2012 adjusted[1]
Assets				
Goodwill	[14]	10,395	10,826	8,077
Other intangible assets	[14]	3,076	3,643	3,375
Tangible assets	[15]	11,384	11,173	9,943
Investments in associates and joint ventures (at equity)	[16]	214	208	198
Other financial assets	[16]	115	121	723
Receivables from finance leases	[18]	277	381	550
Trade receivables	[18]	8	–	–
Other receivables and other assets	[18]	702	605	538
Income tax receivables	[18]	3	4	5
Deferred tax assets	[12]	342	479	376
NON-CURRENT ASSETS		**26,516**	**27,440**	**23,785**
Inventories	[17]	1,088	1,112	1,044
Receivables from finance leases	[18]	50	59	69
Trade receivables	[18]	2,784	2,653	2,104
Other receivables and other assets	[18]	804	736	584
Income tax receivables	[18]	146	182	97
Securities	[19]	170	824	1,075
Cash and cash equivalents	[20]	1,178	1,284	1,061
Non-current assets classified as held for sale and disposal groups	[21]	13	7	–
CURRENT ASSETS		**6,233**	**6,857**	**6,034**
TOTAL ASSETS		**32,749**	**34,297**	**29,819**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

34 GROUP STATEMENT OF FINANCIAL POSITION

in € million	Note	31.12.2013	31.12.2012 adjusted[1]	01.01.2012 adjusted[1]
Equity and liabilities				
Capital subscribed		475	474	438
Conditionally authorised capital € 62 million (2012: € 104 million)				
Capital reserve		6,712	6,698	5,264
Revenue reserves		6,523	5,706	5,583
Cumulative changes in equity not recognised through the statement of profit or loss		–944	33	146
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	[22]	**12,766**	**12,911**	**11,431**
Non-controlling interests	[22]	820	747	701
TOTAL EQUITY		**13,586**	**13,658**	**12,132**
Provisions for pensions and similar obligations	[23]	1,027	1,113	947
Other non-current provisions	[24]	457	496	468
Deferred tax liabilities	[12]	1,968	2,207	2,032
Financial debt	[25]	8,416	9,235	6,884
Liabilities from finance leases	[26]	56	56	33
Trade payables	[27]	2	6	6
Other non-current liabilities	[27]	400	497	509
NON-CURRENT LIABILITIES		**12,326**	**13,610**	**10,879**
Current provisions	[24]	897	1,004	875
Financial debt	[25]	1,161	1,346	1,369
Liabilities from finance leases	[26]	22	24	13
Trade payables	[27]	3,100	2,806	2,740
Other current liabilities	[27]	1,033	1,026	1,023
Liabilities from income taxes	[27]	624	823	788
CURRENT LIABILITIES		**6,837**	**7,029**	**6,808**
TOTAL EQUITY AND LIABILITIES		**32,749**	**34,297**	**29,819**

[1] Adjusted for retrospective changes. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

GROUP STATEMENT OF CASH FLOWS

35 GROUP STATEMENT OF CASH FLOWS

in € million, SEE NOTE [30]	*2013*	*2012 adjusted*[1]
Profit before tax	1,794	1,734
Adjustments to earnings before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,795	1,631
Impairments of financial assets	5	–
Profit/loss on disposal of non-current assets	–35	–25
Net interest	368	377
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	24	34
Income from associates and joint ventures (at equity)	–16	–13
Distributions/dividends received from associates and joint ventures	10	11
Income taxes paid	–552	–491
Changes in assets and liabilities		
Change in inventories	–50	–41
Change in trade receivables	–301	–141
Change in provisions	–144	–31
Change in trade payables	375	–112
Change in other assets and liabilities	–129	–269
CASH FLOW FROM OPERATING ACTIVITIES	**3,144**	**2,664**
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/ IAS 17	–2,162	–1,863
Payments for investments in consolidated companies	–143	–2,997
Payments for investments in financial assets	–41	–22
Payments for investments in securities	–176	–3
Proceeds on disposal of securities	827	853
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	148	139
Proceeds on disposal of consolidated companies	20	–
Proceeds on disposal of financial assets	3	8
CASH FLOW FROM INVESTING ACTIVITIES	**–1,524**	**–3,885**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

36 GROUP STATEMENT OF CASH FLOWS

in € million, SEE NOTE [30]	2013	2012 adjusted[1]
Dividend payments to Linde AG shareholders and non-controlling interests	−563	−497
Cash inflows from capital increase	–	1,391
Cash inflows/outflows due to changes of non-controlling interests	52	−491
Proceeds from issue of employee shares	1	58
Cash outflows for the purchase of own shares	−4	−5
Interest received	186	191
Interest paid	−565	−593
Proceeds of loans and capital market debt	4,033	6,636
Cash outflows for the repayment of loans and capital market debt	−4,793	−5,224
Change in liabilities from finance leases	−22	−13
CASH FLOW FROM FINANCING ACTIVITIES	**−1,675**	**1,453**
NET CASH INFLOW/OUTFLOW	−55	232
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,284	1,061
Effects of currency translation	−51	−9
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,178	1,284

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

STATEMENT OF CHANGES IN GROUP EQUITY

37 STATEMENT OF CHANGES IN GROUP EQUITY

in € million, SEE NOTE [22]	*Capital subscribed*	*Capital reserve*
AT 1 JAN. 2012	**438**	**5,264**
Adjustment due to retrospective application of newly-adopted or revised IFRSs[1]	–	–
AT 1 JAN. 2012 ADJUSTED	**438**	**5,264**
Profit for the year	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	3	76
Repurchase of own shares	–	–
Capital increase	33	1,358
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**36**	**1,434**
Addition/divesture of non-controlling interests	–	–
Acquisition/disposal of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	**–**	**–**
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED	**474**	**6,698**
Profit for the year	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	1	14
Repurchase of own shares	–	–
Capital increase	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**1**	**14**
Addition/divesture of non-controlling interests	–	–
Acquisition/disposal of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	**–**	**–**
OTHER CHANGES	**–**	**–**
AT 31 DECEMBER 2013	**475**	**6,712**

[1] The following new or revised IFRSs were applied retrospectively as at 1 January 2013: IFRS 10, IFRS 11 and IAS 19 (revised 2011).
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Revenue reserves		*Cumulative changes in equity not recognised through the statement of profit or loss*					
Remeasurement of defined benefit plans	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Derivative financial instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
−351	**6,103**	**275**	**4**	**−129**	**11,604**	**540**	**12,144**
12	−181	−4	–	–	−173	161	−12
−339	**5,922**	**271**	**4**	**−129**	**11,431**	**701**	**12,132**
–	1,232	–	–	–	1,232	109	1,341
−176	–	−191	−4	82	−289	−22	−311
−176	**1,232**	**−191**	**−4**	**82**	**943**	**87**	**1,030**
–	−428	–	–	–	−428	−69	−497
–	–	–	–	–	79	–	79
–	−5	–	–	–	−5	–	−5
–	–	–	–	–	1,391	–	1,391
–	**−433**	**–**	**–**	**–**	**1,037**	**−69**	**968**
–	−10	–	–	–	−10	2	−8
–	−490	–	–	–	−490	26	−464
–	**−500**	**–**	**–**	**–**	**−500**	**28**	**−472**
−515	**6,221**	**80**	**–**	**−47**	**12,911**	**747**	**13,658**
–	1,317	–	–	–	1,317	113	1,430
33	–	−1,266	14	268	−951	−50	−1,001
33	**1,317**	**−1,266**	**14**	**268**	**366**	**63**	**429**
–	−500	–	–	–	−500	−63	−563
–	–	–	–	–	15	–	15
–	−3	–	–	–	−3	–	−3
–	–	–	–	–	–	12	12
–	**−503**	**–**	**–**	**–**	**−488**	**−51**	**−539**
–	−33	7	–	–	−26	66	40
–	–	–	–	–	–	–	–
–	**−33**	**7**	**–**	**–**	**−26**	**66**	**40**
–	**3**	**–**	**–**	**–**	**3**	**−5**	**−2**
−482	**7,005**	**−1,179**	**14**	**221**	**12,766**	**820**	**13,586**

SEGMENT INFORMATION

(PART OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS)

38 SEGMENT INFORMATION

	Reportable segments	
	Gases Division	
in € million, *SEE NOTE [31]*	*2013*	*2012 adjusted*[1]
Revenue from third parties	13,961	13,206
Revenue from other segments	10	8
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**13,971**	**13,214**
OPERATING PROFIT	**3,846**	**3,566**
of which share of profit or loss from associates/joint ventures (at equity)	16	12
Amortisation of intangible assets and depreciation of tangible assets	1,760	1,587
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	204	238
of which impairments	70	46
EBIT (EARNINGS BEFORE INTEREST AND TAX)	**2,086**	**1,979**
Capital expenditure (excluding financial assets)	2,254	2,005

in € million
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
of which share of profit or loss from associates/joint ventures (at equity)
Amortisation of intangible assets and depreciation of tangible assets
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation
of which impairments
EBIT (EARNINGS BEFORE INTEREST AND TAX)
Capital expenditure (excluding financial assets)

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Reportable segments							
Engineering Division		*Other Activities*		*Reconciliation*		*Group*	
2013	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*
2,132	2,031	562	596	–	–	16,655	15,833
747	530	1	–	–758	–538	–	–
2,879	**2,561**	**563**	**596**	**–758**	**–538**	**16,655**	**15,833**
319	**312**	**54**	**65**	**–253**	**–257**	**3,966**	**3,686**
–	–	–	–	–	1	16	13
36	36	32	35	–33	–27	1,795	1,631
7	8	14	14	–	–	225	260
–	–	–	–	–	–	70	46
283	**276**	**22**	**30**	**–220**	**–230**	**2,171**	**2,055**
33	30	14	18	–33	–15	2,268	2,038

Reportable segments							
Gases Division							
EMEA		*Asia/Pacific*		*Americas*		*Total Gases Division*	
2013	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*	*2013*	*2012 adjusted[1]*
6,080	6,049	3,749	3,846	4,132	3,311	13,961	13,206
10	12	18	14	99	83	10	8
6,090	**6,061**	**3,767**	**3,860**	**4,231**	**3,394**	**13,971**	**13,214**
1,759	**1,722**	**1,005**	**996**	**1,082**	**848**	**3,846**	**3,566**
4	2	12	10	–	–	16	12
651	655	493	493	616	439	1,760	1,587
49	56	112	127	43	55	204	238
5	43	6	2	59	1	70	46
1,108	**1,067**	**512**	**503**	**466**	**409**	**2,086**	**1,979**
883	778	854	789	517	438	2,254	2,005

39 REVENUE BY LOCATION OF CUSTOMER

in € million	2013	2012 adjusted[1]
Europe	6,416	6,405
Germany	1,322	1,298
UK	1,448	1,519
Asia/Pacific	4,981	5,019
China	1,136	998
Australia	1,228	1,391
North America	3,898	2,818
USA	3,411	2,297
South America	725	864
Africa	635	727
GROUP REVENUE	**16,655**	**15,833**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

40 NON-CURRENT SEGMENT ASSETS BY LOCATION OF COMPANY

in € million	2013	2012 adjusted[1]
Europe	10,207	9,860
Germany	1,201	1,207
UK	1,480	1,552
Asia/Pacific	7,611	7,866
China	1,574	1,350
Australia	1,328	1,651
North America	5,591	6,188
USA	2,101	2,176
South America	760	882
Africa	686	846
NON-CURRENT SEGMENT ASSETS	**24,855**	**25,642**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Note: The information disclosed by country excludes goodwill.

Notes to the Group Financial Statements

GENERAL PRINCIPLES

[1] Basis of preparation

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

The consolidated financial statements of Linde Aktiengesellschaft for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards. The consolidated financial statements also comply with the additional requirements of § 315a (1) of the German Commercial Code (HGB). All the Standards which were in force at the balance sheet date have been applied and, in addition, those set out in NOTE [7] which have been applied early.

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

The statement of profit or loss has been prepared using the cost of sales method.

The financial statements of the main operating entities which are included in the consolidated financial statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The annual financial statements of companies included in the consolidation are drawn up at the same balance sheet date as the annual financial statements of Linde Aktiengesellschaft.

[2] Principles of consolidation

Companies are consolidated using the acquisition method. The cost of an acquisition is measured at the fair value of the assets acquired and the liabilities assumed or transferred at the date of acquisition. Acquisition-related costs are recognised in profit or loss when they arise. The identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are recognised at their fair values at the date of acquisition. After the purchase price allocation, the remaining difference between the purchase price and the share of net assets acquired restated at their fair values is recognised as goodwill. Adjustments regarding contingent consideration after the one-year adjustment period, disclosed as a liability at the date of acquisition, are recognised in profit or loss. To date, non-controlling interests have always been measured in Linde at the appropriate share of the identifiable net assets in the company acquired.

Where non-controlling interests are acquired, any remaining balance between the acquisition cost and the share of net assets acquired is offset directly in equity.

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

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

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

[3] Acquisitions

Major acquisitions in the course of the financial year were:

41 *MAJOR ACQUISITIONS*

	Group holding in percent as at 31.12.2013	*Cost in € million*	*Acquisition date*
Calea	100	60	08.01.2013
OCAP	100	6	07.03.2013

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The following significant acquisitions took place during the reporting period.

Calea France SAS

On 8 January 2013, The Linde Group acquired 100 percent of the shares in Calea France SAS. From that date, the business was included in full in the consolidated financial statements of The Linde Group. The business acquired generated revenue in 2012 of around EUR 28 m with about 190 employees. The aim of the acquisition was to continue the expansion of the Group's homecare business in Europe.

After adjusting for certain cash and debt items, the purchase price was EUR 60 m, of which EUR 58 m was paid in cash. In addition, there were current commitments for purchase price payments resulting from the netting of certain cash and debt items. These obligations were recognised at a fair value of EUR 2 m at the acquisition date and this amount was taken into account for the purpose of deriving the acquisition cost. At 31 December 2013, these obligations had been settled in full.

The goodwill remaining after the purchase price allocation of EUR 46 m comprises mainly expected synergies with the existing homecare business in Europe and going concern synergies arising from the business acquired. The goodwill is not tax-deductible.

The receivables acquired have a fair value of EUR 5 m and are all trade receivables. The gross value of the receivables is EUR 7 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

OCAP

On the acquisition date (7 March 2013), The Linde Group increased its holding in the companies OCAP CO_2 v.o.f., B.V. NPM, Bio Facility B.V., Bio Supply C.V. and Bio Supply B.V. (referred to collectively as OCAP) to 100 percent of the shares by buying out its joint venture partner. On 1 March 2013, these companies were included for the first time in the consolidated financial statements of The Linde Group with economic effect from the date of acquisition.

The purchase price for the shares acquired was EUR 6 m, which was settled in cash. The impact on earnings of the remeasurement at fair value of the original shareholdings in the companies and partnerships acquired (EUR 4 m) was EUR 6 m. This has been included in the statement of profit or loss under the heading "Share of profit or loss from associates and joint ventures (at equity)". As a result of the acquisition, The Linde Group obtains full operational control in respect of servicing and supplying OCAP's CO_2 customers in the Netherlands.

The goodwill remaining after the purchase price allocation of EUR 1 m comprises mainly going concern synergies arising from the business acquired and is not tax-deductible.

The receivables acquired have a fair value of EUR 3 m and are all trade receivables. The fair value is virtually the same as the gross value of the receivables.

Other acquisitions

In 2013, The Linde Group made further acquisitions to expand its industrial gases business and in the Healthcare product area in the EMEA, Asia/Pacific and Americas reportable segments. The total purchase price for these acquisitions (each of which in individual terms was immaterial to the net assets of the Group) was EUR 94 m, of which EUR 88 m was settled in cash. The total purchase price includes contingent purchase price adjustments and deferred purchase price payments. Liabilities arising from contingent purchase price payments amounted to EUR 2 m. These amounts are payable within three years and are dependent on a positive performance in the business acquired.

In the course of other corporate acquisitions, Linde has acquired non-current assets such as customer relationships, cylinders, tanks and vehicles as well as inventories and other current assets. Total goodwill arising was EUR 75 m.

Part of the goodwill (EUR 59 m) is tax-deductible. Receivables acquired, which are all trade receivables, have a fair value of EUR 6 m. The gross value of the receivables is EUR 8 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

42 IMPACT ON NET ASSETS OF ACQUISITION OF CALEA, OCAP AND OF OTHER ACQUISITIONS

Opening balance at acquisition date	*Fair value*		
in € million	*Calea*	*OCAP*	*Other*
Non-current assets	21	121	19
Inventories	1	–	1
Other current assets	8	4	6
Cash and cash equivalents	4	14	–
Equity (attributable to Linde AG)	14	9	20
Non-controlling interests	–	–	–
Liabilities	20	130	6

The impact of the transactions on the results of operations of The Linde Group was as follows:

43 IMPACT OF ACQUISITIONS ON RESULTS OF OPERATIONS OF THE LINDE GROUP

in € million	*Revenue since acquisition date*	*Revenue from 1 January to 31 December 2013*
Calea	28	28
OCAP	16	20
Other	33	59

44 IMPACT OF ACQUISITIONS ON RESULTS OF OPERATIONS OF THE LINDE GROUP

in € million	*Profit for the period since acquisition date*	*Profit for the period from 1 January to 31 December 2013*
Calea	2	2
OCAP	2	2
Other	10	12

[4] Scope of consolidation

The Group financial statements comprise Linde AG and all the companies over which Linde AG is able to exercise control as defined by IFRS 10 or joint control together with other parties as defined by IFRS 11. Companies over which Linde AG can exercise joint control are included in the consolidated financial statements on a line-by-line basis or using the equity method, depending on the characteristics of the company. If Linde AG holds a majority of the voting rights in a company, this generally indicates that it exercises control over the company in the absence of any other restrictive contractual agreements. If Linde AG holds the same number of voting rights as another company, this generally indicates joint control, unless other (contractual) rights result in control being exercised by one of the shareholders. A detailed explanation of the discretionary powers and assumptions governing the decision as to whether control or joint control is being exercised is to be found in NOTE [7].

The equity method is also used to account for associates over which Linde AG is able to exert significant influence as defined by IAS 28. Significant influence is presumed if Linde AG holds, either directly or indirectly 20 percent or more of the voting rights in a company in which it holds an investment, unless it can be clearly disproved.

Non-consolidated subsidiaries are immaterial in aggregate from the Group's point of view in terms of total assets, revenue and net income or net loss for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group. For that reason, they are not included in the consolidated financial statements.

The following table shows the structure of companies included in the consolidated financial statements of The Linde Group and movements during the financial year:

45 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.12.2012 adjusted[1]	Additions	Disposals	As at 31.12.2013
CONSOLIDATED SUBSIDIARIES	**542**	**24**	**28**	**538**
of which within Germany	20	–	2	18
of which outside Germany	522	24	26	520
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**4**	**1**	**–**	**5**
of which within Germany	–	–	–	–
of which outside Germany	4	1	–	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**39**	**3**	**6**	**36**
of which within Germany	–	2	–	2
of which outside Germany	39	1	6	34
NON-CONSOLIDATED SUBSIDIARIES	**62**	**6**	**7**	**61**
of which within Germany	2	–	–	2
of which outside Germany	60	6	7	59

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Changes in the scope of the consolidation may arise as a result of acquisitions, sales, mergers or closures, or as a result of changes in the assessment as to whether Linde AG exercises control or joint control over a company. The principal changes during the financial year are outlined below.

During the financial year, shares in the subsidiary Linde India Limited were sold to minority shareholders, which was necessary to comply with changes in the rules in Indian law governing capital markets. The Group's investment in the company was reduced from 89 percent to 75 percent. The change in the level of the holding did not result in a loss of control. The difference of EUR 10 m between the carrying amount of the shares sold and the sale price was offset in revenue reserves.

The Group's shareholding in the subsidiary Compañía de Nitrógeno de Cantarell (CNC) was increased in 2013 from 65 percent to 100 percent. The difference of EUR 41 m between the carrying amount of the shares acquired and the purchase price was offset in revenue reserves.

The effects on the equity of The Linde Group from changes in shareholdings in subsidiaries which did not result in either a loss of control or the acquisition of control can be seen in the table below:

46 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

in € million	31.12.2013	31.12.2012
Carrying amount of interests in ownership sold	32	–
Consideration received	42	–
GAIN (+)/LOSS (–) FROM DISPOSAL OF INTERESTS IN OWNERSHIP	**10**	**–**
Carrying amount of interests in ownership acquired	–41	19
Consideration paid	2	29
GAIN (+)/LOSS (–) FROM ACQUISITION OF INTERESTS IN OWNERSHIP	**–43**	**–10**

Other disposals relate principally to mergers. Significant disposals during the financial year are shown in NOTE [3].

The following fully-consolidated subsidiaries are exempt under the provisions of § 264 (3) and § 264b of the German Commercial Code (HGB) from the duty to prepare full annual financial statements and a management report in accordance with the rules for corporations set out in §§ 264 ff. HGB and to have them audited and publish them.

47 COMPANIES EXEMPT FROM THE DUTY TO PREPARE FINANCIAL STATEMENTS

Name	Location
Commercium Immobilien- und Beteiligungs-GmbH	Munich
Heins & Co. GmbH	Rastede
Hydromotive GmbH & Co. KG	Leuna
Linde Electronics GmbH & Co. KG	Pullach
Linde Engineering Dresden GmbH	Dresden
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach
Linde Gas Therapeutics GmbH	Unterschleißheim
Linde Remeo Germany GmbH	Blankenfelde-Mahlow
Linde Schweißtechnik GmbH	Pullach
Linde Welding GmbH	Pullach
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf
Selas-Linde GmbH	Pullach
Unterbichler Gase GmbH	Munich

A list of the shareholdings of The Linde Group is given in NOTE [41].

[5] Foreign currency translation

Transactions in foreign currency are translated into the relevant functional currency of the individual entity on the transaction date. After initial recognition, foreign currency fluctuations relating to monetary items are recognised in profit or loss. For non-monetary items, historic translation rates continue to form the measurement basis.

Translation differences arising from the translation of items into the reporting currency continue to be recognised in other comprehensive income. The financial statements of foreign subsidiaries, including any fair value adjustments identified in the course of a purchase price allocation, are translated in accordance with the functional currency concept set out in IAS 21 The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities, contingent liabilities and other financial commitments are translated at the mid-rate on the balance sheet date (closing rate method). Items in the statement of profit or loss and the net income for the year are translated at a rate which approximates to the translation rate on the date of the transaction (the average rate). Differences arising from the translation of equity are recognised in other comprehensive income.

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

The financial statements of subsidiaries outside Germany whose functional currency is the currency of a hyperinflationary economy are adjusted for the change in purchasing power arising from the inflation. Since 1 January 2010, Venezuela has been classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. As a result, the activities of Linde in that country are no longer accounted for on a historic cost basis but after adjustments for the effects of inflation. The local inflation index INPC (Indice Nacional de Precios al Consumidor) is used for this purpose.

[6] Currencies

The principal exchange rates used are set out below:

48 PRINCIPAL EXCHANGE RATES

		Mid-rate on balance sheet date		Average rate for the year	
Exchange rate € 1 =	ISO code	31.12.2013	31.12.2012	2013	2012
Argentina	ARS	8.95964	6.48740	7.27507	5.83784
Australia	AUD	1.54138	1.26957	1.37667	1.24172
Brazil	BRL	3.24694	2.70330	2.86785	2.49880
Canada	CAD	1.46024	1.30936	1.36795	1.28724
China	CNY	8.32176	8.22182	8.16437	8.12132
Czech Republic	CZK	27.34217	25.08853	25.96746	25.14343
Hungary	HUF	297.42220	291.37212	296.90981	289.83858
Malaysia	MYR	4.50663	4.03549	4.18422	3.97311
Norway	NOK	8.34149	7.34583	7.80717	7.48773
Poland	PLN	4.15335	4.08320	4.19676	4.18844
South Africa	ZAR	14.42918	11.16087	12.82153	10.53348
South Korea	KRW	1,451.19958	1,403.63253	1,453.83893	1,450.54184
Sweden	SEK	8.85071	8.57786	8.64963	8.71373
Switzerland	CHF	1.22759	1.20834	1.23084	1.20547
Turkey	TRY	2.94955	2.35386	2.53154	2.31719
UK	GBP	0.83017	0.81194	0.84924	0.81264
USA	USD	1.37460	1.31965	1.32799	1.28732

[7] Accounting policies

The Group financial statements have been prepared under the historical cost convention, with the exception of derivative financial instruments, available-for-sale financial assets, and plan assets relating to externally funded defined benefit pension obligations, which are stated at their fair values.

The financial statements of companies included in the consolidated financial statements of The Linde Group have been prepared using uniform accounting policies in accordance with IFRS 10 Consolidated Financial Statements.

Recently issued accounting standards which have not yet been applied

The following standards have been issued by the IASB, but have not been applied in the consolidated financial statements of The Linde Group for the year ended 31 December 2013, as they are either not yet effective or have not yet been adopted by the European Union:

- IFRS 9 Financial Instruments (first-time application date undecided by IASB)
- IFRS 9 Financial Instruments: Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 (first-time application date undecided by IASB)
- Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures (first-time application date undecided by IASB)
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (first-time application according to IASB in financial years beginning on or after 1 January 2014)
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Improvements to IFRSs (2010–2012) (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Improvements to IFRSs (2011–2013) (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (first-time application according to IASB in financial years beginning on or after 1 January 2014).

IFRS 9

According to the rules of the IASB, the application date for IFRS 9 remains undecided.

The rules for the recognition and measurement of financial instruments set out in IAS 39 will be replaced by those set out in IFRS 9. In future, financial assets will be divided into only two classifications: those measured at amortised cost and those measured at fair value. The group of assets measured at amortised cost will comprise those financial assets for which the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and in respect of which the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. All other financial assets are included in a group which is measured at fair value. IFRS 9 contains an option, as before, to designate a financial asset in the first category as measured at fair value through profit or loss if certain conditions apply (fair value option).

Value changes for financial assets measured at fair value are recognised in profit or loss, except for those equity instruments for which the entity has elected to report value changes in other comprehensive income. However, dividend income relating to these financial assets is recognised in profit or loss.

The rules which apply to financial liabilities are mostly the same as those set out in IAS 39. The most significant difference concerns the recognition of gains and losses on financial liabilities designated as at fair value through profit or loss. In future, such gains and losses will be split into the amount of the change in fair value of the liability that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability, which shall be presented in the statement of profit or loss.

IFRS 9 may result in changes in the classification and measurement of financial assets in the consolidated financial statements of The Linde Group.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

Recently issued accounting standards which have been early adopted

The following standards have all been adopted already by the European Union. They have been early adopted as it is permitted for them to be early adopted either according to the rules of the IASB or the rules of the EU:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets.

IFRS 10, 11 and 12

IFRS 10, IFRS 11 and IFRS 12 will become effective in the European Union from the 2014 financial year. However, early adoption is permitted. The Linde Group has early adopted IFRS 10, IFRS 11 and IFRS 12 from 1 January 2013 in accordance with the rules on application set out by the IASB. The new standards are to be applied retrospectively.

In IFRS 10, the term "control" is redefined. If one entity controls another entity, the parent company shall include the subsidiary in full in its consolidated financial statements. Under the new definition, control is established if the potential parent entity has power over the potential subsidiary (investee) as a result of voting rights or other rights and actual circumstances, is exposed or has rights to positive or negative variable returns from its involvement with the investee, and above all has the ability to use its power over the investee to affect significantly the amount of its returns.

IFRS 11 sets out new rules for accounting for joint arrangements. Under these new rules, a distinction is made between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (the joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. The rights to the assets and the obligations for the liabilities are recognised in the consolidated financial statements. In a joint venture, on the other hand, the parties that have joint control of the arrangement (the joint venturers) have a right to the net assets of the arrangement. This right is accounted for in the consolidated financial statements using the equity method. The option of proportionate consolidation in the consolidated financial statements, hitherto permitted by IAS 31, is no longer available.

IFRS 12 sets out the disclosure requirements for interests in other entities. This standard requires a much wider range of disclosures than previously required by the rules set out in IAS 27, IAS 28 and IAS 31.

As a result of applying IFRS 10, The Linde Group has adjusted its accounting policies to reflect the revised definition of "control".

Eight companies in Mexico and China, the principal object of which is the construction and operation of gas production plants and which have until now been included as joint ventures, have been fully consolidated for the first time as a result of the advantage held by Linde in terms of know-how. In these cases, the key issue is that the co-shareholders are also often the main customers for the gases produced. Given its advantage in terms of know-how, The Linde Group has assumed responsibility for the operation of the companies' plants. These companies are therefore dependent on Linde technology. This is reflected in the licensing agreements in force and the integration of production into the processes of The Linde Group and/or the interrelationships between the various decision-makers. The operation of the plants is the principal driver of variable returns from the companies and therefore Linde exercises control (as defined by IFRS 10) over these companies.

In addition, two other companies in the United States and in India, which have until now been included as joint ventures, have been fully consolidated for the first time, because Linde exerts increased management authority in those companies. Here, Linde is able to exercise, on the basis of individual contracts, the most extensive decision-making powers over major portions of the operating activities of the entities. On this basis, The Linde Group has the opportunity to determine those activities of the entities which significantly affect the variable returns of the companies and therefore to exercise control (as defined by IFRS 10) over the companies.

As a result of the application of IFRS 11, The Linde Group has revised its accounting policies in respect of the obligation to include certain joint arrangements on a line-by-line basis. Linde accounts on a line-by-line basis in accordance with the rules set out in IFRS 11 for four joint arrangements in the United Arab Emirates and in China where the sole object is to supply one or several shareholders. In the absence of any special rights attaching to individual assets and liabilities, the assets and liabilities are accounted for on the basis of the share of equity held by The Linde Group. The change in the method of accounting for these four companies from the equity method to the line-by-line method resulted in a reduction in revenue reserves at 1 January 2012 of EUR 16 m. The total carrying amount of the investments (EUR 144 m) was eliminated. Assets of EUR 416 m and liabilities of EUR 318 m were subsequently recognised in respect of these companies.

Amendments to IAS 36

According to the rules of the IASB, the amendments to IAS 36 become effective from the 2014 financial year. Early adoption is permitted. The Linde Group has early adopted the amendments to IAS 36 from 1 January 2013.

The amendments include further restriction of the requirement to disclose the recoverable amount of an asset (originally included in the consequential amendments in IAS 36 as a result of the issuing of IFRS 13 Fair Value Measurement). The original requirement was to disclose the recoverable amount of each cash-generating unit (CGU) to which a significant portion of the carrying amount of goodwill had been allocated. As this disclosure requirement was highly controversial, it was restricted by the amendment to IAS 36 issued in May 2013. Disclosure of the recoverable amount of an asset or CGU is now restricted to periods in which an impairment loss has been recognised or is reversed. Information about this is given in the Notes to the consolidated financial statements of The Linde Group.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

Recently issued accounting standards

The IASB and IFRIC have revised numerous standards and have issued many new ones in the course of their projects to develop IFRS and achieve convergence with US GAAP. Of these, the following standards are mandatory in the consolidated financial statements of The Linde Group for the year ended 31 December 2013:

- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (revised 2011)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Improvements to IFRSs 2009–2011

IFRS 13

IFRS 13 sets out in a single IFRS a unified framework for measuring fair value in financial statements prepared in accordance with International Financial Reporting Standards. It will apply in future to all other standards that require or permit fair value measurement. Exemptions to IFRS 13 are allowed only in the case of IAS 17 and IFRS 2, with some rules in these two standards continuing to apply. This standard also replaces and expands the disclosure requirements in other standards in respect of measurement at fair value.

Fair value is defined according to IFRS 13 as the exit price: i.e. the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy for fair value measurements is being introduced, a system which is familiar from the measurement at fair value of financial assets. The three levels identified in the hierarchy are based on the extent to which observable market prices are available in order to determine fair value. The fair values determined under the new rules may differ from those determined under the old rules.

IFRS 13 is effective from the 2013 financial year. The standard is applied prospectively. The Linde Group has concluded bilateral credit support annexes (CSAs) with most of the banks with which financial instruments recognised at fair value are traded, thus minimising the default risk arising from these instruments. The application of IFRS 13 will not therefore have a significant impact on the consolidated financial statements of The Linde Group.

IAS 19

The main changes in IAS 19 (revised 2011) relate to the abolition of recognition and measurement options in respect of defined benefit pension plans. The changes here which are relevant for The Linde Group are the abolition of the expected return on plan assets and the introduction of a rate of return for the plan assets which is the same as the discount rate applied to the corresponding defined benefit obligation. This leads to a net measurement of the net pension obligation or net pension asset and to the disclosure of a net interest expense or net interest income in respect of defined benefit plans. Other changes in IAS 19 (revised 2011) which are relevant to The Linde Group are the recognition in profit or loss of unvested past service cost when it arises and the requirement to make additional disclosures in the Notes to the Group financial statements.

IAS 19 (revised 2011) is effective from the 2013 financial year. The changes are applied retrospectively and have led to a slight decrease in the interest income on plan assets included in the net interest component of the financial result. The revisions to the standard require the net disclosure of the net interest expense and net interest income from pension plans. The net effect in the financial result was EUR 190 m in 2013 and EUR 212 m in 2012. The impact of the revisions to the standard from the measurement of plan assets at the discount rate applied to the corresponding defined benefit obligation is immaterial to the net assets, financial position and results of operations of the Group in the reporting year as well as at 1 January 2012 and 31 December 2012.

IAS 1

The amendments to IAS 1 concern items of other comprehensive income which will be reclassified subsequently to profit or loss if certain conditions apply, which should be disclosed separately from those items which will never be reclassified. The presentation in the statement of other comprehensive income has been adjusted accordingly.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

As the retrospective application of IFRS 10, IFRS 11, IFRS 12 and IAS 19 has an impact on virtually all the items in the Group statement of financial position and in the Group statement of profit or loss, the prior-year figures disclosed have been adjusted throughout the Financial Report.

The retrospective application of IFRS 10, IFRS 11, IFRS 12 and IAS 19 (revised 2011) and the reclassification of current income tax provisions and non-current income tax liabilities in current income tax liabilities *SEE OTHER PROVISIONS, PAGE 141* resulted in the following adjustments being made to the figures for the prior-year periods disclosed:

49 ADJUSTED GROUP STATEMENT OF PROFIT OR LOSS 2012

in € million	2012 as reported	Adjustment January to December 2012	2012 adjusted
Revenue	15,280	553	15,833
Cost of sales	9,755	366	10,121
GROSS PROFIT	**5,525**	**187**	**5,712**
Marketing and selling expenses	2,303	18	2,321
Research and development costs	101	–	101
Administration expenses	1,354	19	1,373
Other operating income	288	16	304
Other operating expenses	155	24	179
Share of profit or loss from associates and joint ventures (at equity)	92	–79	13
Financial income	354	–210	144
Financial expenses	659	–194	465
PROFIT BEFORE TAX	**1,687**	**47**	**1,734**
Taxes on income	363	30	393
PROFIT FOR THE YEAR	**1,324**	**17**	**1,341**
attributable to Linde AG shareholders	1,250	–18	1,232
attributable to non-controlling interests	74	35	109
Earnings per share *in €* – undiluted	7.03	–0.10	6.93
Earnings per share *in €* – diluted	6.97	–0.10	6.87

50 ADJUSTED GROUP STATEMENT OF COMPREHENSIVE INCOME 2012

in € million	2012 as reported	Adjustment January to December 2012	2012 adjusted
PROFIT FOR THE YEAR	**1,324**	**17**	**1,341**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**–317**	**6**	**–311**
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**–124**	**1**	**–123**
Unrealised gains/losses on available-for-sale financial assets	–4	–	–4
Unrealised gains/losses on derivative financial instruments	82	–	82
Currency translation differences	–202	1	–201
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**–193**	**5**	**–188**
Remeasurement of defined benefit plans	–219	5	–214
Change in effect of the limit on a net defined benefit asset (asset ceiling under IAS 19R.64)	26	–	26
TOTAL COMPREHENSIVE INCOME	**1,007**	**23**	**1,030**
attributable to Linde AG shareholders	953	–10	943
attributable to non-controlling interests	54	33	87

51 ADJUSTED GROUP STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

in € million	31.12.2012 as reported	Adjustment 31.12.2012	31.12.2012 adjusted
Assets			
Goodwill	10,620	206	10,826
Other intangible assets	3,580	63	3,643
Tangible assets	10,188	985	11,173
Investments in associates and joint ventures (at equity)	816	–608	208
Other financial assets	282	–161	121
Receivables from finance leases	244	137	381
Other receivables and other assets	592	13	605
Income tax receivables	4	–	4
Deferred tax assets	469	10	479
NON-CURRENT ASSETS	**26,795**	**645**	**27,440**
Inventories	1,098	14	1,112
Receivables from finance leases	47	12	59
Trade receivables	2,599	54	2,653
Other receivables and other assets	709	27	736
Income tax receivables	181	1	182
Securities	823	1	824
Cash and cash equivalents	1,218	66	1,284
Non-current assets classified as held for sale and disposal groups	7	–	7
CURRENT ASSETS	**6,682**	**175**	**6,857**
TOTAL ASSETS	**33,477**	**820**	**34,297**

52 ADJUSTED GROUP STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

in € million	31.12.2012 as reported	Adjustment 31.12.2012	31.12.2012 adjusted
Equity and liabilities			
Capital subscribed	474	–	474
Capital reserve	6,698	–	6,698
Revenue reserves	5,889	–183	5,706
Cumulative changes in equity not recognised through the statement of profit or loss	33	–	33
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**13,094**	**–183**	**12,911**
Non-controlling interests	564	183	747
TOTAL EQUITY	**13,658**	**–**	**13,658**
Provisions for pensions and similar obligations	1,105	8	1,113
Other non-current provisions	471	25	496
Deferred tax liabilities	2,186	21	2,207
Financial debt	8,862	373	9,235
Liabilities from finance leases	56	–	56
Trade payables	6	–	6
Other non-current liabilities	237	260	497
Liabilities from income taxes	85	–85	–
NON-CURRENT LIABILITIES	**13,008**	**602**	**13,610**
Other current provisions	1,565	–561	1,004
Financial debt	1,262	84	1,346
Liabilities from finance leases	24	–	24
Trade payables	2,790	16	2,806
Other current liabilities	1,003	23	1,026
Liabilities from income taxes	167	656	823
CURRENT LIABILITIES	**6,811**	**218**	**7,029**
TOTAL EQUITY AND LIABILITIES	**33,477**	**820**	**34,297**

53 ADJUSTED GROUP STATEMENT OF FINANCIAL POSITION AS AT 01.01.2012

in € million	01.01.2012 as reported	Adjustment 01.01.2012	01.01.2012 adjusted
Assets			
Goodwill	7,868	209	8,077
Other intangible assets	3,300	75	3,375
Tangible assets	9,030	913	9,943
Investments in associates and joint ventures (at equity)	754	–556	198
Other financial assets	918	–195	723
Receivables from finance leases	302	248	550
Other receivables and other assets	526	12	538
Income tax receivables	5	–	5
Deferred tax assets	368	8	376
NON-CURRENT ASSETS	**23,071**	**714**	**23,785**
Inventories	1,036	8	1,044
Receivables from finance leases	50	19	69
Trade receivables	2,030	74	2,104
Other receivables and other assets	558	26	584
Income tax receivables	97	–	97
Securities	1,073	2	1,075
Cash and cash equivalents	1,000	61	1,061
CURRENT ASSETS	**5,844**	**190**	**6,034**
TOTAL ASSETS	**28,915**	**904**	**29,819**

54 ADJUSTED GROUP STATEMENT OF FINANCIAL POSITION AS AT 01.01.2012

in € million	01.01.2012 as reported	Adjustment 01.01.2012	01.01.2012 adjusted
Equity and liabilities			
Capital subscribed	438	–	438
Capital reserve	5,264	–	5,264
Revenue reserves	5,752	–169	5,583
Cumulative changes in equity not recognised through the statement of profit or loss	150	–4	146
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**11,604**	**–173**	**11,431**
Non-controlling interests	540	161	701
TOTAL EQUITY	**12,144**	**–12**	**12,132**
Provisions for pensions and similar obligations	938	9	947
Other non-current provisions	445	23	468
Deferred tax liabilities	2,012	20	2,032
Financial debt	6,491	393	6,884
Liabilities from finance leases	33	–	33
Trade payables	6	–	6
Other non-current liabilities	194	315	509
Liabilities from income taxes	96	–96	–
NON-CURRENT LIABILITIES	**10,215**	**664**	**10,879**
Other current provisions	1,455	–580	875
Financial debt	1,277	92	1,369
Liabilities from finance leases	13	–	13
Trade payables	2,712	28	2,740
Other current liabilities	996	27	1,023
Liabilities from income taxes	103	685	788
CURRENT LIABILITIES	**6,556**	**252**	**6,808**
TOTAL EQUITY AND LIABILITIES	**28,915**	**904**	**29,819**

55 ADJUSTED GROUP STATEMENT OF CASH FLOWS 2012

in € million	2012 as reported	Adjustment January to December 2012	2012 adjusted
Cash flow from operating activities	2,522	142	2,664
Cash flow from investing activities	–3,813	–72	–3,885
Cash flow from financing activities	1,516	–63	1,453
NET CHANGE IN CASH AND CASH EQUIVALENTS	**225**	**7**	**232**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**1,000**	**61**	**1,061**
Effects of currency translation on cash and cash equivalents	–7	–2	–9
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**1,218**	**66**	**1,284**

Revenue recognition

Revenue comprises sales of products and services as well as lease and rental income, less discounts and rebates.

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

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

For revenue and earnings recognition relating to lease transactions, see the section below on accounting for leases.

Long-term construction contracts

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

The financial income from long-term construction contracts is disclosed in Other operating income as a result of its clear relationship with the Group's operating business.

Cost of sales

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

Research and development costs

Research costs and development costs which cannot be capitalised are recognised immediately in profit or loss.

Financial result

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

Interest income and interest expenses are recognised in profit or loss on the basis of the effective interest rate method.

Dividends are recognised in profit or loss when they have been declared. Since the beginning of the reporting period, dividend payments made by operating companies which are reported at cost or at fair value in which Linde holds more than 10 percent of the voting rights and which have a clear connection to Linde's core operating business have been recognised in other operating income. Core businesses are defined as those business areas which make a material contribution to the revenue of a division. A material contribution is deemed to be one of around 20 percent. As no investments of this type met the stated criteria in 2012, the prior-year figures were not adjusted.

Finance income relating to finance leases is calculated using the effective interest rate method. In addition, any gain on remeasurement of certain embedded derivatives is disclosed in financial income.

Intangible assets

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

Purchased and internally generated intangible assets are stated at acquisition cost or manufacturing cost less accumulated amortisation and any impairment losses. An internally generated intangible asset is recognised if it can be identified as an asset, if it is probable that the future economic benefits that are attributable to the asset will flow to Linde, and if the cost of the asset can be measured reliably. Amortisation of intangible assets is recognised under the heading in the statement of profit or loss which corresponds to its functional features. It is important to determine whether the intangible assets have finite or indefinite useful lives. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet ready for use are not amortised, but are subject instead to an impairment test once a year, or more often if there is any indication that an asset may be impaired.

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

According to IAS 36 Impairment of Assets, goodwill is allocated to the cash-generating unit (CGU), the lowest level at which goodwill is monitored for internal management purposes, and tested for impairment at least once a year at this level. In the Gases Division, this is the level of the Regional Business Units (RBUs), which are the equivalent of the operating segments before their aggregation into reportable segments. Outside the Gases Division, goodwill is tested for impairment at the level of the reportable segments, which are also the operating segments. The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount. If the carrying amount of the cash-generating unit exceeds the value in use, a test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount. Any impairment losses relating to an intangible asset with an indefinite useful life are recognised in the statement of profit or loss and disclosed in functional costs.

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

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

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

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

Tangible assets

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

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

56 USEFUL LIVES FOR TANGIBLE ASSETS

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

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

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

Associates and joint ventures

Associates and joint ventures are accounted for under the equity method at cost at the date of acquisition. In subsequent periods, the carrying amount is adjusted up or down to reflect Linde's share of the comprehensive income of the investee. Any distributions received from the investee and other changes in the investee's equity reduce or increase the carrying amount of the investment. If the losses of an associate or joint venture attributable to The Linde Group equal or exceed the value of the interest held in this associate or joint venture, no further losses are recognised unless the Group incurs an obligation or makes payments on behalf of the associate or joint venture. If there are any indications of impairment in the investments in associates or joint ventures, the carrying amount of the relevant investment is subject to an impairment test. If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the investment is increased to a maximum figure of the share of net assets in the associate or joint venture.

Inventories

Inventories are reported at the lower of acquisition or manufacturing cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Manufacturing cost includes both direct costs and appropriate indirect material and production costs, as well as production-related depreciation charges. Administration expenses and social costs are included if they can be allocated to production. In addition, for inventories where the purchase or manufacture takes more than one year, the borrowing costs are capitalised. Recognition at manufacturing cost is based on the assumption of normal output. Inventories are generally measured on a moving average basis or using the FIFO (first in, first out) method.

Financial instruments

Financial assets and liabilities are only recognised in the Group statement of financial position when Linde becomes bound by the contractual provisions of the financial instrument. In the normal course of events, purchases and sales of financial assets are accounted for on settlement day. The same does not apply to derivatives, which are accounted for on the trading day.

According to IAS 39 Financial Instruments: Recognition and Measurement, financial instruments must be categorised as financial instruments held for trading or at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, or loans and receivables. No financial instruments were reclassified in the 2013 financial year. The Linde Group does not avail itself of the fair value option, whereby financial assets or financial liabilities are classified as at fair value through profit or loss when they are first recognised.

Available-for-sale financial assets include equity instruments and debt instruments. If equity instruments are not held for trading or measured at fair value through profit or loss, they are classified as available-for-sale financial assets. Debt instruments are included in this category if they are held for an unspecified period and can be sold depending on the market situation.

Financial instruments are initially recognised at fair value. Transaction expenses which are directly attributable to the acquisition or issue of financial instruments are only included in the determination of the carrying amount if the financial instruments are not recognised at fair value through profit or loss.

The subsequent measurement of available-for-sale financial assets is based on the separate recognition in equity as other comprehensive income of unrealised gains and losses, inclusive of deferred tax, until they are realised. Equity instruments for which no price is quoted in an active market and for which the fair value cannot be reliably determined are reported at cost. If the fair value of available-for-sale financial assets falls below cost and if there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is transferred to profit or loss. Impairment reversals are recognised in equity for equity instruments and in profit or loss for debt instruments.

Loans and receivables and held-to-maturity financial investments are measured at amortised cost using the effective interest rate method. Where there is objective evidence that the asset is impaired, it is recognised at the present value of expected future cash flows if this is lower than amortised cost. The present value of expected future cash flows is calculated using the original effective interest rate of the financial asset.

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

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

A financial asset is eliminated if Linde loses its contractual entitlement to cash flows from such an asset or if it transfers virtually all the risks and opportunities associated with that financial asset. In the 2013 financial year, no financial assets that would qualify for elimination were transferred by Linde.

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

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

Provisions for pensions and similar obligations

The actuarial valuation of pension provisions is based on the projected unit credit method set out in IAS 19 Employee Benefits for defined benefit obligations. This method takes into account not only vested future benefits and known pensions at the balance sheet date, but also expected future increases in salaries and pensions. The calculation of the provisions is determined using actuarial reports based on biometric assumptions.

The fair value of the plan assets (adjusted if necessary to comply with the rules relating to the asset ceiling set out in IAS 19.64) is deducted from the present value of the pension obligations (gross pension obligation) to give the net pension obligation or net pension asset in respect of defined benefit pension plans. According to IAS 19.64, a net pension asset may only be disclosed if The Linde Group, under its obligation as an employer, has the right to receive a refund of the surplus or to reduce future contributions.

The net interest expense for the financial year is calculated by multiplying the net pension obligation or net pension asset at the beginning of the period by the interest rate underlying the discounting of the gross defined benefit obligation at the beginning of the period.

The discount rate is calculated on the basis of the returns achieved on the relevant call date for high quality fixed-interest corporate bonds in the market. The currency and period to maturity of the underlying bonds correspond to the currency and probable period to maturity of the post-employment benefit obligations.

Remeasurements comprise on the one hand the actuarial gains and losses on the remeasurement of the gross defined benefit obligation and on the other hand the difference between the return on plan assets actually realised and the return assumed at the beginning of the period, which is based on the discount rate of the corresponding gross defined benefit obligation. If a pension plan is overfunded and the asset ceiling applies, remeasurements also comprise the change in the net asset from the application of the asset ceiling rules to the extent that this has not been accounted for in net interest.

Actuarial gains and losses arise from changes in actuarial assumptions or from variations between earlier actuarial assumptions and actual events.

All remeasurements (i.e. actuarial gains and losses, the cumulative effect of an asset ceiling and the effects of an increase in the pension obligation in accordance with IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) are offset immediately in other comprehensive income.

The expense arising from additions to the pension provisions is allocated to functional costs. The net interest expense or net interest income from defined benefit plans is disclosed in the financial result. For each pension plan, it is established whether the net figure is a net interest expense or net interest income and the amounts are disclosed accordingly in the financial result.

Other provisions

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

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

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

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

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

Cost of sales also includes additions to the provisions for warranties and provisions for onerous contracts. Warranty provisions are established for the estimated cost at the date of sale of that particular product. Provisions for onerous contracts are made in full in the reporting period in which the estimated cost of the particular contract exceeds the expected revenue.

For general and business risks, insurance contracts are entered into with an insurer outside the Group. The costs arising from these insurance contracts are recognised as functional costs.

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

Since the beginning of the financial year, income tax provisions have no longer been disclosed in provisions but in income tax liabilities. In addition, those income tax payables which have hitherto been disclosed as non-current income tax payables have been reclassified as current income tax payables. The reason for this change is to provide a more appropriate presentation and better comparability of The Linde Group with other companies in the capital market who prepare consolidated financial statements in accordance with IFRS. The change is merely a reclassification on the equity and liabilities side of the balance sheet. The amount reclassified at the balance sheet date from provisions to current income tax payables was EUR 424 m. The prior-year figures have been adjusted accordingly (EUR 567 m).

Accounting for leases

Lease agreements are classified as finance leases in accordance with IAS 17 Leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are operating leases. Linde Group companies enter into lease agreements both as lessor and as lessee. When Linde enters into an agreement as the lessor of assets held under a finance lease, the future minimum lease payments due from the customer, equivalent to the net investment in the lease, are disclosed under Receivables from finance leases. Finance income is spread over the reporting periods using the effective interest rate method.

When Linde is the lessee under a finance lease agreement, the assets are disclosed at the beginning of the lease under tangible assets at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, while the corresponding liabilities to the lessor are recognised in the balance sheet as Liabilities from finance leases. When the present value is calculated, the interest rate underlying the lease agreement is used or, if that is not available, the incremental borrowing rate. Depreciation charged on this tangible asset and the reduction of the lease liability are recorded over the lease term. If the useful life of the asset is shorter than the lease term, this should be used to determine the depreciation period instead. Whereas the leased property is depreciated on a straight-line basis over the lease term, the related lease liability is amortised using the effective interest rate method. Over the course of the lease term, this results in a difference between the lease obligation and the carrying amount of the leased property.

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

According to IFRIC 4 Determining whether an Arrangement contains a Lease, if specific criteria are met, certain arrangements should be accounted for as leases that do not take the legal form of a lease. In particular, in the Gases Division, certain gas supply contracts are classified as embedded leases if fulfilment of the arrangement depends upon a specific asset and if the gas customer obtains substantially all the production capacity of the asset. If an embedded financial lease exists, the criteria set out in IAS 17 Leases are used to examine in each individual case whether, under the gas supply contract, substantially all the risks and rewards incidental to ownership of the plant have been transferred to the gas customer. The first step in the review process is to separate that portion of the gas supply contract which relates to the embedded lease from the rest of the contract. Then it is established whether the minimum lease payments thus identified amount to substantially all the fair value of the plant and whether the minimum lease term is for the major part of the plant's economic life. Any other clauses in the agreement, especially those relating to the transfer of ownership, the acquisition or the extension of the lease term are also examined for their impact on the transfer of risks and rewards incidental to ownership of the plant. If these review procedures establish that a gas supply contract contains a finance lease component, the investment in the plant is recognised in revenue not affecting profit or loss and the resulting receivable is disclosed under Receivables from finance leases.

In the case of operating leases or embedded operating leases, if the economic ownership of the leased asset is not transferred to the customer as lessee, but remains with Linde as lessor, the lease income from the operating lease is recognised in revenue on a straight-line basis over the lease term.

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

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

Discretionary decisions and estimates

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

- the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories *NOTES [14], [15] AND [17]*,
- the determination of the estimated useful lives of tangible assets and the assessment as to which components of cost may be capitalised *NOTE [15]*,
- the assessment of the need to recognise provisions for bad debts *NOTE [18]*,
- the recognition and measurement of pension obligations *NOTE [23]*,
- the recognition and measurement of other provisions *NOTE [24]*,
- the assessment of the stage of completion of long-term construction contracts *NOTES [18] AND [27]*,
- the assessment of lease transactions,
- the assessment of assets acquired and liabilities assumed on the formation of business combinations *NOTE [3]*,
- the assessment as to whether Linde exercises control, joint control or significant influence over companies in which it holds less than 100 percent of the voting rights *NOTES [4] AND [7]*.

Any change in the key factors which are applied in impairment reviews of goodwill, other intangible assets, tangible assets or inventories may possibly result in higher or lower impairment losses or no impairment losses at all being recognised. See *NOTE [14]* for sensitivity information.

Other significant estimates include the determination of estimated useful lives for intangible assets and tangible assets. Uniform Group guidelines based on past experience apply to estimated useful lives in the main asset classes. Assumptions also need to be made when Linde assesses whether an asset may be capitalised and which components of the cost of the asset may be capitalised. Estimates need to be made here, for example, of the expected future economic benefits of an asset or the expected future costs of the dismantling of plants. In addition, the capitalisation of costs which are incurred during the operating phase of an asset, such as the costs of upgrades to plants or their complete overhaul, depends on whether these costs will lead to better or higher output or whether they extend the estimated useful life of the asset.

Establishing provisions for bad debts is based on making estimates and assessments about individual amounts receivable. These estimates and assessments are founded on the creditworthiness of that particular customer, prevailing economic trends and an analysis of historic bad debts on a portfolio basis. Individual provisions for bad debts take account of both customer-specific and country-specific risks.

The obligation arising from defined benefit pension commitments is determined on the basis of actuarial assumptions. Key actuarial assumptions include the discount rate, trends in pensions and vested future benefits, and life expectancy. The discount rate is determined on the basis of returns achieved on the relevant call date for high-quality fixed-interest corporate bonds in the market. The currency and period to maturity of the underlying bonds correspond to the currency and probable period to maturity of the post-employment benefit obligations. If such returns are not available, the discount rates are based on market returns for government bonds.

Sensitivity analyses of significant actuarial assumptions made are provided in *NOTE [23]*.

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources may therefore vary from the figure included in Other provisions. Different discretionary decisions and estimates are required for different types of provision. The main estimates used for each type of provision are set out below.

In the case of provisions for site restoration obligations, an estimate is made, based on past experience, of future costs expected to be incurred to dismantle plants and restore the land on which the plant was built to its original condition. The expected costs are reassessed on an annual basis and the amount of the provision is adjusted if required.

Provisions for warranties and onerous contracts include provisions for warranties and provisions for litigation. Assumptions are made here about the probability of occurrence of the risk and the expected future outflow of resources. The uncertainty associated with the measurement of warranty provisions is relatively moderate, as Linde has recourse to historic warranty cost ratios when determining the amounts to be set aside.

Litigation is associated with great uncertainty. A significant amount of discretion is required to assess whether a present obligation to a third party exists at the balance sheet date as a result of a past event, whether it is probable that an outflow of resources will be required in future to settle the obligation and whether a reliable estimate can be made of the amount of the obligation. The current status of outstanding litigation is regularly reviewed and updated by the Group's legal department and lawyers appointed by the Group. Changes to this status as a result of new information may result in adjustments being made to the provision.

Provisions for other obligations include provisions for costs which are expected to arise on the completion of major projects. There is an increased level of uncertainty associated with the measurement of these provisions.

Provisions for obligations relating to personnel primarily include provisions for holiday pay and provisions for wages and salaries. The uncertainty associated with the measurement of these provisions is very low, as the expected costs can be relatively reliably determined.

The assessment of the stage of completion of long-term construction contracts is based on the percentage of completion (PoC) method, subject to certain conditions being met. When applying this method, it is necessary to evaluate the stage of completion of the contract. Moreover, it is also necessary to provide estimates of total contract costs and total contract revenue and make an assessment of the risks attached to the contract, including technical, political and regulatory risks. According to the PoC method, the stage of completion of the contract is determined on the basis of the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For major projects, the calculation and analysis of the stage of completion of the project takes into account in particular contract costs incurred by subcontractors. External experts are sometimes used to assist with the calculation of these costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred which can probably be covered, and the contract costs in the period in which they are incurred are recognised as an expense (zero profit method).

Changes in estimates may lead to an increase or decrease in revenue.

Discretionary decisions are required to be made, for example, in assessing whether substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. Linde enters into lease agreements principally as lessee (procurement leases). Under IFRIC 4, gas supply agreements may though be classified as embedded lease agreements if certain conditions apply. In these cases, Linde acts as the lessor. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. Consideration, in the form of payments from the customer, is used on the one hand to finance the plants and on the other to provide the customer with maintenance services. Whether lease agreements are classified as operating leases or finance leases will depend on the exercise of discretion.

When classifying procurement lease agreements, Linde must also make assumptions: e.g. to determine the appropriate interest rate or the residual value or estimated useful lives of the underlying assets.

Business combinations require estimates to be made when determining fair values for assets, liabilities and contingent liabilities acquired, as well as for contingent components of the purchase price. The nature of the estimate depends on the measurement methods applied. When discounted cash flow methods are used, primarily to measure intangible assets (but which are also used to calculate contingent consideration), discretionary aspects include in particular the time period and amount of the cash flow and the determination of an appropriate discount rate. If cost-based methods are used, the main discretionary element is the assessment of the comparability of the reference objects with the objects to be measured. When making discretionary decisions about purchase price allocations in the case of business combinations where the total assets acquired including goodwill exceed EUR 100 m, Linde takes advice from experts in the field, who assist in arriving at the decisions and provide reports backing their opinions.

When assessing whether Linde exercises control, joint control or significant influence over companies in which it holds less than 100 percent of the voting rights, discretionary decisions may have to be made. Above all in cases where Linde holds 50 percent of the voting rights, a decision has to be taken as to whether there are other contractual rights or particularly relevant facts or circumstances which might mean that Linde has power over the potential subsidiary or that joint control exists. If joint control exists, Linde needs to distinguish whether the investment is a joint operation or a joint venture. This distinction is dependent on whether Linde has rights to the assets and obligations for the liabilities of the arrangement or whether it has rights to the net assets of the arrangement. To make the distinction, Linde must consider the structure and legal form of the company, any contractual agreements which might apply and any other relevant circumstances.

Changes to contractual agreements or facts or circumstances are monitored and are evaluated to determine whether they have a potential impact on the assessment as to whether Linde is exercising control or joint control over its investment.

NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS

GENERAL PRINCIPLES <123
NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS 145
NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION >149

[8] Revenue

Revenue is analysed by activity in the segment information in the Group financial statements. In 2013, there were no customers from whom the Group derived over 10 per cent of its revenue. For detailed analyses of revenue by product in the Gases Division and by plant type in the Engineering Division, *SEE PAGES 53 TO 62* of the combined management report.

Revenue is derived from the following activities:

57 REVENUE

in € million	*2013*	*2012 adjusted*[1]
Revenue from the sale of goods and services	14,905	14,175
Revenue from long-term construction contracts	1,750	1,658
TOTAL	**16,655**	**15,833**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

[9] Other operating income and expenses

58 OTHER OPERATING INCOME

in € million	*2013*	*2012 adjusted*[1]
Exchange gains	65	46
Profit on disposal of non-current assets	45	39
Operating dividend income	57	–
Compensation payments received	8	–
Income arising from changes to pension schemes	3	17
Ancillary revenue	15	16
Income from release of provisions	15	23
Financial income from long-term construction contracts	10	13
Income from freestanding foreign currency hedges	4	10
Miscellaneous operating income	136	140
TOTAL	**358**	**304**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

The profit on disposal of non-current assets primarily relates to profits on disposal of land and buildings.

59 OTHER OPERATING EXPENSES

in € million	*2013*	*2012 adjusted*[1]
Exchange losses	76	58
Expenses from freestanding foreign currency hedges	2	7
Loss on disposal of non-current assets	10	14
Expenses related to pre-retirement part-time work schemes	3	3
Miscellaneous operating expenses	102	97
TOTAL	**193**	**179**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

The increase in other operating expenses from EUR 179 m to EUR 193 m is mainly the result of the increase in exchange losses (set against which there was also an increase in exchange gains).

[10] Other information on the Group statement of profit or loss

During the 2013 financial year, personnel costs of EUR 3.423 bn (2012: EUR 3.117 bn) were recognised in functional costs. The increase in the amount is due mainly to the rise in the average number of employees for the year. The figures for amortisation and depreciation are given in the segment information.

[11] Financial income and expenses

60 FINANCIAL INCOME

in € million	2013	2012 adjusted[1]
Net interest income from defined benefit plans, SEE NOTE [23].	10	24
Finance income from embedded finance leases in accordance with IFRIC 4/IAS 17	24	35
Income from a redemption penalty	27	–
Income from investments	2	40
Other interest and similar income	35	45
TOTAL	**98**	**144**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

As a result of the low level of interest in 2012, which is relevant for the unwinding of pension plan assets in the reporting year, interest income in 2013 was lower than in 2012.

One-off income of EUR 27 m arose from the redemption of a loan in the course of buying out purchasing minority shareholders in a subsidiary.

Another factor to be considered when comparing financial income for 2013 with that of 2012 is that in 2012 dividend payments of EUR 40 m were received from a company in which an investment was held.

61 FINANCIAL EXPENSES

in € million	2013	2012 adjusted[1]
Net interest expense from defined benefit plans, SEE NOTE [23].	36	42
Impairment of financial assets	13	6
Other interest and similar charges	426	417
TOTAL	**475**	**465**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

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

[12] Taxes on income

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

62 INCOME TAX EXPENSE

in € million	2013	2012 adjusted[1]
Current tax expense (+) and income (–)	589	549
Tax expense (+) and income (–) relating to prior periods	–96	–57
Deferred tax expense (+) and deferred tax income (–)	–129	–99
TOTAL	**364**	**393**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Included under the “Tax expense and income relating to prior periods” heading in the 2013 financial year are current tax income of EUR 163 m (2012: EUR 68 m) and a deferred tax expense of EUR 67 m (2012: EUR 11 m). Included in tax income and expense relating to prior periods are the positive and negative effects of facts established by external tax audits in various countries. Of the total amount of deferred tax income, EUR 96 m (2012: EUR 60 m) relates to the change in temporary differences.

The income tax expense disclosed for the 2013 financial year of EUR 364 m is EUR 127 m lower than the expected income tax expense of EUR 491 m, a theoretical figure arrived at by applying the German tax rate of 27.4 percent (2012: 27.4 percent) to Group earnings before taxes on income. Tax effects recognised directly in equity are shown in detail in NOTE [22].

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

63 EXPECTED AND DISCLOSED TAX EXPENSE

in € million	*2013*	*2012 adjusted*[1]
Profit before tax	1,794	1,734
Income tax rate of Linde AG (including trade tax, *(in %)*)	27.4	27.4
EXPECTED INCOME TAX EXPENSE	**491**	**475**
Foreign tax rate differential	–43	–42
Effect of associates	–1	–3
Reduction in tax due to tax-free income	–71	–57
Increase in tax due to non-tax-deductible expenses	52	43
Tax expense and income relating to prior periods	–96	–57
Effect of changes in tax rate	–39	–33
Change in other permanent differences	19	49
Other	52	18
INCOME TAX EXPENSE DISCLOSED	**364**	**393**
Effective tax rate *(in %)*	20.3	22.7

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

In the 2013 financial year, the corporate income tax rate in Germany was 15.0 percent (2012: 15.0 percent). Taking into account an average rate for trade earnings tax of 11.6 percent (2012: 11.6 percent) and the solidarity surcharge (0.8 percent in both 2013 and 2012), this gives a tax rate for German companies of 27.4 percent (2012: 27.4 percent). The rate used to calculate deferred tax for German companies was 27.4 percent (2012: 27.4 percent).

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

Temporary differences relating to investments in subsidiaries of EUR 176 m (2012: EUR 129 m) have not led to the recognition of deferred tax, either because the differences are not expected to reverse in the near future as a result of their realisation (due to distributions or the disposal of the company) or the profits are not subject to taxation.

In the reporting period, other changes consists of an expense arising from a change in the valuation allowance of EUR 37 m (2012: EUR 22 m). The utilisation of tax credits previously unutilised had a positive impact of EUR 3 m (2012: EUR 4 m), while the positive impact of the utilisation of tax loss carryforwards in respect of which no deferred tax asset has yet been recognised was EUR 2 m.

64 DEFERRED TAX ASSETS AND LIABILITIES

	2013		*2012 adjusted*[1]	
in € million	*Deferred tax assets*	*Deferred tax liabilities*	*Deferred tax assets*	*Deferred tax liabilities*
Intangible assets	10	828	9	995
Tangible assets	254	1,012	295	1,108
Financial assets	90	155	80	159
Current assets	492	759	484	619
Provisions	225	164	333	258
Liabilities	837	651	801	664
Tax loss carryforwards and tax credits	35	–	73	–
Amounts offset	–1,601	–1,601	–1,596	–1,596
TOTAL	**342**	**1,968**	**479**	**2,207**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The tax credits in the 2013 financial year relate mainly to investment incentives, as in the prior year.

Movements in the deferred tax asset and the deferred tax liability are not solely due to movements which have been recognised in profit or loss, but also to movements which have been recognised in other comprehensive income not affecting profit or loss, exchange rate movements in respect of deferred tax recognised in a foreign currency, and movements in deferred tax as a result of the purchase and sale of subsidiaries.

Deferred tax disclosed in other comprehensive income not affecting profit or loss totalled EUR 162 m (2012: EUR 219 m). Of this amount, deferred tax assets of EUR 177 m (2012: deferred tax assets of EUR 201 m) related to provisions, while deferred tax liabilities of EUR 15 m (2012: deferred tax assets of EUR 18 m) related to current assets.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the deferred tax asset will be realised. The carrying amount of deferred tax assets which relate to potential reductions in the tax base of EUR 470 m (2012: EUR 454 m) was therefore reduced by EUR 105 m (2012: EUR 81 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 437 m (2012: EUR 431 m) and deductible temporary differences of EUR 33 m (2012: EUR 23 m) will be utilised. Of the revised figure for total potential reductions in the tax base of EUR 437 m (2012: EUR 431 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 123 m (2012: EUR 101 m) may be carried forward for up to ten years and EUR 314 m (2012: EUR 330 m) may be carried forward for longer than ten years.

65 TAX LOSS CARRYFORWARDS

in € million	*2013*	*2012 adjusted*[1]
May be carried forward for up to 10 years	92	124
May be carried forward for longer than 10 years	16	13
May be carried forward indefinitely	304	290
TOTAL	**412**	**427**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

The movement in tax loss carryforwards is mainly due to losses being utilised in the United States and Mexico, and additions in Brazil and China. There are also tax loss carryforwards relating to US state tax of EUR 240 m (2012: EUR 230 m).

Distributions to Linde AG shareholders do not have any impact on taxes on income at the level of Linde AG.

[13] Earnings per share

66 EARNINGS PER SHARE

in € million	*2013*	*2012 adjusted*[1]
Profit for the year – attributable to Linde AG shareholders	1,317	1,232
Shares in thousands		
Weighted average number of shares outstanding	185,420	177,853
Dilution as a result of share option schemes	637	1,394
Weighted average number of shares outstanding – diluted	186,057	179,247
EARNINGS PER SHARE *in €* – **UNDILUTED**	**7.10**	**6.93**
EARNINGS PER SHARE *in €* – **DILUTED**	**7.08**	**6.87**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

Included in the figure for diluted earnings per share is the issue of shares relating to the employee share option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (fully diluted), on a weighted basis until the date they are exercised.

See *NOTE [40]* for the calculation of the adjusted earnings per share.

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

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[14] Goodwill/Other intangible assets

Movements in the intangible assets of The Linde Group during the 2013 financial year and in the previous year were as follows:

67 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACQUISITION COST

in € million	*Goodwill*	*Customer relationships*	*Brands*	*Other intangible assets*	*Total*
AT 1 JAN. 2012 ADJUSTED[1]	**8,083**	**3,467**	**436**	**987**	**12,973**
Currency adjustments	–121	2	–2	–4	–125
Additions due to acquisitions	2,871	249	95	151	3,366
Additions	–	–	–	102	102
Disposals	–	–	–	2	2
Transfers	–1	1	–	11	11
Reclassification as assets held for sale	–	–	–	1	1
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**10,832**	**3,719**	**529**	**1,246**	**16,326**
Currency adjustments	–550	–310	–48	–63	–971
Additions due to acquisitions	122	19	–	1	142
Additions	–	–	–	65	65
Disposals	3	12	–	6	21
Transfers	–1	1	–	18	18
Reclassification as assets held for sale		–	–	1	1
AT 31 DEC. 2013	**10,400**	**3,417**	**481**	**1,262**	**15,560**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

68 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACCUMULATED AMORTISATION

in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
AT 1 JAN. 2012 ADJUSTED[1]	**6**	**790**	**111**	**614**	**1,521**
Currency adjustments	–	–3	–1	–	–4
Additions due to acquisitions	–	–	–	–	–
Amortisation	–	202	39	97	338
Impairments	–	1	–	14	15
Reversal of impairments	–	–	–	–	–
Disposals	–	–	–	9	9
Transfers	–	–	–	–3	–3
Reclassification as assets held for sale	–	–	–	–1	–1
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**6**	**990**	**149**	**712**	**1,857**
Currency adjustments	–	–101	–13	–36	–150
Additions due to acquisitions	–	–	–	–	–
Amortisation	–	243	27	116	386
Impairments	–	–	–	–	–
Reversal of impairments	–	–	–	–	–
Disposals	–	1	–	5	6
Transfers	–1	1	–	1	1
Reclassification as assets held for sale	–	–	–	1	1
AT 31 DEC. 2013	**5**	**1,132**	**163**	**789**	**2,089**
NET BOOK VALUE AT 31 DEC. 2013	**10,395**	**2,285**	**318**	**473**	**13,471**
NET BOOK VALUE AT 31 DEC. 2012 ADJUSTED[1]	**10,826**	**2,729**	**380**	**534**	**14,469**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In the statement of financial position at 31 December 2013, the total figure for goodwill is EUR 10.395 bn (2012: EUR 10.826 bn). Of this amount, EUR 4.489 bn relates to the acquisition of The BOC Group in the 2006 financial year, EUR 2.350 bn relates to the acquisition of Lincare in 2012 and EUR 2.149 bn relates to the purchase of the AGA Group in 1999. EUR 120 m of the goodwill relates to acquisitions in the 2013 financial year and EUR 1.087 bn to other acquisitions in previous financial years. In addition, the application of IFRS 10 resulted in goodwill of EUR 200 m. Included in additions to goodwill for 2013 is an amount of EUR 46 m relating to the acquisition of Calea.

The allocation of goodwill arising from the Lincare transaction concluded in the 2012 financial year to the relevant cash-generating units was completed in the twelve-month period following the acquisition date. The allocation was made in accordance with the expected synergies in the gases business in the Regional Business Units North America, Continental & Northern Europe and Africa & UK. Of the goodwill of EUR 2.350 bn, EUR 343 m relates to the Continental & Northern Europe region and EUR 18 m to the Africa & UK region. The remaining amount of the goodwill relates to the North America region. The purchase price allocation and the allocation of goodwill to the CGUs were thereby completed in 2013.

The total net book value of trademarks acquired in the course of acquisitions was EUR 318 m at the balance sheet date. The brand names acquired in the course of the BOC acquisition and other acquisitions have been classified as intangible assets with finite useful lives since the 2011 financial year as a long-term rebranding programme for the relevant brands has begun. These brand names are amortised on a straight-line basis over a period of twelve years. At 31 December 2013, their net book value was EUR 229 m (2012: EUR 287 m). The brand names acquired in the course of the Lincare acquisition have indefinite useful lives and are included in the North America region. These were the subject of an impairment test in 2013 with a pre-tax interest rate of 10.9 percent and growth in the terminal value of 1.0 percent. The carrying amount of these brand names at 31 December 2013 was EUR 89 m.

The amortisation expense of EUR 386 m for intangible assets is disclosed in functional costs, principally in marketing and selling expenses.

Software solutions are the main component of Other intangible assets. Additions during the financial year include development costs of EUR 9 m (2012: EUR 10 m) relating to internally generated software solutions for the Group's own use in the SAP environment. Other development costs capitalised of EUR 2 m (2012: EUR 7 m) were for internally generated sales-related software applications. At the balance sheet date, the assets concerned were still in development and have therefore not yet been amortised. An impairment test of goodwill was carried out at

30 September 2013. No impairment losses were recognised as a result. When a further impairment test of goodwill was carried out on 31 December 2013 as a result of the downgrading of some countries, no impairment losses were recognised either.

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

- A detailed five-year plan was used as the basis for the calculation of cash flows. The growth rates assumed for the detailed planning period were based on the latest estimates from international economic research institutes (Source: The Economist Intelligence Unit Ltd) regarding trends in gross domestic product in the relevant Regional Business Unit and took into account current expectations regarding future business trends. For subsequent periods, an annual growth rate below those determined in the detailed planning period was assumed, which was based on long-term expectations for inflation and was between 1 and 2 percent.
- The corporate planning was complemented by an examination of alternative scenarios concerning the potential development of The Linde Group. These scenarios were also used for the purpose of the impairment test. The main aspects to be taken into account in the alternative scenarios are an increase in WACC of 1 percentage point and a decrease in the growth rates in the perpetual annuity of 1 percentage point respectively. Even if these changes in parameters were to be adopted, there would be no need to recognise impairment losses in respect of goodwill.
- At the level of the South America cash-generating unit, an increase of 1.5 percentage points in Linde’s WACC would have resulted in the value in use equalling the carrying amount. In the remaining CGUs, if this increase in WACC had been applied, the value in use would still have significantly exceeded the carrying amount.
- A decrease in Linde’s operating profit margin of 2.8 percentage points over all periods including perpetuity would have resulted in the value in use equalling the carrying amount at the level of CGU South America. Assuming the same percentage decline in operating profit in the remaining CGUs in the Gases Division, the value in use would still have significantly exceeded the carrying amount.

A detailed five-year plan was used as the basis for the calculation of the cash flows. Revenue figures included in this plan were based on average annual rates of increase (depending on the CGU) of between 2.4 percent and 13.1 percent. The average annual growth rates assumed for operating profit in the regions within the Gases Division were between 2.6 percent and 17.3 percent. In accordance with Linde’s business model, these growth rates related mainly to projects in respect of which contracts had already been agreed and on which a not inconsiderable amount of work might already have been done. They were therefore subject to only a moderate forecasting risk.

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

69 ASSUMPTIONS FOR THE IMPAIRMENT TEST OF GOODWILL

	Book value of allocated goodwill		Pre-tax WACC based on region-specific premiums and discounts at impairment test date		Post-tax WACC based on region-specific premiums and discounts at impairment test date		Long-term growth rate	
	in € million		in percent		in percent		in percent	
	at 31.12.2013	at 31.12.2012 adjusted[1]	30.09.2013	30.09.2012	30.09.2013	30.09.2012	2013	2012
EMEA								
RBU Africa & UK	1,142	1,200	7.7	7.8	6.4	6.1	1.5	1.5
RBU Continental & Northern Europe	3,365	2,977	7.2	7.3	5.6	5.7	1.0	1.0
RBU Middle East & Eastern Europe	393	428	8.7	8.8	7.7	7.8	2.0	2.0
ASIA/PACIFIC								
RBU Greater China	366	361	7.4	7.3	6.3	6.4	2.0	2.0
RBU South & East Asia	365	391	9.4	9.6	7.6	7.7	2.0	2.0
RBU South Pacific	1,107	1,342	7.2	7.6	5.4	5.6	1.0	1.0
AMERICAS								
RBU North America	2,994	3,438	7.4	7.7	5.3	5.4	1.0	1.0
RBU South America	93	111	12.8	12.4	9.6	9.5	2.0	2.0
ENGINEERING DIVISION	**269**	**270**	**13.7**	**14.0**	**10.3**	**10.1**	**1.5**	**1.5**
OTHER ACTIVITIES	**301**	**308**	**7.4**	**8.8**	**6.2**	**7.0**	**1.5**	**1.5**
GROUP	**10,395**	**10,826**						

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

[15] Tangible assets

Movements in the tangible assets of The Linde Group in the 2013 financial year were as follows:

70 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACQUISITION COST

in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
AT 1 JAN. 2012 ADJUSTED[1]	**2,736**	**19,319**	**1,337**	**1,036**	**24,428**
Currency adjustments	40	91	21	–8	144
Additions due to acquisitions	37	499	18	9	563
Additions	32	402	67	1,435	1,936
Disposals	18	263	38	16	335
Transfers	81	882	94	–910	147
Reclassification as assets held for sale	–22	–7	–1	–	–30
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**2,886**	**20,923**	**1,498**	**1,546**	**26,853**
Currency adjustments	–99	–1,189	–81	–92	–1,461
Additions due to acquisitions	–	61	69	11	141
Additions	101	507	67	1,525	2,200
Disposals	54	312	51	4	421
Transfers	81	1,147	44	–1,225	47
Reclassification as assets held for sale	4	7	1	–	12
AT 31 DEC. 2013	**2,919**	**21,144**	**1,547**	**1,761**	**27,371**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

71 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACCUMULATED DEPRECIATION

in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
AT 1 JAN. 2012 ADJUSTED[1]	**1,225**	**12,199**	**1,045**	**16**	**14,485**
Currency adjustments	26	87	16	1	130
Additions due to acquisitions	–	–	–	–	–
Depreciation	83	1,071	93	–	1,247
Impairments	1	20	–	10	31
Reversal of impairments	–	–	–	–	–
Disposals	13	223	39	–	275
Transfers	16	41	32	–4	85
Reclassification as assets held for sale	–15	–7	–1	–	–23
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**1,323**	**13,188**	**1,146**	**23**	**15,680**
Currency adjustments	–39	–718	–59	–1	–817
Additions due to acquisitions	–	–	–	–	–
Depreciation	87	1,153	99	–	1,339
Impairments	–	69	–	1	70
Reversal of impairments	–	–	–	–	–
Disposals	38	257	50	–	345
Transfers	–1	60	–	–18	41
Reclassification as assets held for sale	11	7	1	–	19
AT 31 DEC. 2013	**1,343**	**13,502**	**1,137**	**5**	**15,987**
NET BOOK VALUE AT 31 DEC. 2013	**1,576**	**7,642**	**410**	**1,756**	**11,384**
NET BOOK VALUE AT 31 DEC. 2012 ADJUSTED[1]	**1,563**	**7,735**	**352**	**1,523**	**11,173**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Tangible assets include leased buildings, technical equipment and machinery, and fixtures, with a carrying amount totalling EUR 87 m (2012: EUR 86 m). Due to the form of the underlying finance leases, these tangible assets are attributable to The Linde Group in its capacity as the economic owner of the assets. Of the total of EUR 87 m, EUR 32 m (2012: EUR 33 m) relates to buildings, EUR 9 m (2012: EUR 4 m) to technical equipment and machinery and EUR 46 m (2012: EUR 49 m) to vehicles.

Also included in tangible assets is technical equipment held under embedded operating leases. Of the total minimum lease payments from such embedded operating leases, EUR 31 m is due within one year (2012: EUR 29 m), EUR 290 m is due within one to five years (2012: EUR 251 m) and EUR 1.065 bn is due in more than five years (2012: EUR 1.185 bn).

Impairment tests were based on the recoverable amount of the assets tested, whereby generally the value in use was applied. The discount rates used (WACC) were based on those used in the impairment test for goodwill. Impairment losses of EUR 70 m were recognised in respect of tangible assets in 2013 (2012: EUR 31 m), mainly due to lower profit expectations. The impairment losses related mainly to production plants and were allocated to the following reportable segments of The Linde Group: EUR 5 m (2012: EUR 28 m) to EMEA, EUR 6 m (2012: EUR 2 m) to Asia/Pacific and EUR 59 m (2012: EUR 1 m) to the Americas.

The criterion for the performance of the impairment test in the Americas reportable segment was a reassessment of local market conditions over the remaining useful life of the cash-generating units concerned. The cash-generating units comprise air separation plants and the distribution network to filling stations and end customers in Brazil. The pre-tax discount factor applied was 11.8 percent. At the date of the impairment test, the recoverable amount of the CGUs affected by the impairment was EUR 95 m.

There were no reversals of impairment losses in 2013 or in 2012.

Borrowing costs for construction periods over one year of EUR 49 m (2012: EUR 47 m) were capitalised, based on a pre-tax interest rate of 3.8 to 4.5 percent (2012: 3.7 to 5.6 percent).

The cost of tangible assets was reduced in the 2013 financial year by government grants for air separation plants of EUR 6 m (2012: EUR 6 m).

Tangible assets of EUR 56 m (2012: EUR 78 m) were pledged as security.

[16] Investments in associates and joint ventures/Other financial assets

Movements in the financial assets of The Linde Group during the 2013 financial year were as follows:

72 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACQUISITION COST

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans[2]
AT 1 JAN. 2012 ADJUSTED[1]	**210**	**103**	**36**
Currency adjustments	–	–1	1
Additions due to acquisitions	1	–	–
Additions	21	3	20
Disposals	11	1	13
Transfers	–2	–11	–
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**219**	**93**	**44**
Currency adjustments	–10	–5	–1
Additions due to acquisitions	5	–	–
Additions	21	23	11
Disposals	11	–	1
Transfers	–1	–7	–22
AT 31 DEC. 2013	**223**	**104**	**31**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.
[2] EUR 17 m (2012: EUR 20 m) of the non-current loans relates to loans to associates and joint ventures.

73 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACCUMULATED IMPAIRMENTS

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans
AT 1 JAN. 2012 ADJUSTED[1]	**12**	**16**	**1**
Currency adjustments	–	–	–
Additions due to acquisitions	–	–	–
Impairments	–	–	–
Disposals	–	1	–
Transfers	–1	–	–
AT 31 DEC. 2012/1 JAN. 2013 ADJUSTED[1]	**11**	**15**	**1**
Currency adjustments	–	–1	–
Additions due to acquisitions	–	–	–
Impairments	–	1	4
Disposals	–	–	–
Transfers	–2	–	–
AT 31 DEC. 2013	**9**	**15**	**5**
NET BOOK VALUE AT 31 DEC. 2013	**214**	**89**	**26**
NET BOOK VALUE AT 31 DEC. 2012 ADJUSTED[1]	**208**	**78**	**43**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

74 NET BOOK VALUE FINANCIAL ASSETS

	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans	Total
Net book value at 31 Dec. 2013	214	89	26	329
Net book value at 31 Dec. 2012 adjusted[1]	208	78	43	329

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Of the profit or loss from associates and joint ventures, there were unrecognised losses of EUR 1 m at 31 December 2013 (2012: EUR 1 m).

In addition, there were contingent liabilities at 31 December 2013 in respect of shares in associates and joint ventures of EUR 8 m (2012: EUR 16 m) which related mainly to charge-free guarantee agreements. These are also disclosed as contingent liabilities in NOTE [38].

At 31 December 2013, there were open orders from joint ventures and associates of EUR 25 m (2012: EUR 29 m). There were no significant restrictions on the ability of the associates and joint ventures to transfer dividends or funds to Linde or to repay loans.

More information about associates and joint ventures is given in NOTE [41]. Aggregate financial information about joint ventures is given below, based on the investment in the joint venture held by Linde:

75 AGGREGATE FINANCIAL INFORMATION ABOUT JOINT VENTURES (AT EQUITY)

in € million	2013	2012 adjusted[1]
Profit for the year	9	10
Other comprehensive income (net of tax)	–1	–3
TOTAL COMPREHENSIVE INCOME	**8**	**7**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The aggregate financial information about associates based on the investment in those associates held by Linde is immaterial and is therefore not disclosed separately.

[17] Inventories

76 INVENTORIES

in € million	31.12.2013	31.12.2012 adjusted[1]
Raw materials and supplies	113	103
Work in progress, unfinished goods and services	196	207
Finished goods	430	485
Merchandise	236	205
Payments in advance to suppliers	113	112
GROUP	**1,088**	**1,112**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

At 31 December 2013, the total inventory allowance was EUR 88 m (2012: EUR 91 m).

[18] Receivables from finance leases, Trade receivables, Other receivables and other assets and Income tax receivables

77 RECEIVABLES AND OTHER ASSETS

in € million	Current 31.12.2013	Current 31.12.2012 adjusted[1]	Non-current 31.12.2013	Non-current 31.12.2012 adjusted[1]	Total 31.12.2013	Total 31.12.2012 adjusted[1]
RECEIVABLES FROM FINANCE LEASES	50	59	277	381	327	440
Receivables from percentage of completion contracts	421	222	–	–	421	222
Other trade receivables	2,363	2,431	8	–	2,371	2,431
TRADE RECEIVABLES	2,784	2,653	8	–	2,792	2,653
Other tax receivables	257	220	32	40	289	260
Derivatives with positive fair values	115	99	340	202	455	301
Prepaid pension costs	–	–	243	275	243	275
Miscellaneous receivables and assets	432	417	87	88	519	505
OTHER RECEIVABLES AND OTHER ASSETS	804	736	702	605	1,506	1,341
INCOME TAX RECEIVABLES	146	182	3	4	149	186

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Receivables from finance leases

Almost all the receivables from finance leases relate to agreements which are classified as embedded finance leases according to IFRIC 4/IAS 17. The counterparty risk arising from receivables from finance leases is covered by the air separation plants and other plants underlying the contracts.

The data relating to receivables from finance leases is as follows:

78 RECEIVABLES FROM FINANCE LEASES

in € million	31.12.2013	31.12.2012 adjusted[1]
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	405	558
due within one year	69	85
due in one to five years	223	299
due in more than five years	113	174
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	327	440
due within one year	50	59
due within one to five years	177	231
due in more than five years	100	150
UNEARNED FINANCE INCOME INCLUDED IN THE MINIMUM LEASE PAYMENTS	78	118

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Receivables from percentage of completion contracts

Receivables from percentage of completion (PoC) contracts comprise the aggregate amount of costs incurred and recognised profits, less advance payments received.

At the balance sheet date, costs incurred and profits recognised on long-term construction contracts amounted to EUR 3.922 bn (2012: EUR 3.445 bn), offset against advance payments of EUR 3.972 bn (2012: EUR 3.690 bn), giving rise to receivables of EUR 421 m (2012: EUR 222 m) and liabilities of EUR 471 m (2012: EUR 467 m).

Other trade receivables

Other trade receivables are due from a large number of customers in a wide variety of industry sectors and many different regions. To assess the recoverability of accounts receivable, the creditworthiness of customers is subject to constant review. Credit loss insurance is taken out if required.

79 FINANCIAL ASSETS PAST DUE BUT NOT IMPAIRED

2013, in € million	<30 days	30–60 days	60–90 days	90–180 days	>180 days
Trade receivables	280	56	34	1	3
Miscellaneous receivables and assets	4	–	–	–	–
2012 adjusted[1], in € million					
Trade receivables	371	86	42	11	12
Miscellaneous receivables and assets	2	–	–	–	–

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In the case of financial assets which are neither past due nor impaired, there were no indications at the balance sheet date of any potential impairment.

[19] Securities

Some short-term securities were sold in the course of 2013, which resulted in the figure for securities falling from EUR 824 m at 31 December 2012 to EUR 170 m at 31 December 2013.

There were held-to-maturity securities at the balance sheet date of EUR 11 m (2012: EUR 11 m). Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set.

[20] Cash and cash equivalents

Cash and cash equivalents of EUR 1.178 bn (2012: EUR 1.284 bn) comprise mainly cash at banks and money market funds which have maturities of three months or less.

80 CASH AND CASH EQUIVALENTS

in € million	31.12.2013	31.12.2012 adjusted[1]
Bank balances	772	727
Money market funds	200	477
Cheques	1	4
Cash	2	2
Cash equivalents	203	74
TOTAL	**1,178**	**1,284**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to reduce counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. In 2013, there were no amounts disclosed in cash and cash equivalents as a result of these agreements, but an amount of EUR 24 m was disclosed at 31 December 2012.

[21] Non-current assets classified as held for sale and disposal groups

In 2013, land and buildings in the EMEA segment which were disclosed at 31 December 2012 as non-current assets held for sale were reclassified in tangible assets, as the contract of sale was cancelled.

In addition, land with a net book value of EUR 3 m was removed from the EMEA segment and reclassified in non-current assets held for sale.

In the Asia/Pacific segment, land and buildings with a net book value of EUR 10 m were also reclassified in non-current assets held for sale, as a sale contract for these items was signed in December 2013. There was no need to recognise an impairment loss in respect of these assets.

[22] Equity

81 EQUITY

in €	31.12.2013	31.12.2012
Capital subscribed	475,261,214.72	474,176,962.56
Nominal value of own shares	156,439.04	93,204.48
ISSUED SHARE CAPITAL	**475,104,775.68**	**474,083,758.08**
AUTHORISED CAPITAL (TOTAL)	**84,119,265.28**	**57,119,265.28**
Authorised Capital I	47,000,000.00[1]	20,000,000.00
Authorised Capital II	37,119,265.28	37,119,265.28
CONDITIONALLY AUTHORISED CAPITAL (TOTAL)	**62,297,963.52**	**103,603,404.80**
2002 conditionally authorised capital	–[2]	2,221,189.12
2007 conditionally authorised capital	5,057,963.52	6,142,215.68
2010 conditionally authorised capital	–[3]	85,000,000.00
2012 conditionally authorised capital	10,240,000.00	10,240,000.00
2013 conditionally authorised capital	47,000,000.00[4]	–

1 At the Annual General Meeting on 29 May 2013, Authorised Capital I of EUR 20,000,000 was abolished and it was resolved to create a new Authorised Capital I of EUR 47,000,000.
2 At the Annual General Meeting on 29 May 2013, conditionally authorised capital 2002 of EUR 2,221,189.12 was abolished.
3 At the Annual General Meeting on 29 May 2013, conditionally authorised capital 2010 of EUR 85,000,000 was abolished.
4 At the Annual General Meeting on 29 May 2013, it was resolved to create a new conditionally authorised capital 2013 of EUR 47,000,000.

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date amounts to EUR 475,261,214.72 and is fully paid up. It is divided into 185,648,912 shares at a notional par value of EUR 2.56 per share. The shares are bearer shares. Each share confers a voting right and is entitled to dividend. In accordance with § 71b of the German Stock Corporation Law (AktG), the company is not entitled to dividends and voting rights in respect of the 61,109 own shares it holds at 31 December 2013.

In the 2013 financial year, 423,536 new shares were issued out of 2007 conditionally authorised capital to service the Long Term Incentive Plan. Share capital increased as a result by EUR 1,084,252.16.

Overall, share capital in the 2013 financial year increased by EUR 1,084,252.16 from EUR 474,176,962.56 to EUR 475,261,214.72, divided into 185,648,912 shares.

82 NUMBER OF SHARES

	2013	2012
NUMBER OF SHARES AT 1 JAN.	185,225,376	171,061,401
Exercise of Management Incentive Programme (MIP 2002)	–	690,535
Exercise of Long Term Incentive Plan (LTIP 2007)	423,536	629,403
Increase in share capital	–	12,844,037
NUMBER OF SHARES AT 31 DEC.	185,648,912	185,225,376
Own shares	61,109	36,408
NUMBER OF SHARES OUTSTANDING AT 31.12	185,587,803	185,188,968

Authorised capital

At 31 December 2013, the authorised capital comprised the following:

Authorised Capital I:

At the Annual General Meeting held on 29 May 2013, the authorisation provided to the Executive Board, with the approval of the Supervisory Board, at the Annual General Meeting on 4 May 2010 to increase the capital subscribed of the company by up to EUR 20,000,000.00 until 3 May 2015 was revoked, and Authorised Capital I which was based on a resolution passed at the Annual General Meeting on 4 May 2010 in accordance with Article 3.6 of the articles of association was abolished.

Based on a resolution passed at the Annual General Meeting on 29 May 2013, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 47,000,000.00 until 28 May 2018 against cash or non-cash contributions by issuing, on one or more occasions, a total of up to 18,359,375 new bearer shares at a notional par value of EUR 2.56. The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of options and/or convertible bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares of the same type traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of capital subscribed which relates to those shares which are used to service options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or on the formation of business combinations. The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude subscription rights for an amount of up to EUR 3,500,000.00 to the extent necessary to issue shares to the employees of Linde AG and/or its affiliated companies while excluding the subscription rights of shareholders. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Authorised Capital II:

Based on a resolution passed at the Annual General Meeting on 4 May 2012, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 70,000,000 until 3 May 2017 against cash or non-cash contributions by issuing, on one or more occasions, a total of up to 27,343,750 new bearer shares at a notional par value of EUR 2.56.

After effecting the ordinary capital increase in the 2012 financial year out of Authorised Capital II, the Executive Board was also authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 37,119,265.28 until 3 May 2017 against cash or non-cash contributions by issuing, on one or more occasions, a total of up to 14,499,713 new bearer shares at a notional par value of EUR 2.56. The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of options and/or convertible bonds issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new shares to which they are entitled when they exercise their rights of conversion or option rights or settle the conversion obligation. Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of the capital subscribed which relates to those shares which are used to service the options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the share capital which relates to those shares which are issued on the basis of authorised capital, or sold after being repurchased as own shares, during the lifetime of this authorisation in accordance with § 186 (3), sentence 4, of the German Stock Corporation Law (AktG). The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or on the formation of business combinations. The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Conditionally authorised capital

The conditionally authorised capital at 31 December 2013 comprised the following:

2002 conditionally authorised capital:

Based on a resolution passed at the Annual General Meeting held on 29 May 2013, the 2002 conditionally authorised capital, which stood at EUR 2,221,189.12, divided into 867,652 new shares with a notional par value of EUR 2.56, was abolished. Article 3.9 of the articles of association was therefore deleted without substitution.

2007 conditionally authorised capital:

The issued share capital can be increased by up to EUR 5,057,963.52 by the issue of up to 1,975,767 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met. The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company and other executives in the company and in lower-level affiliated companies within Germany and outside Germany, including members of executive bodies, in accordance with the provisions set out in the authorisation agreed at the Annual General Meeting on 5 June 2007 (Long Term Incentive Plan 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 participate in profit from the beginning of the financial year in which they are issued. If the issue takes place after the completion of a financial year, but before the meeting of the Supervisory Board at which the resolution is passed regarding the appropriation of profit, the new shares are also entitled to participate in the profit of the last completed financial year.

In the 2013 financial year, options from the Long Term Incentive Plan were exercised. As a result, the 2007 conditionally authorised capital was reduced by EUR 1,084,252.16, from EUR 6,142,215.68 to EUR 5,057,963.52, divided into 1,975,767 shares. The issued share capital increased in the 2013 financial year as a result.

2010 conditionally authorised capital:

As a result of a resolution passed at the Annual General Meeting held on 29 May 2013, the authorisation provided to the Executive Board at the Annual General Meeting on 4 May 2010 to issue convertible and/or warrant-linked bonds was revoked. The corresponding 2010 conditionally authorised capital in accordance with Article 3.8 of the articles of association was abolished as a result of a resolution passed at the Annual General Meeting held on 29 May 2013.

2012 conditionally authorised capital:

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

2013 conditionally authorised capital:

The issued share capital can be increased by up to EUR 47,000,000.00 by the issue of up to 18,359,375 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2013 conditionally authorised capital). The increase in share capital will only take place if (i) the holders and obligors of the convertible bonds or warrant-linked bonds, both existing bonds and in addition convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 28 May 2018, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 29 May 2013, exercise their conversion or option rights or if (ii) the holders and obligors of convertible bonds to be issued by the company or by Group companies controlled by the company by 28 May 2018, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 29 May 2013, settle their conversion obligation, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

Authorisation to purchase own shares:

The Executive Board is authorised until 3 May 2017 by a resolution passed at the Annual General Meeting on 4 May 2012 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised.

These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers.

The own shares acquired under this authorisation may:

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

On 26 November 2013, the company purchased 24,701 shares at an average price of EUR 147.3941, on the basis of the resolution passed at the Annual General Meeting on 4 May 2012. The total price was EUR 3,640,781.66. Own shares (including 36,408 own shares acquired in the 2012 financial year) comprised EUR 156,439.04 (or 0.03 percent) of capital subscribed. The shares are being used to fulfil the rights to transfer shares of the company under the Matching Share Plan to all participants in the plan, including the members of the Executive Board.

Capital reserve

The capital reserve comprises the premiums arising on the issue of shares and the expenses relating to the issue of option rights to employees in accordance with IFRS 2 Share-based Payments.

Revenue reserves

Included under this heading are the past earnings of the companies included in the Group financial statements, to the extent that these have not been distributed.

In addition, the effects of the remeasurement of defined benefit plans have been recognised in revenue reserves. This makes it quite clear that these amounts will not be transferred to profit or loss in future periods. In addition, a deferred tax liability of EUR 21 m (2012: deferred tax asset of EUR 81 m) was recognised in the movement in revenue reserves as a result of actuarial gains and losses and the effect of the limit on a defined benefit asset (asset ceiling as set out in IAS 19.64).

Moreover, in the 2013 financial year, an amount of EUR 33 m arising from changes in the Group's stake in subsidiaries was offset against revenue reserves. This was the result of the Group increasing its shareholding in its Mexican subsidiary Compañía de Nitrógeno Cantarell (CNC) and selling shares in its subsidiary Linde India Limited.

Cumulative changes in equity not recognised through the statement of profit or loss

Disclosed under this heading are the differences arising on the translation of the financial statements of foreign subsidiaries and gains or losses on the remeasurement of securities and derivative financial instruments, accounted for in equity rather than being recognised in the statement of profit or loss.

Movements in cumulative changes in equity not recognised in profit or loss were as follows:

83 MOVEMENTS IN CUMULATIVE CHANGES IN EQUITY NOT RECOGNISED THROUGH THE STATEMENT OF PROFIT OR LOSS

	2013			2012 adjusted[1]		
in € million	*Before tax*	*Tax effect*	*Net*	*Before tax*	*Tax effect*	*Net*
Movement in currency translation differences	–1,325	–	–1,325	–201	–	–201
Movement in unrealised gains/losses on available-for-sale financial assets	23	–7	16	–5	1	–4
Movement in accumulated unrealised gains/losses	23	–7	16	–5	1	–4
Realised gains/losses	–	–	–	–	–	–
Movement in unrealised gains/losses on derivative financial instruments	296	–27	269	76	6	82
Movement in accumulated unrealised gains/losses	306	–30	276	95	1	96
Realised gains/losses	–10	3	–7	–19	5	–14

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Non-controlling interests

The interests of the non-controlling shareholders in equity relate mainly to the following Group companies:

84 NON-CONTROLLING INTERESTS

in € million	*31.12.2013*	*31.12.2012 adjusted*[1]
LINDE LIENHWA INDUSTRIAL GASES CO. LTD., Taiwan	232	232
African Oxygen Limited, South Africa	81	93
BOC-TISCO GASES CO., Ltd., China	78	74
Ma'anshan BOC-Ma Steel Gases Company Limited, China	41	42
Shanghai HuaLin Industrial Gases Co. Ltd., China	41	40
LINDE INDIA LIMITED, India	41	19
MIG Production Company Limited, Thailand	29	34
Linde Gas Algerie S.p.A., Algeria	29	25
Linde-Huayi (Chongqing) Gases Co., Ltd, China	28	17
Saudi Industrial Gas Company, Saudi Arabia	26	27
Various other companies	194	144
TOTAL	**820**	**747**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The voting rights of non-controlling shareholders correspond to their share of the equity in the companies concerned. Detailed information about individual subsidiaries which have non-controlling shareholders is not disclosed due to the individual figures not being material. Further information about the individual companies is given in the list of shareholdings on PAGES 210 TO 227.

Capital employed

To ensure the medium-term and long-term success of the Group, return on capital employed (ROCE) is used as the core performance indicator. Capital employed is defined for this purpose as the average of the figures at the balance sheet date for the current financial year and the prior financial year:

CAPITAL EMPLOYED

Equity
+
Financial debt
+
Liabilities from finance leases
+
Net pension obligations
–
Cash & cash equivalents and securities
–
Receivables from finance leases

The return figure used in the calculation of ROCE comprises EBIT before non-recurring items. Adjusted ROCE is calculated by additionally eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation. SEE VALUE-BASED MANAGEMENT OF THE LINDE GROUP, PAGE 41 TO 42. SEE NOTE [40] for information about the calculation of ROCE.

[23] Provisions for pensions and similar obligations

85 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in € million	31.12.2013	31.12.2012 adjusted[1]
Provisions for pensions	1,011	1,087
Provisions for similar obligations	16	26
TOTAL PROVISIONS	**1,027**	**1,113**
Pension assets	243	275

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Pension provisions are recognised in accordance with IAS 19 Employee Benefits for obligations relating to future benefits and current benefits payable to current and former employees of The Linde Group and their surviving dependants.

Different countries have different pension systems, due to the variety of legal, economic and fiscal conditions applicable in each country. These are generally based on the remuneration and length of service of the employees.

The provisions for similar obligations include bridging payments in Germany as well as other obligations.

Occupational pension schemes can be either defined contribution or defined benefit schemes. In the case of defined contribution plans [SEE GLOSSARY], the company incurs no other obligation than the payment of contributions to an external pension fund.

In the case of defined benefit plans, the company's obligation is to meet the defined benefit commitments to current and former employees. Two different methods can be distinguished: the recognition of provisions for pensions and the use of externally financed pension schemes. The Linde Group's main defined benefit plans are described below:

The defined benefit commitments in Germany relate to old age pensions, invalidity pensions and surviving dependants' pensions. These commitments are based principally on defined contribution pension rules, whereby vested rights for period of service prior to 1 January 2002 based on earlier final-salary pension scheme rules have to be taken into account. In addition, there are direct commitments in respect of the salary conversion scheme in the form of a cash balance plan [SEE GLOSSARY]. The resulting pension payments are calculated on the basis of an interest guarantee and the performance of the corresponding investment. There are no minimum funding requirements. The pension obligations in Germany are partly funded by a Contractual Trust Arrangement (CTA).

Defined benefit commitments in the UK agreed prior to 1 July 2003 are earnings-related and dependent on the period of service, and relate to old age pensions, invalidity pensions and surviving dependants' pensions.

With effect from 1 April 2011, the amount of future increases in inflation-linked pensions and of increases in pensionable emoluments was restricted.

Legal, regulatory and contractual minimum funding requirements are in place. Pension obligations in the UK are fully funded. Defined benefit pension plans were closed to new entrants from 1 July 2003.

Defined benefit commitments in the United States relate to old age pensions, invalidity pensions and surviving dependants' pensions. The commitments are based on pension regulations which are dependent on the period of service and salary of the employee. Most of the pension plans take the form of cash balance plans. The plan participants have the option to take a lump-sum payment or annual pension payments. Legal and regulatory minimum funding requirements are in place. Pension obligations in the United States are currently fully funded.

The amount of the pension obligation (actuarial present value of the defined benefit obligation, or DBO) is calculated using actuarial valuation methods, which require the use of estimates. In addition to assumptions about mortality and disability, the following assumptions which depend on the economic situation in that particular country are also relevant, so that for countries outside Germany weighted average figures based on the obligation are given:

86 ASSUMPTIONS USED TO CALCULATE THE PROVISIONS FOR PENSIONS

	Germany		UK		Other Europe		USA		Other countries	
in percent	2013	2012	2013	2012	2013	2012	2013	2012 adjusted[1]	2013	2012 adjusted[1]
Discount rate	3.70	3.50	4.65	4.60	3.35	2.04	4.00	2.80	5.37	4.80
Growth in future benefits	2.50	2.50	3.00	2.50	2.96	3.49	–	–	4.22	4.40
Growth in pensions	2.00	2.00	3.50	3.00	1.16	0.95	1.92	1.97	2.99	3.15

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The growth in future benefits comprises expected future increases in salaries, which are estimated annually, taking inflation and the economic situation into account.

The sensitivity analysis below demonstrates the extent to which the present value of the defined benefit obligation changes when, in each case, just one of the actuarial assumptions changes while all the other actuarial assumptions remain the same. The impact of any correlation between the various assumptions has not been taken into account.

87 SENSITIVITY ANALYSIS

in € million	*Change*	*Germany* 31.12.2013	*UK* 31.12.2013	*Other Europe* 31.12.2013	*USA* 31.12.2013	*Other countries* 31.12.2013	*Total* 31.12.2013
	+50 bp	−72	−260	−55	−22	−13	−422
Discount rate	−50 bp	82	285	63	24	15	469
	+50 bp	8	–	11	2	6	27
Growth in future benefits	−50 bp	−9	–	−10	−2	−5	−26
	+50 bp	56	228	51	–	6	341
Growth in pensions	−50 bp	−52	−212	−50	–	−5	−319

An increase of one year in life expectancy would result in an increase in the defined benefit obligation in Germany of 5.1 percent and in the UK of 3.0 percent. The sensitivity analysis of life expectancy is based on pension funds held at 31 December 2012. No sensitivity analysis of life expectancy was prepared for the pension plans in the United States, as the plan participants generally avail themselves of the option to be paid a lump sum.

In Germany, life expectancy is calculated on the basis of the 2005 G mortality tables produced by Professor Dr Klaus Heubeck. Pension plans in the UK use their own mortality tables and biometric assumptions. These are determined on the basis of actual experience in a pool of comparable pension plans. At the balance sheet date, the average life expectancy applicable to pension plans in the UK is 22.1 years for a male pensioner aged 65, 24.1 years for a female pensioner women aged 65, while the future average life expectancy for active members of the pension plans at the pensionable age of 65 is currently 23.3 years for men aged 45 and 25.2 years for women aged 45.

Reconciliation of the defined benefit obligation and of the plan assets:

88 RECONCILIATION OF THE DBO AND OF THE PLAN ASSETS

	Germany		UK	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
AT 1 JAN. 2012	**955**	**–376**	**2,978**	**–3,119**
Service cost	17	–	39	–
Current service cost	17	–	37	–
Past service cost	–	–	2	–
Effects from plan settlements	–	–	–	–
Interest expense (+)/interest income (–)[1]	43	–15	145	–159
Remeasurements	162	–25	35	32
Return on plan assets (excluding amounts included in interest expenses and income)[1]	–	–25	–	32
Actuarial gains (–)/losses (+)	162	–	35	–
Effects from changes in demographic assumptions	–	–	–	–
Effects from changes in financial assumptions	158	–	49	–
Effects from changes in experience assumptions	4	–	–14	–
Employers' contributions	–	–1	–	–72
Employees' contributions	10	–10	1	–1
Pension payments made	–49	1	–121	121
Settlement payments	–	–	–	–
Effects of changes in exchange rates	–	–	83	–86
Changes in Group structure/other changes[1]	–	1	–	–
AT 31 DEC. 2012 / 01 JAN. 2013 ADJUSTED[1]	**1,138**	**–425**	**3,160**	**–3,284**
Service cost	26	–	38	–
Current service cost	26	–	37	–
Past service cost	–	–	1	–
Effects from plan settlements	–	–	–	–
Interest expense (+)/interest income (–)[1]	39	–15	137	–143
Remeasurements	–24	27	135	–49
Return on plan assets (excluding amounts included in interest expenses and income)[1]	–	27	–	–49
Actuarial gains (–)/losses (+)	–24	–	135	–
Effects from changes in demographic assumptions	–	–	–	–
Effects from changes in financial assumptions	–30	–	168	–
Effects from changes in experience assumptions	6	–	–33	–
Employers' contributions	–	–2	–	–54
Employees' contributions	10	–10	1	–1
Pension payments made	–50	2	–116	116
Settlement payments	–	–	–	–
Effects of changes in exchange rates	–	–	–64	70
Changes in Group structure/other changes	–	–	–	3
AT 31 DEC. 2013	**1,139**	**–423**	**3,291**	**–3,342**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Other Europe		*USA*		*Other countries*		*Total*	
Defined benefit obligation	*Plan assets*	*Defined benefit obligation*	*Plan assets*	*Defined benefit obligation*	*Plan assets*	*Defined benefit obligation*	*Plan assets*
719	**−520**	**476**	**−523**	**273**	**−304**	**5,401**	**−4,842**
9	–	1	–	13	–	79	–
15	–	15	–	12	–	96	–
−6	–	–	–	–	–	−4	–
–	–	−14	–	1	–	−13	–
28	−20	21	−22	17	−20	254	−236
79	−57	66	−26	40	−11	382	−87
–	−57	–	−26	–	−11	–	−87
79	–	66	–	40	–	382	–
3	–	1	–	–	–	4	–
86	–	65	–	23	–	381	–
−10	–	–	–	17	–	−3	–
–	−18	–	–	–	−10	–	−101
6	−6	–	–	1	−1	18	−18
−32	25	−23	22	−27	24	−252	193
–	–	−19	19	–	–	−19	19
7	−3	−11	9	−3	6	76	−74
−2	2	–	–	8	10	6	13
814	**−597**	**511**	**−521**	**322**	**−306**	**5,945**	**−5,133**
21	–	16	–	11	–	112	–
22	–	16	–	14	–	115	–
−1	–	–	–	−3	–	−3	–
–	–	–	–	–	–	–	–
22	−16	14	−14	15	−13	227	−201
−49	11	−45	−22	−19	−20	−2	−53
–	11	–	−22	–	−20	–	−53
−49	–	−45	–	−19	–	−2	–
–	–	−1	–	4	–	3	–
−41	–	−34	–	−28	–	35	–
−8	–	−10	–	5	–	−40	–
–	−18	–	–	–	−10	–	−84
6	−6	–	–	1	−1	18	−18
−26	20	−27	24	−24	21	−243	183
−82	73	–	–	−5	5	−87	78
−13	8	−19	21	−45	50	−141	149
9	−1	–	–	3	4	12	6
702	**−526**	**450**	**−512**	**259**	**−270**	**5,841**	**−5,073**

In the United States, there was no plan settlement in the 2013 financial year. In 2012, there was a plan settlement in the US for certain parts of the defined benefit commitments which resulted in income from plan settlements of EUR 14 m.

In the Netherlands, a reorganisation of the pension obligations led to a plan settlement in 2013 which resulted in a reduction in pension obligations of EUR 82 m and a reduction in plan assets of EUR 73 m.

In South Africa, funding surpluses of EUR 5 m from defined benefit plans were used to fund defined contribution plans in 2013. The corresponding figure in 2012 was EUR 10 m.

The retrospective adjustment as a result of new IFRSs *NOTE [7]* resulted in an addition of EUR 7 m to the defined benefit obligation in the "Other Europe" category in 2013. In 2012, the retrospective adjustment as a result of new IFRSs *NOTE [7]* resulted in an addition of EUR 8 m to the defined benefit obligation in the "Other countries" category.

Actual income from plan assets in external pension funds in 2013 was EUR 254 m (2012: EUR 323 m). This was significantly higher than the interest income from plan assets of EUR 201 m (2012: EUR 236 m) calculated at the corresponding DBO interest rate.

Payments of employer's contributions to increase plan assets in external pension funds in the 2014 financial year are expected to amount to EUR 85 m. These include EUR 30 m (2013: EUR 30 m) which relates to special payments in the UK to close the ongoing shortfall in the UK pension plans in the medium term in accordance with local valuation rules. The relevant funding plan runs until March 2017, unless the shortfall is made up sooner, in which case it is terminated early. Payments of employer's contributions in the 2013 financial year totalled EUR 84 m.

The expense for newly acquired pension entitlements in the financial year and the net interest cost for each respective financial year are determined each year on the basis of the prior year's net obligation at the relevant valuation date.

The weighted average duration of the defined benefit obligations in The Linde Group at 31 December 2013 is 15.2 years (2012: 16.5 years).

During the reporting period, the following items relating to defined benefit obligations were recognised in the Group statement of profit or loss:

89 PENSION EXPENSE RELATING TO DEFINED BENEFIT PLANS

	Germany		UK	
in € million	2013	2012 adjusted[1]	2013	2012 adjusted[1]
Service cost	26	17	38	39
Current service cost	26	17	37	37
Past service cost	–	–	1	2
Gains (–)/losses (+) from plan settlements	–	–	–	–
Net interest expense (+)/income (–)	24	28	–6	–14
Interest expense from DBO	39	43	137	145
Interest income from plan asset	–15	–15	–143	–159
Other effects recognised in the statement of profit or loss	–	–	3	–
Total net pension cost	50	45	35	25

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

For the external financing of defined benefit obligations, The Linde Group uses standard international models for the transfer of pension assets (e.g. pension funds and contractual trust arrangements). Pension plans financed via external pension funds exist principally in Australia, Canada, Germany, Hong Kong, Ireland, the Netherlands, New Zealand, Norway, South Africa, Spain, Switzerland, the UK and the US.

In some countries, Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements. In certain countries, however, these increases in plan assets will not lead to the recognition of an asset because of the asset ceiling described in IAS 19.64 (IFRIC 14). Therefore, during the reporting period, there was no increase in the pension provision or decrease in pension assets not affecting income for plans with contribution obligations of this type.

Other Europe		USA		Other countries		Total	
2013	2012 adjusted[1]	2013	2012 adjusted[1]	2013	2012 adjusted[1]	2013	2012 adjusted[1]
21	9	16	1	11	13	112	79
22	15	16	15	14	12	115	96
–1	–6	–	–	–3	–	–3	–4
–	–	–	–14	–	1	–	–13
6	8	–	–1	2	–3	26	18
22	28	14	21	15	17	227	254
–16	–20	–14	–22	–13	–20	–201	–236
–	–	–	–	–	–	3	–
27	17	16	–	13	10	141	97

Funding status of the defined benefit obligation:

90 FUNDING STATUS OF THE DEFINED BENEFIT OBLIGATION

	Germany		UK	
in € million	2013	2012	2013	2012
Actuarial present value of pension obligations (defined benefit obligation)	1,139	1,138	3,291	3,160
of which unfunded pension obligations	420	424	–	–
of which funded pension obligations	719	714	3,291	3,160
Fair value of plan assets	–423	–425	–3,342	–3,284
NET OBLIGATION	**716**	**713**	**–51**	**–124**
AT 31 DECEMBER	**716**	**713**	**–51**	**–124**
of which pension provision (+)	716	713	4	5
of which pension asset (–)	–	–	–55	–129

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The Linde Group is exposed to various risks in relation to defined benefit pension schemes. In addition to general actuarial risks, the Group is exposed to currency risk and investment risk in respect of the plan assets. SEE OPPORTUNITY AND RISK REPORT, PAGE 88 TO 103.

Plan assets and the defined benefit obligation may fluctuate over time. To compensate for such fluctuations, potential fluctuations in the defined benefit obligation are taken into account in the course of the investment management of the plan assets. In ideal circumstances, plan assets and pension obligations are influenced in the same way by external factors, which provides natural protection against such factors (liability-driven investment). Moreover, the broadly-based portfolio structure of plan assets in The Linde Group results in diversification of capital market risk.

91 PORTFOLIO STRUCTURE OF PENSION ASSETS

	Germany		UK	
in € million	2013	2012	2013	2012
Shares	140	110	638	602
Fixed-interest securities	230	255	2,285	2,200
Property	29	25	121	127
Insurance	–	–	–	–
Other	24	35	298	354
TOTAL	**423**	**425**	**3,342**	**3,283**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Plan assets comprise mainly shares and fixed-interest securities. Prices quoted in an active market are not available in the case of property and insurance.

Financial instruments issued by companies in The Linde Group are not included in plan assets to a significant extent. Property which is used by Group companies is not included in plan assets.

Defined contribution plans

The total of all pension costs relating to defined contribution plans in 2013 was EUR 169 m (2012: EUR 162 m). Of this amount, contributions to state pension schemes in 2013 totalled EUR 84 m (2012: EUR 87 m).

Other Europe		USA		Other countries		Total	
2013	2012	*2013*	2012 adjusted[1]	*2013*	2012 adjusted[1]	*2013*	2012 adjusted[1]
702	814	450	511	259	322	5,841	5,945
129	138	67	90	35	28	651	680
573	676	383	421	224	294	5,190	5,265
–526	–597	–512	–521	–270	–306	–5,073	–5,133
176	**217**	**–62**	**–10**	**–11**	**16**	**768**	**812**
176	**217**	**–62**	**–10**	**–11**	**16**	**768**	**812**
176	217	68	92	47	60	1,011	1,087
–	–	–130	–102	–58	–44	–243	–275

Other Europe		USA		Other countries		Total			
2013	2012	*2013*	2012 adjusted[1]	*2013*	2012 adjusted[1]	*2013*	*in %*	2012	in %
153	121	178	175	114	139	1,223	24.1	1,147	22.3
281	271	275	288	102	106	3,173	62.5	3,120	60.8
38	37	–	–	13	18	201	4.0	207	4.0
45	121	–	–	14	14	59	1.2	135	2.7
9	46	59	58	27	31	417	8.2	524	10.2
526	**596**	**512**	**521**	**270**	**308**	**5,073**	**100.0**	**5,133**	**100.0**

[24] Other provisions

At the balance sheet date, other provisions had the following maturity structure:

92 OTHER PROVISIONS

in € million	Current 2013	Current 2012 adjusted[1]	Non-current 2013	Non-current 2012 adjusted[1]	Total 2013	Total 2012 adjusted[1]
PROVISIONS FOR TAXES	23	25	–	–	23	25
Obligations from delivery transactions	134	128	86	92	220	220
Warranty obligations and risks from transactions in course of completion	96	120	74	113	170	233
Obligations relating to personnel	450	487	66	58	516	545
Insurance obligations	–	–	7	10	7	10
Dismantling obligations	6	8	179	174	185	182
Other obligations	188	236	45	49	233	285
MISCELLANEOUS PROVISIONS	874	979	457	496	1,331	1,475
TOTAL	897	1,004	457	496	1,354	1,500

[1] Adjusted for retrospective changes. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Provisions for taxes include only other taxes.

The provisions for warranty obligations and risks from transactions in course of completion consist principally of provisions for anticipated losses on transactions, for litigation and for guarantees and warranty obligations. The provisions for warranty obligations relate mainly to the Engineering Division and are generally utilised within three years.

The provisions for obligations relating to personnel comprise mainly provisions for pre-retirement part-time work, outstanding holidays, anniversaries and wages and salaries not yet paid. The provision for obligations relating to pre-retirement part-time work is based on individual contractual agreements.

The insurance obligations in the 2013 financial year related solely to Priestley Dublin Reinsurance Company Limited.

The provisions for dismantling obligations are stated at the discounted settlement amount on the date the plant comes on stream. A corresponding item is recognised in tangible assets and is subject to depreciation. The provision is compounded over the duration of the underlying contracts. Due to the wide range of residual terms of the contracts, the residual term of the provision falls mainly in a range of between one and twenty years. Changes in estimates, where these involve a change in assumptions about future cost trends or changes in interest rates, are adjusted for in the carrying amount of the relevant plant without affecting profit or loss.

The unwinding of interest applied to miscellaneous long-term provisions amounted to EUR 6 m (2012: EUR 8 m).

93 MOVEMENTS IN OTHER PROVISIONS

in € million	At 01.01.2013 adjusted[1]	Changes in Group structure[2]	Utilisation	Release	Addition	Transfer	At 31.12.2013
PROVISIONS FOR TAXES	**25**	**–1**	**–**	**3**	**2**	**–**	**23**
Obligations from delivery transactions	220	–3	37	37	69	8	220
Warranty obligations and risks from transactions in course of completion	233	–10	68	46	61	–	170
Obligations relating to personnel	545	–23	219	47	260	–	516
Insurance obligations	10	–	–	3	–	–	7
Dismantling obligations	182	1	5	3	10	–	185
Other obligations	285	–4	47	78	85	–8	233
MISCELLANEOUS PROVISIONS	**1,475**	**–39**	**376**	**214**	**485**	**–**	**1,331**
TOTAL	**1,500**	**–40**	**376**	**217**	**487**	**–**	**1,354**

[1] Adjusted for retrospective changes. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.
[2] Including currency differences.

[25] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group, analysed as follows:

94 FINANCIAL DEBT

	Current		Non-current				Total	
	Due within one year		Due in one to five years		Due in more than five years			
in € million	2013	2012 adjusted[1]	2013	2012 adjusted[1]	2013	2012 adjusted[1]	2013	2012 adjusted[1]
Subordinated bonds	–	–	–	–	1,037	1,469	1,037	1,469
Other bonds	417	383	3,476	2,830	3,267	3,300	7,160	6,513
Commercial papers (CP)	81	358	–	–	–	–	81	358
Bank loans and overdrafts	643	605	208	1,260	248	79	1,099	1,944
Other financial liabilities	20	–	171	–	9	297	200	297
GROSS FINANCIAL DEBT	**1,161**	**1,346**	**3,855**	**4,090**	**4,561**	**5,145**	**9,577**	**10,581**
Less: Securities	170	824	–	–	–	–	170	824
Less: Cash and cash equivalents	1,178	1,284	–	–	–	–	1,178	1,284
NET FINANCIAL DEBT	**–187**	**–762**	**3,855**	**4,090**	**4,561**	**5,145**	**8,229**	**8,473**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Of the subordinated bonds and other bonds at 31 December 2013, EUR 606 m and EUR 2.386 bn respectively (2012: EUR 735 m and EUR 2.539 bn respectively) were in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships outstanding at the year-end which had been agreed, the subordinated bonds of EUR 1.037 bn would have been EUR 35 m lower and the other bonds of EUR 7.160 bn would have been EUR 56 m lower. In total, financial debt has increased by a total of EUR 91 m (2012: EUR 197 m) as a result of fair value hedging relationships.

Of the other bonds, EUR 529 m was in a cash flow hedging relationship at 31 December 2013 (2012: EUR 366 m).

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. The amount arising from these agreements which is disclosed in bank loans and overdrafts within financial debt is EUR 228 m (2012: EUR 121 m).

In the 2013 and 2012 financial years, there were no defaults or breaches of loans payable.

The bonds are analysed as follows:

95 FIXED-INTEREST BONDS

Issuer	Nominal volume in relevant currency (ISO code)	€ million[1]	Weighted average residual term (in years)[2]	Weighted average effective interest rate (in percent)[2,3]
Linde Finance B.V., Amsterdam/Linde AG, Munich	EUR 5,925 m	5,947	5.06	4.0
Linde Finance B.V., Amsterdam	GBP 750 m	944	5.13	6.9
Linde Finance B.V., Amsterdam/Linde AG, Munich	USD 900 m	644	2.77	2.5
Linde AG, Munich	NOK 2,000 m	239	3.75	2.8
Linde Finance B.V., Amsterdam	AUD 100 m	65	5.47	4.3
TOTAL		**7,839**		

[1] Includes adjustments relating to hedging transactions.
[2] Subordinated bonds issued by Linde are included only until the end of the period when Linde may first exercise its right to call in the bond.
[3] Effective interest rate in the relevant currency.

96 VARIABLE-INTEREST BONDS

Issuer	Nominal volume in relevant currency (ISO code)	€ million	Weighted average residual term (in years)	Weighted average coupon (in percent)[1]
Linde Finance B.V., Amsterdam	USD 290 m	211	4.00	0.90
Linde Finance B.V., Amsterdam	AUD 150 m	97	1.63	3.40
Linde Finance B.V., Amsterdam	EUR 50 m	50	4.39	0.80
TOTAL		**358**		

[1] Current coupon in the relevant currency.

Subordinated bonds

There is a right to call the EUR 700 m and GBP 250 m subordinated bonds issued in July 2006, which have a final maturity date of 14 July 2066. This right applies as from 14 July 2016. If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (three-month Euribor +4.125 percent for the euro bond and three-month Libor +4.125 percent for the bond in British pounds). The right to call the loan will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended on any due date for interest payment. Coupon payments not made will be made up if The Linde Group makes payments for securities pari passu or subordinated securities or Linde AG makes dividend payments.

The EUR 400 m subordinated bond issued in July 2003 with no final maturity date was redeemed early in July 2013 by exercising a call option.

Other bonds

In April 2013, Linde AG successfully placed two new bonds: a ten-year EUR 650 m bond with a coupon of 2.00 percent and a five-year USD 500 m bond with a coupon of 1.50 percent. Both bonds were issued under the EUR 10 bn Debt Issuance Programme and both were used to refinance that portion of the acquisition loan for the purchase of US homecare company Lincare which was still outstanding at that date.

In addition, Linde Finance B.V. placed a six-year USD 150 m variable-interest bond in May 2013 and a six-year AUD 100 m bond with a coupon of 4.25 percent in June 2013. Both bonds are guaranteed by Linde AG. The AUD bond was converted on its issue date into euro debt.

Moreover, a bond falling due in September 2013 with a nominal volume of EUR 216 m was redeemed on schedule.

Euro commercial papers

The Linde Group uses a Euro Commercial Paper Programme for short-term financing. Under the programme, the issuers are Linde AG and Linde Finance B.V. with a guarantee from Linde AG. The volume of the programme is EUR 2 bn. At 31 December 2013, there were no commercial papers outstanding under this programme.

Bank loans and overdrafts

In April 2013, Linde was able to repay in full the USD acquisition loan it raised for the acquisition of Lincare in July 2012 by means of long-term refinancing through bonds.

In July 2013, Linde also agreed a new EUR 2.5 bn syndicated credit facility which is available for a five-year period, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). The credit line replaces the EUR 2.5 bn facility agreed in 2010 which had not been drawn down. Thirty-three major German and international banks used by Linde are involved in the consortium offering the credit facility.

Financial covenants

No financial covenants are contained in the agreement relating to the EUR 2.5 bn syndicated credit facility.

The bank loans and overdrafts of African Oxygen Limited include various financial covenants relating to key financial figures in African Oxygen Limited. All the financial covenants relating to African Oxygen Limited were fulfilled in the 2013 and 2012 financial years.

[26] Liabilities from finance leases

Liabilities from finance leases are repaid over the lease term. They have the following residual lease terms at the balance sheet date:

97 LIABILITIES FROM FINANCE LEASES

in € million	31.12.2013	31.12.2012 adjusted[1]
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	**104**	**128**
due within one year	24	28
due in one to five years	30	38
due in more than five years	50	62
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**78**	**80**
due within one year	22	24
due in one to five years	32	28
due in more than five years	24	28
FINANCE CHARGE INCLUDED IN THE MINIMUM LEASE PAYMENTS	**26**	**48**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The carrying amounts of assets held under finance leases are disclosed principally under tangible assets NOTE [15]. These assets comprise distribution equipment, vehicles and other fixtures and fittings. Buildings are also included here. Some of the lease agreements contain extension clauses, purchase options or price adjustment clauses customary in the market.

[27] Trade payables, Other liabilities, Liabilities from income taxes

98 TRADE LIABILITIES AND OTHER LIABILITIES

in € million	Current 2013	Current 2012 adjusted[1]	Non-current 2013	Non-current 2012 adjusted[1]	Total 2013	Total 2012 adjusted[1]
Percentage of completion (PoC)	471	467	–	–	471	467
Other	2,629	2,339	2	6	2,631	2,345
TRADE PAYABLES	**3,100**	**2,806**	**2**	**6**	**3,102**	**2,812**
Advance payments received from customers	191	207	13	18	204	225
Other taxes	175	160	2	3	177	163
Social security	56	57	1	1	57	58
Derivatives with negative fair values	83	82	103	113	186	195
Sundry liabilities	528	520	281	362	809	882
OTHER LIABILITIES	**1,033**	**1,026**	**400**	**497**	**1,433**	**1,523**
INCOME TAX PAYABLES	**624**	**823**	**–**	**–**	**624**	**823**
TOTAL	**4,757**	**4,655**	**402**	**503**	**5,159**	**5,158**

[1] Adjusted for retrospective changes. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Percentage of completion trade payables of EUR 471 m (2012: EUR 467 m) relate to advance payments received on construction contracts, where these exceed the state of completion of the contract.

Income tax payables are disclosed as current in accordance with IAS 1.69 (d) as they are due with immediate effect and generally Linde has no option to defer them. Included in the income tax payables disclosed are amounts which may not fall due until more than twelve months after the balance sheet date.

Also included in income tax payables are payables relating to prior periods arising from external tax audits in various countries.

OTHER INFORMATION

[28] Share option schemes

Linde Performance Share Programme 2012

It was resolved at the Annual General Meeting of Linde AG held on 4 May 2012 to introduce a performance share programme for management (Long Term Incentive Plan 2012 – LTIP 2012), under which up to 4 million options can be issued over a total period of five years. For this purpose, the issued share capital can be increased by up to EUR 10,240,000 by the issue of up to 4 million bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital).

The aim of LTIP 2012 is to encourage continuing loyalty to The Linde Group of management personnel in Linde AG and its affiliated companies within and outside Germany by creating a variable remuneration component in the form of shares which will act as a long-term incentive and which entails an element of risk.

The options may be issued in annual tranches during the authorised period. Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56 per share. Linde AG may decide, at its own discretion, at any time until the beginning of the exercise period that the option entitlements of the option holders may be met by providing own shares or making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. The Linde Performance Share Programme 2012 is designed as share-based payment with compensation provided in the form of equity instruments. Each individual tranche may be issued within a period of 16 weeks after the Annual General Meeting of Linde AG. The options may not be exercised until a qualifying period has expired. The qualifying period begins on the issue date which has been determined and ends on the fourth anniversary of the issue date. If options are to be exercised, this must take place during a period of twelve months from the end of the relevant qualifying period (the exercise period).

Performance targets

Options may only be exercised if and to the extent that performance targets are reached. The performance targets for each individual tranche of options are based on movements in (i) earnings per share and (ii) relative total shareholder return. Within each individual tranche of options, equal weighting is given to the "earnings per share" performance target and the "relative total shareholder return" performance target. Within each of these performance targets, a minimum target must be reached if the options are to become exercisable, and there is also a stretch target. If the stretch target for one of these performance targets is reached, all the options relating to that performance target become exercisable.

"Earnings per share" performance target

The minimum target for the "earnings per share" performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the expiry of the qualifying period achieves a compound average growth rate (CAGR) of 6 percent when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options. The stretch target for the "earnings per share" performance target is reached if the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the expiry of the qualifying period achieves a CAGR of at least 11 percent when compared with the diluted earnings per share of the company adjusted for non-recurring items for the financial year ending before the issue of the options. The calculation of the "earnings per share" performance target is derived from the diluted earnings per share of the company adjusted for non-recurring items disclosed in the audited Group financial statements of The Linde Group for the appropriate financial year. If no adjustment for non-recurring items has been made in that financial year, the relevant figure is the diluted earnings per share disclosed in the Group financial statements. Non-recurring items are items which, due to their nature, frequency and/or scope, might have an adverse impact on the extent to which the diluted earnings per share figure provides an informative picture of the ability of The Linde Group to sustain its profitability in the capital market. Adjusting diluted earnings per share for non-recurring items is designed to increase transparency in respect of the Group's ability to sustain profitability. If the minimum target is reached, 12.5 percent of all the options in the relevant tranche may be exercised. If the stretch target is reached, 50 percent of all the options in the relevant tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

Details of the calculation of earnings per share are given in NOTE [13]. The "earnings per share" performance target is regarded as a non-market performance condition as defined by IFRS 2.

"Relative total shareholder return" performance target

The minimum target for the "relative total shareholder return" performance target is reached if the total shareholder return of the Linde AG share exceeds the median of the values for total shareholder return in the control group (described below) in the period between the issue date and the beginning of the exercise period. If the control group contains an even number of values, the average of the two values lying in the middle is deemed to be the median. The stretch target for the "relative total shareholder return" performance target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the values for total shareholder return in the control group in the period between the issue date and the beginning of the exercise period. The total shareholder return of the Linde AG share comprises (i) the absolute increase or decrease in the price of a Linde AG share when compared to its initial value and (ii) the dividend per share paid plus the value of any statutory subscription rights attributable to one Linde AG share (as a result of capital increases). In each case, the calculation relates to the period between (and inclusive of) the issue date and the third last stock exchange trading day in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange before the exercise period. The absolute increase or decrease in price of the Linde AG share corresponds to the difference between the average of the closing prices (or of equivalent successor prices) of Linde shares in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange over the period between (and inclusive of) the 62nd stock exchange trading day to the third last stock exchange trading day before the exercise period (the final value) and the initial value. The initial value of the share for the determination of the total shareholder return is the average of the closing prices (or of equivalent successor prices) of Linde shares on the last 60 stock exchange trading days in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange before the issue date of the subscription rights. For the purposes of the LTIP 2012, the value of one statutory subscription right is the volume-weighted average of the closing prices in that period in which the subscription rights are traded in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange. The control group comprises companies in the DAX 30 at that time, with the exception of Linde itself. Companies which are either excluded from or included in the DAX 30 during the period on which the calculation of the total shareholder return is based are ignored for the purposes of the calculation. When determining the total shareholder return for shares in the control group, Linde may have recourse to data supplied by a recognised independent provider of financial data. If a company in the control group trades different classes of share or shares with differing profit entitlements on the stock exchange, only the shares which form the basis for the determination of the DAX 30 value are taken into consideration. If the minimum target is reached, 12.5 percent of all the options in that tranche may be exercised. If the stretch target is reached, 50 percent of all the options in that tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

The "relative total shareholder return" target is regarded as a market-based performance condition as defined by IFRS 2 and is included in the measurement of the option price.

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

Movements during the financial year in share options outstanding are disclosed in the table below:

99 OPTIONS – LONG TERM INCENTIVE PLAN 2012

	LTIP – Number of options
AT 1 JAN. 2012	–
granted	410,154
exercised	–
forfeited	3,954
expired	–
AT 31 DEC. 2012/1 JAN. 2013	**406,200**
of which exercisable at 31 Dec. 2012	–
granted	343,200
exercised	–
forfeited	15,435
expired	–
AT 31 DEC. 2013	**733,965**
of which exercisable at 31 Dec. 2013	–

The average remaining period in the LTIP 2012 is 36 months (2012: 43 months). The exercise price for all the tranches in the LTIP 2012 is EUR 2.56.

The calculation of the expense is based on the fair value of the options issued, using a Monte Carlo simulation for the fair value calculation. The following measurement parameters were used:

100 MONTE CARLO SIMULATION MODEL – LTIP 2012

	1st tranche 2012	*2nd tranche 2013*
Date of valuation	*02.07.2012*	*03.06.2013*
Expected share volatility *(in %)*	22.54	21.08
Risk-free interest rate *(in %)*	0.44	0.36
Expected dividend yield *(in %)*	2.50	2.50
Initial value of Linde share *(in €)*	120.60	147.85
Exercise price *(in €)*	2.56	2.56
Number of participants	1,001	1,020

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of the share options into account.

101 OPTIONS PER EXERCISE HURDLE – LONG TERM INCENTIVE PLAN 2012

	Option price	*Weighting*	*Fair value*	*Probability*	*Calculated value at 31.12.*
1st tranche 2012	*in €*	*in percent*	*in €*	*in percent*	*in €*
Earnings per share	106.74	50	53.37	40	21.35
Relative total shareholder return	52.31	50	26.16		26.16
TOTAL		**100**	**79.53**		**47.51**
2nd tranche 2013					
Earnings per share	131.42	50	65.71	40	26.28
Relative total shareholder return	67.75	50	33.88		33.88
TOTAL		**100**	**99.59**		**60.16**

The volatility figure underlying the valuation is based on the historical volatility of Linde shares. The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options. The probability that the "earnings per share" performance target would be reached is taken into account when calculating options that will be exercisable in future and this probability remains the same in 2013 as it was in 2012.

Personal investment, matching shares

A pre-condition of participation in the LTIP 2012 for plan participants in Band 5 or above in Linde's internal management structure is compulsory personal investment in shares of the company at the beginning of each tranche of the scheme. In the case of members of the Executive Board, the number of shares that each individual Board member must purchase as a personal investment is determined by the Supervisory Board. For other Linde executives in Band 5 or above, it is the Executive Board which determines the number of shares that must be purchased by each individual. For each share acquired by a scheme participant as a personal investment and held by the participant in respect of each tranche throughout the qualifying period for the options, one matching share in Linde AG will be granted at the end of the qualifying period at no cost to the participant. However, Linde is permitted to pay an amount in cash to those entitled to options instead of granting them matching shares. Conditions which apply to the granting of matching shares include: a personal investment in Linde AG shares by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period of the corresponding tranche and, except in the event of the termination of the service or employment contract of the scheme participant before the end of the qualifying period (special cases) when different rules shall apply, the existence of a service or employment contract with the scheme participant at the end of the qualifying period in respect of which no notice has been given. Plan participants in Band 4 of Linde's internal management structure may make a voluntary personal investment in Linde AG shares and will be granted matching shares accordingly, subject to the aforementioned conditions.

The fair value of the entitlement to one matching share in the first tranche (2012) is EUR 109.26. The fair value of the entitlement to one matching share in the second tranche (2013) is EUR 133.95.

102 MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

	LTIP – Number of matching shares
AT 1 JAN. 2012	–
granted	36,408
expired	–
forfeited	26
allocated	–
AT 31 DEC. 2012/1 JAN. 2013	**36,382**
granted	29,929
expired	–
forfeited	26
allocated	–
AT 31 DEC. 2013	**66,285**

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group is shown in the table below. The same amount was recognised in the capital reserve.

103 PERSONNEL EXPENSES – LONG TERM INCENTIVE PLAN 2012

in € million	*2013*	*2012*
TOTAL	9	**3**

Linde Performance Share Programme 2007

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

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

Participants are granted options on an annual basis to subscribe to Linde shares, each with a maximum term of three years, two months and two weeks. The Supervisory Board determines the allocation of options to the members of the Executive Board of Linde AG. Otherwise, the Executive Board determines the participants in the scheme and the number of options to be issued. Options relating to this scheme were granted for the last time in 2011.

Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the current lowest issue price of EUR 2.56 per share. Linde AG may decide, at its own discretion, at any time until the beginning of the exercise period, that the option entitlements of the option holders may be met by providing own shares or making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. These arrangements allow for flexibility in the exercise of options. The Linde Performance Share Programme 2007 is designed as share-based payment with compensation provided in the form of equity instruments.

It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met in each case will be made by the appropriate executive bodies of the company. The company plans to meet option entitlements in future by issuing new shares, as in 2013.

Certain conditions apply to the exercise of options. First of all, the option conditions provide for a qualifying period (vesting period) of three years from their date of issue. At the end of the vesting period, the options may be exercised within a period of four weeks, on condition that the member of the plan has a service or employment contract at that time with Linde AG or with a Group company in respect of which no notice has been given. In special cases where a member of the scheme leaves Linde prematurely, an exception to the above rules may be made. Under certain conditions, the exercise period may be shortened and the vesting period lengthened, although the term of the individual tranches may not exceed the maximum term of three years, two months and two weeks. Options in a tranche may only be exercised at the end of the vesting period if and to the extent that the three performance targets laid down have been met. A performance target may be met irrespective of whether the other performance targets have been met. Included in the definition of the three performance targets are minimum targets and stretch targets, the fulfilment of which results in a different number of exercisable options in the tranche.

"Adjusted earnings per share" performance target

A 40 percent weighting applies to the "adjusted earnings per share" performance target. The minimum target is reached if the adjusted diluted earnings per share achieves a compound annual growth rate (CAGR) of 7 percent during the vesting period. The stretch target is reached if a CAGR of 12 percent is achieved. If the minimum target is reached, 10 percent of the options in a tranche may be exercised and, if the stretch target is reached, 40 percent of the options in a tranche. If the CAGR is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. Details of the calculation of "adjusted earnings per share" are given in NOTE [40]. The "adjusted earnings per share" performance target is regarded as a non-market performance condition as defined by IFRS 2.

"Absolute total shareholder return" performance target

A 30 percent weighting applies to the "absolute total shareholder return" performance target. The minimum target is reached if the total shareholder return during the vesting period is 20 percent of the initial value. The stretch target is reached if the total shareholder return is 40 percent. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. The first component of total shareholder return over the three-year period is the change in the share price of Linde AG over the vesting period, which is determined by comparing the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system of the Frankfurt Stock Exchange before the issue date of the options in the relevant tranche and the average closing price of Linde shares on the last 20 stock exchange trading days in the Xetra trading system before and including the third last stock exchange trading day before the exercise period. The other components of total shareholder return are dividends paid and the value of any statutory subscription rights relating to the shares (e.g. as a result of increases in share capital). The "absolute total shareholder return" performance target is regarded as a market-based performance condition as defined in IFRS 2 and is included in the measurement of the option price.

"Relative total shareholder return" performance target

A 30 percent weighting applies to the "relative total shareholder return" performance target. The minimum target is reached if the total shareholder return of the Linde AG share exceeds the median of the control group (DAX 30) during the vesting period. The stretch target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the control group (DAX 30) during the vesting period. If the minimum target is reached, 7.5 percent of the options in a tranche may be exercised and, if the stretch target is reached, 30 percent of the options in a tranche. If the total shareholder return is between these two target figures, the number of options that may be exercised is determined on a straight-line basis between these two percentage rates. When total shareholder return is calculated, the same comments apply as for the "absolute total shareholder return" performance target. The "relative total shareholder return" performance target is regarded as a market-based performance condition as defined by IFRS 2 and is included in the measurement of the option price.

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

Movements in the options issued under the Long Term Incentive Plan 2007 were as follows:

104 OPTIONS – LONG TERM INCENTIVE PLAN 2007

	LTIP – Number of options
AT 1 JAN. 2012	**1,568,770**
granted	–
exercised	629,403
forfeited	72,776
expired	–
AT 31 DEC. 2012/1 JAN. 2013	**866,591**
of which exercisable at 31 Dec. 2012	–
granted	–
exercised	423,536
forfeited	58,045
expired	–
AT 31 DEC. 2013	**385,010**
of which exercisable at 31 Dec. 2013	–

In 2013, 423,536 options in the 2010 tranche were exercised, which increased capital subscribed by EUR 1 m (2012: EUR 1 m).

The average remaining period in the LTIP 2007 is six months (2012: eleven months). The exercise price for all the tranches in the LTIP 2007 is EUR 2.56. The average share price when the options in the 2010 tranche were exercised was EUR 143.36.

The calculation of the expense is based on the fair value of the options issued, using a Monte Carlo simulation for the fair value calculation. The following measurement parameters were used:

105 MONTE CARLO SIMULATION MODEL – LTIP 2007

	1st tranche 2007	*2nd tranche 2008*	*3rd tranche 2009*	*4th tranche 2010*	*5th tranche 2011*
Date of valuation	*02.08.2007*	*05.06.2008*	*20.05.2009*	*01.06.2010*	*01.06.2011*
Expected share volatility *(in %)*	20.26	22.58	34.60	35.27	34.06
Risk-free interest rate *(in %)*	4.31	4.28	1.88	0.85	1.89
Expected dividend yield *(in %)*	1.90	1.90	3.10	2.50	2.50
Initial value of Linde share *(in €)*	88.45	96.10	59.75	84.54	116.45
Exercise price *(in €)*	2.56	2.56	2.56	2.56	2.56
Number of participants	840	871	862	868	915

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining periods of these share options into account.

106 OPTIONS PER EXERCISE HURDLE – LONG TERM INCENTIVE PLAN 2007

	Option price	Weighting	Fair value	Probability	Calculated value at 31.12.
	in €	in percent	in €	in percent	in €
1st tranche 2007					
Adjusted earnings per share	81.30	40	32.52	–	–
Absolute total shareholder return	36.34	30	10.90		10.90
Relative total shareholder return	43.69	30	13.11		13.11
TOTAL		**100**	**56.53**		**24.01**
2nd tranche 2008					
Adjusted earnings per share	88.52	40	35.41	94	33.43
Absolute total shareholder return	41.27	30	12.38		12.38
Relative total shareholder return	46.85	30	14.06		14.06
TOTAL		**100**	**61.85**		**59.87**
3rd tranche 2009					
Adjusted earnings per share	52.10	40	20.84	100	20.84
Absolute total shareholder return	26.38	30	7.91		7.91
Relative total shareholder return	30.93	30	9.28		9.28
TOTAL		**100**	**38.03**		**38.03**
4th tranche 2010					
Adjusted earnings per share	79.64	40	31.86	100	31.86
Absolute total shareholder return	38.85	30	11.66		11.66
Relative total shareholder return	46.78	30	14.03		14.03
TOTAL		**100**	**57.55**		**57.55**
5th tranche 2011					
Adjusted earnings per share	105.72	40	42.29	–	–
Absolute total shareholder return	52.57	30	15.77		15.77
Relative total shareholder return	61.17	30	18.35		18.35
TOTAL		**100**	**76.41**		**34.12**

The probability that the "adjusted earnings per share" performance target would be reached is taken into account when calculating options that will be exercisable in future. In 2013, the probability that the "adjusted earnings per share" performance target would be reached in respect of the fifth tranche of the LTIP 2007 (allocated in the 2011 financial year) was adjusted from 40 percent to 0 percent. As a result, there was a positive impact on earnings in the 2013 financial year of EUR 4 m, which was recognised in functional costs. Otherwise, there were no changes from the previous year in the value of options per exercise hurdle.

The volatility figure underlying the valuation is based on the historical volatility of Linde shares. The expected volatility is calculated on the basis of the historical values in the three years preceding the issue date of the options.

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group is shown in the table below. The same amount was recognised in the capital reserve.

107 PERSONNEL EXPENSES – LINDE MANAGEMENT INCENTIVE PROGRAMME 2007

in € million	2013	2012
TOTAL	4	**19**

Linde Management Incentive Programme 2002

It was resolved at the Annual General Meeting of Linde AG held on 14 May 2002 to introduce a share option scheme for management (Linde Management Incentive Programme 2002 – MIP 2002), under which up to 6 million subscription rights could be issued. The Linde Management Incentive Programme 2002 expired in the 2006 financial year. Options relating to this scheme were exercised for the last time in December 2012.

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

The options confer the right to subscribe to shares in Linde AG at the exercise price. The exercise price for acquiring new shares in Linde AG is 120 percent of the base price. The base price is the average closing price of Linde shares in the Xetra trading system on the Frankfurt Stock Exchange over the least five days before the issue date of the options. The establishment of the exercise price also fulfils the legal requirement for a performance target linked to the rise in the share price of the company. It only makes economic sense to exercise the option if the share price exceeds the exercise price. Setting a performance target of a 20 percent increase in share price links the motivation of the participants in the share option scheme closely with the interests of the shareholders, who are seeking to achieve a medium-term increase in the value of the company.

The option conditions provide for a qualifying period for the share options of two years from their date of issue. At the end of this period, the options can be exercised during the entire option term: i.e. during the five years from the end of the qualifying period, excluding any blocked periods. These are the periods from three weeks before to two days after the public reporting dates of the company, and the last two weeks before the end of the financial year until two days after the announcement of the annual results, and 14 weeks before until the third banking day after the Annual General Meeting. In order to meet the option entitlements of the option holders, Linde AG may elect to provide own shares which it has repurchased in the market, or to issue new shares out of the share capital conditionally authorised for this purpose or, instead of providing new shares, to make a payment in cash per option which represents the difference between the exercise price and the Xetra closing price of Linde shares on the exercise date. These arrangements allow for flexibility in the exercise of the subscription rights. It may make economic sense to use own shares where these are available, rather than increasing share capital or making a payment in cash. The decision as to how the option entitlements will be met will be made in each case by the appropriate executive bodies of the company, which will be guided solely by the interests of the shareholders and the company. For share options issued to members of the Executive Board, it is envisaged that, with effect from the 2004 tranche, the Supervisory Board will be able to decide to restrict the exercise of options if there are exceptional unforeseen movements in the Linde share price. This was not the case in the 2012 and 2011 financial years.

Participation in the Linde Management Incentive Programme 2002 requires no personal investment from the executives entitled to options. Instead, it is an additional component of their remuneration package.

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

Movements in the options issued under the Linde Management Incentive Programme 2002 were as follows:

108 OPTIONS – LINDE MANAGEMENT INCENTIVE PROGRAMME 2002

	Number of options	Average exercise price in €
AT 1 JAN. 2012	**756,535**	**79.45**
granted	–	–
exercised	690,535	79.68
forfeited	–	–
expired	66,000	77.03
AT 31 DEC. 2012/1 JAN. 2013	**–**	**79.45**
of which exercisable at 31 Dec. 2012	–	–
AT 31 DEC. 2013	**–**	**–**

Options from this programme were exercised for the last time in the 2012 financial year. 690,535 options were exercised in 2012, which led in that year to an increase in capital subscribed of EUR 2 m and an increase in the capital reserve of EUR 53 m.

The calculation of the expense is based on the fair value of the subscription rights issued, using the Black-Scholes option pricing model. In 2012, the average share price when the options were exercised was EUR 124.19. In the same year, the range of exercise prices of options exercisable at the balance sheet date was between EUR 64.88 and EUR 81.76.

The volatility figure underlying the valuation is based on historical implicit volatility, taking the remaining terms of the share options into account.

As in 2012, the Linde Management Incentive Programme 2002 had no effect on earnings in 2013.

[29] Financial instruments

The following table shows the fair values of financial instruments by category and includes a comparison of the fair values of the financial instruments with their carrying amounts.

109 FINANCIAL ASSETS AT 31 DECEMBER 2013

	Financial instruments	
	Fair value	Carrying amount
in € million		*Cash and cash equivalents*
Investments and securities at fair value	228	–
Investments and securities at amortised cost	20	–
Receivables from finance leases	381	–
Trade receivables	2,371	–
Receivables from percentage of completion contracts	421	–
Derivatives with positive fair values	455	–
Miscellaneous receivables and assets	762	–
Cash and cash equivalents	1,178	1,178
TOTAL	**5,816**	**1,178**

110 FINANCIAL LIABILITIES AT 31 DECEMBER 2013

in € million
Financial debt
Liabilities from finance leases
Trade payables
Derivatives with negative fair values
Sundry liabilities
TOTAL

	Financial instruments						Balance sheet figures	
	Carrying amount							
	Loans and receivables	*Held-to-maturity financial assets*	*Freestanding derivatives*	*Derivatives designated as hedging instruments*	*Available-for-sale financial assets*	*Total*	*Financial instruments outside scope of IAS 39*	*Total*
	–	–	–	–	228	228	–	228
	7	13	–	–	–	20	–	20
	–	–	–	–	–	–	327	327
	2,371	–	–	–	–	2,371	–	2,371
	421	–	–	–	–	421	–	421
	–	–	74	381	–	455	–	455
	346	–	–	–	–	346	416	762
	–	–	–	–	–	1,178	–	1,178
	3,145	**13**	**74**	**381**	**228**	**5,019**	**743**	**5,762**

		Financial instruments					Balance sheet figures	
		Fair value	Carrying amount					
			Financial liabilities at amortised cost	*Freestanding derivatives*	*Derivatives designated as hedging instruments*	*Total*	*Financial instruments outside scope of IAS 39*	*Total*
		9,935	9,577	–	–	9,577	–	9,577
		78	–	–	–	–	78	78
		2,631	2,631	–	–	2,631	–	2,631
		186	–	59	127	186	–	186
		809	639	–	–	639	170	809
		13,639	**12,847**	**59**	**127**	**13,033**	**248**	**13,281**

111 FINANCIAL ASSETS AT 31 DECEMBER 2012 ADJUSTED[1]

	Financial instruments	
	Fair value	Carrying amount
in € million		Cash and cash equivalents
Investments and securities at fair value	864	–
Investments and securities at amortised cost	33	–
Receivables from finance leases	554	–
Trade receivables	2,431	–
Receivables from percentage of completion contracts	222	–
Derivatives with positive fair values	301	–
Miscellaneous receivables and assets	780	–
Cash and cash equivalents	1,284	1,284
TOTAL	**6,469**	**1,284**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

112 FINANCIAL LIABILITIES AT 31 DECEMBER 2012 ADJUSTED[1]

in € million
Financial debt
Liabilities from finance leases
Trade payables
Derivatives with negative fair values
Sundry liabilities
TOTAL

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

	Financial instruments						Balance sheet figures	
	Carrying amount							
	Loans and receivables	Held-to-maturity financial assets	Freestanding derivatives	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total	Financial instruments outside scope of IAS 39	Total
	–	–	–	–	864	864	–	864
	20	13	–	–	–	33	–	33
	–	–	–	–	–	–	440	440
	2,431	–	–	–	–	2,431	–	2,431
	222	–	–	–	–	222	–	222
	–	–	31	270	–	301	–	301
	324	–	–	–	–	324	456	780
	–	–	–	–	–	1,284	–	1,284
	2,997	**13**	**31**	**270**	**864**	**5,459**	**896**	**6,355**

		Financial instruments					Balance sheet figures	
		Fair value	Carrying amount					
			Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
		11,203	10,581	–	–	10,581	–	10,581
		80	–	–	–	–	80	80
		2,345	2,345	–	–	2,345	–	2,345
		195	–	62	133	195	–	195
		882	745	–	–	745	137	882
		14,705	**13,671**	**62**	**133**	**13,866**	**217**	**14,083**

The fair value of financial instruments is generally determined using stock exchange prices. If stock exchange prices are not available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments is determined as follows. Options are valued by external partners using the Black-Scholes option pricing model. Futures [SEE GLOSSARY] are measured with recourse to the stock exchange price in the relevant market. All other derivative financial instruments are measured by discounting expected future cash flows using the net present value method. As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources.

These calculations are based on the following interest curves:

113 INTEREST CURVES

in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
2013								
Interest for six months	0.33	0.29	0.56	0.15	2.74	0.96	7.25	0.09
Interest for one year	0.40	0.31	0.64	0.21	2.62	1.01	6.97	0.54
Interest for five years	1.26	1.74	2.13	0.40	3.72	2.17	7.21	1.50
Interest for ten years	2.15	3.02	2.99	0.93	4.54	2.86	7.39	2.39
2012								
Interest for six months	0.26	0.45	0.61	0.22	3.31	1.67	7.60	0.33
Interest for one year	0.32	0.34	0.55	0.24	2.78	1.19	7.39	0.51
Interest for five years	0.77	0.83	1.02	0.31	3.18	1.52	7.45	0.93
Interest for ten years	1.57	1.75	1.86	0.84	3.74	2.04	7.63	1.67

The following table shows the financial instruments in The Linde Group which are measured at fair value. Linde uses the following hierarchy to determine and disclose fair values, based on the method used to ascertain the fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

114 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31 DECEMBER 2013

in € million	Level 1	Level 2	Level 3
Investments and securities	163	62	–
Freestanding derivatives with positive fair values	–	74	–
Derivatives designated as hedging instruments with positive fair values	–	381	–
Freestanding derivatives with negative fair values	–	59	–
Derivatives designated as hedging instruments with negative fair values	–	127	–

115 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31 DECEMBER 2012 ADJUSTED[1]

in € million	Level 1	Level 2	Level 3
Investments and securities	815	–	–
Freestanding derivatives with positive fair values	–	31	–
Derivatives designated as hedging instruments with positive fair values	–	270	–
Freestanding derivatives with negative fair values	–	62	–
Derivatives designated as hedging instruments with negative fair values	–	133	–

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In 2013, there were no transfers of the fair value calculations between Levels 1, 2 and 3. At 31 December 2013, investments of EUR 62 m were disclosed in Level 2 for which a fair value could not be relably determined in 2012. Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 3 m (2012: EUR 49 m) for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

For loans and receivables which are measured at amortised cost, there are generally no liquid markets. The exception to this is bonds issued by Linde AG and Linde Finance B.V., which are placed and traded in the capital market. The fair value of these instruments is determined using the current stock exchange price (Level 1). For current loans, receivables and liabilities recognised at amortised cost, it is assumed that the fair value corresponds to the carrying amount. For all other loans and receivables, the fair value is determined by discounting expected future cash flows. The interest rates applied to the loans are the same as those that would apply to new loans secured with the same risk structure, original currency and maturity. Fair value is determined using the discounted cash flow method, taking into account individual credit ratings and other market circumstances in the form of credit and liquidity spreads generally applied in the market (Level 2).

In the 2013 financial year, there were no differences between the fair value of a financial instrument when it was first recognised and the amount which would have been recognised at that time had the valuation method described above been used.

In the 2013 financial year, net financial gains and losses arose as follows:

116 NET FINANCIAL GAINS AND LOSSES

in € million	2013	2012 adjusted[1]
From freestanding derivatives	–85	–74
From held-to-maturity financial assets	–	–
From loans and receivables	–83	–98
From available-for-sale financial assets	20	–4
of which: transfers to profit or loss	–	–
of which: transfers to cumulative changes in equity	20	–4
From financial liabilities at amortised cost	81	106
TOTAL	**–67**	**–70**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

The net financial gains and losses on financial instruments arise from changes in fair value, the recognition and reversal of impairment losses, eliminations and exchange rate differences. In 2013, the net financial gains and losses from financial liabilities at amortised cost included income of EUR 27 m from the redemption of a loan in the course of the buy-out of minority shareholders in a subsidiary.

The net financial gains and losses correspond to the valuation gains and losses of the financial instruments, but exclude interest and dividends.

Freestanding derivatives comprise all those derivatives which are not designated as hedging instruments. They include those derivatives in economic hedging relationships not designated as hedges in respect of which gains and losses arising from the underlying transaction and the hedged item are recognised at the same time in the statement of profit or loss even without applying hedge accounting.

The financial result includes fees and other costs of capital of EUR 22 m (2012: EUR 26 m) relating to financial instruments not at fair value through profit or loss.

No interest income has been accrued which relates to impaired financial instruments, especially receivables.

Impairment loss on financial assets:

117 IMPAIRMENT LOSS ON FINANCIAL ASSETS AT 31 DECEMBER 2013

in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2013 financial year
Investments and securities at fair value	233	5	228	1
Investments and securities at amortised cost	21	1	20	–
Receivables from finance leases	332	5	327	5
Trade receivables	2,676	305	2,371	64
Receivables from percentage of completion contracts	421	–	421	–
Derivatives with positive fair values	455	–	455	–
Miscellaneous receivables and assets	772	10	762	7
Cash and cash equivalents	1,178	–	1,178	–

118 IMPAIRMENT LOSS ON FINANCIAL ASSETS AT 31 DECEMBER 2012 ADJUSTED[1]

in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2012 financial year
Investments and securities at fair value	868	4	864	–
Investments and securities at amortised cost	34	1	33	–
Receivables from finance leases	440	–	440	–
Trade receivables	2,734	303	2,431	63
Receivables from percentage of completion contracts	222	–	222	–
Derivatives with positive fair values	301	–	301	–
Miscellaneous receivables and assets	787	7	780	3
Cash and cash equivalents	1,284	–	1,284	–

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Impairment losses on trade receivables can be analysed as follows:

119 IMPAIRMENT LOSS ON TRADE RECEIVABLES

in € million	Cumulative impairment loss
AT 1 JAN. 2012	**204**
Currency adjustments	–4
Additions due to acquisitions	74
Increase in cumulative impairment losses recorded in the statement of profit and loss	63
Write-offs charged against cumulative impairment losses	–34
AT 31 DEC. 2012/1 JAN. 2013	**303**
Currency adjustments	–20
Additions due to acquisitions	5
Increase in cumulative impairment losses recorded in the statement of profit and loss	64
Write-offs charged against cumulative impairment losses	–47
AT 31 DEC. 2013	**305**

The carrying amounts of the financial assets recognised take into account the highest possible risk of default. A summary of financial assets past due but not impaired is presented in NOTE [18].

The interest income and interest expense from financial instruments not measured at fair value through profit or loss were as follows:

120 INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

in € million	2013	2012 adjusted[1]
Interest income	42	57
Interest expense	365	374
TOTAL	**–323**	**–317**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Not included here are the interest income and expense from derivatives or the interest income and expense from assets and liabilities outside the scope of IFRS 7.

Risk positions and risk management

The Linde Group is exposed to a variety of financial risks. These include in particular: counterparty risk, liquidity risk, interest rate risk, exchange rate risk and other market price risks. These are described below. For further information about risk management in The Linde Group, see the disclosures in the combined management report. SEE OPPORTUNITY AND RISK REPORT, PAGES 88 TO 103.

Counterparty risk

Counterparty risk is the risk that a counterparty does not meet his or her contractual payment obligations and that this leads to a loss for The Linde Group.

The Linde Group deals in principle with counterparties who have a good credit rating. Regular reviews are performed of the creditworthiness of counterparties and clearly defined limits have been set. Experience during the economic crisis has shown that credit standings can change very quickly. It is therefore possible that, despite the Group's monitoring process, counterparties might delay payments or fail to make them at all. The Linde Group does not believe that it has any significant exposure to default risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to the Group's broad and uncorrelated customer base. With the exception of Medicare, the federal health insurance programme within the US health system, the single largest debtor constitutes less than 2 percent of the total figure for trade receivables in The Linde Group. Medicare constitutes just under 8 percent of the Group's trade receivables.

The risk positions outstanding are subject to strict limits and are continually monitored. The carrying amounts of financial assets reported in the balance sheet, taking into account impairment losses, represent the highest possible default risk, without including the value of any collateral.

A significant criterion for the management of counterparty risk relating to financing and capital market transactions is the credit ratings of counterparties. Linde limits the extent and duration of any commercial transactions to be concluded accordingly. Regular reviews are performed by a supervisory unit which is independent of the trading department to ensure compliance with all the limits set. The Linde Group has concluded bilateral Credit Support Annexes (CSAs) with the majority of the banks with which financial instruments are traded. On the basis of such agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. for the purpose of interest rate and currency management are collateralised with cash on a regular basis. In this way, the default risk arising from these instruments is minimised. These transactions are subject to the rules of the framework agreement for financial derivative transactions, whereby the rights and obligations associated with the exchange of collateral do not qualify for netting in the balance sheet. A willingness to enter into CSAs with Linde AG and Linde Finance B.V. is an essential prerequisite to being accepted as a counterparty by Linde. In this connection, The Linde Group received EUR 228 m (2012: EUR 121 m) as collateral for derivatives with positive fair values. The Linde Group also has financial assets with a carrying amount of EUR 3 m (2012: EUR 2 m) which are pledged as collateral for liabilities or contingent liabilities. In the 2013 and 2012 financial years, no additional significant collateral was held by The Linde Group apart from the CSAs described above.

121 FINANCIAL ASSETS/LIABILITIES SUBJECT TO OFFSETTING OR ENFORCEABLE MASTER AGREEMENTS FOR FINANCIAL DERIVATIVE TRANSACTIONS

in € million	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities set off in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet	Financial instruments that qualify for netting	Net amount before collateral	Cash collateral received[1]	Cash collateral pledged[1]	Net amount
31.12.2013								
Derivatives with positive fair values	456	–	456	–151	305	–197	–	108
Derivatives with negative fair values	–186	–	–186	151	–35	–31	–	–66
Trade receivables	5	2	3	–	3	–	–	3
Trade payables	3	2	1	–	1	–	–	1
TOTAL	**278**	**4**	**274**	**–**	**274**	**–228**	**–**	**46**
31.12.2012								
Derivatives with positive fair values	301	–	301	–130	171	–109	5	67
Derivatives with negative fair values	–195	–	–195	130	–65	–12	19	–58
Trade receivables	1	–	1	–	1	–	–	1
Trade payables	1	–	1	–	1	–	–	1
TOTAL	**108**	**–**	**108**	**–**	**108**	**–121**	**24**	**11**

[1] The terms governing CSAs may result in the net fair value position per counterparty being over-secured.

Liquidity risk

Liquidity risk is the risk that the Group will no longer be able to meet its financial payment obligations. Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below:

122 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES – 2013

in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	4,867	4,943	4,910
Cash outflows from derivatives with negative fair values	122	455	87
of which settled gross	120	439	–
related cash inflows as a result of gross settlement	111	416	–

123 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES – 2012 ADJUSTED[1]

in € million	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Cash outflows from non-derivative financial liabilities	4,706	5,621	5,419
Cash outflows from derivatives with negative fair values	146	703	163
of which settled gross	134	649	37
related cash inflows as a result of gross settlement	108	565	33

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In the case of derivative financial instruments, only those with negative fair values are included in the cash outflows presented above in accordance with IFRS 7.39 (b). In the case of derivatives settled gross, both the cash outflow and the cash inflow on the settlement of the derivative are included in the analysis to avoid distortions in the presentation.

Interest rate risks

Interest rate risks arise from market fluctuations in interest rates. As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2013, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 8.085 bn (2012: EUR 8.348 bn). Of these, EUR 3.257 bn (2012: EUR 3.069 bn) related to instruments bearing interest at variable interest rates and EUR 4.828 bn (2012: EUR 5.279 bn) to instruments bearing interest at fixed rates. This is equivalent to a Group-wide fixed-rate ratio of 60 percent (2012: 63 percent).

The Linde Group sees British Pounds, Euro, Australian Dollars and US Dollars as the currencies which have a significant impact on its financing activities. At the balance sheet date, The Linde Group had total holdings of interest-bearing instruments in British Pounds of EUR 202 m (2012: GBP 316 m) [fixed-rate ratio: 100 percent (2012: 73 percent)], in Euro of 5.007 bn (2012: EUR 4.629 bn) [fixed-rate ratio: 47 percent (2012: 54 percent)], in Australian Dollars of AUD 712 m (2012: AUD 670 m) [fixed-rate ratio: 70 percent (2012: 82 percent)] and in US Dollars of USD 2.466 bn (2012: USD 2.894 bn) [fixed-rate ratio: 72 percent (2012: 71 percent)]. In addition, Linde has used forward payer swaps to provide an element of hedging against exposure to rising interest rates with regard to future bond issues.

Based on instruments bearing interest at variable rates and financial instruments hedging interest rate risks which The Linde Group holds or has issued, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects (if exchange rates remained constant):

124 EFFECT OF CHANGES IN INTEREST RATES – 2013

in € million	*Change*	*Income statement*	*Recognised in equity*
Currency			
EUR	+ 100 bp	–27	29
	– 100 bp[1]	7	– 47
GBP	+ 100 bp	–	– 6
	– 100 bp[1]	–	6
USD	+ 100 bp	– 5	67
	– 100 bp[1]	1	– 68
AUD	+ 100 bp	–1	5
	– 100 bp[1]	1	– 5
Other currencies	+ 100 bp	1	1
	– 100 bp[1]	–1	–1

[1] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero. No negative interest rates were allowed.

125 EFFECT OF CHANGES IN INTEREST RATES – 2012 ADJUSTED[1]

in € million	*Change*	*Income statement*	*Recognised in equity*
Currency			
EUR	+ 100 bp	–26	18
	– 100 bp[2]	6	–35
GBP	+ 100 bp	–1	– 8
	– 100 bp[2]	1	7
USD	+ 100 bp	– 6	57
	– 100 bp[2]	1	– 55
AUD	+ 100 bp	–1	14
	– 100 bp[2]	1	–14
Other currencies	+ 100 bp	–	– 8
	– 100 bp[2]	– 5	8

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.
[2] If the interest level at the balance sheet date was below 1 percent, interest rates were reduced at most to zero. No negative interest rates were allowed.

Exchange rate risks

Due to its activities as an international group, The Linde Group is exposed to exchange rate risks. Its broad spread of activities over many different currency areas and its local business model result in a low concentration of risk for the Group.

The Linde Group monitors and manages its exchange rate risk, a risk which has an impact on its operations. The gross exchange rate risk comprises all the operating activities of the Group. This gross exchange rate risk is reduced by around 88 percent (2012: 94 percent) as a result of hedging operations. Therefore, The Linde Group is exposed at the balance sheet date to a net exchange rate risk of 12 percent from the total of all operating activities involving foreign currency (2012: 6 percent).

The risk of exchange rate movements is monitored for internal management purposes on the basis of a value-at-risk, which relates to positions in currencies other than the relevant functional currency.

The value-at-risk is calculated on the basis of historical data (250 working days) in accordance with international banking standards. The value-at-risk presents the maximum potential loss based on a probability of 97.5 percent for a holding period of twelve months. The calculation takes into account correlations between the transactions being considered; the risk of a portfolio is generally lower than the total of the respective individual risks.

At 31 December 2013, the value-at-risk was EUR 12 m (2012: EUR 10 m).

Other market price risks

As a result of its energy purchases, The Linde Group is exposed to risks arising from changes in commodity prices. The Group monitors and manages these commodity price risks arising from the purchase of electricity and natural gas for use in production. These hedging operations are governed by strict risk management guidelines, compliance with which is constantly being monitored. Commodity price risks are hedged in the main by long-term supply contracts or limited by the form and structure of sales contracts. Derivatives are also used to a much lesser extent to hedge against the exposure to changes in the price of electricity, natural gas and propane gas. The commodity price risk from financial instruments is therefore not material.

Hedge accounting

Cash flow hedges

The Linde Group hedges cash flows at both Group and company levels, based on agreed minimum hedging rates. At the company level, future transactions which are highly probable are hedged against foreign exchange rate risks. A rolling 15-month budget or the budgets for individual customer-specific projects are used for this purpose.

In general, these hedges are accounted for as cash flow hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity and released to the statement of profit or loss when the hedged cash flows are also recognised in the statement of profit or loss or if a hedged future transaction is no longer expected to occur. In addition, the risks associated with changes in interest rates relating to certain financial liabilities or future financing measures are hedged by derivative financial instruments and accounted for as cash flow hedges.

The Linde Group also hedges the exposure to commodity price risks which arise in the normal course of business from its procurement transactions and results in open risk positions. To reduce the extent of the risk, The Linde Group enters into a small number of electricity, natural gas and propane gas derivatives. Usually, hedging relationships of this type are also designated as cash flow hedging relationships, if this accords with the facts.

If the hedged future transactions (forecast transactions as defined by IAS 39) result in the recognition of a non-financial asset or liability, the initial carrying amounts of these are adjusted for the amount recorded in equity. This is usually the case for inventories and non-current assets.

The following table presents a reconciliation of the reserve for cash flow hedges:

126 RESERVE FOR CASH FLOW HEDGES

in € million	2013	2012 adjusted[1]
AT 1 JANUARY	−99	−67
Additions	95	−13
Transfers to the statement of profit or loss	−10	−19
of which relating to revenue	3	–
of which relating to cost of sales	−14	−14
of which relating to financial income	1	−5
AT 31 DECEMBER	−14	−99

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In the 2013 financial year, income of EUR 1 m was recognised in the financial result which related to forecast transactions which did not take place. The amount was in respect of interest rate hedges on proposed borrowings.

No amounts were recognised in 2013 or 2012 as a result of ineffectiveness in cash flow hedges.

Cash flows and the gains and losses from those hedging instruments are expected to be as follows:

127 CASH FLOWS, GAINS AND LOSSES FROM CASH FLOW HEDGES – 2013

in € million	Within one year	In one to five years	In more than five years	Total
Cash flows from hedged transactions	206	−62	370	514
Cash flows from hedging instruments	−41	−139	−41	−221
Gain/loss	−17	−3	6	−14

128 CASH FLOWS, GAINS AND LOSSES FROM CASH FLOW HEDGES – 2012 ADJUSTED[1]

in € million	Within one year	In one to five years	In more than five years	Total
Cash flows from hedged transactions	−143	23	80	−39
Cash flows from hedging instruments	7	−42	−28	−73
Gain/loss	−29	−42	−28	−99

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Fair value hedges

The Linde Group uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes. If the hedge is determined to be effective, the carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

The following table shows the changes in underlying transactions and hedging instruments in fair value hedging relationships recognised in profit or loss.

129 FAIR VALUE HEDGES

in € million	2013	2012 adjusted[1]
From hedged transactions	89	−77
From hedging instruments	−85	76
INEFFECTIVENESS	4	−1

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Hedges of a net investment in a foreign operation

The Linde Group hedges its exposure to translation risk by taking out loans in foreign currency and by entering into forward exchange contracts. These hedges generally qualify as hedges of a net investment in a foreign operation (referred to below as net investment hedges) in accordance with IAS 39 Financial Instruments: Recognition and Measurement and hence the effective portion of the hedge is transferred to equity. If the foreign operation is subsequently sold or relinquished, the amount recognised in equity is released to the statement of profit or loss.

No amounts were recognised in the 2013 or 2012 financial years as a result of ineffectiveness in net investment hedges.

Fair value of financial instruments designated as hedges:

130 FAIR VALUE OF FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

in € million	2013	2012 adjusted[1]
Cash flow hedges		
Forward exchange transactions	10	–
Interest rate/cross-currency interest rate swaps	93	–63
Commodities	–20	–25
Financial liabilities	105	94
Fair value hedges	–	–
Interest rate swaps	80	166
Net investment hedges	–	–
Forward exchange transactions	51	59
Cross-currency interest rate swaps	40	–
Financial liabilities in foreign currencies	1,232	1,815
TOTAL	**1,591**	**2,046**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

[30] Group statement of cash flows

The statement of cash flows shows the source and application of funds. In accordance with IAS 7 Cash Flow Statements, cash flows from operating activities are distinguished from cash flows from investing and financing activities.

The cash and cash equivalents disclosed in the statement of cash flows comprise all cash and cash equivalents disclosed in the balance sheet: i.e. cash in hand, bank balances and money market funds with a maturity of three months or less. Cash and cash equivalents of EUR 23 m (2012: EUR 10 m) are subject to drawing restrictions as a result of currency export restrictions. The cash flows from investing and financing activities are calculated on the basis of payments, while the cash flow from operating activities is derived indirectly from earnings before taxes on income.

When the cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation and changes in Group structure. As a result, it is not possible to reconcile the figures to the differences between the headings in the published Group statement of financial position.

Distributions received and income taxes paid included in cash inflow from operating activities are disclosed separately. Cash inflows from associates and joint ventures are disclosed in cash inflow from operating activities. Finance income from embedded finance leases (IFRIC 4/IAS 17) has been included in cash inflow from operating activities, due to the fact that such income is clearly related to the operating business of The Linde Group, while capitalised borrowing costs of EUR 50 m (2012: EUR 51 m) are disclosed in cash flow from investing activities. All other interest payments are disclosed in cash flow from financing activities.

For cash outflows relating to newly consolidated companies, see the Group statement of cash flows on PAGE 116 TO 117 of the Group financial statements. In the Group statement of financial position, an amount of EUR 5 m (2012: EUR 26 m) has been recognised as liabilities which are not included in the cash outflows for consolidated companies.

The total increase in cash and cash equivalents as a result of acquisitions was EUR 18 m (2012: EUR 179 m). The decrease as a result of disposals was EUR 1 m.

Investing activities comprise additions to and disposals of tangible assets, financial assets, intangible assets and consolidated companies. Additions and disposals in foreign currency have been translated at average rates.

[31] Segment information

IFRS 8 Operating Segments requires operating segments to be defined primarily on the basis of internal management within the organisation. The scope of the financial information prepared for segment reporting corresponds to the information made available on a regular basis to the full Executive Board.

The organisational structure in the gases business is derived from management at regional level. The operating segments within the Gases Division therefore comprise the following eight Regional Business Units (RBUs): North America, South America, Continental & Northern Europe, Africa & UK, Middle East & Eastern Europe, South & East Asia, Greater China and South Pacific. These operating segments are aggregated to form the following three reportable segments:

- EMEA (Europe, Middle East and Africa)
- Asia/Pacific
- Americas

The operating segments have comparable economic features and there are no significant differences between the operating segments in terms of products and services, the production process, customer diversification, sales processes or the regulatory environment. Due to the homogeneity between the segments based on the criteria listed above, Linde combines the operating segments according to the responsibilities of individual members of the Executive Board, in order to reflect the internal organisational structure in the external reporting of the Group.

The Engineering Division and Other Activities are managed separately on a global basis. In accordance with IFRS 8, The Linde Group therefore reports in five reportable segments. The "Reconciliation" column comprises corporate activities and consolidation adjustments. *SEE TABLE 38 ON PAGES 120 TO 121.*

A brief description of the reportable segments is given below:

Gases Division (EMEA, Asia/Pacific and Americas):

The Gases Division comprises the production, sale and distribution of gases for applications in industry, medicine, environmental protection and in research and development. In addition, this division offers technical application know-how, specialised services and the necessary hardware to use the gases. The business model in the three reportable segments within the Gases Division (EMEA, Asia/Pacific and Americas) is largely identical in each segment.

Engineering Division:

The Engineering Division compriese the design and realisation of turnkey olefin plants and plants for the production of hydrogen and synthesis gases and the processing of natural gas, as well as the design and realisation of air separation plants and pharmaceutical plants. This division also develops and manufactures plant components and offers specialised services.

Other Activities:

Other Activities comprises Gist, a leading supplier of logistics and supply chain solutions with business operations mainly in the UK.

Segment accounting policies

For the reportable segments, the same accounting policies apply as those set out in *NOTE [7]*. Exceptions apply to Group financing, which is allocated to Corporate. Pension obligations are allocated to the segment in which the relevant employees work. The provision for existing pension obligations arising from the BOC pension plan in respect of the legal entities in the UK is allocated to the EMEA segment. The service cost was charged to the EMEA and Corporate segments. Transactions between the reportable segments described above are conducted under the same conditions as for non-related third parties.

To arrive at the figure for the Gases Division as a whole from the figures for the three reportable segments within the Gases Division, consolidation adjustments of EUR 117 m (2012: EUR 101 m) have been applied to revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the figures for the reportable segments in the Gases Division.

Segment profit is calculated on the basis of operating profit.

Capital expenditure per segment represents the amounts invested during the financial year from the point of view of the subsidiary. Included in the "Reconciliation" column are not only the consolidation adjustments required from the Group's point of view, but also adjustments as a result of variances in Group acquisition and manufacturing cost as a result of supplies made by the Engineering Division to the Gases Division.

The reconciliation of segment revenue to Group revenue and segment operating profit to Group earnings before taxes on income are shown below:

131 RECONCILIATIONS OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	2013	2012 adjusted[1]
Revenue		
Total revenue from the reportable segments	17,413	16,371
Consolidation	–758	–538
GROUP REVENUE	**16,655**	**15,833**
Operating profit		
Operating profit from the reportable segments	4,219	3,943
Operating profit from corporate activities	–225	–207
Amortisation and depreciation	1,795	1,631
of which fair value adjustments identified in the course of the BOC purchase price allocation	225	260
of which impairments	70	46
Financial income	98	144
Financial expenses	475	465
Consolidation	–28	–50
PROFIT BEFORE TAX	**1,794**	**1,734**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

[32] Employees

The average number of employees (including part-time employees pro-rata) can be analysed as follows:

132 EMPLOYEES BY REPORTABLE SEGMENT

	2013	2012 adjusted[1]
Gases Division	51,463	45,906
EMEA	21,597	21,459
Asia/Pacific	11,976	11,801
Americas	17,890	12,646
Engineering Division	6,790	6,454
Other Activities	4,823	4,739
GROUP	**63,076**	**57,099**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In 2013, the average number of employees in the companies included on a line-by-line basis was 169 (2012: 173).

[33] Recommendation for the approval of the annual financial statements and appropriation of profit of Linde AG

The unappropriated profit of Linde AG at 31 December 2013 was EUR 556,763,409.00 (2012: EUR 500,010,213.60).

The annual financial statements of Linde AG prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Law (AktG) are published and filed in the German Federal Gazette (Bundesanzeiger).

133 BALANCE SHEET OF LINDE AG – ASSETS

in € million	31.12.2013	31.12.2012
Intangible assets	110	92
Tangible assets	370	358
Financial assets	17,528	17,439
NON-CURRENT ASSETS	18,008	17,889
Inventories	1,655	1,468
less advance payments received from customers	–1,655	–1,468
Receivables and other assets	1,486	1,411
Securities	149	801
Liquid assets	491	587
CURRENT ASSETS	2,126	2,799
Prepaid expenses and deferred charges	20	17
TOTAL ASSETS	20,154	20,705

134 BALANCE SHEET OF LINDE AG – EQUITY AND LIABILITIES

in € million	31.12.2013	31.12.2012
Capital subscribed	475	474
Conditionally authorised capital of € 62 million (2012: € 104 million)		
Capital reserve	6,562	6,561
Revenue reserves	2,075	2,073
Unappropriated profit	557	500
EQUITY	9,669	9,608
Provisions for pensions and similar obligations	512	471
Other provisions	840	898
PROVISIONS	1,352	1,369
LIABILITIES	9,133	9,728
TOTAL EQUITY AND LIABILITIES	20,154	20,705

135 INCOME STATEMENT OF LINDE AG

in € million	2013	2012
REVENUE	2,193	3,153
Cost of sales	1,442	2,264
GROSS PROFIT	751	889
Marketing and selling expenses	294	298
Research and development costs	126	140
General administration expenses	348	352
Other operating income	395	404
Other operating expenses	248	237
Investment income	600	467
Other interest and similar income	270	279
of which from affiliated companies € 229 million (2012: € 250 million)		
Amortisation of financial assets and securities held as current assets	13	23
Interest and similar charges	421	403
of which to affiliated companies € 232 million (2012: € 292 million)		
PROFIT ON ORDINARY ACTIVITIES	566	586
Extraordinary income	–	15
Income tax expense	4	40
PROFIT FOR THE YEAR	562	561
Transfer to revenue reserves	–5	–61
UNAPPROPRIATED PROFIT	557	500

The Executive Board recommends that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 14 March 2014, the Supervisory Board proposes that the appropriation of profit of EUR 556,763,409.00 (2012: EUR 500,010,213.60) be voted on at the Annual General Meeting on 20 May 2014:

- payment of a dividend of EUR 3.00 (2012: EUR 2.70) per no-par value share entitled to dividend. The total dividend payout for 185,587,803 (2012: 185,188,968) no-par value shares entitled to a dividend amounts to EUR 556,763,409.00 (2012: EUR 500,010,213.60).

The 61,109 treasury shares held by the Company without any dividend entitlement at the time of the proposal are not included in the calculation of the amount to be distributed.

[34] Related party transactions

In addition to the subsidiaries included in the Group financial statements, Linde AG is related, directly or indirectly, while carrying out its normal business activities to non-consolidated subsidiaries, joint ventures and associates. The business relationships with these are generally conducted under the same conditions as for non-related third parties. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings, arranged by division.

The full list of Group shareholdings NOTE [41] has been filed in the electronic German Federal Gazette. The information about the remuneration of the Executive Board and the Supervisory Board is set out in NOTE [35].

The volume of transactions of The Linde Group with these related parties is set out below.

Services provided by the Group to related parties:

136 REVENUE WITH RELATED PARTIES

	2013				2012 adjusted[1]			
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Sales of goods	1	5	–	6	–	6	–	6
Revenue based on PoC	–	4	–	4	5	–	–	5
Other revenue	–	1	–	1	–	3	–	3

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Services provided by related parties to the Group:

137 PURCHASED GOODS AND SERVICES FROM RELATED PARTIES

	2013				2012 adjusted[1]			
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Goods purchased from related parties	4	16	–	20	9	21	–	30
Services purchased from related parties	4	101	–	105	11	95	–	106

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

Related parties include the members of the Executive Board and Supervisory Board. During the reporting period, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board which are outside the bounds of existing employment, service or appointment agreements or remuneration contracts.

Some members of Linde's Executive Board and Supervisory Board hold similar positions in other companies. Linde has normal business relationships with virtually all these companies. The sale and purchase of goods and services to and from these companies take place under the usual market conditions.

At the balance sheet date, receivables from and liabilities to related parties were as follows:

138 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	31.12.2013				31.12.2012 adjusted[1]			
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Receivables from related parties	4	38	–	42	6	43	–	49
Liabilities to related parties	1	37	–	38	1	14	–	15

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

In addition, there were charge-free guarantee agreements at the balance sheet date relating to associates and joint ventures of EUR 8 m (2012: EUR 16 m). These are disclosed as contingent liabilities in NOTE [38]. At the balance sheet date, there were also open purchase orders relating to joint ventures of EUR 25 m (2012: EUR 29 m).

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

Disclosed below are the total emoluments of the Executive Board and the Supervisory Board as required by § 315a (1) of the German Commercial Code (HGB) in conjunction with § 314 (1) No. 6 of the German Commercial Code (HGB). The information required by IAS 24.17 regarding the total emoluments of the Executive Board is also reported in this Note.

Supervisory Board

The emoluments of members of the Supervisory Board is based on the relevant provisions set out in the articles of association, which were amended by a resolution passed at the Annual General Meeting held on 29 May 2013 with effect from 30 May 2013. The emoluments of the Supervisory Board for the 2013 financial year therefore comprise two elements: an element based on those articles of association which applied during the period until 29 May and an element based on those articles of association which applied from 30 May onwards.

139 EMOLUMENTS OF THE SUPERVISORY BOARD (INCL. VAT)

in €	2013	2012
Fixed emoluments	2,129,509	1,017,711
Variable emoluments	720,241	1,632,386
Attendance fees	68,425	55,930
TOTAL EMOLUMENTS	**2,918,175**	**2,706,027**

At 31 December 2013, there were no advances or loans to members of the Supervisory Board. This was also the case at 31 December 2012.

Executive Board

The total emoluments of the Executive Board in accordance with the provisions of the German Commercial Code and German Accounting Standard DRS 17 were as follows:

140 EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in €	2013	2012
Fixed emoluments/Benefits in kind/Other benefits	3,926,278	3,858,540
Variable cash emoluments short-term	5,649,615	5,597,873
Variable cash emoluments long-term	3,766,410	3,731,916
TOTAL CASH EMOLUMENTS (VALUE ON THE GRANT DATE)	**13,342,303**	**13,188,329**
Long Term Incentive Plan	3,500,320	3,499,876
TOTAL EMOLUMENTS	**16,842,623**	**16,688,205**
Service cost for pension obligation	1,676,183	1,330,199
TOTAL EMOLUMENTS (HGB)	**18,518,806**	**18,018,404**

141 SHARES GRANTED FROM SHARE-BASED PAYMENTS

	2013		2012	
	units	Value per unit when granted in €	units	Value per unit when granted in €
Options (LTIP 2012)	46,543	60.16	58,934	47.51
Matching shares (LTIP 2012)	5,228	133.95	6,406	109.26
Virtual shares	25,870	145.59	28,354	131.62

In 2013 and 2012, there were no advances or loans to members of the Executive Board.

Total remuneration paid to former members of the Executive Board and their surviving dependants amounted to EUR 2,830,896 (2012: EUR 2,907,672). A provision of EUR 37,150,987 (2012: 39,260,114) has been made in The Linde Group for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants. In Linde AG, the corresponding provision was EUR 32,921,398 (2012: EUR 33,390,728).

The emoluments of the Executive Board in accordance with IAS 24.17, based on the cost incurred in the financial year, were as follows:

142 EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH IFRS

in €	2013	2012
Short-term cash emoluments	9,575,893	9,456,413
Long-term cash emoluments	3,766,410	3,731,916
TOTAL CASH EMOLUMENTS	**13,342,303**	**13,188,329**
Change in value of virtual shares	472,661	–
Cost Long Term Incentive Plan	2,064,218	3,255,080
Service cost for pension obligation	2,092,301	1,498,236
TOTAL EMOLUMENTS (IFRS)	**17,971,483**	**17,941,645**

The remuneration report presents the basic features and structure of the remuneration of the Executive Board and Supervisory Board. It is presented on PAGES 21 TO 32 of the 2013 Financial Report as part of the combined management report.

[36] Declaration of Compliance with the German Corporate Governance Code and Declaration on Corporate Governance in accordance with § 289 a of the German Commercial Code (HGB)

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Law (AktG) on the recommendations of the German Corporate Governance Code and made it accessible to the shareholders on a permanent basis. The Declaration of Compliance has been published on Internet at WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE.

The Declaration on Corporate Governance can be found on the Internet at WWW.LINDE.COM/CORPORATEGOVERNANCE.

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

[37] Other Board memberships

[Disclosures regarding other Board memberships are as at 31 December 2013]

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,
Former Chairman of the Supervisory Board of Bayer AG

¬ EXTERNAL OFFICES:
RWE AG (Chairman)

HANS-DIETER KATTE
Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Pullach Works Council of
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 (Deputy Chairman)
Siemens AG

¬ GROUP OFFICES:
Allianz Asset Management AG (Chairman)
Allianz Deutschland AG

¬ GROUP OFFICES:
Allianz France S.A.
(Vice-President of the Administrative Board)
Allianz S.p.A.

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

¬ EXTERNAL OFFICES:
METRO AG
Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft, Munich

¬ EXTERNAL OFFICES:
GDF SUEZ SA, Paris, France
(Member of the Administrative Board)

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

¬ EXTERNAL OFFICES:
Bayer AG
Daimler AG

¬ EXTERNAL OFFICES:
Emerson Electric Company
(Member of the Board of Directors)

ANKE COUTURIER
Head of Global Pensions, Linde AG

FRANZ FEHRENBACH
(appointed on 29 May 2013)
Chairman of the Supervisory Board of Robert Bosch GmbH,
Managing Partner of Robert Bosch Industrietreuhand KG

¬ EXTERNAL OFFICES:
BASF SE
Robert Bosch GmbH (Chairman)
STIHL AG (Deputy Chairman)

¬ EXTERNAL OFFICES:
Robert Bosch Corporation
(Member of the Board of Directors)
STIHL Holding AG & Co. KG
(Member of the Advisory Board)

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

DR MARTIN KIMMICH
(appointed on 29 May 2013)
Second Authorised Representative, IG Metall Munich

¬ EXTERNAL OFFICES:
Atos IT Solutions and Services GmbH
Knorr-Bremse AG

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

¬ EXTERNAL OFFICES:
Commerzbank AG (Chairman)
Fresenius Management SE
Fresenius SE & Co. KGaA

¬ EXTERNAL OFFICES:
Landwirtschaftliche Rentenbank
(Member of the Administrative Board)
Parker Hannifin Corporation
(Member of the Board of Directors)

¬ *MEMBERSHIP OF OTHER GERMAN SUPERVISORY BOARDS.*

¬ *MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS.*

XAVER SCHMIDT
Secretary to the Executive Board of IG Bergbau, Chemie, Energie, Hanover

¬ EXTERNAL OFFICES:
Berufsgenossenschaftliches Universitätsklinikum Bergmannsheil GmbH
(Alternate Chairman)

FRANK SONNTAG
(appointed on 29 May 2013)
Chairman of the Works Council of
Linde Engineering Dresden GmbH

The following members retired from the Supervisory Board in the 2013 financial year:
(The information provided relates to the date of retirement.)

THILO KÄMMERER
(retired on 29 May 2013)
Trade Union Secretary of IG Metall

¬ EXTERNAL OFFICES:
KION GROUP GmbH
KION Holding 1 GmbH

MATTHEW F. C. MIAU
(retired on 29 May 2013)
Chairman of MiTAC-SYNNEX Group, Taiwan

¬ EXTERNAL OFFICES:
BOC LIENHWA INDUSTRIAL GASES CO., LTD.
(Member of the Board of Directors)
Winbond Electronics Corporation
(Member of the Board of Directors)

¬ GROUP OFFICES:
Getac Technology Corporation
(Member of the Board of Directors)
Synnex Corporation
(Member of the Board of Directors)

JENS RIEDEL
(retired on 29 May 2013)
Chairman of the Leuna Works Council of
Gases Division, Linde AG

Executive Board

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

PROFESSOR DR WOLFGANG REITZLE
Chief Executive Officer

¬ EXTERNAL OFFICES:
Continental AG (Chairman)

¬ EXTERNAL OFFICES:
Holcim Ltd., Switzerland
(Member of the Administrative Board)

PROFESSOR DR ALDO BELLONI
Member of the Executive Board

THOMAS BLADES
Member of the Executive Board

GEORG DENOKE
Member of the Executive Board

SANJIV LAMBA
Member of the Executive Board

¬ GROUP OFFICES:
LINDE INDIA LIMITED
(Chairman of the Board of Directors)

¬ *MEMBERSHIP OF OTHER GERMAN SUPERVISORY BOARDS.*

¬ *MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS.*

[38] Contingent liabilities and other financial commitments

143 CONTINGENT LIABILITIES

in € million	31.12.2013	31.12.2012 adjusted[1]
Guarantees	1	5
Warranties	48	58
Other contingent liabilities	32	63
TOTAL	81	**126**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

Warranties and guarantee agreements

Contingent liabilities arise in Linde primarily from warranties and guarantee agreements. In exceptional cases, Linde enters into guarantee agreements with banks to secure loans in non-consolidated subsidiaries.

Other contingencies

The Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with one of our consortium partners totalling EUR 1.129 bn (2012: EUR 1.655 bn). Linde currently anticipates that there will be no joint and several liability claim and has therefore not disclosed any contingent liability in respect of these contracts.

Other financial commitments

Other financial commitments include lease commitments relating to operating leases and commitments relating to orders. Commitments relating to orders are in respect of open orders for which a contractual payment obligation has already been agreed.

144 OTHER FINANCIAL COMMITMENTS

in € million	31.12.2013	31.12.2012 adjusted[1]
Obligations under non-cancellable operating leases	564	656
Capital expenditure commitment (tangible fixed assets)	375	403
Capital expenditure commitment (intangible assets)	11	11
TOTAL	950	**1,070**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

145 PROCUREMENT LEASES

in € million	31.12.2013	31.12.2012 adjusted[1]
Total minimum lease payments (gross investment)		
due within one year	152	169
due in one to five years	274	307
due in more than five years	138	180
TOTAL	564	**656**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

The minimum lease payments relate to leased buildings, technical equipment, fixtures, furniture and equipment (procurement leases). They are in respect of a large number of individual contracts. In the 2013 financial year, costs arising from operating leases of EUR 237 m (2012: EUR 234 m) were recognised.

Litigation

The Linde Group or one of its Group companies are involved in current or foreseeable legal or arbitration proceedings in the normal course of business.

In 2010, the Brazilian competition authority CADE imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anticompetitive business conduct in the years 1998 to 2004. The amount relating to The Linde Group is around BRL 188 m. Based on the exchange rate ruling at the balance sheet date, this is equivalent to around EUR 60 m. Seen from today's perspective, Linde assumes that this decision will not stand up to judicial review.

Linde is also party to various current or foreseeable legal or arbitration proceedings in respect of which the probability of a claim is unlikely or the impact on the economic situation of The Linde Group will be immaterial. Appropriate provisions for potential financial liabilities have been made in the relevant Group company for all other proceedings in which Linde is involved.

[39] Auditors' fees and services

KPMG, the auditors of the Group financial statements, provided the following services to companies in The Linde Group:

146 AUDITORS' FEES AND SERVICES

in € million	2013 Group	2013 Thereof KPMG AG[1]	2012 Group	2012 Thereof KPMG AG[1]
Audit (including expenses)	10	3	10	3
Other attestation services	2	1	2	1
Tax consultancy	1	–	2	–
Other services	1	1	1	1
TOTAL	**14**	**5**	**15**	**5**

[1] KPMG AG Wirtschaftsprüfungsgesellschaft.

In the table above, audit comprises the fees for the audit of the consolidated financial statements of The Linde Group and of the statutory annual financial statements of Linde AG and the subsidiaries included in the consolidated financial statements.

Other attestation services comprise mainly reviews of the quarterly reports, the issue of a comfort letter, due diligence reviews, confirmation of compliance with specific contractual agreements and other review procedures.

Tax consultancy costs relate mainly to the preparation of tax returns, transfer pricing analyses and tax advice relating to current or proposed business transactions.

[40] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation in accordance with IFRS 3 on the acquisition of BOC and the other acquisitions directly related to the BOC transaction.

147 ADJUSTED KEY FINANCIAL FIGURES

	31.12.2013			31.12.2012 adjusted[1]		
in € million	As reported	Non-GAAP adjustments	Adjusted key financial figures	As reported	Non-GAAP adjustments	Adjusted key financial figures
Revenue	16,655	–	16,655	15,833	–	15,833
Cost of sales	−10,642	48	−10,594	−10,121	61	−10,060
GROSS PROFIT	**6,013**	**48**	**6,061**	**5,712**	**61**	**5,773**
Research and development costs, marketing, selling and administration expenses	−4,023	177	−3,846	−3,795	199	−3,596
Other operating income and expenses	165	–	165	125	–	125
Share of profit or loss from associates and joint ventures (at equity)	16	–	16	13	–	13
EBIT	**2,171**	**225**	**2,396**	**2,055**	**260**	**2,315**
Financial result	−377	–	−377	−321	–	−321
Income tax expense	−364	−87	−451	−393	−92	−485
PROFIT FOR THE YEAR	**1,430**	**138**	**1,568**	**1,341**	**168**	**1,509**
attributable to Linde AG shareholders	**1,317**	**138**	**1,455**	**1,232**	**168**	**1,400**
attributable to non-controlling interests	113	–	113	109	–	109
Equity including non-controlling interests	13,586	−455	13,131	13,658	−593	13,065
Plus: Financial debt	9,577	–	9,577	10,581	–	10,581
Plus: Liabilities from finance leases	78	–	78	80	–	80
Less: Receivables from finance leases	327	–	327	440	–	440
Less: Cash, cash equivalents and securities	1,348	–	1,348	2,108	–	2,108
Plus: Net pension obligations	784	–	784	838	–	838
CAPITAL EMPLOYED	**22,350**	**−455**	**21,895**	**22,609**	**−593**	**22,016**
EARNINGS PER SHARE *in €* **– UNDILUTED**	**7.10**	–	**7.85**	**6.93**	–	**7.87**
EARNINGS PER SHARE *in €* **– DILUTED**	**7.08**	–	**7.82**	**6.87**	–	**7.81**
RETURN ON CAPITAL EMPLOYED (ROCE) *in %*	**9.7**	–	**10.9**	**10.2**	–	**11.9**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*

[41] List of shareholdings of The Linde Group and Linde AG at 31 December 2013 in accordance with the provisions of § 313 (2) No. 4 of the German Commercial Code (HGB)

The results of companies acquired in 2013 are included as of the date of acquisition. The information about the equity and the net income or net loss of the companies is as at 31 December 2013 and complies with International Financial Reporting Standards, unless specifically disclosed below.

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		2.4	1.1	d
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–9.3	–3.8	f
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		2.8	0.1	
Linde Electronics GmbH	Stadl-Paura	AUT	100		8.7	1.0	
Linde Gas GmbH	Stadl-Paura	AUT	100		206.3	26.6	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		0.4	0.2	
Chemogas N.V.	Grimbergen	BEL	100		7.0	1.5	
Linde Gas Belgium NV	Grimbergen	BEL	100		0.4	–1.5	
Linde Homecare Belgium SPRL	Sombreffe	BEL	100	100	4.0	–0.5	
Bossot Trade EOOD	Stara Zagora	BGR	100	100	–0.1	0.0	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100		8.5	0.1	
Linde Gas BH d.o.o.	Zenica	BIH	85	85	10.3	–0.7	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	1.1	0.3	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		1.4	1.4	d
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	c, d
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	d
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–0.4	0.0	d
PanGas AG	Dagmersellen	CHE	100		103.9	34.0	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0.0	0.0	c
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	8.9	0.4	
Linde Gas a.s.	Prague	CZE	100		195.9	55.9	
Linde Sokolovská s.r.o.	Prague	CZE	100		53.7	3.8	
Heins & Co. GmbH	Rastede	DEU	100		0.1	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100	100	2.4	0.3	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0.1	0.0	
Linde Electronics GmbH & Co. KG	Pullach	DEU	100	100	25.1	0.7	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	4.0	0.3	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	344.3	–3.5	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Linde Gas Therapeutics GmbH	Unterschleißheim	DEU	100		26.5	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	0.1	0.0	
Linde Remeo Deutschland GmbH	Blankenfelde-Mahlow	DEU	100		4.1	–	a
Linde Schweißtechnik GmbH	Pullach	DEU	100		1.2	–	a
Linde Welding GmbH	Pullach	DEU	100		0.3	–	a
MTA GmbH Medizin-Technischer Anlagenbau	Sailauf	DEU	100		0.1	–	a
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100	100	3.4	–0.41	
Unterbichler Gase GmbH	Munich	DEU	100	100	0.8	–	a
AGA A/S	Copenhagen	DNK	100		12.5	5.2	
GI/LINDE ALGERIE	Algiers	DZA	100	40	10.4	2.1	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	80.5	16.3	
Abelló Linde, S.A.	Barcelona	ESP	100	100	167.2	53.2	
LINDE ELECTRONICS, S.L.	Barcelona	ESP	100		–2.7	–1.2	
Linde Médica, S.L.	Barcelona	ESP	100		127.0	9.4	
LINDE MEDICINAL, S.L.	Barcelona	ESP	100		368.9	88.4	
AS Eesti AGA	Tallinn	EST	100		21.4	3.7	
Kiinteistö Oy Karakaasu	Espoo	FIN	100		–2.1	0.0	c
Kiinteistö Oy Karaportti	Espoo	FIN	100		–3.4	0.0	c
Oy AGA ab	Espoo	FIN	100		108.7	52.3	c
Teollisuuskaatsut Suomi Oy	Espoo	FIN	100		2.4	0.0	c, d
TK-Teollisuuskaasut Oy	Espoo	FIN	100		–0.2	0.0	c
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		2.7	0.0	
Linde France S.A.	Saint-Priest	FRA	100		146.4	22.7	
LINDE HOMECARE FRANCE SAS	Saint-Priest	FRA	100		25.1	–0.1	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.2	0.0	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.5	0.1	
BOC HELEX	Guildford	GBR	100		3,722.0	131.1	
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		1.1	0.1	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	0.0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Nottingham	GBR	100		1.0	0.4	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Nottingham	GBR	80		1.5	0.3	c, d
GAS & GEAR LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.5	–0.3	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100		–1.9	0.0	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Nottingham	GBR	100		0.1	0.1	c, d
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Nottingham	GBR	100		2.1	0.4	c, d
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	100		1.4	0.2	c, d
LEENGATE HIRE & SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (CANNOCK) LIMITED	Nottingham	GBR	100		0.2	–0.1	c, d

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	100		0.2	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	100		2.1	0.2	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100		–0.1	–0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.3	0.1	c, d
LEENGATE WELDING LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	0.0	0.0	c, d
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		0.0	0.0	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.1	c, d
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	88		1.3	0.2	c, d
RYVAL GAS LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
W & G SUPPLIES LIMITED	Nottingham	GBR	100		0.2	0.0	c, d
WELDER EQUIPMENT SERVICES LIMITED	Nottingham	GBR	75		0.2	0.2	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.4	0.0	c, d
Linde Hellas E.P.E.	Mandra	GRC	100	100	39.3	–0.3	
LINDE PLIN d.o.o.	Karlovac	HRV	100	100	4.3	0.5	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100		172.5	32.8	
BOC (TRADING) LIMITED	Dublin	IRL	100		0.3	0.0	c
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.1	20.0	
BOC Gases Ireland Limited	Dublin	IRL	100		40.7	11.6	c, d
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	0.0	
ISAGA ehf.	Reykjavík	ISL	100		6.2	2.0	
Linde Gas Italia S.r.l.	Arluno	ITA	100		140.9	6.7	
LINDE MEDICALE Srl	Arluno	ITA	100		34.0	3.3	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	20.4	–2.2	
BOC Kenya Limited	Nairobi	KEN	65		16.6	1.8	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100		1.2	0.2	d
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		0.0	0.0	c
AGA UAB	Vilnius	LTU	100		5.4	0.3	
AGA SIA	Riga	LVA	100		17.3	2.0	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.6	–0.1	
Afrox Moçambique, Limitada	Maputo	MOZ	100		–1.0	0.2	d
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		1.1	0.0	d
Linde Gases Moçambique, Limitada	Maputo	MOZ	100		0.0	0.0	c
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		0.0	0.0	d
Afrox Malawi Limited	Blantyre	MWI	79		1.6	0.8	d
GAS & WELDING PRODUCTS (PTY) LTD	Windhoek	NAM	100		0.0	0.0	
IGL (PTY) LIMITED	Windhoek	NAM	100		4.1	2.3	d
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		0.4	0.2	d
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		0.8	0.1	d
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		0.0	0.0	d
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		0.0	0.0	d
BOC Gases Nigeria Plc	Lagos	NGA	60		8.5	1.0	
AGA International B.V.	Schiedam	NLD	100		216.9	–4.3	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
B.V. Nederlandse Pijpleidingmaatschappij	Rotterdam	NLD	100		12.2	-1.3	
Beheermaatschappij De Econoom B.V.	Schiedam	NLD	100		1.7	0.0	
Linde Electronics B.V.	Schiedam	NLD	100		7.0	2.7	
Linde Gas Benelux B.V.	Schiedam	NLD	100		159.5	52.3	
Linde Gas Cryoservices B.V.	Eindhoven	NLD	100		1.8	1.3	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100		50.2	5.2	
Linde Homecare Benelux B.V.	Nuland	NLD	100		7.6	-2.3	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		274.9	50.1	
OCAP CO2 B.V.	Schiedam	NLD	100		-3.0	1.6	
AGA AS	Oslo	NOR	100		41.4	27.9	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		5.3	0.9	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	132.6	12.4	
LINDE PORTUGAL, LDA	Lisbon	PRT	100		91.4	18.5	
LINDE SAÚDE, LDA	Maia	PRT	100		44.9	9.0	
LINDE GAZ ROMANIA S.R.L.	Timisoara	ROU	100		122.2	15.5	
OAO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	11.7	1.7	
OJSC "Linde Gas Rus"	Balashikha	RUS	100	100	60.7	0.9	
Linde Jubail Industrial Gases Factory LLC	Al-Khobar	SAU	100	84	6.1	0.5	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		55.6	3.0	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Bečej	SRB	87	87	9.9	0.8	
Aries 94 s.r.o.	Bratislava	SVK	100		2.0	0.5	
Linde Gas k.s.	Bratislava	SVK	100		29.6	3.9	
LINDE PLIN d.o.o.	Celje	SVN	100	100	8.9	1.4	
AB Held	Lidingö	SWE	100		0.0	0.0	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		-0.1	0.0	
AGA Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA International Investment Aktiebolag	Lidingö	SWE	100		0.0	0.0	
AGA Medical Aktiebolag	Lidingö	SWE	100		0.0	0.0	
Agatronic AB	Lidingö	SWE	100		0.1	0.0	
CRYO Aktiebolag	Gothenburg	SWE	100		0.0	0.0	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		0.0	0.0	
Linde Healthcare AB	Lidingö	SWE	100		12.4	2.2	
NORLIC AB	Lidingö	SWE	90		14.5	0.0	
Svenska Aktiebolaget Gasaccumulator	Lidingö	SWE	100		0.1	0.0	
Svets Gas Aktiebolag	Lidingö	SWE	100		0.0	0.0	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		0.0	0.0	
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		1.1	1.2	d
Linde Gas Tunisie S.A.	Ben Arous	TUN	60	60	4.5	-0.4	
Linde Gaz Anonim Şirketi	Istanbul	TUR	100	100	39.9	-5.6	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.7	0.0	
BOC Uganda Limited	Kampala	UGA	100		0.8	0.0	
PJSC "Linde Gaz Ukraine"	Dnipropetrovsk	UKR	100	96	25.6	-1.9	
African Oxygen Limited	Johannesburg	ZAF	56		212.6	22.8	d
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		4.6	0.8	c, d

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		0.0	0.0	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		2.1	0.2	d
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	100		3.0	1.3	d
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AMALGAMATED WELDING AND CUTTING (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.2	0.0	d
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100		0.4	0.1	d
ISAS TRUST	Johannesburg	ZAF	100		0.4	0.0	d
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		0.0	0.0	
NICOWELD (PTY) LIMITED	Sandton	ZAF	100		0.0	0.0	
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX ZAMBIA LIMITED	Ndola	ZMB	70		5.7	2.8	d
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		18.4	3.2	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		83.3	0.0	c, d
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		8.1	0.0	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		47.8	43.6	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		–4.5	0.0	
BOC Limited	North Ryde	AUS	100		384.0	153.3	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		3.3	0.5	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		4.3	0.0	d
ELGAS LIMITED	North Ryde	AUS	100		15.1	36.8	d
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		2.8	0.4	d
FLEXIHIRE PTY LIMITED	North Ryde	AUS	100		24.3	4.4	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		–1.4	0.0	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		20.4	6.3	
THE COMMONWEALTH INDUSTRIAL GASES PTY. LIMITED	North Ryde	AUS	100		0.0	0.0	
TIAMONT PTY LIMITED	North Ryde	AUS	100		2.5	0.6	d
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		17.0	0.9	d
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		6.5	0.0	d
Linde Bangladesh Limited	Dhaka	BGD	60		23.1	7.1	
Anhui JuLan Industrial Gases Co., Ltd.	Lu'an	CHN	100		2.1	–0.1	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		0.0	0.0	c
AUECC Shanghai	Shanghai	CHN	100		4.3	0.0	
AUECC Shanghai Co. Ltd.	Shanghai	CHN	100		14.6	2.2	
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		143.0	–11.5	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		5.0	–3.3	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		40.1	8.2	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		15.4	–0.6	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
BOC Gases (Wuhan) Co., Ltd.	Wuhan	CHN	100		6.6	0.1	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		13.5	0.0	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		12.6	–0.3	
BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		12.2	0.6	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		–4.7	–0.3	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		32.5	1.3	
BOCLH Industrial Gases (Waigaoqiao) Co., Ltd.	Shanghai	CHN	100		–0.1	0.2	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		1.7	–1.0	
BOC-TISCO GASES CO., Ltd	Tayiuan	CHN	50		156.7	11.0	f, j
Dalian Xizhong Island Linde Industrial Gases Co., Ltd.	Dalian	CHN	70		0.1	0.0	
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		30.1	3.7	f, j
Guangzhou GISE Gases Co., Ltd.	Guangzhou	CHN	50		25.4	2.0	f, j
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		11.2	–0.6	f, j
Hefei Juwang Industrial Gas Co., Ltd.	Hefei	CHN	100		8.1	0.6	
Jianyang Linde Medical Gases Company Limited	Jianyang	CHN	100		1.2	0.2	
Linde (Quanzhou) Carbon Dioxide Co. Ltd.	Quanzhou	CHN	100		1.5	0.0	
Linde Carbonic (Wuhu) Company Ltd.	Wuhu	CHN	60		4.2	0.0	j
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	11.1	–0.1	j
Linde Dahua (Dalian) Gases Co., Ltd	Dalian	CHN	50		26.7	–0.7	f, j
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	7.1	–1.6	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		98.5	1.1	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		9.0	3.3	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.0	0.5	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	34.4	4.2	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		2.3	–0.5	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		16.7	–0.4	
Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		9.5	0.7	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		4.2	–0.5	
Linde Gases (Jilin) Co., Ltd.	Jilin	CHN	100		13.5	0.5	
Linde Gases (Langfang) Co., Ltd.	Langfang	CHN	100		9.0	0.1	
Linde Gases (Meishan) Co., Ltd.	Meishan	CHN	100		9.5	–0.4	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		1.1	–0.4	
Linde Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		16.1	1.9	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		7.9	0.1	
Linde Gases (Wuan) Co., Ltd.	Wu'an	CHN	100		35.8	2.4	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		17.7	3.4	
Linde Gases (Yantai) Co., Ltd.	Yantai	CHN	90		43.2	1.4	
Linde Gases (Zhangzhou) Co., Ltd.	Zhangzhou	CHN	100		10.8	0.5	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		9.2	0.6	
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		6.1	0.5	j
Linde Lienhwa Gases (BeiJing) Co., Ltd.	Beijing	CHN	100		13.4	0.3	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		8.9	–1.4	
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	60		70.0	0.8	
Ma'anshan BOC-Ma Steel Gases Company Limited	City of Maanshan	CHN	50		82.1	18.3	f, j
Nanjing Qiangsheng Industrial Gases Co., Ltd.	Nanjing	CHN	100		1.1	0.1	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		0.2	–0.1	
Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100		10.7	0.5	
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		82.2	12.3	f, j
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.7	0.0	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90		0.8	0.1	
Shenzhen South China Industrial Gases Co. Ltd.	Shenzhen	CHN	50		8.4	2.2	f, j
Wuxi Boc Gases Co., Limited	Wuxi	CHN	100		1.1	0.1	
ZHENJIANG XINHUA INDUSTRIAL GASES CO., LTD.	Zhenjiang	CHN	100		0.4	0.0	
BOC (FIJI) LIMITED	Lami Suva	FJI	90		2.6	1.2	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		0.0	0.0	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wan Chai	HKG	100		–1.0	0.0	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	392.8	1.0	
Linde HKO Limited	Kowloon	HKG	100		82.3	21.8	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		0.7	0.6	
P.T. Gresik Gases Indonesia	Jakarta	IDN	97		10.3	–2.9	
P.T. Gresik Power Indonesia	Jakarta	IDN	97		7.8	–1.0	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		–0.3	0.2	
PT. LINDE INDONESIA	Jakarta	IDN	100		10.2	–3.6	
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bellary	IND	50		10.3	2.0	e, f, j
LINDE INDIA LIMITED	Calcutta	IND	75		162.5	9.0	
Linde Korea Co., Ltd.	Pohang	KOR	100		226.9	18.6	
PS Chem Co., Ltd.	Gyeongsang-nam-do	KOR	100		6.9	1.3	
PSG Co., Ltd.	Busan	KOR	51		17.6	2.5	j
Sam Kwang Gas Tech Co., Ltd.	Seoul	KOR	100		4.6	0.4	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	18.8	1.6	
DAYAMOX SDN BHD	Petaling Jaya	MYS	100		0.0	0.0	
Linde EOX Sdn. Bhd.	Petaling Jaya	MYS	100		25.6	2.7	
Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	17.3	–0.3	
LINDE INDUSTRIAL GASES (MALAYSIA) SDN. BHD.	Petaling Jaya	MYS	80	80	8.2	0.0	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		78.4	59.5	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		140.3	37.8	
LINDE WELDING PRODUCTS SDN. BHD.	Petaling Jaya	MYS	100		0.4	–0.1	
BOC LIMITED	Auckland	NZL	100		30.6	23.4	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	24.7	
ELGAS LIMITED	Auckland	NZL	100		18.8	1.6	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0.2	0.0	
Linde Pakistan Limited	Karachi	PAK	60		11.7	1.3	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
BATAAN INDUSTRIAL GASES INC	Pasig City	PHL	100		0.5	0.0	
BOC (PHILS.) HOLDINGS, INC.	Pasig City	PHL	100		20.8	0.1	
CHATSWOOD INC	Makati City	PHL	62		0.0	0.0	
CIGC CORPORATION	Pasig City	PHL	100		0.9	0.2	
CRYO INDUSTRIAL GASES, INC	Pasig City	PHL	100		0.3	0.1	
GRANDPLAINS PROPERTIES, INC	Pasig City	PHL	40		1.5	-0.3	f, j
LINDE PHILIPPINES (SOUTH), INC.	Mandaue City	PHL	100		16.5	0.0	
LINDE PHILIPPINES, INC.	Pasig City	PHL	100		23.0	2.2	
ROYAL SOUTHMEADOWS, INC	Mandaue City	PHL	40		0.7	0.0	f, j
BOC Papua New Guinea Limited	Lae	PNG	74		32.5	13.4	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		6.0	6.8	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	76.8	0.5	
LINDE TREASURY ASIA PACIFIC PTE.LTD.	Singapore	SGP	100		0.4	0.0	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		1.7	-0.1	
KTPV (THAILAND) LIMITED	Chachoengsao	THA	100		12.9	0.0	
Linde (Thailand) Public Company Limited	Samut Prakan	THA	100		182.4	23.1	
Linde Air Chemicals Limited	Samut Prakan	THA	99		37.2	8.5	
Linde HyCO Limited	Samut Prakan	THA	100		23.9	0.8	
MIG Production Company Limited	Samut Prakan	THA	54		58.8	12.5	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2.3	0.1	
SKTY (Thailand) Limited	Chachoengsao	THA	100		44.6	0.4	
TIG TRADING LIMITED	Samut Prakan	THA	100		5.7	0.4	
BOC (TONGA) LIMITED	Nuku'alofa	TON	100		0.1	0.0	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	100		25.3	0.1	c, d
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89		9.3	2.3	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		8.7	1.5	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chiayi City	TWN	100		0.1	0.0	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0.2	0.1	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung Hsien	TWN	100		3.6	0.8	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2.0	1.1	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2.7	0.3	c
LIEN JIAN LPG COMPANY LIMITED	Su'ao	TWN	60		0.3	0.0	c
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.6	0.5	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		0.2	0.0	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yilan	TWN	100		0.5	0.3	c
LIEN YI LPG COMPANY LIMITED	Taoyuan City	TWN	60		1.7	0.0	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		7.8	0.4	c
LINDE LIENHWA INDUSTRIAL GASES CO., LTD.	Taipei	TWN	50		88.4	43.9	c, f, j
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	55		109.2	27.8	c
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		10.7	1.3	c
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100		20.6	1.2	c
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Tortola	VGB	100		106.0	0.1	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
KEY PROOF INVESTMENTS LIMITED	Tortola	VGB	100		1.6	0.0	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100		0.0	0.0	c
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100		20.6	1.2	c
SKY WALKER GROUP LIMITED	Tortola	VGB	100		2.0	1.7	c
Linde Gas Vietnam Limited	Ba Ria	VNM	100	100	2.5	–0.9	
Linde Vietnam Limited Company	Ba Ria	VNM	100		21.3	0.6	
BOC Samoa Limited	Apia	WSM	96		1.1	0.2	
Americas							
BOC GASES ARUBA N.V.	Santa Cruz	ABW	100		2.4	0.0	
Grupo Linde Gas Argentina S.A.	Buenos Aires	ARG	100	65	31.7	5.7	
Linde Salud S.A.	Buenos Aires	ARG	100	90	2.8	0.5	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		29.2	0.8	
Linde Gases Ltda.	Barueri	BRA	100		182.3	–112.1	
LINDE-BOC GASES LIMITADA	Sao Paulo	BRA	100		8.1	–2.2	
1142091 Ontario Inc.	London	CAN	100		0.0	0.0	c
Contact Welding Supplies Ltd.	London	CAN	100		0.0	0.0	c
BOC de Chile S.A.	Providencia	CHL	100		6.2	–2.1	
Linde Gas Chile S.A.	Santiago	CHL	100		115.5	9.7	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		4.9	1.3	
Linde Colombia S.A.	Bogotá	COL	100		95.3	5.4	
Linde Gas Curaçao N.V.	Willemstad	CUW	100		3.0	0.3	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		4.7	0.8	
Agua y Gas de Sillunchi S.A.	Quito	ECU	100		1.0	0.2	
Linde Ecuador S.A.	Quito	ECU	100		45.0	6.6	
Spectra Gases Limited	Guildford	GBR	100		1.0	0.0	
BOC GASES DE MEXICO, S.A. DE C.V.	Mexico City	MEX	100		0.0	0.0	
Compania de Nitrogeno de Cantarell, S.A. de C.V.	Santa Fe	MEX	100		63.8	22.2	
Compania de Operaciones de Nitrogeno, S.A. de C.V.	Santa Fe	MEX	100		3.6	1.5	c
SERVICIOS DE OPERACIONES DE NITROGENO, S.A. DE C.V.	Santa Fe	MEX	100		1.2	0.3	c
Linde Gas Perú S.A.	Callao	PER	100		12.5	0.8	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		1.7	–1.5	
AGA S.A.	Montevideo	URY	100		13.7	3.6	
East Coast Oxygen Company	Bethlehem	USA	50		12.2	-3.5	f, j
Holox Inc.	Norcross	USA	100		0.0	0.0	
LAG Methanol LLC	Wilmington	USA	100		0.0	0.0	
Lincare (consolidated financial statements) including:					425.0	176.8	
1536502 Ontario Inc.	Hamilton	USA	100				i
ACRO PHARMACEUTICAL SERVICES LLC	Harrisburg	USA	100				i
ALPHA RESPIRATORY INC.	Wilmington	USA	100				i
CARING RESPONDERS LLC	Wilmington	USA	100				i
COMMUNITY PHARMACY SERVICES, LLC	Wilmington	USA	100				i
Complete Infusion Services, LLC	Bingham Farms	USA	100				i
CONVACARE SERVICES, INC.	Bloomington	USA	100				i
CPAP SUPPLY USA LLC	Wilmington	USA	100				i
Gamma Acquisition Inc.	Wilmington	USA	100				i

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
HCS Lancaster LLC	Wilmington	USA	100				i
HEALTH CARE SOLUTIONS AT HOME INC.	Wilmington	USA	100				i
HOME-CARE EQUIPMENT NETWORK INC.	Plantation	USA	100				i
LINCARE EQUIPMENT LLC	Wilmington	USA	100				i
LINCARE HOLDINGS INC.	Wilmington	USA	100				
LINCARE INC.	Wilmington	USA	100				i
LINCARE LEASING LLC	Wilmington	USA	100				i
LINCARE LICENSING INC.	Wilmington	USA	100				i
LINCARE OF CANADA ACQUISITIONS INC.	Wilmington	USA	100				i
LINCARE OF CANADA INC.	Toronto	USA	100				i
LINCARE OF NEW YORK, INC.	New York	USA	100				i
LINCARE PHARMACY SERVICES INC.	Wilmington	USA	100				i
LINCARE PROCUREMENT INC.	Wilmington	USA	100				i
LINCARE PULMONARY REHAB MANAGEMENT, LLC	Wilmington	USA	100				i
Lincare Pulmonary Rehab Services of Missouri, LLC	Clayton	USA	100				i
LINCARE PULMONARY REHAB SERVICES OF OHIO, LLC	Cleveland	USA	100				i
Longcap DNS, LLC	Wilmington	USA	100				i
mdINR, LLC	Wilmington	USA	100				i
MED 4 HOME INC.	Wilmington	USA	100				i
MediLink HomeCare, Inc.	Trenton	USA	100				i
MEDIMATICS LLC	Wilmington	USA	100				i
MRB ACQUISITION CORP.	Plantation	USA	100				i
OCT Pharmacy, L.L.C.	Bingham Farms	USA	100				i
On Demand Home Medical, LLC	Clearwater	USA	100				i
OPTIGEN, INC.	Plantation	USA	100				i
PULMOREHAB LLC	Wilmington	USA	100				i
Raytel Cardiac Services, Inc.	Wilmington	USA	100				i
RX Stat, Inc.	St. Petersburg	USA	100				i
Sleepcair, Inc.	Topeka	USA	100				i
Linde Canada Investments LLC	Wilmington	USA	100		14.9	0.4	
Linde Delaware Investments Inc.	Wilmington	USA	100		273.4	58.7	
Linde Energy Services, Inc	Wilmington	USA	100		–0.3	0.0	
Linde Gas North America LLC	Wilmington	USA	100		596.0	71.8	
Linde Merchant Production, Inc	Wilmington	USA	100		146.0	–1.5	
Linde North America, Inc.	Wilmington	USA	100	<0.1	947.7	450.0	
Linde RSS LLC	Wilmington	USA	100		–2.5	–1.2	
Linde Transport, Inc.	Nashville	USA	100		0.0	0.0	
TMG Co. LLC	Wilmington	USA	100		23.5	5.0	
AGA Gas C.A.	Caracas	VEN	100		102.9	1.4	h
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		2.7	–0.6	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		–1.3	–0.6	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		4.0	–0.2	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	24.2	21.0	f
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	0.9	–0.1	
Linde Process Plants Canada Inc.	Calgary	CAN	100		–0.5	0.0	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Arboliana Holding AG	Pfungen	CHE	100		12.1	8.1	
Bertrams Heatec AG	Pratteln	CHE	100		7.6	1.1	
BOC AG	Basle	CHE	98		1.9	0.0	
Linde Kryotechnik AG	Pfungen	CHE	100		16.5	7.1	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	6.4	2.3	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		0.3	0.1	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	50.4	9.7	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	30.6	17.5	
Linde Engineering Dresden GmbH	Dresden	DEU	100	6	55.2	–	a
Selas-Linde GmbH	Pullach	DEU	100	100	27.8	–	a
CRYOSTAR SAS	Hésingue	FRA	100		59.9	29.9	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		5.4	2.2	
Linde Engineering India Private Limited	New Delhi	IND	100	100	14.0	–1.7	
Linde Impianti Italia S.r.l.	Fiumicino	ITA	100	100	2.7	0.9	
LPM, S.A. de C.V.	Mexico City	MEX	100	90	7.3	0.0	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	0.1	1.2	
OOO "Linde Engineering Rus"	Samara	RUS	100	100	–0.2	–0.9	
Linde Arabian Contracting Company Ltd.	Riyadh	SAU	100	90	18.9	4.0	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	13.7	4.8	
Linde Engineering North America Inc.	Wilmington	USA	100		4.0	2.8	
Linde Process Plants, Inc.	Tulsa	USA	100		76.0	43.5	
VN Corporation	Wilmington	USA	100		41.8	1.6	
Linde Process Plants (Pty.) Ltd.	Johannesburg	ZAF	100	100	5.5	–1.2	
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.4	154.9	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	33.7	
Gist Österreich GmbH	Wallern an der Trattnach	AUT	100		0.1	0.0	c, d
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	62	753.0	134.8	
Gist Belgium BVBA	Lochristi	BEL	100		–0.3	0.0	d
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		23.3	0.0	
Linde Canada Limited	Mississauga	CAN	100		252.4	57.3	
Linde Holding AG	Dagmersellen	CHE	100	100	23.8	4.3	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		2.5	0.3	
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	2,355.5	–	a
Linde US Beteiligungs GmbH	Munich	DEU	100		419.6	28.4	
LOGISTICA DOTRA, SL	Seville	ESP	100		0.2	0.0	c, d
LOGISTICA VAN TRANS S.L.	Burgos	ESP	100		0.5	0.1	c, d
LINDE INVESTMENTS FINLAND OY	Helsinki	FIN	100		1.0	0.0	
GIST FRANCE S.A.R.L.	Villejust	FRA	100		N/A	N/A	g
Linde Holdings SAS	Saint-Priest	FRA	100		125.6	53.8	
The Boc Group S.A.S.	Hésingue	FRA	100		70.9	39.5	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		3.3	5.2	
APPLIED VISION LIMITED	Guildford	GBR	100		0.0	0.0	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		41.3	0.2	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100		0.6	0.0	
BOC HOLDINGS	Guildford	GBR	100		4,800.9	292.4	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
BOC HOLLAND FINANCE	Guildford	GBR	100		0.0	0.2	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		711.9	124.1	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		0.0	-0.2	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		178.2	31.1	
BOC INVESTMENTS NO.5	Guildford	GBR	100		388.1	6.9	
BOC INVESTMENTS NO.7	Guildford	GBR	100		335.5	3.6	
BOC IRELAND FINANCE	Guildford	GBR	100		0.0	-0.5	
BOC JAPAN	Guildford	GBR	100		-0.1	0.0	
BOC JAPAN HOLDINGS LIMITED	Guildford	GBR	100		39.2	0.6	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		109.3	-0.9	
BOC LIMITED	Guildford	GBR	100		795.3	204.6	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		0.0	0.0	
BOC NETHERLANDS FINANCE	Guildford	GBR	100		0.0	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		829.8	1,289.7	
BOC NOMINEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC PENSIONS LIMITED	Guildford	GBR	100		0.0	0.0	
BOC POLAND HOLDINGS LIMITED	Guildford	GBR	100		0.0	0.0	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC TRUSTEES NO. 4 LIMITED	Guildford	GBR	100		0.0	0.0	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		0.0	0.0	
CRYOSTAR LIMITED	Guildford	GBR	100		0.0	0.0	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		0.0	0.0	
G.L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		253.2	7.9	
GIST LIMITED	Guildford	GBR	100		168.8	44.4	
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100		2.1	0.0	
HANDIGAS LIMITED	Guildford	GBR	100		16.0	0.1	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		14.5	0.1	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.4	0.0	
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		-16.7	-12.8	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		283.0	0.0	
LINDE FINANCE	Guildford	GBR	100		5.3	1.0	
LINDE INVESTMENTS NO. 1 LIMITED	Guildford	GBR	100		4,001.9	39.7	
LINDE NORTH AMERICA HOLDINGS LIMITED	Guildford	GBR	100		1,953.9	78.8	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	14,507.2	1,423.7	
LINDE UK PRIVATE MEDICAL TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
MEDISHIELD	Guildford	GBR	100		0.4	0.0	
MEDISPEED	Guildford	GBR	100		273.9	13.1	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		-0.4	0.0	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		362.2	4.7	
STORESHIELD LIMITED	Guildford	GBR	100		326.6	73.1	
THE BOC GROUP LIMITED	Guildford	GBR	100		8,966.8	2,295.0	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	0.0	
TRANSHIELD	Guildford	GBR	100		16.1	0.1	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.2	0.0	

148 COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
BOC NO. 1 LIMITED	Saint Peter Port	GGY	100		1.2	0.0	
BOC NO. 2 LIMITED	Saint Peter Port	GGY	100		0.4	0.0	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		7.5	0.0	
Linde Global Support Services Private Limited	Calcutta	IND	100		0.7	-0.5	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		14.7	0.0	
BOC Investments Ireland	Dublin	IRL	100		3.2	0.6	
Gist Distribution Limited	Dublin	IRL	100		8.3	3.8	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100		21.8	2.2	
Gist Italy S.r.l.	Milan	ITA	100		0.1	0.0	c, d
ALBOC (JERSEY) LIMITED	Saint Helier	JEY	100		1.6	25.7	
BOC AUSTRALIAN FINANCE LIMITED	Saint Helier	JEY	100		335.0	0.0	
BOC PREFERENCE LIMITED	Saint Helier	JEY	100		64.8	0.0	
BOC Europe Holdings B.V.	Dongen	NLD	100		555.3	937.8	
BOC Investments B.V.	Dongen	NLD	100		9.9	0.0	
Fred Butler Netherlands B.V.	Amsterdam	NLD	100		21.8	0.0	
Gist Containers B.V.	Bleiswijk	NLD	100		0.6	-0.3	d
Gist Forwarding B.V.	Bleiswijk	NLD	100		0.7	0.0	d
Gist Holding B.V.	Bleiswijk	NLD	100		0.5	-0.2	d
Gist Nederland B.V.	Bleiswijk	NLD	100		1.2	-0.7	d
Linde Finance B.V.	Amsterdam	NLD	100		218.1	25.1	
Linde Holdings Netherlands B.V.	Schiedam	NLD	100	100	2,036.6	108.6	
The BOC Group B.V.	Dongen	NLD	100		381.2	122.6	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	24.7	
BOC GIST INC	Mkati City	PHL	100		0.1	0.0	
Linde Global IT Services s. r. o.	Bratislava	SVK	100		0.8	-0.1	
AGA Aktiebolag	Lidingö	SWE	100		1,239.9	73.5	
BOC Intressenter AB	Helsingborg	SWE	100		37.0	0.5	
Fred Butler Sweden Aktiebolag	Lidingö	SWE	100		2.3	0.0	
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	3,587.4	-1.1	
Linde Holdings, LLC	Wilmington	USA	100		151.2	52.9	
LINDE INVESTMENTS LLC	Wilmington	USA	100		438.7	0.0	
Linde LLC	Wilmington	USA	100		350.3	167.6	

149 *COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS (IN ACCORDANCE WITH IFRS 11)*

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
Adnoc Linde Industrial Gases Co. Limited (Elixier)	Abu Dhabi	ARE	49	49	97.6	30.5	
OOO "Linde Azot Togliatti"	Togliatti	RUS	50		8.7	–0.3	
Asia/Pacific							
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		18.4	2.2	
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		10.2	1.0	
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		21.7	2.7	

150 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (IN ACCORDANCE WITH IAS 28)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
Krakovská s.r.o.	Nový Malín	CZE	37		0.2	0.0	c, d
Plyny Jehlár s.r.o.	Brest	CZE	34		0.1	0.0	c, d
Bomin Linde LNG Beteiligungs-GmbH	Hamburg	DEU	50	50	0.0	0.0	b, c
Bomin Linde LNG GmbH & Co. KG	Hamburg	DEU	50	50	–1.1	–2.6	b, c
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	34.8	–3.7	b, f
Messer Algerie SPA	Algiers	DZA	40		4.4	2.5	b, c
Oxígeno de Sagunto, S.L.	Barcelona	ESP	50		12.9	0.0	c, e
Oy Innogas Ab	Kulloo	FIN	50		1.4	0.0	b, c
Parhaat Yhdessä koulutusyhdistys ry	Vantaa	FIN	25		0.2	0.0	c, d
LIDA S.A.S.	Saint-Quentin-Fallavier	FRA	22		0.3	0.2	b, e
LIMES SAS	Saint-Herblain	FRA	50		4.3	0.0	b
Helison Marketing Limited	Saint Helier	GBR	51		7.8	1.1	b, f
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0.7	0.0	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		5.4	0.3	d, e
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		0.0	0.0	d
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		15.8	–1.8	b, c, d
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		2.0	0.4	b, c, d, f
Dalian BOC Carbon Dioxide Co. Ltd.	Dalian	CHN	50		1.9	–0.3	b
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		52.8	5.8	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		1.2	–0.1	b, f
Linde GISE Gas (Shenzhen) Co., Ltd	Shenzhen	CHN	50		9.2	–0.3	b
Maoming Coolants Carbon Dioxide Company Limited	Maoming City	CHN	50		0.7	0.0	b
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		58.7	10.8	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		3.0	1.6	b
Kulim Industrial Gases Sdn. Bhd.	Kuala Lumpur	MYS	50		25.1	0.7	b, c, e
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		9.9	2.3	b, c
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50		20.6	0.2	b, c, e
Americas							
Cen-Alta Welding Supplies Ltd.	Calgary	CAN	50		2.2	0.2	b, c, d, e
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	0.0	b
Cliffside Refiners, L.P.	Wilmington	USA	27		7.8	2.4	b
High Mountain Fuels, LLC	Wilmington	USA	50		8.7	0.1	b
Hydrochlor LLC	Wilmington	USA	50		11.0	–1.4	b
Spectra Investors, LLC	Branchburg	USA	49		1.5	–0.2	b
Other Activities							
"Caravell" Kühlgerätevertriebs GmbH	Ratingen	DEU	50	50	0.0	0.0	b
Majakka Voima Oy	Helsinki	FIN	23		6.8	0.0	c, d
LOGI-FRANCE SARL	Antony	FRA	50		–0.7	–0.2	b, j
VAN DONGEN & VAN DER KWAAK B.V.	Dirksland	NLD	50		–4.6	–2.0	b, j

151 NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/ net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
LINDE PLIN d.o.o. Sarajevo	Sarajevo	BIH	100	100	0.0	0.0	c
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		N/A	N/A	
CUULSTICK VENTURES (PTY) LIMITED	Gaborone	BWA	100		N/A	N/A	
Linde Schweiz AG	Dagmersellen	CHE	100		0.1	0.0	c, d
GAS AND EQUIPMENT WILLEMSTAD N.V.	Willemstad	CUW	100		0.0	0.0	c
ELECTROCHEM LIMITED	Guildford	GBR	100	100	3.7	0.0	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		–1.9	0.0	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0.9	0.0	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		0.0	0.0	c, d
KINGSTON MEDICAL GASES LIMITED	Guildford	GBR	100		0.2	0.0	c, d
REMEO HEALTHCARE LIMITED	Guildford	GBR	100		0.0	0.0	c, d
Tech Gas Ama pjs Company (TGA) in Liquidation	Tehran	IRN	100	100	–0.7	–0.9	c, d
Linde Gas Jordan Ltd	Zarqa	JOR	100		0.0	–0.1	c, d
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		0.0	0.0	c
KS Luftgassproduksjon	Oslo	NOR	100		0.0	0.0	c
Norgas AS	Oslo	NOR	100		0.1	0.0	c, d
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	0.0	0.0	c, d
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51	51	0.3	0.0	c, d
Linde Technické Plyny spol. s r.o.	Bratislava	SVK	100		0.1	0.0	c, d
Nynäshamns Gasterminal AB	Lidingö	SWE	100		0.0	0.0	c, d
Asia/Pacific							
BOC SOLUTIONS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	c
ELGAS SUPERANNUATION PTY. LTD.	North Ryde	AUS	100		0.0	0.0	c
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		0.0	0.0	c
BOC Bangladesh Limited	Dhaka	BGD	100		0.0	0.0	c
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		1.7	0.0	c, d
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50		0.1	0.0	c, d
LINDE ROC SDN. BHD.	Petaling Jaya	MYS	100		0.0	0.0	
BOC NOUVELLE-CALEDONIE SAS	Nouméa	NCL	100		0.0	0.0	c
BOC PAKISTAN (PVT.) LIMITED	Karachi	PAK	100		0.0	0.0	d
BACOLOD OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c
CARBONIC PHILIPPINES INC	Mandaue City	PHL	100		0.1	0.0	c
CIGI PROPERTIES, INC.	Mandaluyong City	PHL	100		0.0	0.0	c
DAVAO OXYGEN CORPORATION	Mandaue City	PHL	100		0.4	0.0	c
ORMOC OXYGEN CORPORATION	Mandaue City	PHL	100		0.1	0.0	c
VISMIN AIRTECH INDUSTRIAL GASES CORPORATION	Mandaue City	PHL	100		0.2	0.0	c
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100	100	1.8	0.1	c
Americas							
177470 CANADA INC.	Mississauga	CAN	100		0.9	0.0	c, d
177472 CANADA INC.	Mississauga	CAN	100		2.5	0.0	c, d
44001 ONTARIO LIMITED	Mississauga	CAN	100		1.2	0.0	c, d
REMEO Medical Services S.A.S.	Bogotá	COL	100		0.0	0.0	c
Linde Acquisition Company LLC	Wilmington	USA	100		0.0	0.0	c

151 NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Engineering Division							
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Sao Paulo	BRA	100	90	0.2	0.2	c, d
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	1.4	0.5	c, d
Linde Engineering Far East, Ltd.	Seoul	KOR	100	100	0.6	0.1	c, d
Linde Engineering Taiwan Ltd.	Taipei	TWN	100		0.6	0.5	c
Other Activities							
Linde Australia Holdings Pty. Ltd.	North Ryde	AUS	100	100	0.0	0.0	c
Cunduacan Invest GmbH	Munich	DEU	100		0.0	0.0	c, d
CRIOSBANC FRANCE S.A.R.L.	Trappes	FRA	100		0.0	0.0	c, d
GLPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	c, d
The BOC Group Limited	Kowloon	HKG	100		0.3	0.0	c
BOC B.V.	Dongen	NLD	100		0.0	0.0	c, d
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	
SELOX, INC	Nashville	USA	100		N/A	N/A	

152 OTHER INVESTMENTS (NOT CONSOLIDATED)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
Gases Division							
EMEA							
Linde Vítkovice a.s.	Ostrava	CZE	50		14.6	0.1	c, d
TKD TrockenEis und Kohlensäure Distribution GmbH	Fraunberg	DEU	50	50	0.3	0.1	c, d
AGA Føroyar Sp/f	Tórshavn	DNK	50		0.7	0.2	c
AGA HiQ Center Aps	Hillerød	DNK	50		0.4	0.0	c
Carburo del Cinca S.A.	Monzón	ESP	20		6.5	0.0	c, d
Oxígeno de Andalucia, S.L.	San Roque	ESP	49		0.1	0.0	b, c, d
QUÍMICA BÁSICA, S.A.	Barcelona	ESP	33		1.4	0.0	b, c, d
NAMGAS (PTY) LIMITED	Windhoek	NAM	44		0.0	0.0	c
Fuel Cell Boat B.V.	Amsterdam	NLD	20		0.0	0.0	c
TASCO ESTATES LIMITED	Dar es Salaam	TZA	20		N/A	N/A	
INDUSTRIAL GAS DISTRIBUTOR HOLDINGS (PTY) LIMITED	Johannesburg	ZAF	26		–0.1	0.0	c, d
Asia/Pacific							
Guangzhou GNC Carbon Dioxide Company Ltd.	Guangzhou	CHN	50		N/A	N/A	b
HON CHEN Enterprise Co., Ltd.	Kaohsiung	TWN	50		0.7	0.0	c, d
SUN HSIN LPG COMPANY LIMITED	Yunlin	TWN	50		0.3	0.0	c, d
Americas							
HERA, HYDROGEN STORAGE SYSTEMS INC	Longueuil	CAN	20		0.0	0.0	c
RECUPERADORA INTEGRAL DE NITROGEO, SAPI DE C.V.	Mexico City	MEX	50		0.0	0.0	b, c
TOMOE TRANSTECH SPECIALTY GASES PTE LTD	Singapore	SGP	25		2.0	0.4	b, c
Other Activities							
InfraLeuna GmbH	Leuna	DEU	25	25	332.2	–85.4	c, d
CAPTURE POWER LIMITED	Selby	GBR	33		0.0	0.0	b

Key:
a Profit/loss transfer agreement.
b Joint venture.
c Local GAAP.
d Figures from financial years prior 2013.
e Financial year differs from the calendar year due to local circumstances.
f Consolidation method differs from percentage of shares held due to de facto control or a contractual agreement.
g Incorporation in 2013.
h The distribution of dividend for 2009 is subject to foreign exchange restrictions.
i No preparation of individual financial statements under commercial law.
j Distribution of dividend is subject to the approval of non-controlling interests.
N/A = No financial data available.

[42] Events after the balance sheet date

There were no significant events for The Linde Group between the balance sheet date and 26 February 2014.

On 26 February 2014, the Executive Board of Linde AG released the consolidated financial statements for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them. The Group financial statements, the statutory financial statements of Linde AG and the annual report are published on 17 March 2014 after they have been approved at the Supervisory Board meeting on 14 March 2014.

MUNICH, 26 FEBRUARY 2014

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

INDEPENDENT AUDITORS' REPORT

To Linde Aktiengesellschaft

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Linde Aktiengesellschaft, Munich, and its subsidiaries, which comprise the group statement of profit and loss, statement of comprehensive income, group statement of financial position, group statement of cash flows, statement of changes in group equity and notes to the group financial statements for the business year from 1 January to 31 December 2013.

Management's Responsibility for the Consolidated Financial Statements

The management of Linde Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch: German Commercial Code), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Combined Management Report

We have audited the accompanying group management report of Linde Aktiengesellschaft, which is combined with the management report of the company for the business year from 1 January to 31 December 2013. The management of Linde Aktiengesellschaft is responsible for the preparation of this combined management report in compliance with the applicable requirements of German commercial law pursuant to § 315a Abs. 1 HGB (German Commercial Code). We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the combined management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

MUNICH, 26 FEBRUARY 2014

KPMG AG
[WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT]

BECKER
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

SCHENK
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

04

Further Information

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of The Linde Group and of Linde AG, together with a description of the principal opportunities and risks associated with the expected development of The Linde Group and Linde AG.

MUNICH, 26 FEBRUARY 2014

LINDE AKTIENGESELLSCHAFT
THE EXECUTIVE BOARD

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

MANAGEMENT ORGANISATION

AS AT 26 FEBRUARY 2014

153 MANAGEMENT ORGANISATION EXECUTIVE BOARD

Executive Board Member	*Regional/operational responsibilities*	*Global and central functions*
Professor Dr Wolfgang Reitzle, Chief Executive Officer	Gist	HSE (Health, Safety, Environment), Communications & Investor Relations, Group Human Resources, Group Legal & Compliance, Innovation Management, Internal Audit, Performance Transformation
Professor Dr Aldo Belloni	EMEA segment (Europe, Middle East, Africa), Global Business Unit Tonnage (on-site), Engineering Division	
Thomas Blades	Americas segment, Global Business Unit Healthcare, Global Operations, Marketing & Technology Merchant and Packaged Gases	
Sanjiv Lamba	Asia/Pacific segment, Asia Joint Venture Management, Business Area Electronics (electronic gases)	
Georg Denoke	Finance/Controlling for the segments EMEA, Americas, Asia/Pacific	Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Information Services, Insurance, Mergers & Acquisitions, Procurement, Risk Management, Tax

154 DIVISIONS

Gases Division	*Engineering Division*	*Gist*
See diagram below for organisation	Dr Christian Bruch	Martin Gwynn
	Jürgen Nowicki	
	Dr Samir Serhan	

155 GASES DIVISION

EMEA segment (Europe, Middle East, Africa)	*Americas segment*	*Asia/Pacific segment*
RBU Continental & Northern Europe Peter Stocks	RBU Americas Pat Murphy	RBU Greater China Steven Fang
RBU Africa & UK Mike Huggon	Finance/Controlling Americas Jens Lühring	RBU South & East Asia Bernd Eulitz
RBU Middle East & Eastern Europe Dr Hans-Hermann Kremer		RBU South Pacific Colin Isaac
Finance/Controlling EMEA Matthias von Plotho		Asia Joint Venture Management Peter Owen
		Finance/Controlling Asia/Pacific Binod Patwari

156 GLOBAL BUSINESS UNITS (GBUs), BUSINESS AREA (BA) AND GLOBAL FUNCTIONS OF THE GASES DIVISION

GBU Tonnage (On-site) Dr Rainer Schlicher	GBU Healthcare Dr Christian Wojczewski	BA Electronics Holger Kirchner	Global Operations Rudolf Lamm
			Marketing & Technology Merchant and Packaged Gases Dr Steve Penn

157 GLOBAL AND CENTRAL FUNCTIONS

Procurement	Christoph Clausen
Group Accounting & Reporting, Risk Management, Insurance	Björn Schneider
Financial Control, Capital Expenditure, Growth & Performance	Michael Ullrich
Group Treasury	Dr Sven Schneider
HSE (Health, Safety, Environment)	Phil Graham
Information Services	Sandeep Sen
Innovation Management	Dr Andreas Opfermann
Communications & Investor Relations	Dr Harry Roegner
Mergers & Acquisitions	Tim Husmann
Performance Transformation	Dr Alexander Unterschütz
Group Human Resources	Werner Boekels
Group Legal & Compliance	Solms U. Wittig
Internal Audit	Thomas Müller
Tax	Dr Wolfgang Salzberger

GLOSSARY

[A]

AIR SEPARATION PLANT
Air separation plants use Linde processes to produce oxygen, nitrogen and argon.

ASSET DEAL
A corporate acquisition whereby one company purchases another company (or significant parts of another company including goodwill) without this constituting a share deal or resulting in a parent-subsidiary relationship.

[B]

BEST COST COUNTRIES
A procurement strategy whereby companies source goods and services not only in their major sales markets, but also in countries offering the best conditions of purchase.

[C]

CARBON CAPTURE AND STORAGE (CCS)
This process involves separating CO_2 from combustion flue gases and storing it, especially in underground sites. The aim is to reduce CO_2 emissions into the atmosphere.

CARBON CAPTURE AND USAGE (CCU)
This process involves separating CO_2 from combustion flue gases and using it in industrial processes such as growth promoters for plants or in the cultivation of algae.

CASH BALANCE PLAN
A cash balance plan combines the characteristics of a defined benefit plan with those of a defined contribution plan. A cash balance plan guarantees the beneficiary a pension benefit. For each beneficiary, an individual account balance is maintained, which increases in value over the period of service and attracts a guaranteed interest rate. The account balance is then subsequently converted into a lump sum payment or a lifelong pension, depending on the structure of the scheme.

CATEGORY MANAGEMENT METHOD
Category management is a structured process designed to analyse, define and implement procurement strategies for products and services.

CIS
CIS stands for the Commonwealth of Independent States. This is the abbreviation used for the loose confederation of former Soviet republics created after the collapse of the Soviet Union.

CLOUD COMPUTING SERVICES
Cloud computing is an IT concept in equipment and programming technology (processing power, memory, networks, applications etc.) which is tailored closely to the user's current requirements and supplied via a network (cloud), often via the Internet. There are various service and supply models for cloud computing services.

COMMERCIAL PAPER PROGRAMME
Programme for short-term notes on the capital market.

CONFLICT MINERALS
The US Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) defines conflict minerals as raw materials exploited and traded in the Democratic Republic of Congo or neighbouring countries which finance conflict. The Dodd-Frank Act applies to the substances or ores from which these raw materials are extracted: tantalum (coltan), tin (cassiterite), wolfram and gold.

CONVENIENCE PRODUCTS
Commercially processed food products which cut food preparation time in domestic households or in the catering trade.

CRACKER (ETHANE CRACKER)
Steam cracking plant in the petrochemical sector. Steam and heat are applied to transform hydrocarbons such as ethane into unsaturated hydrocarbons which are used as raw materials in the manufacture of plastics, varnishes, solvents and pesticides.

CREDIT DEFAULT SWAPS
Credit default swaps (CDS) are credit derivatives designed to hedge the exposure to loan defaults. In return for the payment of a single premium or regular premiums, the buyer receives compensation from the seller in the event that the reference obligor named in the CDS contract defaults.

CROSS-CURRENCY INTEREST RATE SWAPS
An agreement between parties to exchange interest payments and principal on loans denominated in different currencies.

[D]

DEBT ISSUANCE PROGRAMME
Flexible refinancing programme with standardised documentation framework. It enables the issuer to cover its funding requirements by raising debt in different currencies and amounts with different maturity periods.

DEFINED BENEFIT PLANS
Pension plans under which an enterprise/employer defines an amount of pension benefit to be provided as a function of one or more factors such as the age, length of service and salary of the employee. The actuarial risk and the investment risk are borne by the enterprise.

DEFINED CONTRIBUTION PLANS
Pension plans under which the legal or constructive obligation of the enterprise/employer is limited to the amount it agrees to contribute to a separate entity, such as an insurance company. The level of benefits received by the employee is determined by the level of contributions paid by the enterprise (and if applicable also by the employee) to the separate entity, together with the investment returns arising from the contributions. The actuarial risk and the investment risk are borne by the employee.

[E]

EBIT
Abbreviation for Earnings before Interest and Tax. At Linde, this figure comprises gross profit on sales less functional costs and other operating expenses plus other operating income and share of profit or loss from associates and joint ventures, adjusted for non-recurring items.

EBITDA (OPERATING PROFIT)
Abbreviation for Earnings before Interest, Tax, Amortisation and Depreciation. At Linde, EBIT (adjusted for non-recurring items) after adding back amortisation of intangible assets and depreciation of tangible assets.

ECIIA
Abbreviation for the European Confederation of Institutes of Internal Auditing. ECIIA is the professional association which represents 33 national institutes of internal auditing across Europe. Its aim is to improve corporate governance by promoting professional standards for internal auditing.

ENHANCED OIL AND GAS RECOVERY (EOR/EGR)
Enhanced recovery of oil or gas reserves to make the exploitation of the remaining reserves in a gas field or oilfield more efficient. The pump pressure in the seam is increased by injecting gases such as nitrogen and carbon dioxide.

[F]

FERMA
Abbreviation for Federation of European Risk Management Associations. FERMA brings together 20 national risk management associations from 18 European countries. The Federation represents a large number of sectors such as industry, financial services, healthcare, charitable organisations and local government agencies. FERMA supports its members in raising awareness and promoting the effective use of risk management, insurance solutions and risk financing in Europe.

FUTURES
Forward contracts traded on a stock exchange with standardised contract volumes and underlying assets.

[G]

GREENHOUSE GAS PROTOCOL
Globally recognised standard designed to manage and quantify greenhouse gas emissions. The Greenhouse Gas Protocol originated from an initiative from the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

[H]

HYCO PLANTS
A collective term for plants which produce hydrogen, carbon monoxide and synthesis gas. HyCO plants include in particular steam reformers, partial oxidation plants and methanol crackers.

[K]

KONTRAG
German Law on Control and Transparency in Business. This law makes it mandatory for the executive boards of listed companies to put a risk management programme in place. Its objective is to protect the interests of shareholders by safeguarding the profits and value of the enterprise.

[L]

LED
LED stands for light emitting diode. LEDs transform electrical energy into light. Similar to semiconductor diodes, they create directional light and are available in a variety of colours, sizes and shapes. These devices are used in many industries for signalling and lighting applications.

LNG
Liquefied Natural Gas. LNG is regarded as a promising fuel of the future because of its high energy density, constant calorific value and high level of purity.

LNG PLANT
Natural gas liquefaction plant.

[M]

MAJOR HAZARD REVIEW PROGRAMME (MHRP)
Linde set up this programme to ensure the safety of its production processes. As part of Linde's process risk management system, the MHRP allows the Group to identify promptly potential risks that might result in accidents or damage to property or to the environment, and to introduce appropriate safety and control measures.

[O]

OLEFIN PLANT

Petrochemical unit for the production of olefins such as ethylene and propylene from hydrocarbons.

[P]

PULMONARY HYPERTENSION

Illness in which abnormally high blood pressure affects the blood vessels in the lungs and the pulmonary circulation. This is particularly damaging to the heart and lungs and restricts the supply of oxygen.

[R]

REACH

EU Regulation on the Registration, Evaluation and Authorisation of Chemicals.

RECTISOL®

The patented Rectisol® process is used to remove CO_2 and sulphur components from synthesis gas in coal gasification plants.

[S]

SERIOUS TRANSPORT INCIDENTS

Transport-related incidents, such as traffic accidents, which have a considerable impact on the health of the parties concerned, result in environmental emissions which must be reported or give rise to a certain level of costs.

SHEQ

Abbreviation for Safety, Health, Environment and Quality.

[T]

TREASURY

The Treasury department ensures that the Group has sufficient funds and capital. It invests surplus funds, reduces financial risks and optimises costs and the return on financial transactions.

[V]

VIGILANCE SIGNAL DETECTION SYSTEM

A system to ensure the systematic ongoing safety of a pharmaceutical product. It aims to discover, evaluate and understand undesirable effects and side-effects of the product by assessing various sources such as incident reports, scientific and medical literature and clinical studies, so that appropriate measures may be taken to minimise risks.

REVIEW OF THE YEAR

JANUARY

1 / 1

Linde acquires 100 percent of the shares in Calea France SAS. Calea is a good complement to the European homecare operations purchased by Linde from Air Products in spring 2012. As a result, the Group significantly improves its position in the French homecare market.

2 / 1

Linde announces that it is to build a new air separation plant and a new nitrogen liquefaction plant on the Kwinana site in Australia. This project is part of an investment programme worth around EUR 80 m being implemented by the Group to ensure long-term security of supply for its customers in Western Australia.

FEBRUARY

1 / 2

Linde concludes a long-term on-site contract with ArcelorMittal for the supply of gaseous oxygen and nitrogen at the Kryviy Rih site in Ukraine. The agreement is for the construction of an air separation plant and investment in the project is around EUR 64 m.

2 / 2

Linde brings on stream its new plant for the production of nitrous oxide in Chungcheongnam, Korea. The plant has a production capacity of 3,000 tonnes per annum, enabling the Group to meet rising demand in that Asian country in both the rapidly growing electronics market and the healthcare sector.

MARCH

1 / 3

Linde is to build six large air separation plants for Shenhua in Yinchuan, China. Each of the six plants will have a production capacity of around 100,000 normal cubic metres of gaseous oxygen per hour. Shenhua requires the oxygen for the production of liquid fuel from coal at its coal-to-liquid complex on the Ningdong Energy Chemical Base. This is currently one of the biggest coal-to-liquid projects in the world.

2 / 3

In Kazakhstan, Linde brings on stream the first large air separation plant in the country. This plant enables the Group to supply gaseous oxygen and nitrogen to its customer ArcelorMittal, the world's largest steel company. The new plant also supplies liquefied products to the regional market in Kazakhstan.

APRIL

1 / 4

Linde wins a major contract from Reliance Industries Ltd. (RIL) to build several plants for the production and purification of gases in Jamnagar, India. RIL requires large quantities of oxygen for its proposed plants on the site for the gasification of petroleum coke and coal. Linde will also supply two RECTISOL® acid-gas removal units to treat the synthesis gas generated by the gasification process.

2 / 4

Linde AG issues a EUR 650 m bond and a USD 500 m bond. Both transactions meet with high demand from institutional investors and retail banks. The funds generated by the transactions are used to repay the remaining portion of the syndicated credit which had been agreed by Linde in order to finance the acquisition of US homecare company Lincare.

MAY

1 / 5

Linde is to build and operate a large ammonia plant on the Togliatti site in the Samara region of Russia in a joint venture with chemical company JSC KuibyshevAzot. The total investment in this project will be around EUR 275 m. The ultra-modern on-site plant, which is designed to be particularly energy-efficient, will have a production capacity of 1,340 tonnes of ammonia per day.

2 / 5

Linde signs a long-term on-site contract with SSI Steel UK for the supply of gaseous oxygen, nitrogen and argon on the Teesside site in England. The agreement involves the expansion of three existing air separation plants and the modernisation of the existing pipeline network. Linde will be investing GBP 25 m in this project over the next two years.

JUNE

1 / 6

Under an on-site agreement with SIBUR, Linde will supply gases to the petrochemical company in Dzherzhinsk, Russia, and will build and operate two new air separation plants for this purpose. Linde is also modernising the four existing air separation plants on the site. Investment in the project is around EUR 70 m. The new plants will have a total production capacity of around 30,000 normal cubic metres of gaseous oxygen per hour.

2 / 6

Linde will build a new large-scale air separation plant at its US site in La Porte, Texas, as well as installing a new gasification train for its synthesis gas complex on the site. The Group will also supply related equipment and infrastructure elements. Linde will be investing a total of more than USD 200 m in this project, which will create the largest complex in the world for the production and subsequent processing of synthesis gas to be based on natural gas.

JULY

1 / 7

Sapphire Energy, Inc. (one of the world's leading producers of crude oil from algae) expands its partnership with Linde to commercialise a new industrial-scale conversion technology needed to upgrade algae biomass into crude oil. The two companies will refine the hydrothermal treatment process, which uses high temperatures to exploit the whole of the algae cell.

2 / 7

BASF, Linde and ThyssenKrupp cooperate on research to develop an environmentally friendly and competitive basis for utilising the climate gas carbon dioxide on an industrial scale. They aim to employ innovative process technology to use carbon dioxide as a raw material, with positive effects on climate protection. The German Federal Ministry of Education and Research (BMBF) is sponsoring the three-year project.

AUGUST

1 / 8

Linde is to build the world's largest plant for the purification and liquefaction of carbon dioxide (CO_2) in the Jubail Industrial Park in Saudi Arabia. The contract was awarded by Jubail United Petrochemical Company. The plant will have a capacity of 1,500 tonnes of CO_2 per day and will source the CO_2 from two nearby ethylene-glycol plants. Via a pipeline network, the CO_2 will then be used in the production of methanol and urea. Methanol is a basic product in the chemical industry, while urea is used for example in the manufacture of fertilisers. Carbon dioxide recycling via this project will save around 500,000 tonnes of carbon emissions per annum.

SEPTEMBER

1 / 9

The Supervisory Board of Linde AG appoints Dr Wolfgang Büchele as a member of the Executive Board with effect from 1 May 2014 and nominates him as CEO designate. Dr Büchele will take up his appointment as CEO following the Annual General Meeting on 20 May 2014, replacing Professor Dr Wolfgang Reitzle, whose contract ends on that date as he will have reached the stipulated age limit.

2 / 9

The six partners in the H_2Mobility initiative – Air Liquide, Daimler, Linde, OMV, Shell and Total – have agreed a specific action plan for the construction of a nationwide hydrogen (H_2) refuelling network in Germany for fuel-cell vehicles. The number of H_2 filling stations in Germany's public hydrogen infrastructure is set to increase from its current figure of 15 to around 400 by 2023. This will ensure that future supplies of hydrogen will be sufficient to meet demand from electric fuel-cell vehicles.

OCTOBER

1 / 10

Linde brings on stream its new air separation plant on the Motherwell site in Scotland. In the course of a general overhaul of the existing plants, Linde invests GBP 13.6 m in expanding its onsite capacity. Linde supplies around 18,000 customers in Scotland from the plant, which is now more efficient and environmentally friendly.

NOVEMBER

1 / 11

In its Healthcare business unit Linde launches LIV® IQ, the new generation of Linde Integrated Valves for mobile oxygen therapy onto the market. This intelligent valve has a digital flow and time display that indicates the remaining time to the exact minute and alerts the user when a critical gas level is reached and thus when it is time to change to a new cylinder. These and other intelligent functions give healthcare professionals more time to focus on patient care whilst ensuring cost-effective use of the cylinder contents.

2 / 11

Plans to build and operate the first liquefied natural gas terminals in Germany are coming to fruition in Hamburg and Bremerhaven, future hubs for the supply of LNG to the German coast. Bomin Linde LNG (a joint venture between Linde and Bomin Deutschland GmbH & Co. KG) finalises its preparations for the manufacture of key parts and the construction of the terminals.

DECEMBER

1 / 12

The planned Energiepark Mainz (Germany) can go ahead, with construction set to start in the spring of 2014. This has been confirmed by Siemens, Linde, RheinMain University of Applied Sciences and Stadtwerke Mainz. After its commissioning in 2015, the Energiepark Mainz is set to make a significant contribution to the success of Germany's "Energiewende", or energy turnaround: in the pilot project, a specially developed electrolysis plant will produce major quantities of hydrogen, using energy sources including "green" electricity from wind power. This hydrogen can be stored, loaded into tank trailers or fed directly into the natural gas grid, for use in generating heat or electricity. This makes it possible to store electricity from renewable energy sources.

TABLES AND CHARTS

FINANCIAL CALENDAR

[1]
PRESS CONFERENCE ON ANNUAL RESULTS
PUBLICATION OF GROUP FINANCIAL STATEMENTS
17 March 2014
Carl von Linde Haus, Munich
Germany

[2]
INTERIM REPORT
JANUARY TO MARCH 2014
6 May 2014

[3]
ANNUAL GENERAL MEETING 2014
20 May 2014, 10 a.m.
International Congress Centre, Munich
Germany

[4]
DIVIDEND PAYMENT
21 May 2014

[5]
INTERIM REPORT
JANUARY TO JUNE 2014
29 July 2014

[6]
AUTUMN PRESS CONFERENCE 2014
30 October 2014
Carl von Linde Haus, Munich
Germany

[7]
INTERIM REPORT
JANUARY TO SEPTEMBER 2014
30 October 2014

[8]
ANNUAL GENERAL MEETING 2015
12 May 2015, 10 a.m.
International Congress Centre, Munich
Germany

STATEMENTS RELATING TO THE FUTURE

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

IMPRINT

[PUBLISHED BY]

LINDE AG
KLOSTERHOFSTRASSE 1
80331 MUNICH
GERMANY

[CONCEPT, DESIGN, PRODUCTION]

HW.DESIGN, MUNICH
GERMANY

[TEXT]

LINDE AG

[PHOTOGRAPHY]

ANDREAS POHLMANN, MUNICH

[CONTACT]

LINDE AG
KLOSTERHOFSTRASSE 1
80331 MUNICH
GERMANY

PHONE: +49.89.35757-01
FAX: +49.89.35757-1075

WWW.LINDE.COM

Print CO2 compensated Id-No. 1436187 www.bvdm-online.de

FSC MIX Paper from responsible sources FSC® C010887 www.fsc.org

[PRINTED BY]

MEDIAHAUS BIERING GMBH
80939 MUNICH
GERMANY

GMUND SILBER WEISS [COVER]

LESSEBO SMOOTH WHITE
FSC MIX [CONTENT]

[COMMUNICATIONS]

PHONE: +49.89.35757-1321
FAX: +49.89.35757-1398

MEDIA@LINDE.COM

[INVESTOR RELATIONS]

PHONE: +49.89.35757-1321
FAX: +49.89.35757-1398

INVESTORRELATIONS@LINDE.COM

[CONTACT DETAILS FOR NOTIFICATION OF VOTING RIGHTS]

FAX: +49.89.35757-1007

The Annual and the Financial Report of The Linde Group are available in both German and English and can also be downloaded from our website at *WWW.LINDE.COM*. In addition, an interactive online version of the Annual Report, comprising the Financial Report of The Linde Group and the Annual, is available at this address. Supplementary information about Linde can be obtained from us free of charge.

[DATE OF PUBLICATION]

17 MARCH 2014

FIVE-YEAR SUMMARY

		2009	2010	2011	2012 adjusted[1]	2013
REVENUE	*€ million*	11,211	12,868	13,787	15,833	**16,655**
In Germany	*%*	10.8	9.5	9.0	8.2	7.9
Outside Germany	*%*	89.2	90.5	91.0	91.8	92.1
Earnings						
Operating profit[2]	*€ million*	2,385	2,925	3,210	3,686	3,966
EBIT	*€ million*	1,167	1,679	2,152	2,055	2,171
Profit before tax (EBT)	*€ million*	838	1,399	1,619	1,734	1,794
Profit for the year (attributable to Linde AG shareholders)	*€ million*	591	1,005	1,174	1,232	1,317
Earnings per share – undiluted[3]	*€*	3.51	5.94	6.88	6.93	7.10
Dividend	*€ million*	304	375	428	500	557
Dividend per share	*€*	1.80	2.20	2.50	2.70	3.00
No. of shares (at 31 December)	*000s*	168,907	170,297	171,061	185,189	185,588
Asset structure						
Intangible, tangible and financial assets	*€ million*	19,115	21,044	21,269	25,971	25,184
Inventories	*€ million*	966	956	1,036	1,112	1,088
Receivables[4]	*€ million*	2,252	2,247	2,382	3,093	3,119
Cash and cash equivalents and securities	*€ million*	848	1,176	2,674	2,108	1,348
Other assets	*€ million*	1,200	1,465	1,554	2,013	2,010
Total assets	*€ million*	24,381	26,888	28,915	34,297	32,749
Capital structure						
Equity	*€ million*	9,187	11,362	12,144	13,658	13,586
Provisions	*€ million*	3,009	2,886	2,838	2,613	2,381
Financial debt	*€ million*	6,967	6,673	7,768	10,581	9,577
Other liabilities	*€ million*	5,218	5,967	6,165	7,445	7,205
Total equity and liabilities	*€ million*	24,381	26,888	28,915	34,297	32,749
Cash flow statement						
Cash flow from operating activities	*€ million*	2,142	2,422	2,426	2,664	3,144
EMPLOYEES AS AT 31 DECEMBER		47,731	48,430	50,417	62,765	**63,487**
In Germany	*%*	15.4	14.8	14.6	12.1	12.3
Outside Germany	*%*	84.6	85.2	85.4	87.9	87.7
Key figures and ratios						
Capital expenditure	*€ million*	1,137	1,302	1,367	2,038	2,268
Equity ratio	*%*	37.7	42.3	42.0	39.8	41.5
Return on capital employed (adjusted ROCE)	*%*	10.4	12.5	13.0	11.9	10.9
Return on capital employed (ROCE as reported)	*%*	7.7	10.3	11,0	10.2	9.7
EBIT margin[2]	*%*	10.4	13.0	15.6	13.0	13.0
Cash flow from operating activities as percentage of revenue	*%*	19.1	18.8	17.6	16.8	18.9

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. *SEE NOTE [7] IN THE NOTES TO THE GROUP FINANCIAL STATEMENTS.*
[2] EBIT adjusted for amortisation of intangible assets and depreciation of tangible assets.
[3] Based on the weighted average number of shares.
[4] Includes receivables from finance leases.

Published by

Linde AG
Klosterhofstrasse 1
80331 Munich
Germany
Phone +49.89.35757-01
Fax +49.89.35757-1075
www.linde.com