Building on Strengths

ANNUAL REPORT 2014

LeadIng.

THE LINDE GROUP

CONTENTS

LINDE FINANCIAL HIGHLIGHTS

Linde financial highlights		*2014*	*2013*	*Change*
Share				
Closing price	€	154.20	152.05	1.4%
Year high	€	157.30	153.90	2.2%
Year low	€	139.15	128.60	8.2%
Market capitalisation (at year-end closing price)	€ million	28,625	28,219	1.4%
Earnings per share – undiluted	€	5.94	7.10	–16.3%
Earnings per share – undiluted (before non-recurring items)	€	7.13	7.10	0.4%
Number of shares outstanding as at 31.12.	000s	185,638	185,588	0.0%
Group				
Revenue	€ million	17,047	16,655	2.4%
Operating profit[1]	€ million	3,920	3,966	–1.2%
Operating margin	%	23.0	23.8	–80 bp[2]
EBIT (earnings before interest and tax)	€ million	1,885	2,171	–13.2%
EBIT (before non-recurring items)	€ million	2,180	2,171	0.4%
Profit for the year	€ million	1,162	1,430	–18.7%
Return on capital employed (before non-recurring items)	%	9.5	9.7	–20 bp[2]
Number of employees as at 31.12.		65,591	63,487	3.3%
Gases Division				
Revenue	€ million	13,982	13,971	0.1%
Operating profit[1]	€ million	3,835	3,846	–0.3%
Operating margin	%	27.4	27.5	–10 bp[2]
Engineering Division				
Revenue	€ million	3,106	2,879	7.9%
Operating profit[1]	€ million	300	319	–6.0%
Operating margin	%	9.7	11.1	–140 bp[2]

[1] EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] Basis points.

CORPORATE PROFILE

THE LINDE GROUP

In the 2014 financial year, The Linde Group generated revenue of EUR 17.047 bn, making it the largest gases and engineering company in the world with approximately 65,500 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 (the logistics services company Gist). The largest division, Gases, has three reportable segments – EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These reportable segments are further subdivided into nine Regional Business Units (RBUs). In addition, Linde has established five Global Governance Centres (GGCs) for the Gases Division which are centrally managed and operate across the regions: GGC Merchant & Packaged Gases (liquefied gases and cylinder gas), GGC Electronics (electronic gases), GGC Healthcare, GGC Operations and GGC Deliver. The Group has also set up the Group-wide function Opportunity & Project Development in order to take better advantage of business opportunities.[1]

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.

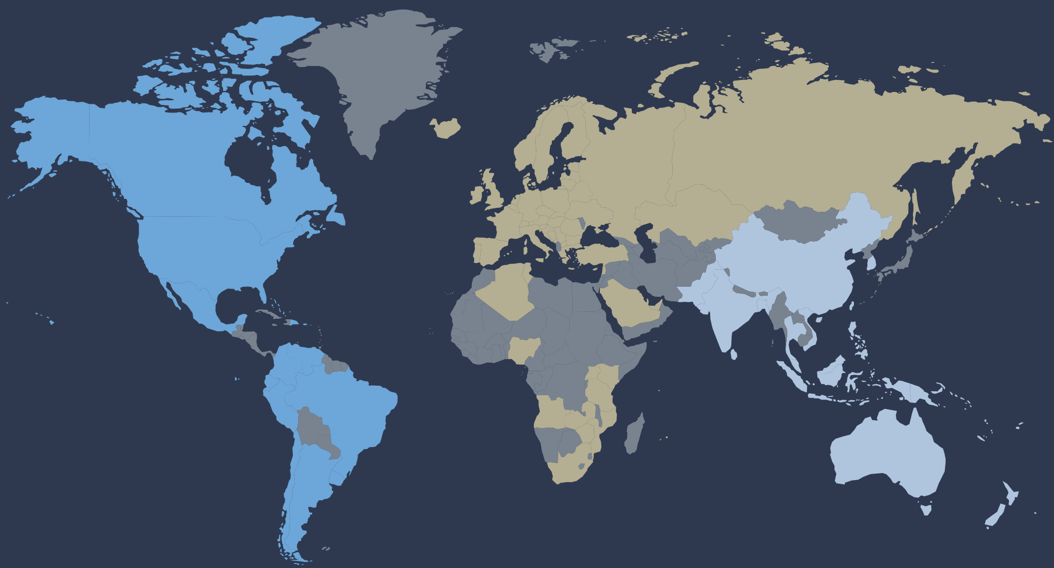
ENGINEERING DIVISION

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 15 January 2015.

THE LINDE WORLD

With its gases and engineering operations, Linde is represented in more than 100 countries around the world. The Gases Division has three segments: EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas, which are subdivided into nine Regional Business Units (RBUs)[1]. This structure means that Linde is in the best position to respond to local and regional market conditions in the gases business and to meet its gases customers' requirements as effectively as possible. Active the world over, the Engineering Division specialises in olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants.



SEGMENTS WITHIN THE GASES DIVISION

AMERICAS · EMEA · ASIA/PACIFIC · REGIONS WITHOUT LINDE GASES BUSINESS

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 15 January 2015.

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 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. The Linde's Group management report has been combined 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.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE GROUP FINANCIAL STATEMENTS

The consolidated financial statements of Linde Aktiengesellschaft for the year ended 31 December 2014 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 on the application of International Accounting Standards in the European Union.

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 2014. Their unqualified audit opinion is presented on *PAGES 265 TO 266*.

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 scope of the review was expanded in 2014 to include non-financial figures. The current version of the Corporate Responsibility Report is available online at *WWW.LINDE.COM/CR-REPORT*.

Building on Strengths

Dr Wolfgang Büchele
CEO of Linde AG

"PLAYING TO OUR STRENGTHS"

Dr Wolfgang Büchele, CEO of Linde AG, explains how he sees the company living up to its leadership promise and remaining on a sustainable and profitable growth path – even in a complex and volatile market. Building strong customer relationships, focussing on core activities and systematically developing new business opportunities are the keys to success.

Dr Büchele, you have been at the helm for almost a year now – what is your impression of Linde?

Well, right from day one I can say I've been very inspired by our people. Their commitment, their expertise and their passion for Linde are truly exceptional – I had never experienced anything quite like it before. It also goes hand in hand with a strong sense of pride – which, I might add, is entirely justified. Over the last ten years, our company has emerged from a difficult situation to become a true global player in the gases and engineering business. We have carved out an exceptionally strong market position in numerous different countries. Looking to the future, our aim is to play to our strengths – so we can expand our reach and drive the market forward.

And how will you go about that?

Most importantly, we need to put ourselves much more firmly in our customers' shoes and ask ourselves each and every day what our customers actually need – and how we, as a company, can meet those concrete needs. What can we offer our customers? What products or services add value to our customers, setting us apart from the competition? That is to be the guiding force for all our future actions. Here we can draw on our strengths as a powerhouse of innovation, translating our hallmark entrepreneurial spirit more effectively into customer-centred solutions and applications.

This change of perspective you are calling for would be more typically associated with the B2C sector …

In this age of mobile Internet, apps and social media, technical progress is not going to stop at the B2B door. First and foremost, these new communication channels offer our customers unprecedented access to information and significantly greater transparency across product offerings – 24 hours a day, 7 days a week. Customers are more empowered and their expectations are rising. We need to ensure we respond to changing customer needs in the right way.

You also see Linde as a learning organisation – would that be another success factor in your eyes?

It certainly would. Continued and close dialogue with our customers, understanding their concrete needs and actively engaging with them also means that we – as a company – need to continually evaluate our own structures and processes and realign where necessary. There is a big difference between telling our customers what they should buy from us and selling them the solutions they really need. Our overarching aim must always be to provide the fastest, best answers – answers that add real value to our customers. Or, even better: giving our customers what they need before they even ask.

Dr Büchele, last autumn you deferred your financial targets by a year. What were your reasons for that?

Global industrial output had slowed significantly since we originally defined those targets, and the climate as a whole remains very unstable – marked by geopolitical crises, major exchange rate fluctuations and plummeting oil prices. Having discussed this situation extensively, the Executive Board concluded that we must continue to prepare ourselves for volatility, uncertainty, complexity and confusion. Many other companies in the chemical industry have revised their forecasts in the meantime too.

So what next for the business fields?

Well, the first thing is to bundle our strengths and focus even more intensively on the areas of business that add the greatest value.

Do you have specific fields of business in mind here?

Strengthening our core business is the major aim – especially cylinder gases.

Why is the cylinder gases business so important to Linde?

Quite simply, we generate over 50 percent of our revenue with cylinder gases – which makes this business a powerful profit lever for the company as a whole. And we expect to see stable growth here over the coming years, driven in particular by increasing industrialisation in the emerging economies. That is also one of the reasons why we have decided to strengthen our focus on this line of business moving forward.

You mentioned strong market positions, but these alone don't tell us all that much about a company's resilience and future prospects, do they?

Well, in the gases business, market position plays a crucial role. And looking to the future, the key trends of our time also play to the strengths of our business model.

Could you give us an example?

Well, take our on-site business for major customers, for instance. Here we are seeing a growing tendency to outsource plant operation, which suits us very well. Another example is liquefied gases, where we are benefitting from the increasing transformation of industrial processes with more sophisticated technologies, especially in the major growth regions. We are developing innovative, customised applications to tap into these promising areas more effectively.

How do you see the healthcare market developing?

Here you only need to look at changing demographics – the global population continues to grow, and life expectancy is steadily rising. This goes hand in hand with an increase in the number of patients with chronic conditions, who then need medical attention and care. Our medical gases and services for respiratory therapy not only meet this growing demand, but also – even more importantly – support these patients by significantly improving their quality of life.

What role does the engineering business play in Linde's future plans?

A very significant one. There are wide-ranging synergies between our Gases and Engineering Divisions, which we will be harnessing even more effectively from now on. This applies not just to the on-site business, but also to integrated gas projects in general. We can use our engineering expertise to generate additional gas revenue here.

So Linde's future still looks bright?

We are certainly well equipped. A sharper strategic focus and adaptive organisational model will keep us firmly on our sustainable and profitable growth path, allowing us to actively seize the rich and varied business opportunities that arise. We launched our current, customer-centric programme last autumn and are confident that the relevant measures will be in place by the end of this financial year. My colleagues on the Executive Board and I are convinced that this will provide us with an excellent platform to make Linde the industry's strongest performer – the undisputed number one in our field. Linde will be synonymous with customer focus, outstanding reliability and in-depth technology expertise. That is how we will deliver maximum value to our stakeholders.

Integrated business model

ON-SITE

On-site plants are positioned at the core of Linde's integrated business model. These purpose-built gas production facilities are used to supply major customers locally. Drawing on its vast engineering expertise, Linde tailors these cost-efficient plants to individual needs. The company complements this engineering know-how with the operational expertise required to run these plants reliably over time, ensuring precise control over production operations.

Customers from the chemical, steel and petroleum industries are increasingly outsourcing their gas supply, making the on-site business a promising growth market.

A good example of this development is a current project in Finland, where Linde is engineering a new hydrogen facility for Neste Oil at the Porvoo refinery. Here, Linde is able to bundle the hydrogen technology leadership of its Engineering Division with the wealth of experience gained by its Gases Division as a plant operator.

Jukka Keyrilainen, Development Manager at Neste Oil (right), and Jan Heinrich, Business Development Manager for Linde's on-site operations (left), in Porvoo (Finland).

PERFECT INTERPLAY

Depending on the geographic location and conditions on the ground, on-site projects can pose specific challenges for all companies involved. Technology companies like Linde, which combine one-stop engineering and operational services with local experience and insights, enjoy a strong competitive advantage.

The new hydrogen facility uses a particularly energy-efficient concept for an even greater reduction in CO_2 emissions.

"We channelled the vast hands-on experience we have gained operating hydrogen plants into the design of the Porvoo facility."

**Jan Heinrich,
Business Development Manager
for Linde's on-site operations**

From the very outset, the performance requirements for the new hydrogen facility that Linde is constructing to supply Neste Oil at the Porvoo refinery (Finland) were extremely high. "Natural gas, the feedstock for hydrogen production, is relatively expensive in this region," reports Jan Heinrich, Business Development Manager for Linde's on-site operations. "So we needed to develop a particularly energy-efficient plant concept to ensure competitive production costs." The Linde engineers achieved this by further optimising heat recovery within the process. "The integrated use of process heat has enabled us to maximise heat recovery to a greater extent here than in any other system to date," explains Heinrich. With a positive side-effect for the environment: the new plant generates significantly lower CO_2 emissions than conventional hydrogen facilities.

The on-site project in Porvoo is also a textbook example of the importance of close collaboration between customer and contractor. "With the facility being engineered and operated on the refinery site, safety is a top priority," emphasises Jukka Keyrilainen, Development Manager at Neste Oil. "And to ensure the highest safety standards, all interfaces must function seamlessly. Working with Linde, this is always the case." Within the partnership, Linde can also make use of the site's facilities, such as the plant fire department and security service. Additionally, the company draws utilities such as electricity, water, nitrogen and coolant from the refinery.

Linde also benefits from its own synergies in Porvoo. The company already operates an air separation plant just two kilometres away, as well as a CO_2 facility at the site itself. So when it comes to running the new hydrogen plant, Linde can build on the technical expertise of its existing operation teams and use the control centre already on site.

The fact that Linde is on well-known terrain in Porvoo holds wider advantages too. The company's experts are already very familiar with the climatic conditions on the south coast of Finland, for instance. "We have designed the new plant for reliable production at temperatures right down to minus 40 degrees Celsius," confirms Jan Heinrich. Here, Linde is responding to another key customer requirement: plant availability. "A reliable, long-term supply of the right amount of hydrogen at all times is essential for operational continuity at the refinery." Neste Oil primarily uses the hydrogen for fuel desulfurisation.

The new Porvoo plant is an excellent example of the far-reaching benefits of collaboration between the Gases and Engineering Divisions at Linde. While the Engineering Division is responsible for turnkey construction, the Linde Group's Scandinavian gas company will be in charge of plant operation. Neste Oil will build the pipeline connection to the refinery.

Close collaboration between the two divisions and a single face to the customer is a key success factor for Linde: "Our design for the Porvoo plant incorporates decades of experience gained in our gases business from the operation of hydrogen facilities around the globe," describes Heinrich.

This collaborative expertise is a strong factor in winning customers like Neste Oil. "Cooperating with Linde significantly increases our hydrogen production efficiency," declares Matti Lievonen, President & CEO of the Finnish refining and marketing company. "This new plant will boost our hydrogen capacity, in turn improving the reliability and flexibility of the refinery. At the same time, it leaves us free to focus more intensively on our core business and a cleaner traffic strategy." An aim that clearly means a lot to both partners, with joint investment in this new on-site project totalling around EUR 100 m.

2

1

3

1 The new plant marks a significant increase in Neste Oil's hydrogen capacity at the Porvoo refinery.

2 Close collaboration between Neste Oil and Linde is a key success factor for the on-site project in Porvoo.

3 Jukka Keyrilainen and Jan Heinrich examine the complex pipeline system at the refinery's extensive site.

ADDITIONAL ON-SITE PROJECTS

In addition to the Porvoo hydrogen plant, Linde won various other on-site projects in the 2014 financial year.

In February, Linde signed a long-term agreement with Nynas AB, a global market leader for naphthenic specialty oils (NSP) and bitumen products, for on-site hydrogen supplies at its Hamburg (Germany) refinery. This will involve Linde's Engineering Division constructing a new steam reformer, with the Gases Division investing around EUR 30 m.

During the third quarter, Linde signed a long-term agreement to supply oxygen and nitrogen to the ArcelorMittal group's steelworks in Eisenhüttenstadt (Germany). Under this agreement, which extends an existing supply contract, Linde is also set to build a new air separation plant with an investment volume of around EUR 85 m. Linde's Engineering Division is responsible for building the plant, which will also supply liquid gases to the regional market. This project further consolidates Linde's strong market position as an oxygen supplier for the steel sector.

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ON-SITE FACILITIES COMPLETED AND BROUGHT ON STREAM DURING 2014

HYDROGEN AND SYNGAS PLANT
Singapore

HYDROGEN PLANT
Jilin (China)

HYDROGEN AND SYNGAS PLANT
Caojing (China)

AIR SEPARATION PLANT
Suzhou (China)

SYNGAS PLANT
Ploiești (Romania)

AIR SEPARATION PLANT
Kaluga (Russia)

AIR SEPARATION PLANT
Dzerzhinsk (Russia)

AIR SEPARATION PLANT
Temirtau (Kazakhstan)

AIR SEPARATION AND PRESSURE SWING ADSORPTION PLANT
Guayaquil (Ecuador)

AIR SEPARATION PLANT
Mo i Rana (Norway)

AIR SEPARATION PLANT
Glenbrook (New Zealand)

AIR SEPARATION PLANT
Teesside (England)

AIR SEPARATION PLANT
Rourkela (India)

Strong customer focus

CYLINDER AND LIQUEFIED GASES

Linde supplies cylinder gases to around two million customers – primarily small and medium-sized enterprises – across a huge range of industries worldwide. Similar to the liquefied gases business, growth in this area is closely linked to industrial output. But demand is also driven by a supplier's expertise in application technologies. Here, Linde has developed in-depth know-how and a rich portfolio with several hundred products supporting the most varied application spectrum. The company derives around 40 percent of its cylinder and liquefied gas revenue from precisely tailored solutions that meet individual customer requirements. Speciality gases are an excellent example of Linde's bespoke offering.

Linde builds on its comprehensive expertise – flanked by a flexible, state-of-the-art network of filling stations – to support companies such as Kennametal Stellite (Koblenz, Germany), one of the world's leading manufacturers of wear-resistant solutions.

Jasmin Lang, Project Manager at Kennametal Stellite, visits the company's new gas supply facilities at its site in Koblenz (Germany), accompanied by Linde staff Harry Bentz (left), Sales/Application Technology, and Walter Gelhard (right), Regional Manager Sales.

"MORE THAN JUST MOLECULES"

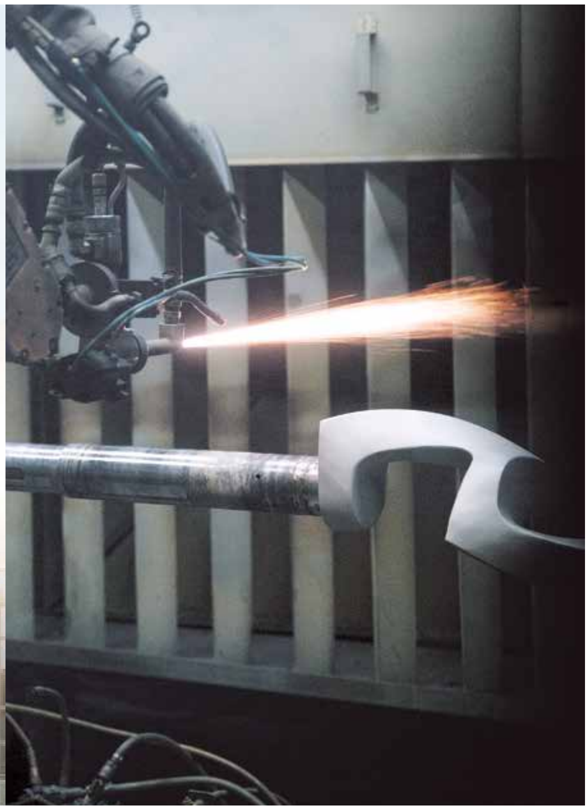
Kennametal Stellite GmbH is one of the world's leading manufacturers and suppliers of wear-resistant solutions. To enable its wide-ranging coating, casting, welding, forming and machining processes, this long-established company relies on a full spectrum of liquefied and cylinder gases from Linde. Here, Marco Müllender, Team Leader Procurement, explains why his company also views Linde as much more than just a gas supplier.

Melting the thermal-sprayed protective layer
to bond the powder coating with the substrate.

For Marco Müllender (right), Team Leader Procurement at Kennametal, occupational safety and ongoing process optimisation are key priorities.

Linde supplies certain gases in cylinder bundles to its customer Kennametal Stellite.

If a customer requires high volumes of a gas, Linde can also install tanks on site, as here for ethene gas.



Kennametal Stellite uses a range of thermal spraying techniques to apply wear-resistant coating to various base materials.

Interview: Marco Müllender, Team Leader Procurement, Kennametal Stellite GmbH, Koblenz (Germany)

Mr Müllender, the gases Linde supplies you with include acetylene, nitrogen, oxygen, argon, ethene, helium and hydrogen. Which gas is the most important to your company?

For our complex, high-tech applications, success does not lie in one single gas, but rather in achieving the right balance between several different gases. And the most important factor is gas purity, since that's the only way we can meet the strict quality standards that apply to our products and processes. These criteria are also considered when our site is evaluated for recertification.

Which of your production processes actually use these gases?

We use them in plasma powder welding, for instance, and in high-velocity oxyfuel (HVOF) spraying. Here Linde and Kennametal Stellite share a strong focus on quality and performance, making them ideal partners.

What are the target markets and sectors for your products?

Altogether, we supply 22 different industries with our high-quality products. Our customers include companies with global operations in energy production, automotive engineering, and crude oil and natural gas processing.

What is special about your collaboration with Linde?

As far as we're concerned, Linde is much more than just a gas supplier – the company offers more than just molecules. Particularly in occupational safety and process optimisation, Linde is a key full-line provider, as we experienced when setting up the central gas supply scheme on our premises. With Linde's assistance, we were able to shift sources of potential hazard away from the production area and increase the safety of our welding staff. The pipeline system is located partly underground and partly within the facility, allowing the supply to be regulated separately for each work area. Linde's flame monitoring system rounds out this improvement in workplace safety, on the one hand shutting off the supply as soon as the flame is extinguished, and on the other, enabling safe ignition. Linde staff members also inspect the fittings each time a cylinder bundle is changed.

You also mentioned process optimisation – what are the benefits of partnering with Linde here?

There are many … for instance, a joint project team developed a three-flame burner that allows us to keep components at the right temperature throughout the relevant process and ensure the required coating is of optimum quality. With support from Linde's experts, we succeeded in making this step significantly more stable.

And what about the actual gas supply?

Here, again, Linde is highly innovative and applies sophisticated technology such as remote monitoring for gas tanks. This has helped us enhance our security of supply. A degree of flexibility is also important to us. Recently, for example, we constructed a large oxygen tank on site to optimise supply logistics.

For your company's operations, though, industrial gases are just one resource among many …

… but a very important one! Gases are essential to our processes. At the same time, dealing with industrial gases comes with strict requirements in terms of workplace safety and environmental protection. The point of withdrawal must always be in excellent condition, for instance.

And Linde helps with that too?

Yes, we have signed a service agreement with Linde, which covers maintenance of the entire supply system – starting with the feed points and extending right through to the point of use, safety equipment included. Linde's services also comprise annual seminars to provide basic and further training for our staff. This means we can ensure systems inspection and maintenance in line with the DIN 31051 standard, and – even more importantly – take care of the health and safety of our staff.

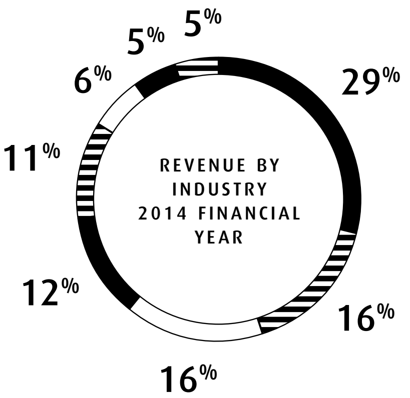
Could you outline what that entails in detail?

Linde carries out hazard assessments in relation to the gases and then works with our experts to devise safety concepts for different applications, for example. Additionally, as a technology partner, Linde regularly gets involved in improving existing processes and developing new workflows. Pooling our expertise allows us to create a suitable working environment to meet our customers' steadily increasing product requirements and ensure the safety of our processes. Indeed, a strong customer focus and maximum safety for our staff are key elements of the Kennametal strategy. And rising to these challenges over the long term calls for a reliable partner.

MARKET LEADER WITH A BROAD CUSTOMER BASE

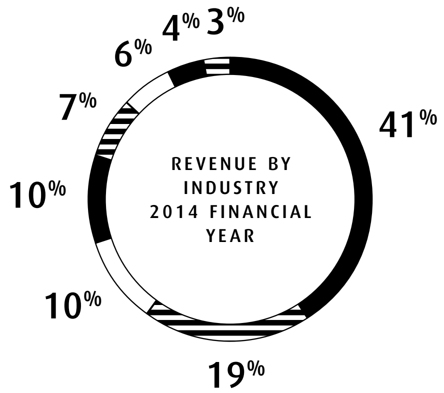
Linde is the global market leader in both the cylinder and liquefied gases business. In each of these product areas, the company maintains a highly diversified customer base across a wide range of industries. Linde's customers benefit from the company's in-depth application know-how. In addition, Linde constantly develops new areas of application for its gases, while enhancing and optimising existing process technologies.

LIQUEFIED GASES



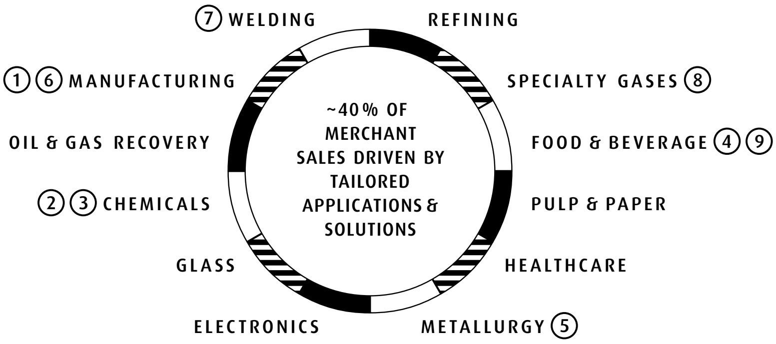
29% Manufacturing
16% Food & Beverage
16% Metallurgy & Glass
12% Chemistry & Energy
11% Wholesale
6% Other
5% Retail
5% Electronics

CYLINDER GASES



41% Manufacturing
19% Retail
10% Chemistry & Energy
10% Other
7% Food & Beverage
6% Electronics
4% Wholesale
3% Metallurgy & Glass

INNOVATIVE GAS APPLICATIONS FOR LASTING CUSTOMER VALUE



EXAMPLES IN BULK

1 **CRYOCLEAN™**
Surface cleaning with dry ice blasting

2 **LOTOX™**
NO_x-removal technology

3 **OXYMIX™**
Oxygen enrichment technology

4 **SOLVOX™**
OxyStream oxygenation system for aquaculture

5 **REBOX™**
Oxyfuel technology for reheating steel

EXAMPLES IN CYLINDER

6 **LINDOFLAMM™**
Special burners for forming, fusing and brazing

7 **VARIGON™**
Reduction of weld porosity

8 **ECOCYL™**
Portable safety detector calibration mixtures

9 **MAPAX™**
Gas applications especially for food packaging requirements

Innovative supply concepts

HEALTHCARE

Healthcare is a global growth market shaped by changing demographics. An ageing population means the number of patients with chronic respiratory conditions, in particular, continues to rise – and with it the need for medical care and support services. Greater emphasis on patient care in settings other than hospitals, the advantages of advanced modern medical technology and rising prosperity especially in Asia are also generating ever-growing demand for healthcare.

Linde is a leading gases company in the respiratory healthcare segment. As a trusted partner to patients, doctors and other healthcare professionals, the company provides products and service offerings that extend far beyond medical gases.

Linde maintains a strong focus on innovation, steadily enhancing its offerings to add value for its customers. Recent examples include the LIV® IQ valve to further simplify the delivery and safety of mobile oxygen therapy.

Linde supplies around 20,000 hospitals and healthcare facilities around the world, including the Hong Kong Baptist Hospital.

INTEGRATED CARE PATH

Linde Healthcare is a global leader specialising along an integrated respiratory care path. It combines pharmaceutical gases, medical devices, services and clinical care into solutions with the patient in mind. Linde's products and services make a difference in the lives of patients and to healthcare partners in the care continuum from hospital to home. Linde Healthcare is active in more than 60 countries worldwide.

Linde's latest innovation is LIV®IQ – a valve with a smart display showing the remaining gas content in the mobile gas cylinder at the set flow rate.

Using LIV® IQ frees up more time for nursing staff to devote to patient care.

The innovative supply system for mobile oxygen cylinders helps to increase patient safety.

Linde currently supplies around 20,000 hospitals and healthcare facilities with medical gases such as oxygen and nitrous oxide, as well as with gas therapies, which are a combination of pharmaceutical gases, medical devices and related services. The company also provides a complete range of equipment and services for safe and efficient delivery of medical gases to patients within its QI Services portfolio.

Linde's innovative REMEO® programme is specifically designed for long-term ventilated patients who no longer require an acute hospital stay but are not yet well enough to return home. REMEO® centres are staffed exclusively by specially trained personnel, with equally high medical standards as in a hospital setting. Thus REMEO® bridges the gap between a patient's stay in hospital and their own home. At the same time, this intermediate care offering eases the strain on healthcare budgets.

Linde's homecare offering focuses on the delivery of medical gases and therapies to patients with respiratory conditions in non-clinical settings. Here, Linde provides respiratory care offerings such as oxygen therapy and sleep therapy. The company serves approximately 1.5 million homecare patients around the world.

Building on the company's size and international presence, Linde Healthcare is strengthening its cost leadership – for instance by bundling its global purchasing activities. The company is the world's leading buyer of oxygen masks and oxygen concentrators, for example. Reliable, cost-efficient offerings will continue to underpin Linde's competitive edge. Complementing this offering, the company actively promotes know-how sharing across the organisation and the adoption of best practices in the regional markets.

Geoffrey Lau, Administration Manager, Hong Kong Baptist Hospital.

"LINDE'S OFFERINGS HELP TO INCREASE PATIENT SAFETY"

Geoffrey Lau, Manager of a large Hong Kong hospital, explains what he is looking for in a medical gas partner and why his hospital has chosen to partner with Linde for over 30 years.

Mr Lau, you opted to use Linde's services for your hospital's mobile oxygen supply – what were your reasons for that?

Linde has been a trusted partner of ours for over 30 years now. A strong customer focus, ease of use and reliability are key success factors for us. Plus Linde is a company that comes up with innovative ideas and is constantly enhancing its offerings.

Could you give us an example?

When I look at the whole management side of our gas supply – all the logistics – I see how much has advanced in recent years. Linde really relieves us of routine tasks, leaving us free to focus on our core activities. All of which are good reasons to continue our established partnership.

One of Linde's most recent developments is LIV® IQ, a system for mobile oxygen cylinders. What benefits does this product offer in your daily work?

Well, LIV® IQ lets us see exactly how much oxygen is left in a cylinder at any given time, so we always know how much longer it will last. That makes it easier for us to manage our cylinder gases. It also saves time for our nursing staff, who are then free to focus on patient care.

Which, of course, is what it all comes down to …

That's right. But the patients also benefit directly from LIV® IQ, for instance from the integrated warning system. If the gas flow is blocked, say, visual and acoustic signals alert our staff – and the same if the oxygen drops below a certain level. So altogether, LIV® IQ significantly increases patient safety.

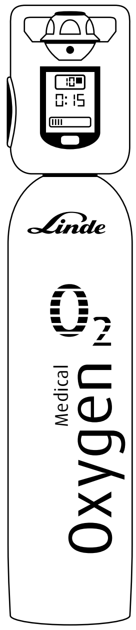
What is the impact of this type of innovation on hospital costs?

Very positive. With LIV® IQ, we can manage our oxygen cylinder assets a lot more cost-effectively now.

LIV® IQ – SAFETY FIRST WITH DIGITAL DISPLAY

LCD SCREEN

INTEGRATED VALVE



DISPLAYS CURRENT GAS CONTENT

SHOWS SET FLOW AND REMAINING TIME

LIV® IQ

Protecting the safety of patients and ensuring convenient operation for medical staff are top priorities when it comes to healthcare products. LIV® IQ is Linde's latest innovation in the healthcare segment, enhancing its range of mobile oxygen cylinders. The solution replaces the mechanical pressure gauge (manometer) built into the valve with an LCD screen and adds various useful functions. LIV® IQ tells the operator at a glance how much gas is left in the cylinder and how long the oxygen will last. It also constantly compares the oxygen actually reaching the patient with the set flow rate. If the flow becomes blocked, a visual and acoustic alert warns medical staff, who can take immediate action. And if the oxygen reserve falls below a defined threshold, LIV® IQ also emits warning signals. With these innovations, Linde is improving the quality of patient care while supporting safe mobile oxygen delivery in daily clinical workflows.

New sources of energy

SHALE GAS

Natural gas has been playing a much greater role in the energy market in recent years, particularly due to the exploitation of shale gas reserves. Through its integrated business model, Linde is participating in this development in a number of ways. The company is meeting demand for facilities to purify and process the shale gas. And lower natural gas prices, particularly in the US, are leading to a surge in construction and expansion of chemical clusters – where oxygen and other industrial gases are in high demand. One such example is the petrochemical site in La Porte (Texas), where Linde is developing the gas supply infrastructure by constructing a large air separation unit and installing a new gasification train for the existing syngas complex. Looking beyond this project, the sharp drop in oil prices in recent months may temporarily squeeze major investments in the petrochemical and natural gas processing industries.

Petrochemical industry
La Porte (Texas, US)

AMERICA'S GRAND CANAL

The Houston Ship Channel is more than just a huge distribution hub. This gateway to the Port of Houston has long since developed into one of the world's largest petrochemical complexes. Linde is supporting further expansion of this location, contributing engineering expertise and investment in the gas supply infrastructure.

Building on its pioneering process technologies, Linde is the leading syngas supplier in the Houston region of Texas.

1

2

1 **Engineers Chelsey Cabb (left) and Robin Callaghan (right) monitor construction of the new infrastructure facilities on site at Linde.**

2 **Linde is investing around USD 250 m in expanding its air gas and syngas production capacity at the La Porte (Texas) site.**

Anyone wondering whether low energy prices are boosting the North American economy need only sail along the Houston Ship Channel to see the results for themselves. Over 80 kilometres long, this conduit into the Port of Houston (Texas) is the link between the Gulf of Mexico and the stockyards to the south west of the US megacity.

The docklands span over 40 kilometres and are the nation's largest distribution centre for imported goods. Year after year, thousands of freight and container ships unload more than 200 million tonnes of goods here, making Houston a hotbed of international trade.

The Houston Ship Channel is also home to the largest petrochemical complex in the US – and one of the most important in the world. Numerous international chemical companies operate major production sites in the vicinity, for instance in the cities of La Porte, Baytown and Deer Park.

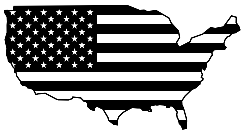
Linde has been present in La Porte for decades now, steadily modernising its facilities and expanding them to meet rising demand. The latest step here involves constructing a major new air separation unit (ASU) and gasification train. The company will also provide supporting equipment and infrastructure, investing a total of approximately USD 250 m in the La Porte project. The new plants are scheduled to come on stream in the course of 2015.

"Linde is the leading syngas supplier in this region," states Tom Blades, Member of the Executive Board of Linde AG and responsible for business development in the Americas. "This expansion project will allow us to support our customers at the La Porte petrochemical hub even more effectively. The petrochemical sector is really booming again at the moment, fuelled in particular by the growing development of unconventional gas reserves in the US."

The new ASU will be the largest of its kind operated by Linde in the US. Adding the new gasification unit will create the world's biggest natural-gas-based complex for syngas generation and processing. The result will be a fully integrated site for Linde in the Houston area, producing both air gases and syngas products.

The air gases (oxygen and nitrogen) generated by the new ASU will supply the gasification processes in the syngas facilities. Here, natural gas is converted into synthesis gas, which primarily consists of carbon monoxide, hydrogen and carbon dioxide. This can then be used to produce methanol, downstream chemicals and fuels. Linde plans to pipe syngas products to a key customer from the new plant, for instance. Alongside this plant, Linde operates three other syngas generation facilities in La Porte, all built on the company's leading syngas processing technologies and know-how.

"MADE IN AMERICA, AGAIN"



USA

MID-2008

$ 13

PRICE OF
1 MILLION BTU
NATURAL GAS

START OF 2014

$ 4

PRICE OF
1 MILLION BTU
NATURAL GAS

The title of the International Energy Agency's current World Energy Outlook says it all. This report shows just how industrial enterprises in the US are benefitting from plummeting energy prices in the wake of the shale gas boom. In mid-2008, one million BTU (British thermal units) of North American natural gas – equivalent to a good 26 cubic metres – still cost USD 13. At the start of 2014, that price had dropped to just USD 4. By contrast, natural gas in Europe costs around three times as much.

For companies, these low energy prices are driving willingness to invest in the US – and German organisations are no exception. Investments in US assets by the German chemical industry have doubled within three years to more than EUR 3 bn.

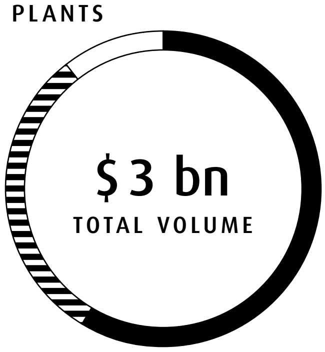
This growing willingness to invest should further stimulate the US economy as a whole. By 2020, consulting firm McKinsey expects to see the creation of around 1.7 million new jobs that are directly related to the oil and gas sector. The recovery of natural gas and crude oil from shale also has far-reaching effects for the manufacturing industry, as reflected in recent US employment figures. Between 2010 and 2013, over half a million new jobs were created in total – the biggest increase in 15 years.

SHALE GAS

$ 300 m
HYDROGEN AND SYNGAS PLANTS

$ 1.8 bn
NATURAL GAS PLANTS

$ 900 m
PETROCHEMICAL PLANTS



$ 3 bn
TOTAL VOLUME

SHALE-RELATED ORDERS
BY PLANT TYPE

Since 2010, when natural gas recovery from shale began, Linde has received orders worth around USD 3 bn from North America alone to engineer facilities for treating, purifying and processing shale gas.

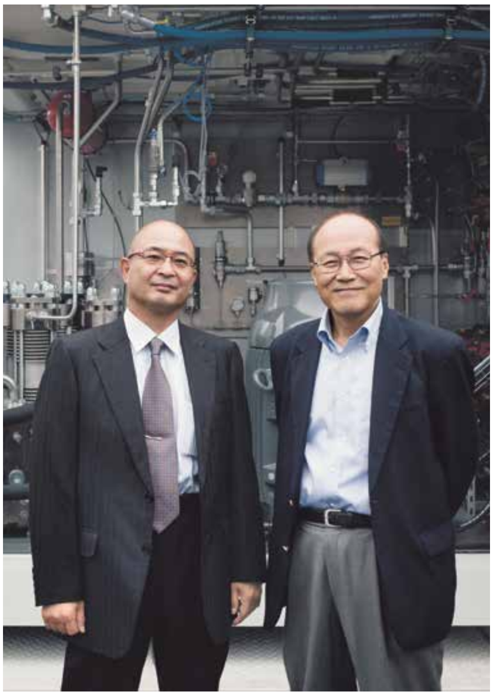
Zero-emissions mobility

HYDROGEN

How can we balance our desire for personal mobility with the need to protect our climate more effectively? Does the answer lie in hybrid drives, battery-operated vehicles or hydrogen-powered fuel-cell cars? Each of these solutions has its own advantages but just one of them combines long driving ranges with short refuelling times and low environmental impact: hydrogen technology.

For years, leading car manufacturers have been working hard to develop series-ready fuel-cell cars that run on hydrogen. Now, for the first time, we are about to see larger numbers of these cars on our roads. And Linde is responsible for the supply and refuelling infrastructure.

In summer 2014, the company opened the world's first small-scale production facility for hydrogen fuelling stations in Vienna (Austria), once again confirming its pioneering role in this field.



Hiroyuki Kusaka and Sadao Yasumi, Marketing Managers from Iwatani, at Linde's Application Centre in Vienna (Austria).

"HYDROGEN IS THE NEXT LOGICAL STEP FORWARD"

Similar to Linde, Japanese energy and gas company Iwatani is also committed to building up a hydrogen infrastructure. In an interview with the editorial team, Marketing Managers Hiroyuki Kusaka and Sadao Yasumi explain why this environmentally friendly source of energy is attracting growing interest in Japan. They go on to describe why Iwatani chose to build its refuelling technology around ionic compressors from Linde.

Linde's proprietary ionic compressor is at the heart of the company's hydrogen fuelling stations.

Interview: Hiroyuki Kusaka, General Manager, Gas Marketing Development, and Sadao Yasumi, Senior Manager, Gas Marketing Development, Iwatani Corporation

Mr Kusaka, Mr Yasumi, the Japanese are renowned as early adopters of new technologies. Does this also apply to hydrogen and fuel-cell technologies?

Hiroyuki Kusaka: Historically, in Japan and elsewhere, hydrogen as a product of coal gasification is not really considered a novelty. However, Iwatani is doing a lot to familiarise people with the more recent perception of hydrogen as a clean fuel. For example, we are organising public forums and hold science classes.

Which subjects are people most interested in?

Hiroyuki Kusaka: Sometimes safety concerns are raised, and we address these by explaining that hydrogen is at least as safe as other fuels. Overall, confidence in hydrogen technology has increased considerably in Japan lately. The leading role that domestic car manufacturers play in the development of fuel-cell vehicles has proven very helpful here. By the way, more than 80,000 households have already switched to stationary fuel cells to heat their homes.

In general, why is Iwatani investing in hydrogen mobility?

Sadao Yasumi: Our company grew substantially on the strength of its LPG (liquefied petroleum gas) business, which made Iwatani an important part of the fuel revolution taking place in Japanese households in the fifties. Against that background, you could call investing in hydrogen the next logical step forward for Iwatani. In line with our corporate philosophy, we want to contribute to the realisation of an environmentally friendly "hydrogen society".

How far down the road is Japan in building an automotive hydrogen infrastructure?

Hiroyuki Kusaka: Comparable to the initiatives in Europe and the US, a group of 13 companies, including three OEMs and Iwatani, is currently engaged in building a national H_2 fuelling station network in Japan.The initiative is supported by the METI, the Ministry of Economy, Trade and Industry. The plan is to have around 100 stations up and running by the end of 2015, rising to over 1,000 in another ten years. By that time, METI envisages two million hydrogen-powered vehicles on Japan's roads. Toyota's recently launched fuel-cell vehicle is a clear step in the right direction.

Why has Iwatani chosen Linde as its hydrogen partner?

Sadao Yasumi: When it came to choosing the right partner for our increased focus on hydrogen, a company delegation travelled to various countries in 2008 to talk to candidates and evaluate their technological expertise. What can I say – what Linde had to offer was simply the most compelling package. Especially the ionic compression technology sets Linde apart. So far, we have purchased four hydrogen plants and ordered a total of 28 hydrogen fuelling stations from Linde.

How did you experience collaboration with Linde during the detail design and customisation phase of your hydrogen fuelling stations?

Sadao Yasumi: Linde and Iwatani have worked extremely closely and productively from the very beginning – an alliance framed by our technical cooperation agreement. A team of Japanese engineers was almost constantly at Linde's Application Centre in Vienna in order to check design compliance with Japanese regulations, discuss necessary adjustments with the Linde engineers and integrate custom components. We were also part of the intensive test procedures completed before the compressor stations were shipped to Japan.

What are the most valuable lessons you have learnt so far?

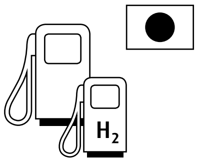
Sadao Yasumi: There were – and still are – many challenges to be tackled to obtain the necessary approvals for the Japanese market due to very strict Japanese codes and standards. Overcoming these obstacles in cooperation with Linde was a very positive experience.

View into a completely assembled hydrogen compressor station.

Linde employee Kubulay Avci assembling components of a compressor station.

Key Account Manager Martin Pfandl (centre) shows Sadao Yasumi (left) and Hiroyuki Kusaka (right) around at Linde’s new series production facility in Vienna.

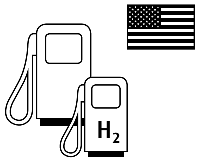
HYDROGEN – A GLOBAL MOVEMENT



JAPAN

100

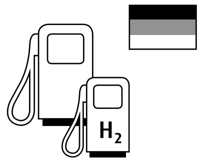
H_2 FUELLING STATIONS BY THE END OF 2015



CALIFORNIA (US)

70

H_2 FUELLING STATIONS BY THE START OF 2016



GERMANY

50

H_2 FUELLING STATIONS BY THE END OF 2015

No motorist will buy a car they cannot refuel. And no energy company will open a station unless the cars are lining up. The solution to this hydrogen variant of the classic chicken-and-egg dilemma lies in gradual, coordinated expansion of the H_2 infrastructure – starting in the urban areas that are home to the first fuel-cell test vehicles. In Germany, this approach – with Linde playing a key role – has led to 16 public hydrogen fuelling stations opening for business over the past few years.

The number of fuelling stations is now set to increase sharply, keeping pace with production ramp-up for fuel-cell vehicles. The plan, supported by the Federal Ministry of Transport, is to expand the German hydrogen network to cover 50 locations by the end of 2015. And that is just an interim measure. The industry initiative "H_2Mobility" has already agreed on a plan to step this up again, setting its sights on around 400 hydrogen fuelling stations nationwide by 2023. Total investment in this pioneering infrastructure project is estimated at around EUR 400 m, making Germany the trailblazer for hydrogen mobility in Europe. But at international level, too, automotive manufacturers, energy and gas companies, and public institutions are coordinating their activities in this field. The most recent example is the pan-European HyFIVE initiative, founded in London in April 2014, which is investing around EUR 40 m in H_2 infrastructure expansion.

Japan is pursuing similarly ambitious plans. There, the Ministry of Economy, Trade and Industry (METI) is supporting an industry initiative to build 100 H_2 stations, scheduled to go on stream by the end of 2015 → *INTERVIEW, PAGE 34*. Meanwhile, the nation's car manufacturers are adding further impetus, with Toyota presenting its first series-produced fuel-cell vehicle in November 2014. Experts anticipate that as many as two million fuel-cell cars will be driving the streets of Japan by 2025 – served by around 1,000 hydrogen stations.

In California – traditionally at the forefront of environmental protection movements – the California Fuel Cell Partnership (a counterpart of the Clean Energy Partnership in Germany) currently lists nine open hydrogen fuelling stations, predominantly in the smog-afflicted region of Greater Los Angeles. In December 2014, the first retail hydrogen station built by Linde opened for operation in West Sacramento, supplementing the two existing stations Linde constructed near San Francisco in 2012/13 to supply fuel-cell buses operated by AC Transit. Preparations for further H_2 fuelling stations are under way, with California set to boast around 70 by the start of 2016.

Group Governance

SECTION 1

LETTER TO THE SHAREHOLDERS

Ladies and Gentlemen,

Like many other companies with global operations, we have been presented with a host of challenges over the past year. The global economy has not grown as strongly as was forecast, the number of geopolitical tensions has risen, and the currency markets and financial markets have been highly volatile. There is no doubt that the world has become more complex; the usual certainties no longer apply. Overall, risks have increased.

On the whole, we have held our own in this challenging and competitive market environment, although in the course of the year we had to adjust our targets to take account of the change in conditions.

Group revenue increased in the 2014 financial year by 2.4 percent to over EUR 17 bn. After adjusting for exchange rate effects, this was equivalent to growth of 4.5 percent. Group operating profit of just over EUR 3.9 bn was not quite as high as in 2013. Unfavourable exchange rate effects also need to be considered here. Without these distortions, Group operating profit would have been 1.0 percent higher than in the previous financial year.

In the third quarter of 2014, we had to recognise some impairment losses. This was necessary because the economic situation in Brazil and in Australia had significantly worsened. In addition, we had to take account of structural changes affecting two projects in Asia. Non-recurring items, which also include costs relating to efficiency improvement measures, have had an impact on our results of operations. Against this background, earnings per share for example were lower than in 2013, although earnings per share before non-recurring items were slightly higher than in the prior year.

Our relatively steady performance is testament to the fundamental stability of our business model, which is geared towards sustainability. In the gases business, we were able to compensate to a great extent for faltering demand in some markets as a result of our global footprint and well-balanced spread across different sectors. The Engineering Division replicated the good revenue trends seen in 2013. Moreover, the Group as a whole was able to continue to deliver a relatively high level of profitability, despite circumstances which have sometimes been difficult. This has allowed us to maintain our dividend policy which is geared towards continuity. At the Annual General Meeting on 12 May 2015, the Executive Board and Supervisory Board will propose that you, our shareholders, be paid a dividend of EUR 3.15 per share. This is an increase of 5.0 percent compared with last year's dividend of EUR 3.00.

We are working day in, day out to make our Group even more efficient and more profitable and have set ourselves targets for the coming months and years accordingly. Depending on economic trends and exchange rate movements, we are seeking to achieve Group revenue of between EUR 18.2 bn and EUR 19 bn in the 2015 financial year. We expect to achieve an increase in Group operating profit in the current year to between EUR 4.1 bn and EUR 4.3 bn. The target corridor for return on capital employed (ROCE) is between 9 percent and 10 percent.

In the 2017 financial year, we want to achieve Group operating profit of between EUR 4.5 bn and EUR 4.7 bn and ROCE of 11 percent to 12 percent. Economic trends and potential distortions as a result of exchange rates need to be taken into account here too.

We are linking these targets with a sharpening of our strategic focus and the rigorous development of our organisational model. This means that we will concentrate to an even greater extent on our core business and therefore on those areas which deliver the greatest value for the Group. The main such area is the cylinder gas product area. We are also constantly reviewing and improving our global position. Our aim is to increase customer density, especially in the major clusters of our industry, and to continue to gain market share in those areas.

In developing our organisation, our guiding principle is a strong customer focus. Therefore, we have transferred even more responsibility to our Regional Business Units. We rely on leaner structures with clearly defined responsibilities, which facilitate fast decision-making and the swift implementation of projects or product developments and of marketing and sales strategies. As a learning organisation, we will continue to apply the culture of the high performance organisation, firmly established within the Group for a number of years. We are developing and implementing clearly defined Group-wide processes and ensuring that these processes are uniformly applied. From an organisational point of view, we have also laid the foundations which will enable us to exploit business opportunities effectively as they arise.

We are doing all this with one clear goal in mind. We want to provide the best possible global service to our customers, in a world in which the requirements of those customers are changing rapidly and in an era increasingly characterised by digitalisation and global transparency.

We want to be the undisputed number one in every respect in our industry and to drive forward future market development from a position of strength.

W. B.

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER OF LINDE AG]

THE EXECUTIVE BOARD

DR WOLFGANG BÜCHELE
BORN 1959

Doctorate in Natural Sciences [Dr. rer. nat.],
Degree in Chemistry
Chief Executive Officer

Responsible for Opportunity & Project Development and the following Corporate & Support Functions:
Corporate Communications & Investor Relations,
Corporate Internal Audit, Corporate Office,
Corporate Strategy & Market Intelligence,
Group Human Resources, Group Legal & Compliance,
HSE [Health, Safety, Environment], Project Management Office/LEAP and Gist
Member of the Executive Board since 2014

THOMAS BLADES
BORN 1956

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

Responsible for the Americas segment,
for the Global Governance Centres Deliver,
Healthcare and Operations, and for
the Global Gases Businesses Helium & Rare Gases
Member of the Executive Board since 2012

DR CHRISTIAN BRUCH
BORN 1970

Doctorate in Engineering [Dr.-Ing.]
Degree in Mechanical Engineering

Responsible for the Engineering Division and for the
Corporate & Support Function Technology & Innovation
Member of the Executive Board since 2015

GEORG DENOKE
BORN 1965

Degree in Information Science
Degree in Business Administration [BA]

Responsible for the Corporate & Support Functions
Group Accounting & Reporting, Group Information Services,
Group Insurance, Group Mergers & Acquisitions,
Group Procurement, Group Risk Management, Group Tax,
Group Treasury, Operational Finance,
Financial Control & Investments, Real Estate and for
Finance/Financial Control for the EMEA, Americas and Asia/Pacific segments
Human Resources Director
Member of the Executive Board since 2006

BERND EULITZ
BORN 1965

Degree in Engineering

Responsible for the EMEA
[Europe, Middle East, Africa] segment
Member of the Executive Board since 2015

SANJIV LAMBA
BORN 1964

Chartered Accountant
Bachelor of Commerce

Responsible for the Asia/Pacific segment and for the Global Governance Centres Merchant & Packaged Gases [liquefied gases and cylinder gas] and Electronics [electronic gases]
Member of the Executive Board since 2011

Retired from 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:
Communications & Investor Relations,
Group Human Resources, Group Legal & Compliance,
HSE [Health, Safety, Environment],
Innovation Management, Internal Audit,
Performance Transformation and Gist
Member of the Executive Board since 2002
Retired on 20 May 2014

PROFESSOR DR ALDO BELLONI
BORN 1950

Doctorate in Engineering [Dr.-Ing.]

Responsible for the Engineering Division,
the EMEA [Europe, Middle East, Africa] segment and for
the Global Business Unit Tonnage [on-site]
Member of the Executive Board since 2000
Retired on 31 December 2014

THOMAS BLADES – SANJIV LAMBA – BERND EULITZ
DR WOLFGANG BÜCHELE – GEORG DENOKE – DR CHRISTIAN BRUCH
[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 Management 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
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]
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]
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 statutory 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
- XAVER SCHMIDT[1]

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

[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 statutory 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 2014 financial year.

The Supervisory Board would like to thank the Executive Board and all Linde employees for their sense of responsibility and hard work during the past year. Our particular thanks and respect go to our Chief Executive Officer, Professor Dr Wolfgang Reitzle, and Executive Board member Professor Dr Aldo Belloni, who both stepped down from the Executive Board in 2014 after many years' service having reached the prescribed age limit. Through their strong personal commitment and vision they shaped Linde's development during their time with the company.

Overview

During the reporting year, 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 Boards 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, doing so through various channels including the minutes of Executive Board meetings. He maintained close contact with the Executive Board and with the Chief Executive Officer in particular, sharing information and ideas, and held regular consultations with the CEO 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

Four Supervisory Board meetings were held in the 2014 financial year. All members of the Supervisory Board attended all of these meetings. The members of the Executive Board regularly attended the 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 2014, all of 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 developments.

At the Supervisory Board meeting to approve the financial statements on 14 March 2014, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2013 and agreed the proposed appropriation of earnings. 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 2013. Following a review of the Executive Board's remuneration system by an independent external remuneration consultant, we made adjustments to bring the system into line with the latest recommendations contained in the German Corporate Governance Code. Taking into account the recommendations of the Standing Committee, we agreed on the remuneration for the new Chief Executive Officer, approved his mandates and additional functions, and carried out the regular review of the remuneration paid to the Executive Board members. As recommended by the Standing Committee, we agreed on adjustments to the Executive Board's remuneration. Using vertical and horizontal comparisons, we were able to review and confirm the appropriateness of the remuneration system. In line with a new recommendation included in the German Corporate Governance Code, we defined the comparison groups "Senior management" and "Relevant staff" for the purposes of the vertical comparison. 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 2013, as well as the agenda for the Annual General Meeting, including the proposed resolutions. In light of the changes to the composition of the Supervisory Board following the election of members in 2013, we confirmed the targets adopted in 2011 as regards composition and noted that, based on our assessment, the Supervisory Board is exclusively composed of individuals who are sufficiently independent. 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 2014 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 20 May 2014, the Executive Board reported on business performance in the first quarter of 2014, as well as on current business development and Linde's economic situation. The Executive Board went on to brief us on the successful placement of a EUR 300 m bond. This will be used to provide additional funding for the defined benefit pension plans in Germany. We also approved the appointment of an Executive Board member to an advisory board. Additionally, the meeting was used to prepare for the subsequent shareholder meeting.

At our meeting on 29 September 2014, the Executive Board outlined in detail the economic situation facing The Linde Group and its divisions and described the outlook for the full 2014 financial year. The new Chief Executive Officer set out his view of the company after his first 100 days in the position. The meeting also 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 the competitive position of The Linde Group and its divisions were covered in detail. Key questions discussed included the strategic positioning and direction of Linde and its divisions, and projects considered or launched in this regard, as well as the impact of such projects on The Linde Group's financial position, net assets and results of operations. Taking into account the current general economic climate, the Executive Board outlined the opportunities and risks in an internationally competitive environment, as well as the significance and further development of the process optimisation and efficiency gains programme. 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 transactions requiring its approval in the form of internal structural and financing measures. These were duly approved. The decision was made to extend Thomas Blades' appointment to the Executive Board, following his first term of office, by five years to 7 March 2020. There was also discussion regarding the further development of the management organisation and Board matters.

At the final meeting of the year on 5 December 2014, we looked at current business developments and the performance of the Group in comparison with its main competitors. The Executive Board reported on the current business and financial position up to the end of the third quarter. On the basis of comprehensive documentation, we also dealt with the preview of the 2014 financial statements, the budget for the 2015 financial year and the medium-term business plan for the years 2016 to 2018, including financial, capital expenditure and human resources plans. Each of these was considered in detail. We carried out an extensive review of the assumptions made by the Executive Board, particularly with regard to the risks for the Group 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 2015 investment programme, as well as considering a request from an Executive Board member regarding the acceptance of a supervisory board position with another company. After careful examination, we granted our approval in both cases. The Chief Executive Officer provided a progress report on the development of the management organisation and on strategic considerations. Also on the agenda were issues relating to succession planning for the Executive Board and the emoluments paid to the Executive Board. We decided to expand the Executive Board by appointing two internationally experienced Linde managers. With effect from 1 January 2015 in each case, it was decided to appoint Dr Christian Bruch and Bernd Eulitz to the Executive Board for a three-year term, in other words until 31 December 2017. The matter of their remuneration was also covered. The two new members will succeed Professor Dr Aldo Belloni. Both new members have more than ten years' experience working in managerial positions at home and abroad in The Linde Group. As a result of these appointments, the Executive Board will comprise six members as of 1 January 2015.

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 43.* Information about the responsibilities of each committee is given in the *CORPORATE GOVERNANCE REPORT ON PAGES 50 TO 57*.

The Standing Committee of the Supervisory Board held three meetings during the reporting year. In addition, one resolution was passed during written 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 Standing Committee appointed an independent external remuneration consultant to conduct a review of the Executive Board's remuneration system and prepared Supervisory Board decisions on the emoluments paid to the Executive Board. In addition, the Standing Committee prepared the appointment of the two new Executive Board members, Dr Christian Bruch and Bernd Eulitz. In making its appointment recommendation, the Standing Committee adhered to the criteria set out in the German Corporate Governance Code and the terms of the Supervisory Board's procedural rules and German Stock Corporation Law (AktG), particularly with regard to broad industrial and technological expertise, international experience and managerial qualities. 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 members of the Executive Board taking up mandates and secondary occupations with other companies, establishments and institutions. During an extraordinary meeting convened at short notice in the form of a telephone conference, the Executive Board provided information on an ad-hoc announcement required under capital market law with regard to impairment losses and the adjustment of the company's growth targets in conjunction with the third-quarter reporting.

The Audit Committee met on four occasions during the year under review in the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer. It discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the report on the audit focus and the oral 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. Discussions also covered the ad-hoc announcement in relation to Q3 reporting. 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. 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. It 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 internal 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 2014. 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 reported on current issues such as Linde activities in Russia, the binding risk assessment process and tax issues. For selected agenda items, department heads 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.

The Nomination Committee and Mediation Committee did not need to be convened during the year under review.

All committee members were present at the respective committee meetings. Two members of the Supervisory Board were unable to take part in the Standing Committee's telephone conference on ad hoc reporting due to the short notice.

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 2015, 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. *SEE PAGES 50 TO 57.*

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 2014 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 2014 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 2014 financial year was a review of the post-merger integration of acquisitions into Linde AG's control environment, from an accounting perspective, using the specific example of Lincare USA. 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.

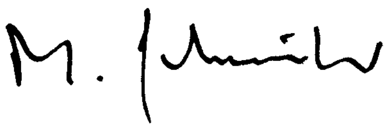
The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were then the subject of extensive deliberations at the Audit Committee meeting on 12 March 2015 and the meeting of the Supervisory Board to approve the financial statements on 13 March 2015. The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board. They presented the main results of their audits and were able to provide supplementary information and to answer questions. The Audit Committee also presented the results of its review to the Supervisory Board. We conducted our own examination of all of the documents submitted and the audit reports and discussed them in detail. After considering the results of the preliminary review by the Audit Committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and the Group financial statements for the year ended 31 December 2014 as drawn up by the Executive Board; the annual financial statements of Linde AG are hereby final. We also approve the Executive Board's proposal for the appropriation of profits.

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

There were no changes to the Supervisory Board during the reporting period. An overview of the composition of the Supervisory Board and its committees is provided on *PAGES 42 TO 43*.

Dr Wolfgang Büchele took up his position on the Executive Board with effect from 1 May 2014. He succeeded Professor Dr Wolfgang Reitzle as Chief Executive Officer with effect from 20 May 2014 at the end of the Annual General Meeting. Having reached the prescribed age limit, Professor Dr Wolfgang Reitzle stepped down following twelve years on the Executive Board, eleven of them in the capacity of CEO. Having also reached the prescribed age limit, Professor Dr Aldo Belloni, the Executive Board member responsible for the Engineering Division, the EMEA (Europe, Middle East and Africa) segment and the on-site operations of the Gases Division, stepped down from the Executive Board with effect from 31 December 2014, after serving on the Board for fifteen years. With effect from 1 January 2015, we have appointed two Linde managers with international experience to the Executive Board of Linde AG. Dr Christian Bruch, previously a manager in the Engineering Division, is now the Executive Board member with responsibility for the Engineering Division. Bernd Eulitz, previously responsible for the gases region of South-East Asia in The Linde Group, is now the Executive Board member in charge of the EMEA gases segment.

MUNICH, 13 MARCH 2015
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 2014, 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 13 May 2013 in accordance with § 161 of the German Stock Corporation Law (AktG) and made this declaration permanently available to the public on the Linde website.

There were no changes or additions to the German Corporate Governance Code after the submission of the declaration in March 2014. On 24 June 2014, more detail was added to the explanations given in the model tables for the presentation of management board members' remuneration in the Appendix to the German Corporate Governance Code. These clarifications entered into force upon their publication in the official section of the German Federal Gazette on 30 September 2014. The Executive Board and Supervisory Board studied the requirements of the German Corporate Governance Code as amended on 13 May 2013 and 24 June 2014 in detail before issuing the following declaration of compliance in March 2015.

"The Executive Board and the 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 exception – will be complied with in future.

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 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 do not include a ceiling for the Executive Board members' total remuneration; variable components are capped as is described below.

The components of the variable cash emoluments are limited in terms of amounts. 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) has a cap in terms of amounts at the time of the granting of option rights and matching shares rights. However, the value of the performance shares and matching shares after a multi-year qualifying period is 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.

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/antitrust law, preventing corruption, 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. 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 to them. The Healthcare Compliance Guide was adopted and published in 2014. This supplements the global guideline on preventing corruption and, subject to stricter laws at local level, imposes minimum standards governing responsible and ethical cooperation with healthcare professionals and medical establishments, advertising material, cooperation and interaction with patient organisations and the protection of patient data, as well as the setting of rules for clinical studies.

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. A binding risk analysis process (compliance risk assessment) was introduced in 2014, covering the issues of general compliance, antitrust law and corruption. The full-time employees working in Compliance are 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 2014, more than 49,000 e-learning training sessions had been held on the code of conduct, along with some 9,000 e-learning sessions on antitrust law. In addition, more than 15,000 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 2014, more than 5,400 queries relating to compliance issues were handled by the dedicated Compliance Officer.

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 2014, the Internal Audit, Human Resources, and Group Legal departments and the department for Health, Safety and the Environment carried out around 127 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, ensures it is properly implemented and reviews the progress made during regular discussions with the Supervisory Board. 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. 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. Linde supports intercultural diversity by adopting an international human resources policy and making appointments across national borders. Another focus of Linde's activities in the area of diversity is to increase the proportion of female managers in the Group. In the first half of 2015, Linde is planning to conduct information and communication workshops for senior management personnel on the theme of gender diversity. The Executive Board is also supporting numerous measures to promote women which have been derived from employee initiatives. These include networking events, training programmes for women with management responsibility or leadership potential, and a pilot mentoring scheme. Information on diversity in The Linde Group can be found in the report "Employees and society" on PAGES 120 TO 124.

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. No such conflicts of interest arose for any member of the Executive Board during the reporting period.

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 him 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. At the end of the reporting year, Professor Dr Aldo Belloni, the Executive Board member with responsibility for the Engineering Division, the EMEA gases segment and on-site operations, stepped down from the Executive Board on reaching the prescribed age limit. This provided an opportunity to reorganise the Board members' remits. Having previously comprised five members as at 31 December 2014, the Linde AG Executive Board has had six members since 1 January 2015. All of the members of the Executive Board are men. Two fall into the over-40 age group, with four in the over-50 category. The appointments to the Executive Board also take into account the international operations of The Linde Group. Sanjiv Lamba is an Indian national and Thomas Blades is from the UK. The composition of the Executive Board is also such that all of the required areas of expertise are covered.

As of the balance sheet date, no member of the Executive Board was 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 statutory supervisory boards or comparable German and foreign boards of business entities is given in the Notes to the Group financial statements. SEE NOTE [37].

The Executive Board has no committees.

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 40 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 minimum number of members as specified 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 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 2014. One Supervisory Board member, Michael Diekmann, currently still sits on the executive board of a listed company; he holds no more than three supervisory board offices in listed companies outside the Group or in comparable supervisory bodies of other business entities that do not belong to The Linde Group. 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. New members are provided with comprehensive induction documents and information upon their appointment to the Supervisory Board. Additionally, specialist presentations by internal and external expert speakers are arranged for Supervisory Board members.

In March 2011 the Supervisory Board defined specific targets for its composition in accordance with clause 5.4.1 of the German Corporate Governance Code. These were confirmed in March 2014 and, taking into account the particular situation of the Group, 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. The areas of expertise covered by its membership include engineering, law and economics, as well as finance, accounting and financial control.

Thanks to professional experience gained during their careers to date, all of the Supervisory Board members elected by the General Meeting have a particular level of international expertise. No conflicts of interest arose for any member of the Supervisory Board during the 2014 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 Supervisory Board currently has three members in the over-40 age category, four members in the over-50 category, three members in the over-60 category and two members who are over 70. 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 female members: Professor Dr Ann-Kristin Achleitner and Anke Couturier. Women therefore make up 16.7 percent of the Supervisory Board.

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, currently still sits on the executive board of a company with which Linde has a business relationship. Transactions with this company took place under the same conditions as for non-related third parties. These transactions did not affect Michael Diekmann's independence. 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 composed exclusively 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 the Notes to the Group financial statements. SEE NOTE [37]. 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.

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 Executive Board and the Chairman of the Executive Board in particular throughout the year, sharing information and ideas.

Supervisory Board committees

The Supervisory Board has four committees, which lay 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 committee chairmen report back to the Supervisory Board on the work of their committees, doing so at the first plenary Supervisory Board meeting following the committee meeting.

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 lays 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, taking account of the auditor's reports, 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 and, in common with Professor Dr Ann-Kristin Achleitner and Dr Manfred Schneider, has specialist knowledge and many years' experience of 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 42 TO 43 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 2014 financial year is provided in the Report of the Supervisory Board. SEE PAGES 44 TO 49.

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 profits, the ratification of the acts of the Executive Board and Supervisory Board, the appointment of the auditors and generally also the election of shareholder representatives to the Supervisory Board. 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 2014, Executive Board members held a total of 293,000 shares and share options in Linde AG (0.158 percent of shares issued), while Supervisory Board members held a total of 7,000 shares and share options in Linde AG (0.004 percent of shares issued).

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information on the share-based emoluments, can be found on PAGES 58 TO 74 of this financial report.

In 2013 the form of remuneration paid to the Supervisory Board was switched to a fixed payment only, with Supervisory Board members committing to allocate 25 percent of the amount received to the acquisition of shares in the company. These shares are to be held for the duration of their term of office. Special rules apply to members of the Supervisory Board who transfer all or part of their remuneration. The Supervisory Board members met their commitment for the first time in March 2014, buying Linde shares on the stock market and reporting the purchases in accordance with the German Securities Trading Law (WpHG).

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. Comprehensive facts and figures about Linde are available online. Interested parties can subscribe to an electronic newsletter on the company's website or keep up to date on the latest Linde developments via social media.

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. Linde also regularly arranges Capital Market Days, featuring presentations and workshops. Executive Board members and in-house experts provide institutional investors and financial analysts with information on the latest developments in strategic markets and divisions. The dates and locations of roadshows, investors' conferences and Capital Market Days 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. As obliged by law, the members of the Executive Board confirm that, to the best of their knowledge, the annual financial statements, the Group financial statements and the combined management report provide a true and fair view, describing the main opportunities and risks associated with the likely future development of the Group and the company. 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 2014, 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 2014 financial year and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2014 financial year. Since the preparation of the 2012 annual financial statements and Group financial statements, the Global Lead Partner from KPMG has been Christoph Schenk. 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 German 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 Risk report on PAGES 132 TO 147. 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. With effect from 1 January 2014, the Supervisory Board made minor amendments to take account of the most recent changes to the German Corporate Governance Code. The short-term variable emoluments will henceforth be fully paid in cash in the following year linked to an obligation to use 40 percent of the cash amount (after the deduction of tax) to acquire shares of the company and to hold them for a blocked period of four years. Previously, 60 percent of the short-term variable emoluments was paid in cash in the following year and 40 percent was converted into virtual shares with dividend entitlement. The value of these virtual shares was paid after at least three further years had elapsed. In addition, a cap has been introduced for the special payment for exceptional performance.

The amount and structure of the remuneration payable are based on the size and international reach of the Group, its economic and financial situation, its performance and prospects and the unit of the Group for which the Executive Board member is responsible, 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 considers when determining the emoluments of the Executive Board the relationship between the remuneration of the Executive Board and that of senior management and the staff overall, also in terms of its development over time. To do so, it has established how to identify members of senior management and the relevant members of staff. 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 sustainable 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 the context of the minor amendment to the remuneration system at 1 January 2014, the amounts of the fixed cash emoluments and the variable remuneration components were reviewed in turn in 2014 and some adjustments were made.

The remuneration system places particular emphasis on sustainable business development. There is a significant focus on multi-year remuneration components. As a result of the obligation to invest part of the variable cash emoluments in Linde shares and to hold those shares for several years and as a result of 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, the remuneration of the members of the Executive Board is linked to the price of Linde shares. This creates 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 which are paid in cash in April of the following year linked to an obligation to use 40 percent of the cash amount (after the deduction of tax) to acquire Linde shares and hold them for a period of at least four 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 emoluments, of which:
  - around 50 percent obligatory investment in Linde shares required to be held for at least four years
  - 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 is 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 predominantly 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 which are taxed in accordance with the fiscal regulations applicable in each case. They comprise mainly the cost or monetary advantage of insurance benefits at normal market rates and the provision of company cars.

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 83 TO 84. For each of the two measurement factors, a minimum target is defined in the form of an ambitious 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, with no further obligation attached to the amount (cash component). 40 percent of the total amount of the one-year variable remuneration is paid in cash at the same time as the cash component, but there is an obligation on the Executive Board member to re-invest this portion of the total amount in Linde AG shares (deferral component). The member of the Executive Board must invest the net amount of the deferral component (estimated to be 50 percent of the gross amount) in Linde shares and must hold these shares for a period of at least four 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 variable cash 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 Chief Financial Officer, this is based on the operating margin of the Group. 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. In both cases, payment is only made 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 of between 0.8 and 1.2. 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 component

Of the variable cash remuneration, 40 percent is paid but effectively deferred, as the Executive Board member has an obligation to invest the net amount in Linde shares and to hold these shares for a period of at least four years from the date they are transferred to a securities account (deferral shares). The net amount of the deferral component is paid directly to a bank with instructions to acquire the deferral shares for the Executive Board members in a block order on the third stock exchange trading day after the Annual General Meeting of Linde AG, to transfer the shares to a separate securities account and to manage them. The shares must be newly acquired in the market. It is not possible to use shares for this purpose which are already held by the Executive Board members. The deferral shares are entitled to dividend during the blocked period. The dividend is paid to the Executive Board members.

Cap

The cash component (i.e. 60 percent of the variable cash remuneration, calculated on the basis of one or both the targets being met and payable in cash) is capped at 250 percent of the fixed cash emoluments. The deferral component (the remaining 40 percent of the variable cash remuneration) is capped at 165 percent of the fixed cash emoluments as at the date on which it is paid.

In exceptional circumstances which lead to an unforeseen increase in the value of the deferral shares by the end of the blocked period, where this is not due to the performance of the Executive Board member, the Supervisory Board has the right to offset this by reducing the amount of the cash and/or deferral components in subsequent years.

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 non-recurring items or the specific impact on both measurement factors (Group ROCE and the operating margin) of any investment or acquisition projects.

Share-based emoluments

Linde Performance Share Programme 2007

It was resolved at the Annual General Meeting on 5 June 2007 to introduce a 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 at the grant date on the basis of the fair value per option calculated in an actuarial report. The term of the options was three years, two months and two weeks from the issue date. The options in a tranche were exercisable once a vesting period of three years from the date of issue had expired, over a period of four weeks, if and to the extent that certain performance targets were met. Each option conferred the right to subscribe for one share in Linde AG at the exercise price, which was equivalent in each case to the lowest issue price, currently EUR 2.56.

The performance targets for each individual tranche were based on conditions laid down at the Annual General Meeting and on movements in earnings per share and in the absolute total shareholder return and relative total shareholder return. Within each of these performance targets, there was a minimum target which had to be reached if the options were to be exercisable, and a stretch target. If the stretch target was reached, all the options became exercisable based on the weighting attached to that particular performance target. If there were exceptional unforeseen movements in the Linde share price, the Supervisory Board could 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 fifth and final tranche of options under the Linde Performance Share Programme 2007 was allocated.

At the beginning of June 2014, the vesting period for the final tranche of this scheme ended. Of the options in this tranche, 24 percent were exercisable as a result of some of the targets within the three performance targets being met (2013: 95 percent).

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

1 OPTIONS – LINDE PERFORMANCE SHARE PROGRAMME 2007

		At 01.01.	Granted in the financial year	Exercised in the financial year		Forfeited in the financial year	At 31.12.	
					Weighted average share price at exercise date			Weighted average remaining life
Executive Board members in office at 31.12.2014		in units	in units	in units	in €	in units	in units	in years
Professor Dr Aldo Belloni	2014	9,796		2,341	154.76	7,455	–	–
	2013	22,807	–	12,399	144.33	612	9,796	0.4
Georg Denoke	2014	9,796		2,341	155.40	7,455	–	–
	2013	22,807	–	12,399	146.11	612	9,796	0.4
Sanjiv Lamba	2014	9,796		2,341	155.25	7,455	–	–
	2013	11,747[2]	–	1,859[1]	141.73	92[1]	9,796	0.4
TOTAL	2014	**29,388**	–	**7,023**	–	**22,365**	–	–
	2013	**57,361**[2]	–	**26,657**[2]	–	**1,316**[2]	**29,388**	–
Executive Board members who retired in 2014								
Professor Dr Wolfgang Reitzle (Chief Executive Officer) (until 20.05.2014)	2014	29,389	–	7,024	154.76	22,365	–	–
	2013	68,421	–	37,197	144.33	1,835	29,389	0.4

[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.

In the 2014 financial year, the members of the Executive Board exercised all the exercisable options they held in the scheme. As at 31 December 2014, they no longer held any options in this scheme.

The exercise price of all the options was EUR 2.56 for each option. In the 2013 and 2014 financial years, none of the options held by the Executive Board under the Linde Performance Share Programme 2007 expired. Thomas Blades (a member of the Executive Board from 8 March 2012) and Dr Wolfgang Büchele (a member of the Executive Board from 1 May 2014) were not participants in this scheme as they joined The Linde Group after the final tranche of options had been issued.

Further information about the value of the options, and about the structure, conditions and, in particular, 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 four-year 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 for a specified sum. The number of options or matching share rights 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 at the grant date calculated in an actuarial report. Of the remuneration, 80 percent of the amount 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. In exceptional circumstances, the Supervisory Board may restrict in terms of content, in part or in full, the option rights and matching rights granted to the executive bodies. The first tranche under the LTIP 2012 was issued after the 2012 Annual General Meeting.

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 purchase 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.

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

Personal investment and matching shares

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

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:

2 OPTIONS, MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

		Options			Matching shares		
		At 01.01.	Granted in the financial year	At 31.12.	At 01.01.	Granted in the financial year	At 31.12.
Executive Board members in office at 31.12.2014		in units	in units	in units	in units	in units	in units
Dr Wolfgang Büchele (from 01.05.2014) (Chief Executive Officer from 20.05.2014)	2014	–	12,304	12,304	–	1,428	1,428
	2013	–	–	–	–	–	–
Professor Dr Aldo Belloni	2014	15,068	6,152	21,220	1,662	714	2,376
	2013	8,419	6,649	15,068	915	747	1,662
Thomas Blades	2014	15,068	6,152	21,220	1,662	714	2,376
	2013	8,419	6,649	15,068	915	747	1,662
Georg Denoke	2014	15,068	7,690	22,758	1,662	893	2,555
	2013	8,419	6,649	15,068	915	747	1,662
Sanjiv Lamba	2014	15,068	6,152	21,220	1,662	714	2,376
	2013	8,419	6,649	15,068	915	747	1,662
TOTAL	2014	**60,272**	**38,450**	**98,722**	**6,648**	**4,463**	**11,111**
	2013	**33,676**	**26,596**	**60,272**	**3,660**	**2,988**	**6,648**
Executive Board members who retired in 2014							
Professor Dr Wolfgang Reitzle (Chief Executive Officer) (until 20.05.2014)	2014	**45,205**	–	**45,205**	**4,986**	–	**4,986**
	2013	**25,258**	**19,947**	**45,205**	**2,746**	**2,240**	**4,986**

All the options held at 31 December 2014 were not yet exercisable. The exercise price of all the options is currently EUR 2.56 per option. During the 2014 financial year, none of the options and/or rights to matching shares held by 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 2.3 years (2013: 3.0 years).

To meet the conditions for participation in the Long Term Incentive Plan 2012, Dr Wolfgang Büchele made a personal investment in 2014 of 1,428 shares in the company (2013: 0 shares), Georg Denoke made a personal investment of 893 shares in the company (2013: 747 shares) and the other members of the Executive Board each made a personal investment of 714 shares in the company (2013: 747 shares).

Information about the rules which apply to the option schemes in the event of a change of control is given on PAGES 152 TO 153 of 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 2014 was EUR 18 m (2013: EUR 13 m). During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board and the gain on remeasurement of current entitlements to virtual Linde shares:

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

	Cost of share-based payments (without virtual shares)		Change in value of virtual shares[1]	
Executive Board members in office at 31.12.2014, in €	*2014*	*2013*	*2014*	*2013*
Dr Wolfgang Büchele (from 01.05.2014) (Chief Executive Officer from 20.05.2014)	145,802	–	–	–
Professor Dr Aldo Belloni (until 31.12.2014)	1,286,012[2]	325,776	74,825	91,768
Thomas Blades	322,935	197,916	47,752	51,810
Georg Denoke	387,603	325,776	54,349	68,931
Sanjiv Lamba	369,368	237,407	41,320	50,527
Executive Board members who retired in 2014, in €				
Professor Dr Wolfgang Reitzle (Chief Executive Officer) (until 20.05.2014)	2,358,115[2]	977,343	67,165	209,625
TOTAL	**4,869,835**	**2,064,218**	**285,411**	**472,661**

[1] In 2012 and 2013, 40 percent of the variable cash remuneration was 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] This includes the cost on the retirement of the Board member of all the annual tranches of the share-based remuneration not yet recognised as an expense.

In the statutory financial statements of Linde AG, the company has availed itself of the option 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 1.8 m (2013: EUR 0.8 m) was recognised as an expense in accordance with the German Commercial Code (HGB). Of this amount, EUR 0.9 m (2013: EUR 0.3 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 comprising 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 service on the Board, 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), as long as the period served on the Board was at least three years. Those entitled to the full pension account are, firstly, the widow, widower or surviving 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 Georg Denoke and Sanjiv Lamba, who were already on the Executive Board of the company at 1 January 2012 are set out in individual contracts. The pension is based on a particular percentage of the last fixed monthly pensionable emoluments paid. The percentage rate on entry is 20 percent. This percentage increases by 2 percent for every year of service completed by the Executive Board member. The maximum percentage that can be achieved for the pension is 50 percent of the last fixed monthly emoluments paid. 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 Executive Board member, 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 or if the employment contract is terminated before he or she reaches the age of 55, he or she acquires entitlement by law to a pension as a supplement to the occupational pension in the amount specified by law, provided the Executive Board member was employed by the company for a minimum period of three consecutive years.

Emoluments of the Executive Board for 2014

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in and/or for the 2014 financial year was EUR 11,967,739 (2013: EUR 13,342,303). Of this amount, EUR 4,263,230 (2013: EUR 3,926,278) related to fixed remuneration components which are not performance-related and EUR 7,704,509 (2013: EUR 9,416,025) to variable short-term or long-term performance-related remuneration components. The measurement of benefits in kind and other benefits was based on their value for tax purposes. In accordance with the changes to the remuneration system agreed by the Supervisory Board with effect from 1 January 2014, 60 percent of the variable cash emoluments (EUR 4,622,705) will be paid in 2015. The corresponding figure for 2013 which was paid in 2014 was EUR 5,649,615. The remaining 40 percent of the variable cash emoluments (EUR 3,081,804) is required to be invested (after the deduction of tax) in Linde shares which must be held for a qualifying period of four years. This therefore constitutes a long-term remuneration component. Until the end of 2013, 40 percent of the variable cash emoluments (2013: EUR 3,766,410) was converted into virtual shares. For the conversion into virtual shares, the price used was 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. In 2013, a total of 25,870 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 in 2014 was EUR 15,092,622 (2013: EUR 16,842,623). Included in the total remuneration are options and rights to matching shares which were granted to members of the Executive Board in 2014 under the Long Term Incentive Plan. In each case, the options and matching shares are included at their value on allocation. In the 2014 financial year, members of the Executive Board were granted a total of 38,450 (2013: 46,543) options with a value on allocation of EUR 65.02 (2013: EUR 60.16) per option and 4,463 (2013: 5,228) rights to matching shares with a value on allocation of EUR 140.01 (2013: EUR 133.95) per right to a matching share.

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2014, the emoluments for the individual members of the Executive Board for 2014 (including variable emoluments calculated on the basis of Group ROCE after non-recurring items of 8.3 percent) are as follows:

4 TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD

		Cash emoluments					Long Term Incentive Plan			Pensions	
							Options	Matching shares			
		Fixed emolu-ments	Benefits in kind/ Other benefits	Variable emoluments		Total cash emolu-ments[2]	Value on the grant date	Value on the grant date	Total emoluments	Service cost in financial year[3] IFRS	Service cost in financial year[3] HGB
Executive Board members in office at 31.12.2014, in €				short-term[1] (60%)	long-term[2] (40%)						
Dr Wolfgang Büchele (from 01.05.2014) (Chairman from 20.05.2014)	2014	800,000	101,671	701,800	467,867	2,071,338	800,006	199,934	3,071,278	453,316	375,989
	2013	–	–	–	–	–	–	–	–	–	–
Professor Dr Aldo Belloni	2014	780,000	50,363	981,960	654,640	2,466,963	400,003	99,967	2,966,933	136,285	119,718
	2013	780,000	41,448	1,064,160	709,440	2,595,048	400,004	100,061	3,095,113	137,863	114,886
Thomas Blades	2014	600,000	28,481	697,080	464,720	1,790,281	400,003	99,967	2,290,251	298,789	277,381
	2013	600,000	23,983	767,640	511,760	1,903,383	400,004	100,061	2,403,448	325,584	293,887
Georg Denoke	2014	722,500	23,296	786,555	524,370	2,056,721	500,004	125,029	2,681,754	163,924	120,127
	2013	640,000	21,683	743,220	495,480	1,900,383	400,004	100,061	2,400,448	171,972	113,591
Sanjiv Lamba	2014	581,250	69,017[4]	687,060	458,040	1,795,367	400,003	99,967	2,295,337	176,221	129,592
	2013	525,000	16,779	589,560	393,040	1,524,379	400,004	100,061	2,024,444	186,122	123,711
Executive Board members who retired in 2014, in €											
Professor Dr Wolfgang Reitzle (Chairman) (until 20.05.2014)	2014	486,111	20,541	768,250	512,167	1,787,069	–	–	1,787,069	–	–
	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
TOTAL	2014	3,969,861	293,369	4,622,705	3,081,804	11,967,739	2,500,019	624,864	15,092,622	1,228,535	1,022,807
(in percent)		26	2	31	20	79	17	4	100		
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		

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

[2] In 2013, 40 percent of the variable cash remuneration was 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.) From 2014, 40 percent of the variable cash remuneration is paid in cash with the obligation incumbent on the Executive Board member to acquire Linde shares and to hold them for at least four years.

[3] No past service cost arose in the 2013 or 2014 financial years.

[4] Sanjiv Lamba received an anniversary bonus of EUR 50k.

In the 2014 financial year, the service cost for pension obligations in accordance with IFRS was EUR 1,228,535 (2013: EUR 2,092,301), while the figure in accordance with the German Commercial Code (HGB) was EUR 1,022,807 (2013: 1,676,183). At the balance sheet date, the present value for accounting purposes of pension commitments accruing to the individual Board members was as follows:

Dr Wolfgang Büchele EUR 453,316 (2013: EUR 0) (Group), EUR 375,989 (2013: EUR 0) (Linde AG); Professor Dr Wolfgang Reitzle EUR 15,882,675 (2013: EUR 15,467,302) (Group), EUR 13,302,171 (2013: EUR 13,302,171) (Linde AG); Professor Dr Aldo Belloni EUR 5,775,518 (2013: EUR 4,838,295) (Group), EUR 4,537,211 (2013: EUR 4,250,908) (Linde AG); Thomas Blades EUR 985,861 (2013: EUR 620,119) (Group), EUR 869,377 (2013: EUR 579,351) (Linde AG); Georg Denoke EUR 2,777,049 (2013: EUR 1,604,017) (Group), EUR 1,513,921 (2013: EUR 1,177,446) (Linde AG); Sanjiv Lamba EUR 983,190 (2013: EUR 453,425) (Group), EUR 539,886 (2013: EUR 334,451) (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, actuarial losses and changes in holdings.

Disclosures in accordance with the requirements of the German Corporate Governance Code

Disclosed in the table below, in accordance with the requirements set out in the German Corporate Governance Code, is the allocated remuneration of the Executive Board for the 2014 financial year including other benefits and including the maximum and minimum emoluments attainable in the case of variable remuneration components. In contrast to the table entitled "Total remuneration of members of the Executive Board", the one-year variable remuneration is disclosed in the table below at the target value, which is the value that would apply if all the targets were fully met. As in the table entitled "Total remuneration of members of the Executive Board", the options and rights to matching shares included in the share-based remuneration (Long Term Incentive Plan) are reported at fair value on the grant date. The option rights and rights to matching shares only become exercisable or are only transferred after a four-year qualifying period has elapsed. In each case, the number of option rights or rights to matching shares is determined by the actual targets met after the qualifying period has expired. Therefore, the value of the rights may be higher or lower than the figures disclosed in the table below, depending on the prevailing share price at the date of transfer. Moreover, in contrast to the table entitled "Total remuneration of members of the Executive Board", the total remuneration in the table below includes the pension expense.

5 REMUNERATION ALLOCATED DURING THE YEAR

Executive Board members in office at 31.12.2014

Remuneration allocated during the year, in €	Dr Wolfgang Büchele Member of the Executive Board from 01.05.2014 Chief Executive Officer from 20.05.2014				Professor Dr Aldo Belloni Member of the Executive Board			
	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)
Fixed emoluments	–	800,000	800,000	800,000	780,000	780,000	780,000	780,000
Other benefits	–	101,671	101,671	101,671	41,448	50,363	50,363	50,363
TOTAL	–	901,671	901,671	901,671	821,448	830,363	830,363	830,363
One-year variable emoluments								
Short-term cash emoluments[1,2]	–	773,120	0	2,000,000	1,078,860	1,068,960	0	1,950,000
Multi-year variable emoluments	–	1,515,353	0	3,404,977	1,219,305	1,212,610	0	2,328,988
including long-term cash emoluments (deferral)[3,4]	–	*515,413*	*0*	*1,320,000*	*719,240*	*712,640*	*0*	*1,287,000*
including Long Term Incentive Plan 2013 (qualifying period: 4 years)[5]								
Options	–	–	–	–	*400,004*	–	–	–
Matching shares	–	–	–	–	*100,061*	–	–	–
including Long Term Incentive Plan 2014 (qualifying period: 4 years)[5]								
Options	–	*800,006*	*0*	*1,864,779*	–	*400,003*	*0*	*931,889*
Matching shares	–	*199,934*	*0*	*220,198*	–	*99,967*	*0*	*110,099*
TOTAL	–	3,190,144	901,671	6,306,648	3,119,613	3,111,933	830,363	5,109,351
Service cost	–	453,316	453,316	453,316	137,863	136,285	136,285	136,285
TOTAL REMUNERATION	–	3,643,460	1,354,987	6,759,964	3,257,476	3,248,218	966,648	5,245,636

Executive Board members who retired in 2014

Remuneration allocated during the year, in €	Professor Dr Wolfgang Reitzle Chief Executive Officer until 20.05.2014			
	2013	2014	2014 (Min)	2014 (Max)
Fixed emoluments	1,250,000	486,111	486,111	486,111
Other benefits	27,385	20,541	20,541	20,541
TOTAL	1,277,385	506,652	506,652	506,652
One-year variable emoluments				
Short-term cash emoluments[1,2]	2,181,900	845,134	0	1,215,278
Multi-year variable emoluments	2,954,660	563,422	0	802,083
including long-term cash emoluments (deferral)[3,4]	*1,454,600*	*563,422*	*0*	*802,083*
including Long Term Incentive Plan 2013 (qualifying period: 4 years)[5]				
Options	*1,200,012*	–	–	–
Matching shares	*300,048*	–	–	–
including Long Term Incentive Plan 2014 (qualifying period: 4 years)[5]				
Options	–	–	–	–
Matching shares	–	–	–	–
TOTAL	6,413,945	1,915,208	506,652	2,524,013
Service cost	1,270,760	–	–	–
TOTAL REMUNERATION	7,684,705	1,915,208	506,652	2,524,013

	Thomas Blades *Member of the Executive Board*				*Georg Denoke* *Member of the Executive Board*				*Sanjiv Lamba* *Member of the Executive Board*			
	2013	*2014*	*2014 (Min)*	*2014 (Max)*	*2013*	*2014*	*2014 (Min)*	*2014 (Max)*	*2013*	*2014*	*2014 (Min)*	*2014 (Max)*
	600,000	600,000	600,000	600,000	640,000	722,500	722,500	722,500	525,000	581,250	581,250	581,250
	23,983	28,481	28,481	28,481	21,683	23,296	23,296	23,296	16,779	69,017	69,017	69,017
	623,983	**628,481**	**628,481**	**628,481**	**661,683**	**745,796**	**745,796**	**745,796**	**541,779**	**650,267**	**650,267**	**650,267**
	746,040	778,080	0	1,500,000	750,300	866,505	0	1,806,250	601,140	747,015	0	1,453,125
	997,425	1,018,690	0	2,031,988	1,000,265	1,202,703	0	2,494,938	900,825	997,980	0	2,001,051
	497,360	*518,720*	*0*	*990,000*	*500,200*	*577,670*	*0*	*1,192,125*	*400,760*	*498,010*	*0*	*959,063*
	400,004	–	–	–	*400,004*	–	–	–	*400,004*	–	–	–
	100,061	–	–	–	*100,061*	–	–	–	*100,061*	–	–	–
	–	*400,003*	*0*	*931,889*	–	*500,004*	*0*	*1,165,112*	–	*400,003*	*0*	*931,889*
	–	*99,967*	*0*	*110,099*	–	*125,029*	*0*	*137,701*	–	*99,967*	*0*	*110,099*
	2,367,448	**2,425,251**	**628,481**	**4,160,469**	**2,412,248**	**2,815,004**	**745,796**	**5,046,984**	**2,043,744**	**2,395,262**	**650,267**	**4,104,443**
	325,584	298,789	298,789	298,789	171,972	163,924	163,924	163,924	186,122	176,221	176,221	176,221
	2,693,032	**2,724,040**	**927,270**	**4,459,258**	**2,584,220**	**2,978,928**	**909,720**	**5,210,908**	**2,229,866**	**2,571,483**	**826,488**	**4,280,664**

[1] 60 percent of the variable cash remuneration is paid in cash with no further obligation incumbent on the Executive Board member.

[2] Capped at 250 percent of the fixed emoluments. The individual maximum values disclosed are the potential maximum values in terms of amount in accordance with the agreed upper limit: i.e. 250 percent of the fixed emoluments.

[3] In 2013, 40 percent of the variable cash remuneration was converted as at the balance sheet date into virtual shares with dividend entitlement and not paid for at least another three years. From 2014, 40 percent of the variable cash remuneration is paid in cash with the obligation incumbent on the Executive Board member to acquire Linde shares and to hold them for at least four years.

[4] Capped at 165 percent of the fixed emoluments. The individual maximum values disclosed are the potential maximum amounts in accordance with the agreed upper limit: i.e. 165 percent of the fixed emoluments.

[5] The value of the options and rights to matching shares are not limited in terms of amount once the qualifying period has elapsed. The amounts disclosed are the individual maximum amounts if both the performance targets are met in full and are based on the closing price of Linde shares on 31 December 2014 (EUR 154.20).

Disclosed in the table below, in accordance with the requirements set out in the German Corporate Governance Code, is remuneration received, comprising fixed emoluments, other benefits, one-year variable emoluments and multi-year variable emoluments, set out according to the relevant reference year, and the pension expense in and/or for the 2014 financial year. The remuneration received table does not include any remuneration for former members of the Executive Board. In contrast to the multi-year variable emoluments granted disclosed above, this table shows the actual value of multi-year emoluments granted in prior years and received in 2014:

6 REMUNERATION RECEIVED DURING THE YEAR

Executive Board members in office at 31.12.2014

Remuneration received during the year, in €	*Dr Wolfgang Büchele, Member of the Executive Board from 01.05.2014, Chief Executive Officer from 20.05.2014*		*Professor Dr Aldo Belloni, Member of the Executive Board*	
	2013	*2014*	*2013*	*2014*
Fixed emoluments	–	800,000	780,000	780,000
Other benefits	–	101,671	41,448	50,363
TOTAL	**–**	**901,671**	**821,448**	**830,363**
One-year variable emoluments				
Short-term cash emoluments[1]	–	701,800	1,064,160	981,960
Multi-year variable emoluments	–	467,867	1,740,051	1,006,912
including long-term cash emoluments (deferral)[1]	–	*467,867*	–	*654,640*
including Long Term Incentive Plan 2010 (qualifying period: 2010–2013)[2]	–	*–*	*1,740,051*	*–*
including Long Term Incentive Plan 2011 (qualifying period: 2011–2014)	–	*–*	–	*352,272*
Other	–	0	0	0
TOTAL	**–**	**2,071,338**	**3,625,659**	**2,819,235**
Service cost	–	453,316	137,863	136,285
TOTAL REMUNERATION	**–**	**2,524,654**	**3,763,522**	**2,955,520**

Executive Board members who retired in 2014

Remuneration received during the year, in €	*Professor Dr Wolfgang Reitzle, Chief Executive Officer until 20.05.2014*	
	2013	*2014*
Fixed emoluments	1,250,000	486,111
Other benefits	27,385	20,541
TOTAL	**1,277,385**	**506,652**
One-year variable emoluments		
Short-term cash emoluments[1]	2,485,035	768,250
Multi-year variable emoluments	5,220,202	512,167
including long-term cash emoluments (deferral)[1]	–	*512,167*
including Long Term Incentive Plan 2010 (qualifying period: 2010–2013)[2]	*5,220,202*	*–*
including Long Term Incentive Plan 2011 (qualifying period: 2011–2014)[2]	–	*–*
Other	0	0
TOTAL	**8,982,622**	**1,787,069**
Service cost	1,270,760	–
TOTAL REMUNERATION	**10,253,382**	**1,787,069**

	Thomas Blades *Member of the Executive Board*		*Georg Denoke* *Member of the Executive Board*		*Sanjiv Lamba* *Member of the Executive Board*	
	2013	*2014*	*2013*	*2014*	*2013*	*2014*
	600,000	600,000	640,000	722,500	525,000	581,250
	23,983	28,481	21,683	23,296	16,779	69,017
	623,983	**628,481**	**661,683**	**745,796**	**541,779**	**650,267**
	767,640	697,080	743,220	786,555	589,560	687,060
	–	464,720	1,754,694	879,451	256,127	814,517
	–	*464,720*	–	*524,370*	–	*458,040*
	–	–	*1,754,694*	–	*256,127*[3]	–
	–	–	–	*355,081*	–	*356,477*
	0	0	0	0	0	0
	1,391,623	**1,790,281**	**3,159,597**	**2,411,802**	**1,387,466**	**2,151,844**
	325,584	298,789	171,972	163,924	186,122	176,221
	1,717,207	**2,089,070**	**3,331,569**	**2,575,726**	**1,573,588**	**2,328,065**

[1] 60 percent of the variable cash remuneration is paid in cash with no further obligation incumbent on the Executive Board member. In 2013, 40 percent of the variable cash remuneration was converted as at the balance sheet date into virtual shares with dividend entitlement and not paid for at least another three years. From 2014, 40 percent of the variable cash remuneration is paid in cash with the obligation incumbent on the Executive Board member to acquire Linde shares and to hold them for at least four years.

[2] Thomas Blades (member of the Executive Board from 8 March 2012) was not a participant in this scheme as he joined The Linde Group after the options were issued.

[3] The amount received by Sanjiv Lamba from the Long Term Incentive Plan 2010 was in his capacity as a member of the management of The Linde Group, rather than as an Executive Board member as he did not join the Board until 9 March 2011.

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. Again in the 2014 financial year, no such payment was granted. Any potential special payment is capped at an amount which, when taken together with the cash component and deferral component for that financial year, does not exceed the cap in terms of the amount for the one-year variable emoluments. In line with previous practice in the Group, Professor Dr Wolfgang Reitzle was accorded the right to a chauffeur-driven car after stepping down as Chief Executive Officer of The Linde Group.

Benefits in the event of termination of a contract

In the event that they are not reappointed between the age 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 with no obligation to invest in shares (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 with no obligation to invest in shares (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 is less than two years, the severance pay is calculated pro rata. For the period on the basis of which the severance pay is determined, the Executive Board members 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 of his or her dismissal 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 of 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 with no obligation to invest in shares (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 interest 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 incapacity for work, 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 3,290,586 in the 2014 financial year (2013: EUR 2,830,896).

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 58,273,773 (2013: EUR 37,150,987). In the annual financial statements of Linde AG, a provision of EUR 44,793,684 was made (2013: EUR 32,921,398). The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures included in the Group financial statements and the annual financial statements. It should also be noted that there was a change in the composition of former members of the Executive Board.

2. Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined at the Annual General Meeting based on a proposal from the Executive Board and Supervisory Board. It 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, only the rules set out in the amended articles apply to the remuneration of the Supervisory Board.

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.

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 also 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.

On 20 March 2014, the Supervisory Board members fulfilled their personal commitment for the first time. No cost arose for the company as a result. The Supervisory Board members purchased shares via the stock market and informed the company of their share purchases as required by the German Securities Trading Law (WpHG).

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 comprised two components: a fixed component and a variable component which was dependent on the Group's performance. Part of the variable component depended on the dividend. Another part was 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 received annual fixed emoluments of EUR 50,000, paid after the end of the financial year.

Variable emoluments

The first part of the variable remuneration for each member of the Supervisory Board was EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeded a dividend of EUR 0.50 per share with full dividend entitlement. The second part of the variable remuneration was EUR 450 for each 0.1 percent by which the return on capital employed (ROCE) of The Linde Group exceeded the rate of 7 percent in the relevant financial year. ROCE was 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 was paid on the day after the Annual General Meeting which determined the appropriation of profit.

Emoluments of the Chairmen, Deputy Chairmen and committee members

The Chairman of the Supervisory Board received three times the fixed and variable emoluments, while each Deputy Chairman and each member of the Standing Committee received one and a half times the fixed and variable emoluments. The Chairman of the Audit Committee received 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 held several offices at the same time which paid a higher level of remuneration, he or she only received the remuneration for the office which was the most highly paid.

Attendance fees

The company paid members of the Supervisory Board an attendance fee of EUR 500 every time they attended a Supervisory Board meeting or committee meeting. This amount remained unchanged if several meetings took place on the same day.

VAT and reimbursement of expenses

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

Emoluments of the Supervisory Board for 2014

The total emoluments of the Supervisory Board (fixed emoluments and attendance fees) amounted to EUR 2,509,000 (2013: fixed emoluments, variable emoluments and attendance fees of EUR 2,452,248) plus VAT of EUR 476,710 (2013: EUR 465,927). The total cost for the attendance fees was EUR 79,000 (2013: EUR 57,500).

The following table lists the remuneration of the individual members of the Supervisory Board by component in the 2014 and 2013 financial years:

7 EMOLUMENTS OF THE SUPERVISORY BOARD

in €		Fixed emoluments[1]	Variable emoluments[1]	Emoluments for sitting on Audit Committee[1]	Attendance fees[1]	Total emoluments[1]
Dr Manfred Schneider	2014	450,000	–	–	10,000	460,000
(Chairman)	2013	327,534	113,342	–	7,000	447,876
Hans-Dieter Katte[2]	2014	225,000	–	–	10,000	235,000
(Deputy Chairman)	2013	163,767	56,671	–	7,000	227,438
Michael Diekmann	2014	225,000	–	–	7,000	232,000
(Second Deputy Chairman)	2013	163,767	56,671	–	4,000	224,438
	2014	150,000	–	30,000	8,000	188,000
Professor Dr Ann-Kristin Achleitner	2013	109,178	37,780	25,917	6,000	178,875
	2014	150,000	–	60,000	8,000	218,000
Dr Clemens Börsig	2013	109,178	37,780	51,836	6,000	204,794
	2014	150,000	–	–	4,000	154,000
Anke Couturier	2013	109,178	37,780	–	3,000	149,958
Franz Fehrenbach	2014	150,000	–	–	4,000	154,000
(from 29.05.2013)	2013	88,904	253	–	2,500	91,657
	2014	150,000	–	60,000	10,000	220,000
Gernot Hahl[2]	2013	119,383	56,671	35,506	7,000	218,560
Dr Martin Kimmich[2]	2014	150,000	–	–	4,000	154,000
(from 29.05.2013)	2013	88,904	253	–	2,500	91,657
	2014	150,000	–	30,000	6,000	186,000
Klaus-Peter Müller	2013	119,383	56,671	17,753	4,000	197,807
	2014	150,000	–	–	4,000	154,000
Xaver Schmidt[2]	2013	109,178	37,780	–	3,000	149,958
Frank Sonntag[2]	2014	150,000	–	–	4,000	154,000
(from 29.05.2013)	2013	88,904	253	–	2,500	91,657
TOTAL	2014	**2,250,000**	**–**	**180,000**	**79,000**	**2,509,000**
(in percent)		**90**	**–**	**7**	**3**	**100**
TOTAL	2013	**1,658,491[3]**	**605,245[3]**	**131,012**	**57,500[3]**	**2,452,248[3]**
(in percent)		**68**	**25**	**5**	**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 members Thilo Kämmerer, Matthew F.C. Miau and Jens Riedel, who all retired on 29 May 2013. Each of them received fixed emoluments of EUR 20,411, variable emoluments of EUR 37,780, attendance fees of EUR 1,000, giving total emoluments for each retired Supervisory Board member of EUR 59,191.

Loans, advances and other emoluments

At 31 December 2014, there were no loans or advances to members of the Supervisory Board. Moreover, the members of the Supervisory Board received no payments or advantages in 2014 or 2013 for services they provided individually, in particular advisory or agency services.

LINDE IN THE CAPITAL MARKET

Increase in DAX in 2014

In 2014, most international stock exchanges were affected by continuing monetary stimuli and by the lack of investment alternatives in the low interest environment. Despite political unrest, such as that in Ukraine, share prices benefited from these factors. It was not until the second half of the year that growing economic concerns and the significant fall in the oil price led to a drop in share prices.

The German share index DAX started the trading year at 9,590 points and this was followed by a rather volatile period for the index. In June 2014, it broke through the 10,000 points mark for the first time. As a result of worsening economic data from the United States, share prices went down, with the DAX falling to its lowest level for the year of 8,572 points on 16 October 2014. For the remaining part of the year, the trend was back up. On 5 December 2014, the DAX reached its highest level for the year of 10,093 points, ending the year at 9,806 points. This was 2.7 percent higher than at the end of the 2013 financial year.

Most of the other major European stock market indices performed similarly. The MSCI Euro Index gained in value by 2.0 percent and the DJ EURO STOXX by 1.7 percent. The FTSEurofirst 300 Index in London increased by 4.0 percent. Only the CAC 40 Index in Paris fell, dropping by 0.5 percent.

The US stock markets again saw more dynamic trends than in Europe. The S&P 500 Index was up 11.6 percent, while the NASDAQ technology index (NASDAQ composite) rose by 13.4 percent. In the emerging economies, however, the picture was different. The MSCI Emerging Markets Index lost 4.6 percent in the course of 2014.

Slight upward trend for Linde shares

In this environment, over the year there was a slight upward trend in the price of Linde shares. The closing price of the shares was EUR 154.20, 1.4 percent higher than the price at the end of 2013 of EUR 152.05. This meant that there was also a slight increase in the Group's market capitalisation of 1.4 percent to EUR 28.625 bn (31 December 2013: EUR 28.219 bn).

Linde shares had a modest start to 2014, with the lowest price for the year (EUR 139.15) being reached on 5 February 2014. The shares recovered strongly in the middle of the year in a favourable stock market environment, with the price reaching its highest level for the year of EUR 157.30 on 20 June 2014. This price was also a new all-time high for Linde shares. In the second half of the year, Linde shares performed in line with the DAX, although the Group was only able to report relatively low growth. In the first part of October, Linde shares were even outperforming the German share index. However, when the Group revised its targets at the end of the month, the shares saw a significant if temporary decline. However, they quickly recovered as the year came to an end, finishing 2014 almost back in line with the overall trend of the DAX.

Despite the difficult operating environment, especially in the second half of the year, the relatively steady overall performance of Linde shares is evidence that the capital market appreciates the Group's business model which is characterised by long-term contract structures, a broad customer base and stable cash flows. At the same time, Linde's international gases and engineering business continues to offer attractive opportunities for development.

The capital market also acknowledges that Linde has enhanced its robustness by focusing on the expansion of its Healthcare business, which is largely immune to cyclical economic trends. The Group's very good position in growth markets is also viewed positively. Linde uses the term "growth markets" to describe the emerging economies (comprising the regions of Eastern Europe, Africa, South & East Asia and Greater China) plus the region of North America. The continuing implementation of Linde's holistic HPO (High Performance Organisation) programme, which is designed to achieve lasting efficiency improvements, and the evolution of the Group as a learning organisation, also contribute to the positive assessment of Linde in the capital market. The announcement that Linde will continue to build on its strengths and focus even more on efficiency will also enhance the confidence of market participants.

Linde also made progress during the financial year in terms of sustainability ratings in the capital market. In September 2014, the Group was again included in the global Dow Jones Sustainability Index (DJSI World). Analysts at RobecoSAM acknowledged the Group in particular for its activities in the fields of customer relationships, compliance, and risk and crisis management. The regional index of the CDP investor initiative nominated the Group for its good climate protection reporting. In 2014, Linde also qualified for inclusion in the FTSE4Good Index Series.

The leading international rating agencies Moody's and Standard & Poor's award Linde a high credit rating. In December 2014, Standard & Poor's confirmed its good credit rating of A+ with a stable outlook. Moody's increased its rating of the Group in June 2014 by one notch from A3 to A2 with a stable outlook. In December 2014, Moody's reconfirmed this credit rating. 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 from the good conditions in the international capital markets for corporate bonds. In the second quarter of 2014, the Group issued a ten-year EUR 300 m bond with a 1.875 percent coupon. The bond issue was used to provide additional external funding for the pension plans in Germany. In the third quarter of 2014, the Group also placed two USD 200 m bonds to refinance a USD 400 m bond maturing in November 2014.

In 2014, the EUR 2.5 bn credit facility agreed in July 2013 was successfully extended by one year to 2019. The credit facility originally ran for five years, with two options to extend the facility, in each case by one year (subject to the agreement of the lenders). One option to extend the facility in 2015 by one year remains.

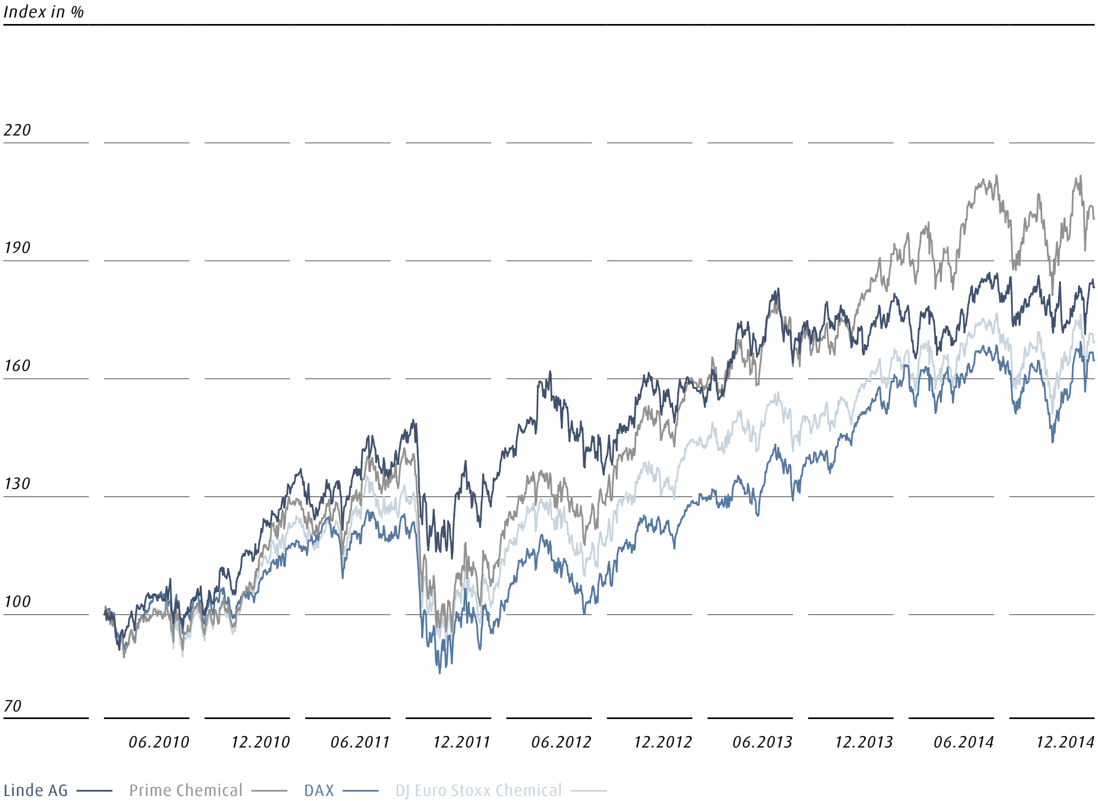
With the syndicated credit facility supplementing its liquid funds, Linde had a solid general liquidity reserve at the end of 2014.

8 CAPITAL MARKET-BASED FIGURES

		2014	2013
Number of shares with dividend entitlement for the financial year	No.	185,638,071	185,587,803
Year-end closing price	€	154.20	152.05
Year high	€	157.30	153.90
Year low	€	139.15	128.60
Total dividend of Linde AG for the financial year	€ million	585	557
Market capitalisation[1]	€ million	28,625	28,219
Average weekly volume	No.	2,267,308	2,257,467
Volatility[1] *(200 days)*	%	16.2	14.6
Information per share			
Cash dividend	€	3.15	3.00
Dividend yield	%	2.0	2.0
Operating cash flow	€	16.17	16.94
Earnings (reported EPS)	€	5.94	7.10

[1] As at 31 December.

1 LINDE SHARE PERFORMANCE IN 2010–2014 COMPARED WITH INDICES

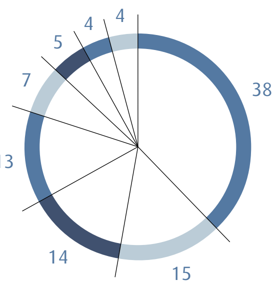


9 LINDE PERFORMANCE IN COMPARISON WITH THE MOST IMPORTANT INDICES[1]

	2014 in percent	Weighting Linde shares in percent
Linde (including dividend)	3.4	–
Linde (excluding dividend)	1.4	–
DAX	2.7	3.31
Prime Chemical	4.0	13.01
DJ EURO STOXX	1.7	0.81
DJ EURO STOXX Chemical	1.4	7.94
FTSEurofirst 300	4.0	0.46
FTSE E300 Chemical	2.8	9.03
MSCI Euro	2.0	0.42

[1] As at 31 December 2014.

1 INSTITUTIONAL INVESTORS HOLDINGS BY REGION IN %



USA	38 (2013: 35)	France	7 (2013: 8)
Great Britain	15 (2013: 13)	Other	5 (2013: 7)
Germany	14 (2013: 16)	Switzerland	4 (2013: 8)
Scandinavia	13 (2013: 9)	Asia	4 (2013: 4)

Stable shareholder structure

In the annual shareholder identification survey, Linde identified the shareholders of around 79 percent (2013: around 77 percent) of the shares outstanding at 31 December 2014. These are solely institutional investors. In the case of the shareholders who have not been identified, it is assumed that 79 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 2014 was around 5 percent (2013: 5 percent).

The proportion of institutional investors from the United States was around 38 percent at the end of 2014, compared with 35 percent at 31 December 2013. US investors continue to constitute the largest group of investors from a single country. The proportion of shares held by European institutional investors remained the same at 58 percent. However, the proportion of shares held by institutional investors in the Scandinavian countries (included in the figure for European institutional investors) increased again, from 9 percent to 13 percent. At 31 December 2014, German institutional investors held 14 percent of Linde's shares (31 December 2013: 16 percent). The proportion of British institutional investors rose slightly from 13 percent at the end of 2013 to 15 percent at the end of 2014. The proportion of Asian investors remained constant at 4 percent at the end of both 2013 and 2014. The proportion of investors who are oriented towards sustainability increased during the reporting period to around 11 percent (2013: 7 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 which is geared towards the long term and therefore offers investors an attractive investment with the opportunity for 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 3.15 per share at the Annual General Meeting on 12 May 2015. This is an increase of 5.0 percent over the prior-year dividend of EUR 3.00. This gives a dividend payout ratio of 53.1 percent (2013: 42.3 percent) based on the net income for the year attributable to Linde AG shareholders. The dividend yield was around 2.0 percent (2013: 2.0 percent) based on the year-end closing price.

Resolutions passed at the Annual General Meeting on 20 May 2014

At the Annual General Meeting held on 20 May 2014, no resolutions were passed to create or abolish conditionally authorised or authorised share capital or to authorise the purchase of own shares.

High level of investor relations (IR) activities sustained

In 2014, Linde continued its extensive efforts to communicate with participants in the capital markets, conducting over 800 conversations with investors. At more than 50 conferences and roadshows around the world, several events for private investors and in the course of plant visits on several continents, Linde has offered its shareholders and potential investors the opportunity to speak personally to representatives of the Group, including members of the Executive Board.

At Linde's second Capital Market Day, which was held in 2014, investors and analysts were given the chance to discuss in detail the future challenges and opportunities faced by Linde with all the members of the Executive Board and selected experts from the Group.

The Group also held an event for sell-side analysts. This event, which has become a fixture in recent years, provides analysts with an opportunity for dialogue with members of the Executive Board of Linde AG about new trends and about the business performance and future of the Group.

A key focus of Linde's communications with the capital markets is the strategic development of the Group. The priority is to continue to build on Linde's core competences, thereby enhancing the efficiency of the whole Group. Moreover, Linde provided a commentary on the current business performance of the whole Group and the impact of exchange rates and the global economic climate. It was able to convince German and international investors about the potential of its products, technologies and services in the promising areas of energy, the environment and healthcare.

Transparency, continuity and reliability will remain the guiding principles for Linde's investor relations work in 2015. 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 business sectors.

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.

10 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

Combined Management Report

SECTION 2

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 65,500 employees and is represented in more than 100 countries worldwide. It generated revenue in the 2014 financial year of EUR 17.047 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 and in steel production, chemical processing, environmental protection and welding, as well as in food processing, glass production and electronics. The Group 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 Healthcare business unit is a globally leading healthcare provider specialising along an integrated respiratory care path. Linde Healthcare combines pharmaceutical gases, medical devices, services and clinical care into solutions with the patient in mind for conditions and applications such as chronic obstructive pulmonary disease (COPD), sleep apnoea, pulmonary hypertension *[SEE GLOSSARY]*, anaesthesia and pain relief. Its products and services make a difference in the lives of patients and to healthcare professionals in the care continuum from hospital to home. Linde operates its healthcare business in more than 60 countries and all products and services meet high safety, quality and efficacy standards as stipulated by the authorities and official governmental bodies.

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 production plant, while in the other product areas gases are delivered to the customer in gas cylinders or 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. Within the three reportable segments, Regional Business Units (RBUs) are responsible for the operating business. 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 developing its organisational model, Linde introduced a number of changes with effect from 15 January 2015:

The reportable segments are now the same as the operating segments. One member of the Executive Board is responsible for each of the operating segments.

In the EMEA segment, the RBU Continental & Northern Europe was divided into three new RBUs – RBU Central Europe, RBU Northern Europe and RBU Southern Europe. In the Asia/Pacific segment, the Group expanded RBU Greater China to include South Korea, an important market especially for the electronic gases business. The new RBU is called RBU East Asia. At the same time, RBU South & East Asia was renamed RBU South Asia & ASEAN *[SEE GLOSSARY]*. The three reportable segments in the Gases Division now comprise nine Regional Business Units.

Linde has also set up five Global Governance Centres (GGCs) which are managed centrally and act on a Group-wide basis: GGC Merchant & Packaged Gases (liquefied gases and cylinder gas), GGC Electronics (electronic gases), GGC Healthcare, GGC Operations and GGC Deliver. These units will, for example, establish best practice and ensure that the process standards which have been defined are implemented across the Group. The former Global Business Unit (GBU) Healthcare and the Business Area (BA) Electronics have merged into the newly created GGCs. The work of the former GBU Tonnage (on-site business) is being assumed by the RBUs and in particular by a Group-wide function entitled Opportunity & Project Development (OPD), which is designed to exploit investment-based business opportunities even more effectively than before. Moreover, Linde's purchasing activities have been bundled together across the Group (Global Procurement).

The Corporate & Support Functions provide assistance to the business units of the Group. *SEE MANAGEMENT ORGANISATION, PAGES 270 TO 271.*

Engineering Division

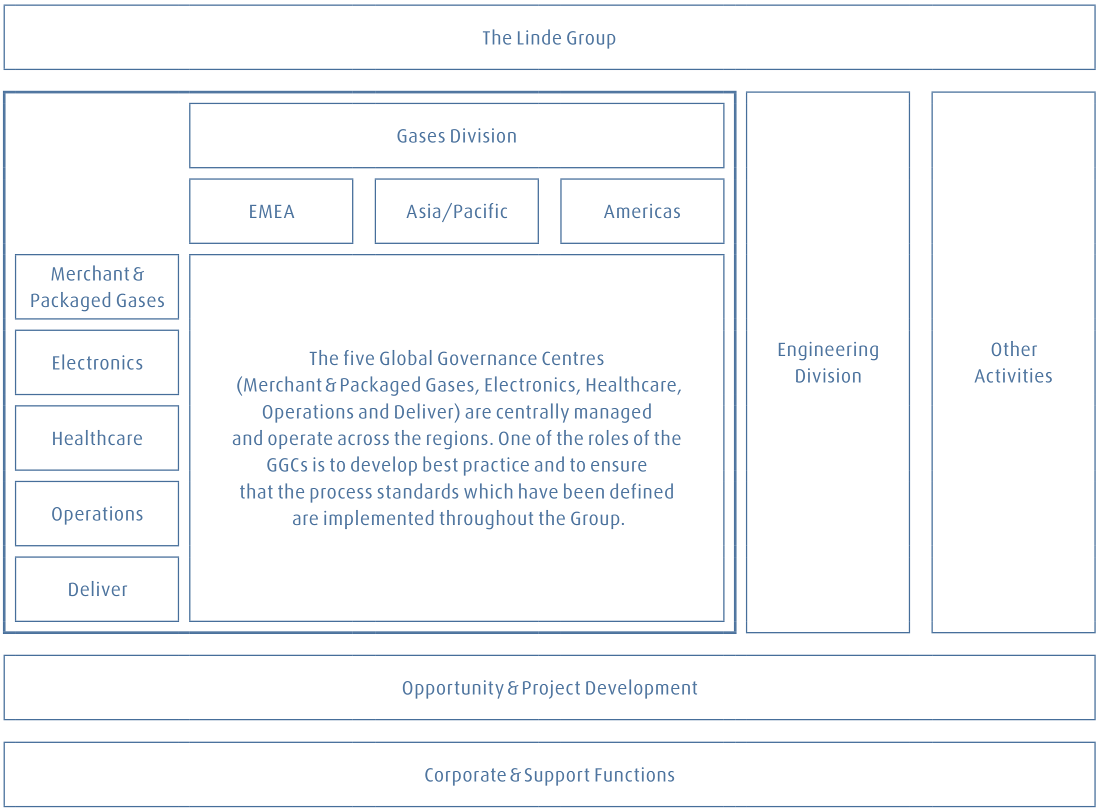
Linde's Engineering Division is successful throughout the world, with its focus on promising market segments such as olefin plants *[SEE GLOSSARY]*, natural gas plants, air separation plants, and hydrogen and synthesis gas plants. In contrast to virtually all its competitors, the company can rely on 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 assisted by the Corporate & Support Functions. At Group level, one of the members of the Executive Board is responsible for the Engineering Division. *SEE MANAGEMENT ORGANISATION, PAGES 270 TO 271.*

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 in 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 operational member of the Executive Board is responsible for one reportable segment. *SEE MANAGEMENT ORGANISATION, PAGES 270 TO 271.* 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,
- the operating margin for the EMEA, Asia/Pacific and Americas reportable segments 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 58 TO 74.* 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 108 AND 184* 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 120 TO 131* 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 2014 financial year, ROCE calculated in this way was 9.5 percent (2013: 9.7 percent).

The calculation of ROCE for The Linde Group can be summarised as follows:

DEFINITION OF ROCE

RETURN

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

+/–

Non-recurring items

/

CAPITAL EMPLOYED[1]

Equity

\+

Financial debt

\+

Liabilities from finance leases

\+

Net pension obligations

–

Cash & cash equivalents and securities

–

Receivables from finance leases

[1] Each calculated on the basis of the average of the figures at the balance sheet date for the current year and previous year.

Until now, the ROCE, EBIT and EPS performance indicators have also been disclosed after eliminating the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation (adjusted financial 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 figures for earnings and 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 major competitors. However, as the adjustment required has continued to diminish over the years and therefore no longer has a significant impact on the Group performance indicators, Linde has decided to desist from disclosing the adjusted figures.

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 information on PAGES 164 TO 165.

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 13, PAGE 93. EBIT is also adjusted for non-recurring items. Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the financial performance indicators reflect the sustainability of The Linde Group's earning capacity in the capital market.

During the reporting period, non-recurring items comprised not only impairment losses recognised but also restructuring costs.

A reconciliation between the reported performance indicators and the performance indicators after adjusting for non-recurring items is given in NOTE [40] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.

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, as well as serving those customers in the best way possible.

Linde is committed to behaving responsibly towards people and the environment and to conserving natural resources. The Group complies thereby with its foundational principle of sustainability, one of 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. Using its integrated business model as a base, Linde is always working to achieve improvements in the Group's performance and focusing on the expansion of the Group's business activities. Linde wants to continue to strengthen its core business and to take best advantage of the synergies between its engineering business and gases business. The Group has a strong customer focus and cooperates closely with its customers, developing innovative gases applications which are tailor-made for its customers' requirements.

Linde is also keen to benefit disproportionately from the following growth areas: energy, the environment and health. Another of the Group's objectives is to exploit the excellent opportunities presented by the growth regions in the most effective way possible.

Especially in China, Linde has a leading market position. The Group became involved here 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 over the coming years. To this end, Linde is investing above all in projects with particularly 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 2014 financial year (EUR 1.244 bn) was made in the growth markets (2013: EUR 1.587 bn). 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, PAGES 117 TO 119.*

In the energy sector, the importance of shale gas (natural gas recovered from shale) has been growing in the past few years. 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. *SEE PAGE 99.*

It should, however, be noted that the significant fall in the price of oil over the past few months might put a temporary brake on new investment in major projects in the petrochemical and natural gas processing industry.

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

With its broad range of skills in the plant construction business, the Group is also well equipped to deal with the growing importance of liquefied natural gas (LNG).

Moreover, Linde is a pioneer in the development of hydrogen technology and is continuing to drive forward the establishment of a hydrogen filling station infrastructure. The Group is also 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 the 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 in 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 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.

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 the Chief Executive Officer, another member of the Executive Board, together with the heads of the Group's Corporate & Support Functions: Corporate Communications & Investor Relations, Group Human Resources, Group Legal & Compliance, Corporate Internal Audit and HSE [SEE GLOSSARY]. In 2014, the CR Council advised inter alia on customer requirements in relation to sustainability and on the introduction of a global safety target for the Group.

Linde is continually evaluating which themes are relevant to the sustainable development of the Group. Based on this materiality analysis, Linde establishes its priorities for sustainability measures. To do so, it is constantly analysing the requirements of external stakeholders and evaluating their feedback, as well as conducting workshops involving in-house experts on particular topics and strategies. 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, as well as with sustainability networks such as the UN Global Compact, which it supports.

Measurable medium-term targets

Linde will continue to pursue a corporate strategy of sustainable earnings-based growth. Linde underpins its claim of being the leading gases and engineering company in the world with measurable targets. For the 2016 financial year, Linde originally set itself the target of achieving Group operating profit of at least EUR 5 bn and a return on capital employed (ROCE) of around 13 percent. These medium-term targets were founded on the assumption that there would not be any significant changes in exchange rates compared with those prevailing at 31 December 2012 when the medium-term outlook was formulated. The medium-term targets were also defined based on the expectation that there would be dynamic growth in the global economy in the planning period from 2013 to 2016.

In fact, conditions have been more unfavourable than expected. Therefore, Linde revised its medium-term targets at the end of October when it published its interim report for the nine months to 30 September 2014 in order to take account of the change in conditions. Depending on economic trends and on the basis of the exchange rates prevailing at the end of October, Linde expects to achieve Group operating profit of EUR 4.5 bn to EUR 4.7 bn and ROCE of 11 percent to 12 percent in 2017.

Linde has also set itself a number of non-financial targets. These targets are linked to further improvements in the area of safety and environmental protection and in the area of personnel development. The Group is focusing on ensuring production-related safety and transport safety, increasing energy efficiency and reducing emissions, as well as on diversity in the workforce. Linde had set itself a target for 2017 of a 5 percent improvement in the average energy consumption of the air separation plants it has installed and has achieved this target early in the 2014 financial year. The benchmark is the global average efficiency of the air separation plants operating at the design plant load. The base year is 2008. In 2015, Linde plans to decide on new targets.

Linde has also set itself a 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 the end of 2015, compared with the base year of 2009.

In the 2014 financial year, the Group set a global target for occupational safety. Linde wants to continue to reduce the number of accidents. As the next step, it has set itself the target of continuing, between now and 2020, to reduce the rate of workplace accidents which result in at least one day of absence per million hours worked. The base year is 2012. Linde is also seeking to halve the number of serious transport incidents by the end of 2017, compared with the base year 2012.

In the area of personnel, Linde has set itself the global target of increasing the proportion of women in senior management positions to 13 to 15 percent by 2018. Given the changes which are expected to be made to the German Stock Corporation Law (AktG), Linde will provide more detail about this target in due course.

Information about the extent to which non-financial targets have been reached is given on *PAGES 120 TO 131*.

Report on the economic position of the Group

MACROECONOMIC ENVIRONMENT

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

		% Growth				
	% Weighting[3]	2010	2011	2012	2013	2014
EMEA	33.2	2.6	2.4	0.4	0.7	1.5
Eurozone	17.4	2.0	1.7	–0.7	–0.4	0.8
Germany	5.0	3.9	3.7	0.6	0.2	1.5
Asia/Pacific	24.9	8.5	6.5	5.5	5.5	5.6
China	13.5	10.4	9.3	7.7	7.7	7.3
Americas	32.4	3.2	2.2	2.4	2.3	2.1
USA	22.7	2.5	1.6	2.3	2.2	2.3
WORLD	**100.0**	**4.1**	**2.8**	**2.2**	**2.3**	**2.5**[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 26 January 2015).
[2] In respect of 120 countries.
[3] Weighting is based on GDP 2014.

12 INDUSTRIAL PRODUCTION (IP)[1]

	% Growth				
	2010	2011	2012	2013	2014
EMEA	6.2	3.1	–1.4	–0.3	1.4
Eurozone	6.5	2.8	–2.8	–0.8	0.7
Germany	10.1	7.3	–0.4	0.1	1.5
Asia/Pacific	12.5	9.5	7.4	5.5	5.5
China	13.5	12.8	10.3	9.7	8.4
Americas	5.7	3.3	3.1	2.5	3.0
USA	5.7	3.3	3.8	2.9	3.9
WORLD	**7.9**	**3.4**	**1.5**	**1.5**	**2.6**[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 26 January 2015).
[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 2014.

Based on data from the international forecasting institute The Economist Intelligence Unit (EIU), global economic growth was scarcely higher in 2014 than in 2013. Global gross domestic product (GDP) rose by 2.5 percent (2013: 2.3 percent), while global industrial production (IP), an important indicator for Linde's business, increased by 2.6 percent (2013: 1.5 percent). The global economy therefore grew more slowly than had been expected at the beginning of 2014, when economists were still forecasting GDP growth of 2.9 percent and a rise in IP of 3.3 percent.

In the course of the year, the world economy was adversely affected in particular by an increase in geopolitical tensions. Other factors hampering growth were persistent sizeable government deficits, currency fluctuations and ongoing high levels of unemployment in many industrialised countries. The situation in the international financial markets was highly volatile.

EMEA (Europe, Middle East and Africa)

The economy in the EMEA region as a whole saw growth of 1.5 percent in 2014 (2013: 0.7 percent). Industrial production rose by 1.4 percent, compared with a fall of 0.3 percent in 2013. These figures were also lower than had originally been forecast.

Once again, there were substantial variations in economic trends in the various EMEA sub-regions. In Western Europe, there was a moderate increase in economic output of 1.2 percent (2013: 0.2 percent). Industrial production in this sub-region rose slightly in 2014, by 1.0 percent, compared with a fall in 2013 of 0.9 percent. Of the major economies in Western Europe, Germany and the UK saw relatively robust trends. In Germany, GDP rose by 1.5 percent in 2014 (2013: 0.2 percent), while the UK achieved an even higher increase of 2.6 percent (2013: 1.7 percent). The economies of Spain and Portugal picked up in 2014, seeing slight growth for the first time after years of recession, while GDP in Italy fell for the third year in succession. France achieved only a slight increase in economic output.

In Eastern Europe, the economy continued to slow down. Whereas growth of 1.6 percent was achieved here in 2013, the economy expanded by only 1.4 percent in 2014, mainly as a result of weak economic activity in Russia. Industrial production in Eastern Europe, on the other hand, accelerated slightly, rising by 2.1 percent (2013: 1.1 percent). This trend was boosted in particular by positive momentum in Poland, Hungary and the Czech Republic.

In the Middle East, economic growth remained strong in 2014. GDP rose here by 4.2 percent, the same rate of increase as in 2013.

In the African economies, positive trends continued. GDP for Africa as a whole rose during the financial year by 4.1 percent (2013: 3.8 percent). There were, however, significant differences here too between individual countries: for example, the economy in South Africa grew by only 1.6 percent in 2014 (2013: 1.9 percent). Against a background of numerous strikes, industrial production here increased by only 1.0 percent (2013: 1.3 percent).

Asia/Pacific

The most favourable economic trends in 2014 were once again to be seen in the Asia/Pacific region. Here, GDP rose by 5.6 percent and industrial production by 5.5 percent. Similarly high increases were achieved in 2013, with growth in both GDP and IP of 5.5 percent.

In China, robust economic trends continued, although the rate of growth was slightly lower than in the prior year. In 2014, GDP here rose by 7.3 percent (2013: 7.7 percent), while industrial production expanded by 8.4 percent (2013: 9.7 percent).

In South & East Asia, economic output was up 4.8 percent in 2014, a faster rate of increase than the figure of 4.4 percent seen in 2013. Industrial production here rose by 2.6 percent (2013: 2.2 percent).

In Australia, the economic situation did not improve significantly in 2014. Although GDP increased by 2.9 percent (2013: 2.3 percent) and industrial production rose by 4.1 percent (2013: 3.6 percent), this growth was affected particularly by the mining industry, in which demand for industrial gases is relatively low. The mood in the manufacturing sector, on the other hand, continued to deteriorate.

Americas

Economic trends in the United States in 2014 were relatively robust. GDP increased here by 2.3 percent (2013: 2.2 percent), while industrial production expanded by 3.9 percent (2013: 2.9 percent).

In South America, on the other hand, the economic environment was weak. GDP here rose by only 0.7 percent, compared with an increase of 3.0 percent in 2013. Industrial production even declined. Economists have calculated a decrease of 2.2 percent in IP in this region in 2014, whereas in 2013 IP rose here by 1.5 percent. In Brazil, Argentina, Chile and Venezuela in particular, the economy was characterised by sluggish domestic demand and modest export business.

SECTOR-SPECIFIC BACKGROUND

Gases industry

The global gases market grew at a slightly faster rate in the 2014 financial year than in 2013, although growth was less rapid than had been expected at the beginning of 2014. Different rates of growth were to be seen in each region and industry sector. The competitive situation among the leading international gases suppliers did not change significantly as the year progressed.

North America, Europe and Asia remain the largest sales markets. The fastest rate of growth in 2014 was once more in Asia.

The increase in demand in the global steel industry slowed in the course of the year. As in prior years, surplus capacity had an impact here. There was only slight growth to be seen in the market in Asia, especially in China. As in Europe, surplus capacity is becoming increasingly apparent. In addition, trends in this industry sector have been adversely affected by economic and political uncertainty in South America and in Eastern Europe.

Strong signs of growth were visible in 2014 in the metalworking industry. Aluminium manufacturers in particular benefited from the trend towards lighter components, such as those being used in the automotive industry.

The chemical and energy sector has expanded overall during the reporting period. The main driver of this expansion was investment in North America, which was higher than average due to lower prices for raw materials. China also saw further growth in this sector, although here the rate of investment in new chemical projects was lower than in 2013. In Europe, trends in this segment were rather modest.

Investment in new refinery projects took place in 2014 mainly in North America, driven by the exploitation of unconventional oil and gas reserves in this region. In Europe, as in Asia, refinery sites are increasingly being adapted to meet the rise in demand for diesel. In the Middle East, there is a move towards the construction of integrated refinery complexes which are able to produce higher-quality products. In South America and in the South Pacific region, some refinery sites are suffering from the impact of surplus capacity and are facing closure.

Manufacturing industry grew at a modest rate in 2014. Positive trends were to be seen in particular in the automotive and aerospace industries and in the building trade. Increasing investment in energy infrastructure is expected over the coming years, especially in the expansion of renewable energy.

In the glass industry, demand has been rising for years for applications which will reduce energy consumption and prevent emissions. This trend continued in 2014.

The market for semiconductors continued to grow during the reporting period, especially the market for memory chips used in mobile devices. Following the decline in demand for personal computers over the past few years, a slight recovery was once again to be seen in 2014.

Recently, the situation for LEDs [SEE GLOSSARY] has been continuing to improve. The market is benefiting from growing public awareness of lighting applications which are environmentally friendly and energy-efficient.

After years of declining sales revenue, the global solar cell industry again saw significant increases in the 2014 financial year. Demand worldwide was driven in particular by a rapid rate of growth in China, Japan and in the United States.

The performance of the food and beverage industry has also been relatively steady over the past year. The fastest rates of growth were to be seen in China, the USA and Brazil. Consistent consumer trends in this market include healthier eating, higher consumption of meat protein and more processed foods. At the same time, demand for convenience products continues to rise.

In the global healthcare market, the long-term growth drivers remained robust in 2014: 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 environment in the international large-scale engineering business remained stable in 2014. The greatest investment activity was to be seen in the chemical and energy sector.

Air separation plants

Trends in the air separation plant market were significantly weaker in 2014 than in 2013. Intense competition and great downward pressure on prices were evident in this market, especially in China, due to the fact that the number of projects being awarded was limited. Demand in other regions was also relatively modest. However, Linde did succeed in winning some significant tenders. These include, for example, projects in Eastern Europe and in Germany.

Olefin plants

The process of structural change continued in the petrochemical industry. As a result of the exploitation of shale gas, investment in the United States in petrochemical projects based on natural gas increased once again. In the Middle East, on the other hand, the trend is towards investment in high-quality petrochemical products based on heavier feedstock such as naphtha. In Europe, existing naphtha crackers are increasingly being converted to ethane imported from the United States, especially on coastal sites.

Against this background, the overall market for olefin plants [SEE GLOSSARY] has continued to grow over the past year.

Natural gas plants

In 2014, global demand for natural gas treatment, processing and liquefaction plants rose once again. As a result of the continued exploitation of shale gas reserves, natural gas prices remained at a relatively low level. This gave rise to a large number of new projects based on natural gas, especially in North America.

Hydrogen and synthesis gas plants

The market for hydrogen and synthesis gas plants also benefited in 2014 from the fact that the feedstock natural gas is available in large quantities and at a low price, especially in North America.

In Russia, the market environment was characterised by steady demand from the refinery sector, whereas in China it was acid gas removal plants and processes which generated interest.

Overall, investment activity in this product segment did not reach the exceptionally dynamic level seen in 2013.

BUSINESS REVIEW OF THE LINDE GROUP

The technology company The Linde Group continued to deliver a steady performance in the 2014 financial year, although conditions were not favourable. Growth in the global economy weakened in the course of the year, and even in some of the emerging economies the pace of growth was not as fast as had originally been forecast. In addition, business performance was affected by unfavourable exchange rate effects, especially in the first nine months of the year.

Nevertheless, Linde succeeded in achieving an increase in Group revenue and maintaining a relatively high rate of profitability. In the gases business, Linde was able to compensate to a great extent for faltering demand in some markets due to its global footprint and well-balanced spread across different sectors. During the 2014 financial year, the Engineering Division replicated the good revenue trends seen in 2013.

Revenue, operating profit and ROCE

Linde achieved a 2.4 percent increase in Group revenue in the 2014 financial year to EUR 17.047 bn (2013: EUR 16.655 bn). Revenue trends were significantly affected by adverse exchange rate fluctuations, particularly in the first nine months of the year. Exchange rate effects arise purely on the translation of various local currencies into the reporting currency (the euro). Average annual exchange rates are used here. In the fourth quarter of 2014, movements in exchange rates were once again more favourable to Linde. Recently, the US dollar in particular has gained value against the euro. Nevertheless, exchange rate fluctuations over the whole year reduced Group revenue by EUR 346 m. After adjusting for the impact of currency fluctuations, the increase in Group revenue for the 2014 financial year was 4.5 percent.

Linde achieved Group operating profit of EUR 3.920 bn, which was not quite as high as the prior-year figure of EUR 3.966 bn. Unfavourable exchange rate effects also need to be taken into consideration here. Without these distortions, which reduced Group operating profit in the 2014 financial year by EUR 83 m, the Group would have achieved a slight increase in Group operating profit of 1.0 percent.

The Group operating margin for 2014 was 23.0 percent (2013: 23.8 percent). As far as the margin is concerned, it should be noted that, as expected, the Engineering Division contributed more to Group revenue in the 2014 financial year than in 2013. The engineering business has a lower margin than the Group's gases operations.

Return on capital employed (ROCE) adjusted for non-recurring items was 9.5 percent in 2014 (2013: 9.7 percent). EBIT after adjusting for non-recurring items was EUR 2.180 bn, similar to the figure for 2013 of EUR 2.171 bn. However, average capital employed increased significantly by EUR 498 m. This increase was mainly due to positive exchange rate effects. The background to this is that the capital employed is derived from the items in the statement of financial position. Items in the statement of financial position are translated from the various local currencies into the reporting currency (the euro) at the closing rate on the balance sheet date, in contrast to items in the statement of profit or loss which are translated at average rates. The exchange rates of the local currencies against the euro at 31 December 2014 have recovered greatly from the situation at 31 December 2013. This has resulted in higher figures for the items in the statement of financial position at the end of 2014 than at the end of 2013. Therefore, despite the income figure being unchanged, capital employed was higher at 31 December 2014 than at the end of 2013, giving a lower figure for return on capital employed.

Results of operations

The statement of profit or loss prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 5.750 bn in the 2014 financial year (2013: EUR 6.013 bn) after deducting cost of sales. This gives a gross margin of 33.7 percent (2013: 36.1 percent). Cost of sales increased in 2014 by EUR 655 m to EUR 11.297 bn (2013: EUR 10.642 bn). This was due not only to the greater contribution to revenue made in 2014 by the Engineering Division, but also to non-recurring items. The non-recurring items comprised, first of all, impairment losses recognised in the Gases Division in the Asia/Pacific and Americas reportable segments of EUR 229 m. Of this amount, EUR 205 m related to impairment losses on technical equipment and machinery which has been recognised in cost of sales. In addition, restructuring costs of EUR 66 m were recognised in functional costs.

EBIT in the 2014 financial year was EUR 1.885 bn, which was not as high as the prior-year figure of EUR 2.171 bn. The significant reduction was mainly due to non-recurring items. After adjusting for non-recurring items, EBIT in 2014 was EUR 2.180 bn.

In both 2013 and 2014, EBIT included income from an operating company in North America in which Linde holds an investment.

The financial result (financial income less financial expenses) in 2014 was a net loss of EUR 365 m (2013: net loss of EUR 377 m). This improvement was due primarily to lower interest rates and more favourable refinancing opportunities.

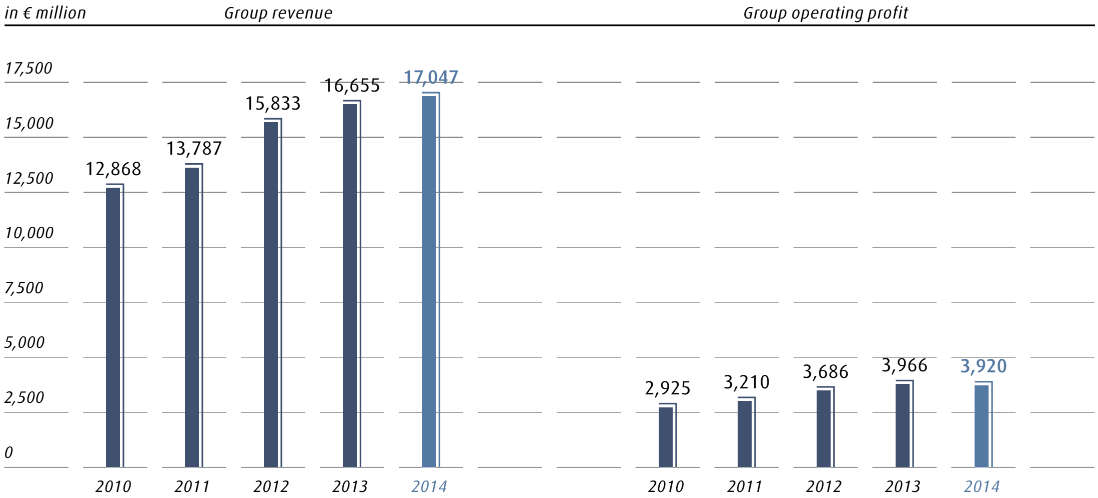
Linde achieved earnings before tax in the 2014 financial year of EUR 1.520 bn (2013: EUR 1.794 bn).

The income tax expense was EUR 358 m (2013: EUR 364 m). This is equivalent to an income tax rate of 23.6 percent (2013: 20.3 percent). In 2013, the tax rate was positively affected by various one-off items. Linde's profit for the period (after deducting the tax expense) was EUR 1.162 bn (2013: EUR 1.430 bn).

After adjusting for non-controlling interests, profit for the year attributable to Linde AG shareholders was EUR 1.102 bn (2013: EUR 1.317 bn). This gives earnings per share for the 2014 financial year of EUR 5.94 (2013: EUR 7.10). Earnings per share before non-recurring items was EUR 7.13 (2013: EUR 7.10).

N.B. The reconciliation of the key financial figures before non-recurring items is given in *NOTE [40] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS*.

1 GROUP REVENUE AND GROUP OPERATING PROFIT



13 RESULTS OF OPERATIONS OF THE LINDE GROUP

	2014		2013	
	in € million	in percent	in € million	in percent
Revenue	17,047	100.0	16,655	100.0
Cost of sales	11,297	66.3	10,642	63.9
Gross profit	5,750	33.7	6,013	36.1
Marketing and selling expenses	2,476	14.5	2,512	15.1
Research and development costs	106	0.6	92	0.6
Administration expenses	1,488	8.7	1,419	8.5
Other operating income	486	2.9	358	2.1
Other operating expenses	303	1.8	193	1.2
Share of profit or loss from associates and joint ventures (at equity)	22	0.1	16	0.1
EBIT	1,885	11.1	2,171	13.0
Financial result	–365		–377	
Profit before tax	1,520		1,794	
Income tax expense	358	23.6	364	20.3
Profit for the year	1,162		1,430	
attributable to Linde AG shareholders	1,102		1,317	
attributable to non-controlling interests	60		113	

14 REVENUE AND OPERATING PROFIT BY DIVISION

	2014		2013	
in € million	Revenue	Operating profit	Revenue	Operating profit
Gases Division	13,982	3,835	13,971	3,846
Engineering Division	3,106	300	2,879	319
Other Activities (including consolidation)	−41	−215	−195	−199
GROUP	**17,047**	**3,920**	**16,655**	**3,966**

GASES DIVISION

Linde generated revenue in the Gases Division in the 2014 financial year of EUR 13.982 bn, a similar figure to that achieved in 2013 (EUR 13.971 bn). Unfavourable exchange rate effects need to be taken into account when making a comparison with the prior year. If an adjustment were to be made for these exchange rate effects, Linde would have achieved a 2.7 percent increase in revenue. On a comparable basis (after adjusting in addition for fluctuations in the price of natural gas), Linde would also have achieved a 2.7 percent increase in revenue in its gases business.

The operating profit of the Gases Division in 2014 was EUR 3.835 bn, almost the same as the prior-year figure of EUR 3.846 bn. At 27.4 percent, the operating margin was virtually identical to the operating margin achieved in 2013 of 27.5 percent. Unfavourable exchange rate effects also need to be considered when looking at earnings trends in the Gases Division. If these exchange rate movements had not occurred, Linde would have achieved a 2.0 percent increase in operating profit in this division. The exchange rate effects reduced earnings here by EUR 86 m.

Capital expenditure in the Gases Division in the 2014 financial year was EUR 1.890 bn (2013: EUR 2.254 bn). Most of this investment was in large-scale projects in the on-site and liquefied gases produce areas.

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

15 GASES DIVISION

in € million	*2014*	*2013*
Revenue	13,982	13,971
Operating profit	3,835	3,846
Capital expenditure (excluding financial assets)	1,890	2,254
Number of employees (at the balance sheet date)	53,436	51,536
Revenue from joint ventures	152	127

16 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	2014			*2013*		
in € million	*Revenue*	*Operating profit*	*Operating margin in percent*	*Revenue*	*Operating profit*	*Operating margin in percent*
EMEA	5,980	1,778	29.7	6,090	1,759	28.9
Asia/Pacific	3,812	1,010	26.5	3,767	1,005	26.7
Americas	4,314	1,047	24.3	4,231	1,082	25.6
Consolidation	−124			−117		
GASES DIVISION	**13,982**	**3,835**	**27.4**	**13,971**	**3,846**	**27.5**

EMEA (Europe, Middle East, Africa)

In the EMEA reportable segment, the Group's largest sales market, Linde generated revenue in the 2014 financial year of EUR 5.980 bn, which was 1.8 percent below the figure of EUR 6.090 bn achieved in 2013. On a comparable basis, this was equivalent to a slight increase of 0.1 percent. Operating profit improved slightly during the financial year, by 1.1 percent to EUR 1.778 bn (2013: EUR 1.759 bn). This figure includes profit on disposal of non-current assets. The operating margin rose to 29.7 percent (2013: 28.9 percent).

Different business trends were to be seen in the various sub-regions of the EMEA segment.

In the Regional Business Unit (RBU) Continental & Northern Europe, revenue fell by 3.7 percent to EUR 3.448 bn (2013: EUR 3.582 bn). Given the unfavourable economic situation prevailing in the eurozone, demand was modest in the various product areas. Business performance was also hampered by the stoppage for repairs of a hydrogen plant in Italy.

In the Healthcare product area, a number of supply contracts relating to the Continental European homecare operations acquired by Linde from Air Products in April 2012 were put out again to tender. As expected, due to the reorganisation of supply areas associated with this process, revenue in the Healthcare business in the RBU Continental & Northern Europe was below that of the prior year. In accordance with the terms of its purchase agreement with Air Products, Linde received an appropriate compensation payment in the third quarter of 2014.

Business performance in the RBU Continental & Northern Europe was boosted by the start-up of new plants. In the third quarter of 2014, for example, the Group brought on stream two CO_2 purification and liquefaction plants in Salamanca, Spain, and in Norrköping, Sweden, thereby expanding its European supply network for CO_2. In each of these projects, Linde is using raw CO_2 arising from the production of bioethanol.

In the second quarter of 2014, Linde brought on stream an air separation plant at Mo i Rana, Norway. From this site, Linde supplies the steel company Celsa and also provides products for the regional market.

Linde is continuing to expand its on-site business in the RBU Continental & Northern Europe and in the third quarter of 2014 it entered into a long-term contract with steel company ArcelorMittal for the supply of oxygen and nitrogen to a factory in Eisenhüttenstadt, Germany. The agreement involves both the extension of an existing contract and the construction of a new air separation plant. The total investment in the project is around EUR 85 m. Linde's Engineering Division is responsible for the construction of the plant, which will also supply liquefied products to the regional market. Production is expected to start in 2017. With this project, Linde is continuing to strengthen its market position as an oxygen supplier to the steel sector. SEE ENGINEERING DIVISION, PAGE 103.

The Group signed a long-term contract with Finnish oil company Neste Oil in the second quarter of 2014 for the supply of hydrogen. As part of the project, Linde's Engineering Division is to build a new hydrogen plant for Neste Oil's refinery in Porvoo, Finland. The total investment being made by the two companies is around EUR 100 m. The plant is expected to start production in 2016. SEE ENGINEERING DIVISION, PAGE 103.

In the first quarter of 2014, Linde signed a long-term contract with Nynas AB, one of the world leaders in naphthenic specialty oils (NSPs) and bitumen, to supply hydrogen on site to the Nynas refinery in Hamburg, Germany. The Engineering Division of The Linde Group is to build a new steam reformer for this purpose. Investment in the project is around EUR 30 m. The new plant is expected to start operations at the end of 2015. With a capacity of 400,000 normal cubic metres of hydrogen per day, it will also be able to supply additional customers in the port of Hamburg.

Linde continues to be committed to establishing hydrogen as an environmentally friendly fuel and in the third quarter of 2014 it started the world's first small-series production for hydrogen fuelling stations in Vienna, Austria. This will enable the Group to have the flexibility required to meet growing demand in a variety of markets. At the same time it was opening the small-series production facility in Vienna, Linde signed a framework agreement with Japanese company Iwatani for the supply of 28 hydrogen fuelling units. SEE PAGES 32 TO 36.

In the RBU Africa & UK, Linde was able to achieve an increase in revenue of 2.0 percent to EUR 1.592 bn (2013: EUR 1.560 bn). On a comparable basis, revenue rose by 2.5 percent. Within the RBU, business performance was affected by different economic conditions in the different areas. Relatively solid demand was to be seen in the UK where the economic environment remained stable. However, in South Africa, the most important market for Linde on the African continent, strikes were the main reason for the weakening economy.

In the UK, Linde achieved above-average growth, especially in its on-site business. The Group benefited in particular from the expansion and ramp-up of air separation plants on the Teesside site in the north-east of England. Under a long-term contract signed in April 2013, Linde supplies steel company SSI Steel UK on site with gaseous oxygen, nitrogen and argon.

In 2014, Linde has also made progress in the promising liquefied natural gas (LNG) business in the UK. The Group brought on stream, for example, a new LNG refuelling station in Avonmouth near Bristol. This had been commissioned by British supermarket chain Asda, which has set itself the target of significantly reducing the emissions of its transport fleet. The new refuelling station will enable Linde to supply fuel for Asda's fifty dual fuel (LNG and diesel) trucks.

In South Africa, Linde began the construction of a new air separation plant in the first quarter of 2014. This plant, which is expected to produce 150 tonnes of liquefied gases per day, will enable the Group to supply industrial gases and medical gases to its customers in the Eastern Cape region. With this project, which involves investment of EUR 20 m, Linde is responding to an increase in demand in this region. It is anticipated that the plant will be completed in the first quarter of 2015.

In the RBU Middle East & Eastern Europe, Linde only generated around the same level of revenue as in 2013. This was due to unfavourable exchange rate effects. Revenue here in 2014 was EUR 975 m, compared with EUR 978 m in 2013. Crucial here was the significant weakening of the Russian rouble against the euro. On a comparable basis, however, revenue rose by 6.1 percent. The greatest momentum was to be seen in the on-site product area. Robust trends were also evident in the Healthcare segment and the liquefied gases business.

The ramp-up of new plants had a positive impact on the on-site business in Eastern Europe. So, for example, the air separation plants in Kaluga and Dzerzhinsk (both in Russia), constructed by Linde for ZAO KNPEMZ and SIBUR respectively, further increased their production capacity in 2014. The same applies to the air separation plant in Temirtau, Kazakhstan, which Linde brought on stream in March 2013 to supply ArcelorMittal.

A synthesis gas plant in Ploiesti, Romania, started operations in the second quarter of 2014. From this plant, Linde supplies hydrogen and carbon monoxide to an OMV refinery.

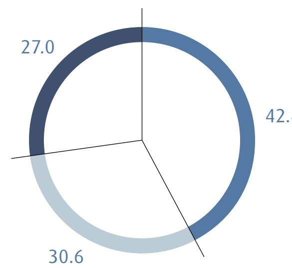
Overall, the market environment in Eastern Europe in the 2014 financial year was characterised by a slowdown in the economy, especially in Russia. This had an impact above all on volume trends in the cylinder gas business.

In the Middle East, on the other hand, the economy remained robust. Linde achieved increases in revenue in this region in the liquefied gases and cylinder gas business in particular.

Linde's helium customers around the world have benefited in the 2014 financial year from the success of the new helium source in Qatar. This helium source, the largest in the world, was brought on stream by Ras Gas in the Ras Laffan Industrial Park towards the end of 2013. Linde had previously secured appropriate purchasing rights.

The global helium market continues to be 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 its investment in the new helium source in Qatar, Helium II, Linde has an even more diversified portfolio of helium resources and can therefore offer its customers a high level of security of supply.

2 ANALYSIS OF REVENUE BY REPORTABLE SEGMENT IN %



EMEA	42.4 (2013: 43.3)
Americas	30.6 (2013: 30.0)
Asia/Pacific	27.0 (2013: 26.7)

Asia/Pacific

In the Asia/Pacific reportable segment, Linde generated revenue of EUR 3.812 bn in the 2014 financial year, a slight increase (1.2 percent) when compared with the prior-year figure of EUR 3.767 bn. On a comparable basis, the Group achieved 4.7 percent growth in revenue in this segment.

Operating profit in the Asia/Pacific segment in 2014 of EUR 1.010 bn was slightly higher than the figure for 2013 of EUR 1.005 bn. This figure includes profit on disposal of non-current assets. The operating margin was 26.5 percent (2013: 26.7 percent).

Business trends were hampered mainly by unfavourable exchange rate effects. In the South Pacific region, the economic environment for manufacturing remained weak, which had an adverse impact on growth.

In the third quarter of 2014, the Group recognised an impairment loss of EUR 100 m in China. This related to parts of a plant complex in the Chongqing Chemical Park which Linde had built together with Chongqing Chemical & Pharmaceutical Holding Group Company (CCPHC) in order to supply gases to various industrial customers. The impairment loss was required as a result of a change in the structural organisation of this site, which had an impact on the raw gas available as feedstock as well as on the purchase volumes of the plant complex.

Changed conditions in one part of the South & East Asia region and in Australia led to Linde recognising further impairment losses in 2014 of EUR 29 m.

The measures taken referred to above have been disclosed as non-recurring items.

Boosted by volume increases in all product areas, Linde was able to achieve significant revenue growth in the RBU Greater China. Revenue here rose by 8.9 percent to EUR 1.343 bn (2013: EUR 1.234 bn). On a comparable basis, the increase in revenue was 9.7 percent. In the on-site business, Linde benefited from the start-up and ramp-up of new plants. These included, for example, the plants supplying gases to Samsung Electronics in the Suzhou Industrial Park in eastern China, the hydrogen and synthesis gas plant built by Linde for Bayer AG in Caojing, and the hydrogen plant in Jilin Chemical Industrial Park. At this integrated chemical site, Linde supplies high-purity hydrogen for the production facilities of several customers including Evonik Industries and Jishen.

In the RBU South & East Asia, Linde's gases business also grew. However, demand here was not as high as in the Greater China region. Revenue in the RBU South & East Asia rose by 2.9 percent in the 2014 financial year to EUR 1.141 bn (2013: EUR 1.109 bn). On a comparable basis, the increase in revenue here was 5.7 percent.

Linde achieved volume increases in almost all the product areas in this region. In the on-site business, the Group saw double-digit growth.

In Singapore, Linde brought on stream an on-site plant on schedule in the third quarter of 2014. This plant supplies chemical company Evonik and is the first integrated industrial gases plant in the country, supplying hydrogen, methane and CO_2.

In India, two new Linde air separation plants on the Rourkela site have been working at full capacity since the first quarter of 2014. From these plants, the Group supplies industrial gases to steel-producer Steel Authority of India Limited (SAIL).

In Map Ta Phut, Thailand, a new carbon dioxide liquefaction plant commenced production. From this plant, Linde supplies liquefied CO_2 to customers in the region from the energy, chemical and food industries.

In 2014, Linde renewed an existing supply contract in South Korea with power plant operator SeeTec in the Seosan petrochemical cluster. The latest agreement runs for 18 years. Back in January 2013, Linde had already extended an existing long-term supply contract with Samsung Total Petrochemicals Co., Ltd. (STC) on the same site, expanding its capacity at Seosan in the course of that contract.

In contrast to the situation in the Greater China and South & East Asia regions, the market in the South Pacific region in 2014 was affected by slack demand. Except in the service sector, economic trends here remained weak.

Given these circumstances and the adverse impact of unfavourable exchange rate effects, revenue in the RBU South Pacific of EUR 1.331 bn was significantly lower than the prior-year figure of EUR 1.426 bn, a drop of 6.6 percent. On a comparable basis, revenue fell by only 0.7 percent compared with the prior year.

Towards the end of 2014, Linde brought on stream a new nitrogen liquefaction plant in Australia, at Kwinana south of Perth. This project is part of a comprehensive investment programme worth around EUR 80 m which has been running since 2012 and was designed by Linde to achieve long-term security of supply for its customers in Western Australia.

A new Linde air separation plant started production in Glenbrook, New Zealand, at the beginning of 2014. From this plant, Linde supplies gases to steel company New Zealand Steel as well as to the regional market. Investment in this project was around EUR 50 m.

In the second quarter of 2014, Linde started work on the construction of a new CO_2 processing plant at Marsden Point, also in New Zealand. CO_2 is a by-product of the refinery which is operated on this site by oil company Refining NZ. Linde will supply the purified CO_2 mainly to customers in the food industry, the paper industry and the fertiliser industry. Investment in the new plant will be around EUR 30 m.

Americas

In the Americas reportable segment, revenue in the 2014 financial year rose by 2.0 percent to EUR 4.314 bn (2013: EUR 4.231 bn). On a comparable basis, revenue increased by 4.6 percent. At EUR 1.047 bn, operating profit was 3.2 percent lower than the prior-year figure of EUR 1.082 bn. The operating margin fell as a result to 24.3 percent (2013: 25.6 percent).

Whereas economic growth in North America was stable in the 2014 financial year, the economic climate continued to deteriorate in some countries in South America, notably Brazil. Given the situation, Linde recognised impairment losses of EUR 100 m in Brazil in the third quarter of 2014, which were disclosed in non-recurring items.

Higher natural gas prices in North America had an adverse impact on the margin, while inflation in some of the countries of South America had an adverse impact on the earnings trend. In addition, it should be noted that in the 2014 financial year Linde generated a lower amount of income from an operating company in North America in which it holds an investment than in 2013.

When comparing the figures with those for the prior year, a number of other factors should also be considered. Government tenders introduced in the healthcare business in North America in the second half of 2013, for example, resulted in reductions in prices, which as expected were still having an adverse impact on revenue and earnings growth in this segment in the first half of 2014. In the second half of the year, Linde was able to achieve its targeted revenue growth again. The Group had already begun to adapt its cost structures and as the year progressed was increasingly seeing the benefits of this approach.

To understand the trends in South America, it should also be noted that during the 2014 financial year the Venezuelan government introduced a new exchange rate system with significant changes in exchange rates. Linde has felt the impact of the resulting exchange rate effects since it started to apply the new system on 1 April 2014 and this is one of the factors which has had an influence on the revenue and operating profit of the Americas segment. If the Venezuelan government's fixed exchange rate which applied previously had continued to apply throughout the financial year, revenue in the Americas reportable segment would have been EUR 137 m higher than the actual figure for 2014.

The main areas of solid growth in North America during the year under review were the cylinder gas and liquefied gases product areas. Over the whole year, above-average growth was also to be seen in the Healthcare business, the operations of Linde's subsidiary Lincare.

In Delta, Ohio, USA, Linde brought a new nitrogen liquefaction plant on stream in the second quarter of 2014, which will complement the existing air separation plant on site. The Group is responding to growing demand in the Ohio region and in neighbouring markets of the Midwest.

In Lewisville, Texas, USA, a Linde air separation plant also commenced production in the second quarter of 2014. From this plant, the Group supplies industrial gases to customers in the region.

In Hammond, Indiana, USA, Linde opened a production plant for specialty gases in the first quarter of 2014. This new production facility, which complements an existing plant for industrial and medical gases, supplies specialty gases to customers in the food, pharmaceutical and biotechnology industries, as well as to laboratories and universities. By expanding the site in Hammond, the Group underlined its strategy, which is to offer the broadest possible range of high-quality products to a wide variety of end customers.

Linde has made good progress during the 2014 financial year on developing the supply of gases at the major petrochemical site in La Porte, Texas, USA. The Group successfully assembled three cold boxes on the site which form the core of the new air separation plant which Linde is building in La Porte. In addition, the Group is installing a new gasification train here for its existing synthesis gas complex. It will also supply related equipment and infrastructure elements. Linde will be investing a total of around USD 250 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 its 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. The 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 has again developed into a promising market, especially against the background of the exploitation of shale gas reserves in the United States. SEE PAGES 25 TO 30.

In the third quarter of 2014, Linde completed the expansion of its production capacity at its electronic gases site in Hillsboro, Oregon, USA. The Group is now well-equipped to deal with growing demand for high-purity nitrogen from customers in the semiconductor industry.

Linde is expanding its on-site business with refineries in North America and concluded a new supply contract in the second quarter of 2014 with Lima Refining, Ohio, USA. Under this agreement, Linde will construct an additional hydrogen plant and modernise existing facilities, thereby increasing its capacity to produce hydrogen on the Lima site. The new plant will be the third plant of this type constructed by Linde in Lima. Investment in the new project will be around USD 100 m. Lima Refining is a subsidiary of Husky Energy, one of the largest energy companies in Canada.

In the 2014 financial year, Linde continued to make progress on the development of a hydrogen fuelling station infrastructure in California in the United States. The Group has opened a new station in Sacramento and will also be building a new station at Oakland and one at San Ramon. The Californian energy authority has awarded grants to Linde to enable it to do so. Linde is a member of the H_2USA public-private partnership, which was formed in 2014 by the US Department of Energy. The aim of the initiative is to develop a country-wide hydrogen infrastructure.

In most of the countries in South America, the economy was characterised in the 2014 financial year by high inflation and low growth rates. This environment also hampered Linde's business performance in the region, especially in the cylinder gas and liquefied gases product areas.

In the second quarter of 2014, Linde brought on stream an air separation and pressure swing adsorption plant in Guayaquil, Ecuador. This plant supplies steel-producer Andec Steel and the regional market with industrial gases.

In Curitiba, in the south of Brazil, Linde completed the construction of an air separation plant in 2014. The Group will supply gases from the new plant to its customer Peroxidos, a subsidiary of the chemical company Solvay, and will also supply products for the regional market.

Product areas

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

The fastest rate of growth was again to be seen in the on-site business (where Linde supplies gases on site to major customers). On a comparable basis, revenue here in the 2014 financial year rose by 4.2 percent to EUR 3.698 bn (2013: EUR 3.550 bn).

In the liquefied gases product area, revenue increased on a comparable basis by 3.5 percent to EUR 3.335 bn (2013: EUR 3.221 bn). On a comparable basis, revenue in the cylinder gas product area of EUR 3.890 bn was similar to the prior-year figure of EUR 3.896 bn.

Trends in the Healthcare product area became increasingly positive as the year progressed. In 2014, Linde generated revenue here of EUR 3.059 bn. This was an increase of 3.6 percent when compared with the figure for 2013. It should be noted that business performance in this product area was adversely affected, especially in the first half of the year, by supply contracts being put out to tender. The growth in Linde's Healthcare business in 2014 would have been 6.3 percent if this had not occurred.

The global growth area healthcare remains intact. This promising market is boosted by demographic trends, as a result of which the number of patients with chronic respiratory disease is rising. In addition, more and more people in the emerging economies are gaining better access to medical care.

As the world-leading healthcare provider in the gases industry, Linde specialises in the treatment of patients with chronic respiratory disorders. The Group embraces innovation. In the 2014 financial year, it therefore continued to work on optimising its range of mobile oxygen cylinders, with the LIV® IQ, where the mechanical pressure gauge integrated into the cylinder valve has been replaced for the first time by an LCD screen with a digital display and additional key functions. Such innovative products enable

Linde to improve patient care and to support the safe everyday use of mobile gas cylinders. Once the test phase has been completed at the Hong Kong Baptist Hospital, it is expected that the product will be launched onto the market in 2015. SEE PAGES 20 TO 24.

During the financial year, Linde was also able to expand its business operations with its REMEO® programme, and opened new centres in Argentina, the UK and the US. REMEO® is an integrated care path for patients requiring ventilation support for long periods outside the acute care setting.

In the Hospital Care segment, which provides care and advice to hospitals and medical institutions, Linde achieved double-digit growth rates in the 2014 financial year with its QI Services portfolio. The service portfolio comprises risk assessment, training programmes, design and engineering for medical installations, piping systems and medical air compressors.

17 GASES DIVISION: REVENUE BY PRODUCT AREA

in € million	2014	2013[1]	Change in percent
Liquefied gases	3,335	3,221	3.5
Cylinder gases	3,890	3,896	–0.2
On-site	3,698	3,550	4.2
Healthcare	3,059	2,953	3.6
GASES DIVISION	**13,982**	**13,620**	**2.7**

[1] Adjusted for exchange rate effects and changes in the price of natural gas.

ENGINEERING DIVISION

Linde's international engineering project business had another successful year in 2014. Revenue and earnings trends reflected the progress made on individual projects.

The revenue of the Engineering Division in the 2014 financial year increased by 7.9 percent to EUR 3.106 bn (2013: EUR 2.879 bn), while operating profit of EUR 300 m was not quite as high as the figure for 2013 of EUR 319 m.

The operating margin was 9.7 percent (2013: 11.1 percent), which is well above the industry average and equal to the target Linde had set itself for the 2014 financial year of around 10 percent.

Order intake in 2014 was EUR 3.206 bn (2013: EUR 3.911 bn). It was characterised by a major contract awarded to Linde in the third quarter of 2014 by SIBUR LLC. Linde will be responsible for the engineering and for the procurement of components for one of the largest ethylene plants in the world which is to be built in Tobolsk in western Siberia. SEE PAGE 96. The exceptionally high figure for order intake in 2013 included a major contract to build a large ethylene plant for ExxonMobil in Houston, Texas, USA. Linde's partner in this significant project is engineering company Bechtel.

In addition to the ethylene project for SIBUR, Linde was also awarded a number of relatively small contracts in 2014, especially in the energy, chemical and steel sectors. These included new orders from the Group's Gases Division.

More than half of the order intake came from Europe. Around 25 percent of new orders came from North America and just over 10 percent from Asia. In North America, the business continued to be characterised by projects for the efficient exploitation of shale gas reserves.

Almost half of Linde's new business in 2014 was generated in the olefin plant product area, while more than 20 percent related to the market for natural gas plants.

At 31 December 2014, the order backlog of the Engineering Division was EUR 4.672 bn. This exceeded the high figure for the order backlog at 31 December 2013 of EUR 4.504 bn.

18 ENGINEERING DIVISION

in € million	2014	2013
Revenue	3,106	2,879
Order intake	3,206	3,911
Order backlog	4,672	4,504
Operating profit	300	319
Operating margin	9.7%	11.1%
Capital expenditure (excluding financial assets)	41	33
Number of employees (at the balance sheet date)	7,330	6,997

19 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY REGION

	Revenue		Order intake	
in € million	2014	2013	2014	2013
Europe	926	621	1,943	947
North America	798	613	754	1,168
South America	20	46	34	33
Asia/Pacific	1,131	1,247	362	1,509
Middle East	172	273	78	161
Africa	59	79	35	93
ENGINEERING DIVISION	**3,106**	**2,879**	**3,206**	**3,911**

20 ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE

	Revenue		Order intake	
in € million	2014	2013	2014	2013
Olefin plants	494	378	1,557	735
Natural gas plants	835	684	724	702
Air separation plants	901	959	248	1,214
Hydrogen and synthesis gas plants	631	619	487	984
Other	245	239	190	276
ENGINEERING DIVISION	**3,106**	**2,879**	**3,206**	**3,911**

Olefin plants

In the market for olefin plants, positive trends continued in 2014. Investment in petrochemical projects based on natural gas increased once again, particularly in the United States, as a result of the exploitation of shale gas. In the Middle East and in Europe, momentum is also being generated by new infrastructure schemes and the conversion of existing plants. Linde is well positioned globally in this product area and has all the skills required to implement such projects worldwide.

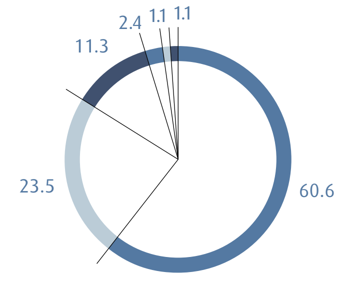
In the third quarter of 2014, Linde was awarded a major contract by SIBUR LLC, one of the leading petrochemical companies in Russia. Linde will be responsible for the engineering and for the procurement of components for one of the largest ethylene plants in the world which is to be built in Tobolsk in western Siberia. The new plant is expected to produce around 1.5 million tonnes per annum (tpa) of ethylene and 525,000 tpa of propylene. These products are important base materials used in the manufacture of plastics. Back in 2012, Linde was awarded the contract for the licence and Front End Engineering Design (FEED) relating to this project.

In the first quarter of 2014, Linde signed a framework agreement with oil company Shell for the development of future ethane cracker construction projects. Linde has been awarded its first engineering contract under this agreement, which is for the construction of an ethylene plant in Monaca, Pennsylvania, in the United States.

For Borouge, a joint venture between Abu Dhabi National Oil Company and Borealis, Linde completed an ethylene plant in Ruwais in the United Arab Emirates in 2014. 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.

In the course of 2014, Linde also entered into a promising partnership with US company Siluria Technologies, a pioneer in natural gas-based production of fuels and chemicals. The two companies have agreed to work together on continuing to develop ethylene technology, with the aim of producing ethylene directly from natural gas. Against the background of the exploitation of shale gas reserves, this process opens up new business opportunities. Ethylene is one of the most important base materials in the chemical industry.

3 ORDER INTAKE BY REGION IN %



Europe	60.6 (2013: 24.2)	Middle East	2.4 (2013: 4.1)
North America	23.5 (2013: 29.9)	Africa	1.1 (2013: 2.4)
Asia/Pacific	11.3 (2013: 38.6)	South America	1.1 (2013: 0.8)

Natural gas plants

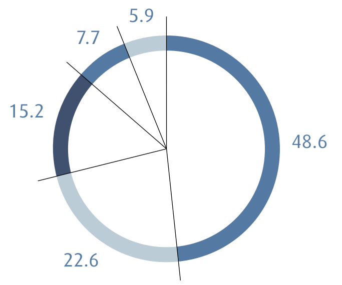
Like the olefin plant sector, the market for natural gas treatment, processing and liquefaction plants is benefiting from the exploitation of shale gas reserves. In the natural gas plant product segment, order intake in 2014 was similar to the figure in 2013 and Linde was awarded new orders for projects in North America in particular.

In the third quarter of 2014, the Group won a contract to provide engineering and procurement services for a natural gas liquefaction plant in Canada. The contract was awarded by Woodfibre LNG Limited, a subsidiary of the company Pacific Oil & Gas, which specialises in the development of energy resources. The plant will have a capacity of 2.1 million tonnes per annum and will be built in the vicinity of Vancouver. After Hammerfest in Norway, this is the second largest natural gas liquefaction plant with which Linde has ever been involved.

Linde has secured a contract from Arctech Helsinki Shipyard in Finland to supply an LNG fuel gas system for an icebreaker for the Finnish transport agency. From January 2015 onwards, stricter emission standards will apply to many shipping routes in the North Sea and the Baltic. Ship owners and ship operators are required to reduce harmful emissions from their ships. Since 2011, the Gases Division has been operating a terminal for liquefied natural gas (LNG) in Nynäshamn in Sweden, and in 2012 it also formed a joint venture in Hamburg, Germany, to establish an LNG infrastructure for shipping in north-western Europe.

The work which Linde has been doing on the natural gas terminal which it is currently building for Norwegian company Gassco AS in Emden, Germany, has progressed on schedule in the course of 2014. The new terminal is expected to be completed by the end of 2015.

4 ORDER INTAKE BY PLANT TYPE *IN %*



Olefin plants	48.6 (2013: 18.8)	Air separation plants	7.7 (2013: 31.0)
Natural gas plants	22.6 (2013: 17.9)	Other	5.9 (2013: 7.1)
Hydrogen and synthesis gas plants	15.2 (2013: 25.2)		

Air separation plants

Demand for air separation plants was significantly weaker in 2014 than in 2013. The market environment was characterised by intense competition and great downward pressure on prices. Nevertheless, Linde succeeded in winning new orders, even in this product area. Moreover, the Group was able to complete existing projects on schedule.

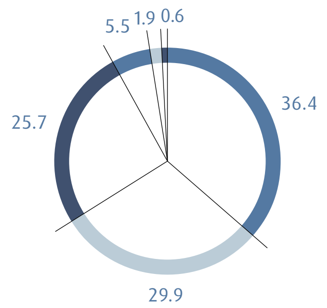
At the end of 2013, the Engineering Division was awarded the contract to build an air separation plant for the customer Sinopec at the Huainan site in China. The project was initially for the engineering of the plant, before it was extended in the first quarter of 2014 to include an order for the procurement of the components. The total contract is worth around EUR 80 m. The plant is expected to produce 210,000 normal cubic metres of oxygen per hour and is due for completion in 2017.

Linde is to build a new air separation plant at Eisenhüttenstadt in Germany to supply on-site gases to a steelworks belonging to ArcelorMittal, the world's largest steel company. The two companies signed a contract to this effect in the third quarter of 2014. Total investment in the plant, which will also supply liquefied products for the regional gases market, is around EUR 85 m. Combining the production of gases and liquefied products will achieve significant increases in energy efficiency when oxygen is produced in the steelworks. This project is further confirmation of the success of Linde's integrated business model and an example of the way in which the Group's Engineering Division supports the targeted expansion of the on-site business in the Gases Division. *SEE GASES DIVISION, PAGE 96.*

In the 2013 financial year, Linde was awarded a major contract by Reliance Industries Ltd. (RIL) worth around EUR 650 m to build seven air separation plants for the production of gaseous oxygen at the refinery and petrochemical site Jamnagar in India. In the course of 2014, Linde successfully implemented most of this project. RIL requires large quantities of oxygen for its proposed plants in Jamnagar for the gasification of petroleum coke and coal.

In addition, a number of air separation plants which Linde has built around the world for customers in a variety of industry sectors started production in 2014 or added to their production capacity. These include plants in Eastern Europe and Asia in particular. *SEE GASES DIVISION, PAGES 95 TO 98.*

5 REVENUE BY REGION *IN %*



Asia/Pacific	36.4 (2013: 43.3)	Middle East	5.5 (2013: 9.5)
Europe	29.9 (2013: 21.6)	Africa	1.9 (2013: 2.7)
North America	25.7 (2013: 21.3)	South America	0.6 (2013: 1.6)

Hydrogen and synthesis gas plants

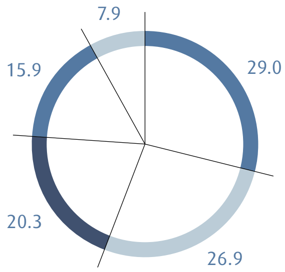
In 2014, there was lively investment activity again in the market for hydrogen and synthesis gas plants, although it did not reach the exceptionally high level seen in 2013.

In the refinery sector, Linde won two significant orders for hydrogen plants in the first half of 2014. The Group is to supply two plants of this type for the refinery operator PSC TAIF-NK in Nizhnekamsk, Republic of Tatarstan, Russian Federation. The contract is worth around EUR 120 m. Linde is also building a new hydrogen plant to supply the gas to Finnish oil company Neste Oil on its Porvoo site in Finland. This project forms a substantial part of the long-term on-site contract concluded by Linde's Gases Division with Neste Oil. The two companies are investing a total of around EUR 100 m in the project. *SEE PAGES 10 TO 11 AND GASES DIVISION, PAGE 96.*

Linde is also continuing to expand its refinery business in North America. Under the terms of a new supply contract concluded by the Group's Gases Division in the second quarter of 2014 with Lima Refining, the Engineering Division will build an additional hydrogen plant on the Lima site in Ohio, USA, and modernise the existing facilities. The new plant will be the third plant of this type constructed by Linde in Lima. Investment in the project will be around USD 100 m.

Linde has been commissioned by agribusiness company J.R. Simplot to build an ammonia plant in Wyoming in the United States. An agreement to this effect was signed in the third quarter of 2014. The plant will have a capacity of 600 tonnes per day and will supply the fertiliser production plants of J.R. Simplot on its Rock Springs and Pocatello sites. The ammonia plant is expected to be completed at the end of 2016.

6 REVENUE BY PLANT TYPE IN %



Air separation plants	29.0 (2013: 33.3)	Olefin plants	15.9 (2013: 13.1)
Natural gas plants	26.9 (2013: 23.8)	Other	7.9 (2013: 8.3)
Hydrogen and synthesis gas plants	20.3 (2013: 21.5)		

Other types of plant

In the 2013 financial year, Linde won a contract from Jubail United Petrochemical Company, a subsidiary of Saudi Basic Industries Corporation (SABIC), 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. Good progress was made on this project in 2014. Linde was able to complete the engineering phase earlier than expected and has already commenced work on the construction of the plant. The Linde team won SABIC's "Best Project of the Year" award for its swift implementation of the project.

The plant is expected to come on stream in the course of 2015. It 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 fed by 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.

In the 2014 financial year, Linde also focused on continuing to develop promising technologies in the field of renewable raw materials. One example of these activities is the Fraunhofer Centre for Chemical Biotechnological Processes (CBP) in Leuna, Germany. Linde was a key player in establishing CBP and was awarded several contracts in 2014 to set up other process engineering units.

In addition, the Group conducted research at the Leuna site during the reporting period on its own processes for the efficient release of sugar compounds from wood waste. These compounds can then be used as materials in industry. As a result of this commitment, Linde has once again strengthened its presence at the BioEconomy regional centre for leading-edge research in Leuna.

OTHER ACTIVITIES

In the 2014 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. It generated revenue in 2014 of EUR 567 m (2013: EUR 563 m).

The Linde subsidiary continued to reinforce its long-standing business relationship with international retail chain Marks & Spencer. During the reporting period, Gist focused with M & S not only on the retailer's home market, but also on its operations in Continental Europe, especially in northern France and the Netherlands.

As it expands its business activities in Continental Europe, Gist is able to benefit from the extensive capacity it has developed to deliver temperature-sensitive products on time and to exploit the diverse synergies arising from its core business in the British Isles.

NET ASSETS AND FINANCIAL POSITION OF THE LINDE GROUP

Net assets

Exchange rate effects have had a strong impact on the Group's net assets over the 2014 financial year. The exchange rates used to translate the financial statements of foreign subsidiaries denominated in local currencies were much more favourable to Linde on 31 December 2014 than at the end of the previous financial year. This means that items in the statement of financial position have increased in value as a result of the improvement in the exchange rates. In the 2014 financial year, Linde also focused on making acquisitions and investments which will continue to drive forward its business expansion.

Total assets rose by EUR 1.676 bn to EUR 34.425 bn at 31 December 2014 (31 December 2013: EUR 32.749 bn). Non-current assets of EUR 27.562 bn comprised a substantial proportion (80.1 percent) of total assets. Within the figure for non-current assets, the largest items were goodwill of EUR 11.055 bn (31 December 2013: EUR 10.395 bn) and tangible assets of EUR 12.151 bn (31 December 2013: EUR 11.384 bn).

Goodwill was EUR 660 m higher than the prior-year figure. This increase was mainly due to exchange rate effects. Acquisitions made during the financial year increased goodwill by EUR 62 m.

Other intangible assets, comprising customer relationships, brand names and other intangible assets, fell in 2014 by EUR 154 m to EUR 2.922 bn (31 December 2013: EUR 3.076 bn). This was due primarily to amortisation of EUR 356 m partially offset by positive exchange rate effects.

Tangible assets rose by EUR 767 m, from EUR 11.384 bn to EUR 12.151 bn. The increase as a result of additions to investments of EUR 1.898 bn and positive exchange rate effects of EUR 510 m was partially offset by depreciation and impairment losses of EUR 1.592 bn.

Investments in associates and joint ventures increased during the reporting period by EUR 26 m to EUR 240 m, principally as a result of the contribution of positive earnings figures from these companies.

Trade receivables rose by EUR 272 m to EUR 3.064 bn (31 December 2013: EUR 2.792 bn). The increase here was also due to positive exchange rate effects.

Current and non-current receivables from finance leases, which almost exclusively relate to gas supply contracts classified as leases in accordance with IFRIC 4, fell by EUR 29 m to EUR 298 m. The decrease was due to amortisation of these lease receivables.

Securities which are included in current assets increased by EUR 351 m to EUR 521 m (31 December 2013: EUR 170 m), mainly as a result of purchases.

Equity rose by EUR 681 m to EUR 14.267 bn (31 December 2013: EUR 13.586 bn). Factors contributing to the increase were earnings after tax of EUR 1.162 bn and the higher figure for other comprehensive income. Exchange rate movements had a particularly positive impact here. Dividend payments of EUR 645 m reduced the equity figure. The equity ratio at 31 December 2014 was 41.4 percent (31 December 2013: 41.5 percent).

Provisions for pensions and similar obligations increased to EUR 1.265 bn, compared with EUR 1.027 bn at 31 December 2013. The allocation of EUR 300 m to the pension plans in Germany led to an increase in plan assets and therefore to a reduction in the pension provision. This was however more than offset by the change in actuarial assumptions, especially by changes in discount rates.

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, the financing of Group companies, 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 109 TO 110*.

The capital structure of the Group is determined in such a way as to optimise cost and risk. Gross financial debt rose slightly during the 2014 financial year by EUR 279 m to EUR 9.856 bn (31 December 2013: EUR 9.577 bn). It should be noted here that Linde issued a EUR 300 m bond in May 2014. The funds generated by this bond were used to provide additional external funding of the pension plans in Germany. The ten-year bond was placed under the EUR 10 bn Debt Issuance Programme. It has a coupon of 1.875 percent and was issued at 40 basis points over the euro mid-swap rate. In the third quarter, Linde also issued two new USD 200 m bonds under the EUR 10 bn Debt Issuance Programme to refinance a USD 400 m bond maturing in November, which was repaid on schedule in the fourth quarter of 2014.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 December 2014, it stood at EUR 8.198 bn, a decrease of EUR 31 m compared with the figure of EUR 8.229 bn at 31 December 2013.

The dynamic indebtedness factor (net financial debt to operating profit over the past twelve months) was 2.1 at 31 December 2014. This was the same figure as at the end of the previous financial year and remains below the upper limit Linde had set itself of 2.5.

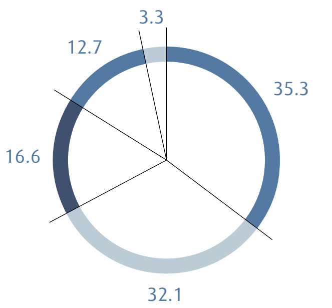
The Group's gearing (the ratio of net debt to equity) was 57.5 percent (31 December 2013: 60.6 percent).

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, EUR 1.294 bn (31 December 2013: EUR 1.161 bn) is disclosed as current. Of the non-current financial debt of EUR 8.562 bn (31 December 2013: EUR 8.416 bn), EUR 4.293 bn (31 December 2013: EUR 4.561 bn) is due in more than five years.

With short-term securities of EUR 521 m, cash and cash equivalents of EUR 1.137 bn and the EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 31 December 2014 was EUR 2.864 bn (31 December 2013: EUR 2.687 bn). The five-year syndicated credit facility agreed in July 2013 originally had two options to extend the facility, in each case by one year (subject to the agreement of the lenders). During the financial year, Linde successfully extended the facility until 2019. One option to extend the facility by one year remains.

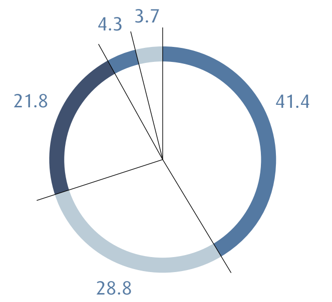
7 BALANCE SHEET AS A PERCENTAGE OF TOTAL ASSETS OF EUR 34.425 BN (2013: EUR 32.749 BN)

Assets in percent



Tangible assets	35.3 (2013: 34.8)
Goodwill	32.1 (2013: 31.7)
Other current assets	16.6 (2013: 15.4)
Other non-current assets	12.7 (2013: 14.5)
Cash and cash equivalents	3.3 (2013: 3.6)

Equity and liabilities in percent



Equity	41.4 (2013: 41.5)
Financial debt	28.8 (2013: 29.2)
Other liabilities	21.8 (2013: 22.1)
Other provisions	4.3 (2013: 4.1)
Provisions for pensions	3.7 (2013: 3.1)

GROUP STATEMENT OF CASH FLOWS

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TO SAFEGUARD LIQUIDITY

Cash flow from operating activities in the 2014 financial year was EUR 3.001 bn, slightly below the figure for 2013 of EUR 3.144 bn. It should be noted that Linde made a payment of EUR 300 m during the financial year to provide additional funding for the defined benefit pension plans in Germany. After adjusting for this one-off item, cash flow from operating activities was EUR 3.301 bn, a rise of 5.0 percent when compared with the prior-year figure of EUR 3.144 bn. In contrast to this increase in cash flow from operating activities of 5.0 percent, operating profit fell by 1.2 percent to EUR 3.920 bn.

The change in working capital in 2014 was EUR 62 m, compared with EUR 24 m in 2013. This improvement was mainly due to a higher figure for advance payments received from customers in the plant construction business. Income tax payments had the opposite effect on this figure, rising from EUR 552 m in 2013 to EUR 599 m in 2014. One-off items had a positive impact on the prior-year figure for tax paid.

Payments made for investments in tangible assets, intangible assets and financial assets totalling EUR 2.009 bn (2013: EUR 2.203 bn) and payments made for investments in consolidated companies of EUR 65 m (2013: EUR 143 m) were each lower than the corresponding figures in the prior year.

The operating free cash flow in 2014 was EUR 1.288 bn, compared with EUR 969 m in 2013.

The purchase of securities during the 2014 financial year gave rise to payments of EUR 350 m, while the sale of securities in 2013 resulted in proceeds on disposal of EUR 651 m.

The amount by which proceeds of loans and capital market liabilities exceeded redemptions in 2014 was EUR 27 m. In 2013, the amount by which redemptions of loans and capital market liabilities exceeded proceeds was EUR 760 m. It should be noted here that a EUR 300 m bond was issued by Linde in 2014 to provide funding for the pension plans in Germany.

After deducting dividend payments of EUR 645 m (2013: EUR 563 m) and net interest payments of EUR 358 m (2013: EUR 379 m) as well as other changes, the change in cash and cash equivalents in 2014 was a decrease of EUR 64 m (2013: decrease of EUR 55 m).

21 *GROUP STATEMENT OF CASH FLOWS (SUMMARY)*

in € million	*2014*	*2013*
OPERATING PROFIT	3,920	3,966
Change in working capital	62	24
Income taxes paid	–599	–552
Other changes	–82	–294
CASH FLOW FROM OPERATING ACTIVITIES BEFORE TRANSFER TO PENSION PLANS	3,301	3,144
Transfer to pension plans	–300	–
CASH FLOW FROM OPERATING ACTIVITIES	3,001	3,144
Cash outflow for investments in tangible assets, intangible assets and financial assets (excluding securities)	–2,009	–2,203
Payments for investments in consolidated companies	–65	–143
Cash inflows from the disposal of assets	361	171
OPERATING FREE CASH FLOW	1,288	969
Payments for/proceeds from investments in securities	–350	651
Net cash inflows/outflows from the proceeds/repayment of loans and capital market debt	27	–760
Cash inflows/outflows due to changes of non-controlling interests	–	52
Dividend payments to Linde AG shareholders and non-controlling interests	–645	–563
Net interest payments	–358	–379
Other changes	–26	–25
CHANGE IN CASH AND CASH EQUIVALENTS	–64	–55

FINANCING AND MEASURES TO SAFEGUARD LIQUIDITY

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CAPITAL EXPENDITURE OF THE LINDE GROUP >111

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 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 2014 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 way.

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. and/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 in countries with currency restrictions 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 2014. In addition to cash and cash equivalents of EUR 1.137 bn, Linde also holds securities totalling EUR 521 m. These securities are mainly German government bonds with maturities of less than one year.

Syndicated credit facility

Linde has a EUR 2.5 bn syndicated revolving credit line at its disposal. In total, 33 major German and international banks used by Linde are involved in the syndicated facility, providing the Group with a high level of flexibility in its financing. The credit line was originally due to expire in 2018 but had two options to extend the facility, in each case by one year (subject to the agreement of the lenders). In June 2014, Linde took advantage of the favourable market environment and successfully exercised the option to extend the facility. With the agreement of the banks, Linde extended the credit line by one year to 2019. With this credit facility, the Group has ensured that it continues to have a long-term solid general liquidity reserve. The facility is unutilised at the end of the 2014 financial year and also serves as back-up for Linde's EUR 2 bn Commercial Paper Programme *[SEE GLOSSARY]*. At 31 December 2014, there were no commercial papers outstanding under this programme.

Capital market activities

During the 2014 financial year, Linde again made 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 May 2014, Linde Finance B.V. issued a EUR 300 m bond under the EUR 10 bn Debt Issuance Programme. The ten-year bond has a coupon of 1.875 percent.

Linde used the money generated by the bond to provide additional funding for its German pension scheme.

In August 2014, Linde Finance B.V. issued two more bonds under the EUR 10 bn Debt Issuance Programme: a five-year variable-interest USD 200 m bond and a twelve-year fixed-interest USD 200 m bond with a coupon of 3.434 percent. Both these bond issues are guaranteed by Linde AG. The proceeds of the issue were used to redeem a USD 400 m bond which fell due in November 2014.

Under the EUR 10 bn Debt Issuance Programme, issues totalling EUR 7.255 bn in various currencies were outstanding at 31 December 2014 (31 December 2013: EUR 6.901 bn).

22 SELECTION OF OUTSTANDING PUBLIC BONDS

Issuer	Rating	Nominal amount	Coupon rate in percent	Maturity date	ISIN
Linde Finance B.V.	A2/A+	A$ 150 m	3-M BBSW[2] + 0.850	19.08.2015	XS0531121290
Linde Finance B.V.	A2/A+	€ 600 m	6.750	08.12.2015	XS0403540189
Linde Finance B.V.[1]	A2/A+	£ 200 m	6.500	29.01.2016	XS0123544529
Linde Finance B.V.	A2/A+	€ 1,000 m	4.750	24.04.2017	XS0297699588
Linde Finance B.V.	A2/A+	€ 750 m	3.125	12.12.2018	XS0718526790
Linde Finance B.V.	A2/A+	€ 500 m	1.750	11.06.2019	XS0790015548
Linde Finance B.V.	A2/A+	A$ 100 m	4.250	20.06.2019	XS0947397302
Linde Finance B.V.	A2/A+	$ 200 m	3-M $ Libor + 0.470	21.08.2019	XS1101833306
Linde Finance B.V.	A2/A+	€ 600 m	3.875	01.06.2021	XS0632659933
Linde Finance B.V.	A2/A+	£ 300 m	5.875	24.04.2023	XS0297700006
Linde Finance B.V.	A2/A+	€ 300 m	1.875	22.05.2024	XS1069836077
Linde Finance B.V.	A2/A+	$ 200 m	3.434	26.08.2026	XS1102559850
Linde AG	A2/A+	NOK 2,000 m	2.750	28.09.2017	XS0835302513
Linde AG	A2/A+	$ 500 m	1.500	18.04.2018	DE000A1R0733
Linde AG	A2/A+	€ 1,000 m	1.750	17.09.2020	XS0828235225
Linde AG	A2/A+	€ 650 m	2.000	18.04.2023	DE000A1R07P5
Subordinated bonds[1]					
Linde Finance B.V.	Baa1/A–	€ 700 m	7.375	14.07.2066 Call right from 2016	XS0259604329
Linde Finance B.V.	Baa1/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 strong "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. Recently, in June 2014, Moody's increased Linde's long-term rating from A3 to A2 and its short-term rating from P-2 to P-1. S & P continues to rate the creditworthiness of The Linde Group as A+. The subordinated bonds are rated at A- by S & P and Baa1 by Moody's.

23 RATING 2014

Rating agencies	Long-term rating	Outlook	Short-term rating
Moody's	A2	Stable	P–1
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 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 2014, 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. During the reporting period, Linde's investment activity focused not only on the on-site product area, but also particularly on the liquefied gases and cylinder gas product areas.

Investment in tangible and intangible assets in the 2014 financial year (excluding financial assets) totalled EUR 1.954 bn (2013: EUR 2.268 bn). The investment ratio was 11.5 percent of Group revenue (2013: 13.6 percent).

Most of the Group's capital expenditure (2014: EUR 1.890 bn; 2013: EUR 2.254 bn) was once again incurred for the global expansion of its gases business. Investment in the gases business was lower than the forecast for the 2014 financial year, which had been that the figure would be more or less the same as in 2013. The investment ratio in the Gases Division in 2014 was 13.5 percent of revenue (2013: 16.1 percent). As expected, this again exceeded the medium-term benchmark Linde had set itself of 13 percent.

In addition, Linde continued to strengthen its good competitive position in the international market by spending a total of EUR 95 m on acquisitions and investments in financial assets (2013: EUR 191 m). Investments in consolidated companies during the 2014 financial year totalled EUR 67 m (2013: EUR 141 m).

The remaining investment in financial assets of EUR 28 m (2013: EUR 50 m) related mainly to capital increases in joint ventures or long-term loans to associates and joint ventures. If these investments are included, total capital expenditure in the 2014 financial year was EUR 2.049 bn (2013: EUR 2.459 bn).

24 CAPITAL EXPENDITURE BY DIVISION

in € million	*2014*	*2013*
Gases Division	1,890	2,254
Engineering Division	41	33
Other Activities[1]	23	–19
GROUP (EXCLUDING FINANCIAL ASSETS)	**1,954**	**2,268**
Financial assets	95	191
GROUP	**2,049**	**2,459**

[1] Including consolidations.

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

	2014		*2013*	
	in € million	*in percent*	*in € million*	*in percent*
EMEA	946	50.1	883	39.2
Asia/Pacific	413	21.9	854	37.9
Americas	531	28.0	517	22.9
GASES DIVISION	**1,890**	**100.0**	**2,254**	**100.0**

EXECUTIVE BOARD SUMMARY OF THE 2014 FINANCIAL YEAR FOR THE LINDE GROUP

The global economy grew at a slower rate in the 2014 financial year than had been expected. In the course of the year, the economy was adversely affected in particular by an increase in geopolitical tensions. Other factors hampering growth were persistent sizeable government deficits, currency fluctuations and ongoing high levels of unemployment in many industrialised countries. The situation in the international financial markets was highly volatile.

In this environment, Linde's performance was relatively steady, although the Group was not able to meet all its targets in full. Linde achieved a 2.4 percent increase in revenue in the 2014 financial year to EUR 17.047 bn (2013: EUR 16.655 bn). After adjusting for exchange rate effects, growth in revenue was only moderate, at 4.5 percent.

Group operating profit was EUR 3.920 bn, not quite as high as the prior-year figure of EUR 3.966 bn. Unfavourable exchange rate effects need to be taken into account here too. Without these distortions, Linde would have achieved a slight increase in Group operating profit of 1.0 percent. At the beginning of the 2014 financial year, Linde had forecast a moderate improvement in Group operating profit after adjusting for exchange rate effects.

The Group operating margin in 2014 was 23.0 percent (2013: 23.8 percent). It should be noted that as expected the Engineering Division contributed more to Group revenue in 2014 than in 2013. The engineering business has a lower margin than the gases business.

Return on capital employed (ROCE) after adjusting for non-recurring items was 9.5 percent in 2014 (2013: 9.7 percent). Linde's original target for ROCE was around 10 percent. Exchange rate movements had an impact on ROCE. Whereas EBIT after adjusting for non-recurring items was EUR 2.180 bn, similar to the EBIT figure of EUR 2.171 bn in 2013, the average capital employed rose significantly by EUR 498 m. This increase was due mainly to positive exchange rate effects. The background to this is that the capital employed is derived from the items in the statement of financial position. These items are translated from the various local currencies into the reporting currency (the euro) at the rates ruling at the balance sheet date. The exchange rates of the local currencies against the euro at 31 December 2014 have recovered greatly from the situation at 31 December 2013. This has resulted in higher figures for the items in the statement of financial position at the end of 2014 than at the end of 2013 due to the exchange rate movements. Therefore, despite the income figure being virtually the same, capital employed was higher at 31 December 2014 than at the end of 2013, giving a lower figure for return on capital employed.

The results of operations were adversely affected in 2014 by non-recurring items. These comprised impairment losses of EUR 229 m which Linde had to recognise due to changes in circumstances in some regions of the world as well as restructuring costs of EUR 66 m.

Against this background, Linde reported earnings per share in 2014 of EUR 5.94 (2013: EUR 7.10). Earnings per share prior to non-recurring items stood at EUR 7.13.

In the Gases Division, Linde generated revenue in the 2014 financial year of EUR 13.982 bn, a similarly high figure to that achieved in 2013 (EUR 13.971 bn). After adjusting for exchange rate effects, the increase in revenue in the gases business was 2.7 percent, which constitutes only slight growth.

Linde achieved an operating profit in the Gases Division of EUR 3.835 bn, which was similar to the prior-year figure of EUR 3.846 bn. If there had been no exchange rate fluctuations, the Gases Division would have achieved a slight increase in operating profit of 2.0 percent. Originally, Linde had forecast moderate growth in operating profit in this division.

In the Engineering Division, revenue rose in 2014 by 7.9 percent to EUR 3.106 bn (2013: EUR 2.879 bn). Linde thus achieved the target it had set itself of generating solid growth in the engineering business. The operating margin of the Engineering Division was also in line with expectations at 9.7 percent. Linde had sought to achieve a figure of around 10 percent for the 2014 financial year.

The 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 was able to compensate to a large extent for faltering demand in some markets or industry sectors.

Against this background, Linde is able to maintain its dividend policy which is geared towards continuity. At the Annual General Meeting on 12 May 2015, the Executive Board and Supervisory Board will propose the payment of a dividend of EUR 3.15 per share. This is an increase of 5.0 percent compared with last year's dividend. This increase does not follow the trend in the Group operating profit, but instead follows the pattern Linde has adopted in the past for determining its dividend.

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 performance 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 increased in 2014 by EUR 509 m, from EUR 20.154 bn to EUR 20.663 bn.

Non-current assets rose by EUR 85 m to EUR 18.093 bn. The percentage of total assets comprised by non-current assets was 87.6 percent (2013: 89.4 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 2014 by EUR 73 m. Receivables and other assets rose from EUR 1.486 bn to EUR 1.668 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 2014, the holding of securities increased by EUR 351 m.

Liquid assets fell by EUR 112 m to EUR 379 m.

Equity (before the appropriation of profit) rose by EUR 93 m to EUR 9.762 bn. The increase was mainly due to the net income for the year of EUR 653 m, which was higher than the prior-year figure. The equity ratio fell from 48.0 percent to 47.2 percent, principally as a result of the increase in total assets. The main reason for the higher figure for total assets in 2014 than in 2013 was the increase in securities and in liabilities. Financial liabilities were the largest component of the higher figure for liabilities. This is due to Linde AG's function as the parent company of The Linde Group.

Provisions totalled EUR 956 m, which was significantly below the prior-year figure of EUR 1.352 bn. This was due primarily to the transfer to the existing Contractual Trust Arrangement (CTA) during the reporting period of EUR 300 m in respect of the German defined benefit plans. The increase in plan assets was funded by the issue of a EUR 300 m bond in The Linde Group.

The liabilities of Linde AG rose in 2014 by EUR 812 m to EUR 9.945 bn. The increase was mainly due to advance payments received from customers and to the transfer of funds relating to defined benefit pension obligations.

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

	31.12.2014		31.12.2013	
	in € million	in percent	in € million	in percent
Assets				
Financial assets	17,601	85.2	17,528	87.0
Other non-current assets	492	2.4	480	2.4
Receivables and other assets	1,668	8.1	1,486	7.4
Securities	500	2.4	149	0.7
Liquid assets	379	1.8	491	2.4
Other assets	23	0.1	20	0.1
TOTAL ASSETS	20,663	100.0	20,154	100.0
Equity and liabilities				
Equity	9,762	47.2	9,669	48.0
Provisions for pensions	184	0.9	512	2.5
Other provisions	772	3.7	840	4.2
Liabilities	9,945	48.2	9,133	45.3
TOTAL EQUITY AND LIABILITIES	**20,663**	**100.0**	**20,154**	**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 2014 by EUR 170 m, from EUR 6.586 bn to EUR 6.756 bn. The main reason for this was the transfer of funds of EUR 300 m made in respect of the defined benefit pension plans, which was partially offset by the cash inflow from operating activities.

Results of operations of Linde AG

Revenue in Linde AG in the 2014 financial year was EUR 1.888 bn, significantly below the figure for 2013 of EUR 2.193 bn. EBIT fell from EUR 130 m to EUR 37 m.

In the Linde Gas Division, revenue fell slightly, by 0.8 percent to EUR 1.307 bn (2013: EUR 1.317 bn). In the Linde Engineering Division, Linde AG saw a significant decrease in revenue, from EUR 902 m in 2013 to EUR 618 m in 2014. In the year under review, only small projects were billed in comparison with the situation in the prior year.

In the 2014 financial year, Linde AG recognised revenue from contracts based mainly in the following countries: South Africa, Thailand, Indonesia, Norway and New Zealand.

Linde AG generated 52.7 percent (2013: 47.3 percent) of its sales revenue from customers in Germany. Exports accounted for 47.3 percent (2013: 52.7 percent) of revenue, with 44.8 percent (2013: 31.7 percent) relating to Europe, 31.6 percent (2013: 56.7 percent) to the Asia/Pacific region and 14.8 percent (2013: 8.8 percent) to the Americas. Sales to Africa accounted for 8.8 percent of Linde AG's exports in 2014 (2013: 2.8 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 34.2 percent, from EUR 1.593 bn in 2013 to EUR 2.137 bn in 2014. Linde AG entered into contracts for major projects within its core competences: natural gas, air separation and petrochemicals.

The order backlog at 31 December 2014 was EUR 5.535 bn, 37.1 percent above the 2013 figure of EUR 4.036 bn. The average duration of a contract is around three years.

27 RESULTS OF OPERATIONS OF LINDE AG (SUMMARY)

in € million	2014	2013
Revenue	1,888	2,193
Cost of sales	1,134	1,442
GROSS PROFIT ON REVENUE	**754**	**751**
Functional costs	783	768
Other income	297	395
Other expenses	231	248
EBIT	**37**	**130**
Investment income	680	600
Other financial result	–134	–164
PROFIT BEFORE TAXES ON INCOME	**583**	**566**
Taxes on income	–70	4
NET INCOME	**653**	**562**
Transfer to revenue reserves	–68	–5
UNAPPROPRIATED PROFIT	**585**	**557**

The gross margin improved from 34.2 percent to 39.9 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 rose only slightly when compared with the prior year, by 2.0 percent to EUR 783 m (2013: EUR 768 m). With the rigorous implementation of the Group-wide HPO (High Performance Organisation) programme designed to achieve sustainable productivity gains, Linde succeeded in mitigating the increase in costs. The Group is continuing to apply these efficiency improvement measures.

Other income and other expenses both fell, mainly as a result of exchange rate effects during the 2014 financial year.

Investment income rose in 2014 to EUR 680 m (2013: EUR 600 m). Included in the figure are dividends of EUR 517 m (2013: EUR 408 m) and income from profit-sharing agreements of EUR 163 m (2013: EUR 192 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 voted on in the individual companies.

The main changes under the heading Other financial result were impairment losses of EUR 11 m (2013: EUR 11 m) recognised on financial assets and exchange gains on the measurement of the plan assets relating to pension obligations of EUR 53 m (2013: exchange losses of EUR 14 m).

Profit before taxes on income was EUR 583 m, which was higher than the prior-year figure of EUR 566 m.

After taking tax into account, Linde AG generated net income for the year in 2014 of EUR 653 m (2013: EUR 562 m). This was 16.2 percent higher than in 2013 and therefore significantly better than the moderate increase which had been forecast.

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 2014 financial year, Linde spent a total of EUR 106 m on research and development (2013: EUR 92 m). Capitalised development costs during the year under review totalled EUR 16 m (2013: EUR 11 m). Further information about these costs is given in NOTE [14] of the Notes to the Group financial statements. As at 31 December 2014, there were 390 employees in total working in this field (2013: 367), of whom 257 in the Gases Division and 133 in the Engineering Division. To protect its innovations from the competition, Linde filed 260 new patents across the Group over the course of the past financial year. As at 31 December 2014, Linde technologies were protected by a total of 2,783 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.

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. Linde's priorities include hydrogen fuel cells and their environmentally compliant production, 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. Based on their long-term cooperation in this field, Linde and Daimler teamed up in 2014 to work on significantly increasing the number of hydrogen refuelling stations located across Germany. The first jointly initiated public fuelling station for fuel cell vehicles was officially opened in Berlin in September in the form of a TOTAL multi-energy filling station. Working with partners from the oil industry, Linde and Daimler have also earmarked the locations for twelve more hydrogen fuelling stations.

As part of a further hydrogen initiative in which Linde is involved, the member companies signed an agreement to form a joint venture in July 2014. With effect from 2015, the aim is to drive the expansion of the nationwide network of hydrogen filling stations.

In response to the growing demand, Linde was involved in the complete modernisation and expansion of the production of hydrogen filling stations in Vienna last year. The Group began operations at the world's very first small-series production facility for hydrogen compressor stations in the Austrian capital. Many ground-breaking hydrogen fuelling innovations have originated over the past few years from this research and development hub, among them the energy-efficient and compact ionic compressor, the IC 90. During the reporting period, Linde signed a service level agreement with Japanese company Iwatani Corporation for the supply of 28 fuelling units equipped with this technology.

The continuing increase in the amount of electricity derived from renewable sources means that new solutions for large-scale storage are needed. Linde is involved in key projects in this area, including activities at the Mainz Energy Park in Germany. Working with partners from the energy industry and various research institutes, the Group will be trialling processes for the production, storage, use and feed-in to the natural gas network of hydrogen from renewable electricity from 2015 onwards. The foundation stone for this future-oriented project was laid in May 2014. Another technology option is liquefied air energy storage. During this process, the ambient air is liquefied using electricity. It can then be stored in cryogenic tanks and converted into electricity using an expansion turbine as and when required. The main advantage compared with other storage technologies is that liquid gas storage facilities can be set up anywhere, with no geological restrictions. Working with a partner from the power station and energy sector, Linde developed its first large-scale system during the year under review and is preparing the corresponding demonstration. At the same time, the Group is already working on the next generation of systems offering even better performance levels.

Meanwhile, in the area of Carbon Capture and Usage (CCU), Linde and the US company Solidia Technologies® formed a technology partnership in the 2014 financial year. The aim of the collaboration is to investigate the use and effect of CO_2 in the production of pre-cast concrete components. Solidia has devised a capture process in which the CO_2 causes the concrete to cure more quickly. The cooperation project envisages the further development and subsequent commercialisation of this innovative technology.

Gases Division

In the Gases Division, Linde invested EUR 72 m in research and development in 2014 (2013: EUR 68 m), focusing its activities on four customer segments of particular strategic importance: chemicals & the environment, metal & glass, food & beverages, 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.

One of Linde's major innovations during the 2014 financial year was a new generation of valves for gas cylinders. The new EVOS™ valves respond to customers' requests for valves that are easier to use and safer to handle. Combined with a working pressure of 300 bar (rather than the usual 200 bar), they enable a larger volume of gas to be stored in the same size of cylinder.

With a view to increasing the energy yield of solar cells, Linde has also been pushing forward with its use of aluminium oxide. During the year under review, the Group therefore began supplying leading solar cell manufacturers with trimethyl aluminium (TMA), which is used to enable a very thin film of aluminium oxide to be applied.

Linde is also putting its application expertise to good use in the semiconductor sector, providing targeted support in the development of production processes. Linde researchers have for example developed a solution to a critical problem in etching technology, by using carbonyl sulphide (COS).

The past reporting year also saw Linde make further improvements to its technology for cleaning surfaces in the manufacturing sector. Dry ice (low-temperature carbon dioxide) is used for environmentally-friendly and solvent-free cleaning. The Group has also been able to improve the effectiveness of its CRYOCLEAN® snow product in tackling particularly stubborn dirt by means of a new, patented spraying nozzle.

The promotion of research and development also remains a high priority for the healthcare business. Ongoing improvements to licensed 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.

With this in mind, Linde reopened its research fund to new applications and awarded three research grants during the period under review. The REALfund (REAL = Research, Evolve, Advance, Lead), launched in 2010, promotes clinical research in respiratory medicine and is aimed at doctors, healthcare professionals and scientists.

Engineering Division

In the 2014 financial year, the Engineering Division spent a total of EUR 34 m on research and development activities (2013: EUR 24 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.

To achieve these aims, it also engages in partnerships. Since mid-2014, for example, Linde has been working with US company Siluria Technologies, a pioneer in the natural gas-based production of fuels and chemicals, on the further development of ethylene technology. The aim of this cooperation is to make available Siluria's innovative process for the direct production of ethylene from natural gas using the method known as the oxidative coupling of methane (OMC) for industrial-scale use and to devise an integrated solution. Linde's plan is to offer customers in the petrochemical sector licences to implement this innovative process, either to upgrade existing operations or for use in new large-scale ethylene plants.

Linde also succeeded during the financial year in transferring the development of a substantially improved steam reformer process for producing synthesis gas to the pilot phase. Much less steam is required in this process, thus significantly increasing energy efficiency. Moreover, in certain specific applications, carbon dioxide can be processed as an additional feedstock, which has a positive impact on the environmental balance sheet.

Moreover, in 2014, Linde set up a partnership with BASF to develop a process to dehydrate butane to produce linear butenes and butadiene. With this new process, the two companies intend to respond to the expected shortage of these products as a result of the current structural change in the petrochemical industry. Within the partnership, BASF is responsible for the process technology, catalysts and extraction technologies, while Linde is providing its expertise for the integration, optimisation and commercialisation of the process.

28 RESEARCH AND DEVELOPMENT

	Expenditure (in € million)					Number of employees				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Gases Division	72	68	74	72	68	257	241	246	220	199
Engineering Division	34	24	27	26	26	133	126	139	122	125
GROUP	**106**	**92**	**101**	**98**	**94**	**390**	**367**	**385**	**342**	**324**

Linde AG

In the 2014 financial year, Linde AG spent a total of EUR 128 m (2013: EUR 126 m) on research and development (R&D), which was more than the total of EUR 106 m recognised in the financial statements of The Linde Group. Where subsidiaries conduct research and development, 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 2014 was EUR 105 m (2013: EUR 108 m). In the Linde Engineering division, Linde AG invested EUR 23 m (2013: EUR 18 m) in the development of new and existing technologies for all the main types of plant.

As at 31 December 2014, Linde AG employed a total of 233 staff in research and development (2013: 208 employees). Of these, 133 employees (2013: 121 employees) were in the Linde Gas Division and 100 employees (2013: 87 employees) in the Linde Engineering Division.

EMPLOYEES AND SOCIETY

Employees across the world

Linde's human resources strategy supports the Group's business strategy. It focuses worldwide on putting together the best teams and on nurturing the team members. One of the cornerstones of the global efficiency improvement programme (High Performance Organisation or HPO) is "People Excellence". As part of this initiative, Linde pinpointed three priorities which are particularly important to sustainable HR efforts: developing talent, a performance-oriented approach and corporate culture. Using these three priorities as a starting point, the Group has identified a number of key focus areas. These include future-oriented workplace models and attractive working conditions, talent management and equal opportunities. Linde awards prizes to employees around the world who make particular efforts to uphold its company goals and company values. In 2014, Linde made an award to a staff initiative in the South & East Asia region. The aim of this initiative is to focus on encouraging the new generation of management, given the shortage of skilled personnel which is becoming apparent.

As at 31 December 2014, Linde employed a total of 65,591 staff, an increase of 2,104 compared with the previous year-end. On average, 10.0 percent of employees left the Group in 2014 at their own request. Depending on the region, this turnover rate ranged from 2.6 percent in the UK and Ireland to 23.2 percent in North America. The relatively high turnover rate in North America is due to the integration of US homecare company Lincare into the Group.

29 EMPLOYEES BY REPORTABLE SEGMENT AT THE BALANCE SHEET DATE

	31.12.2014	31.12.2013
Gases Division	53,436	51,536
EMEA	21,779	21,544
Asia/Pacific	12,175	12,122
Americas	19,482	17,870
Engineering Division	7,330	6,997
Other Activities	4,825	4,954
GROUP	**65,591**	**63,487**

Remuneration and social benefits

The remuneration package of Linde employees comprises not only a fixed salary component, but also variable remuneration components depending on the position of the employee within the Group. Linde also offers its staff various additional benefits in line with the conditions which apply in the different regions. These benefits include occupational pensions and contributions towards health insurance or medical screening. Personnel expenses in 2014 totalled EUR 3.536 bn (2013: EUR 3.423 bn), of which EUR 3.069 bn related to salaries (including social security contributions) and EUR 293 m (2013: EUR 281 m) to pensions. During the reporting year, 46.5 percent of the Group's staff were employed on the basis of collective wage agreements (2013: 45.6 percent).

Linde regularly reviews the remuneration levels of its employees using internal and external comparisons to ensure that they are appropriate and in line with the market. 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 of male and female employees in comparable positions. In 2014, Linde provided selected managers who are responsible for staff in the South Pacific region with information on the topic of equal pay for male and female employees, in order to raise awareness of this important issue.

Linde uses a Group-wide IT system to ensure comparable and fair staff appraisals. This system includes performance evaluations which are binding on all managers and job evaluations of all executive positions within the Group. The evaluations take account of such criteria as transparency, equal opportunities and pay in line with market conditions. Managers' pay is based on the performance of both the Group as a whole and of the individual employee. Senior managers also participate directly in the company's growth in value through the Linde Long Term Incentive Plan. In the 2014 financial year, managers below Executive Board level invested in 24,639 Linde shares via the scheme. For each of these shares, the plan participants are entitled to an additional Linde share on the expiry of the four-year qualifying period.

Employees in more than 50 countries have access to occupational pensions and healthcare benefits. Around 80 percent of Linde employees are members of occupational pension schemes. Through defined benefit plans [SEE GLOSSARY], 26,755 active employees are being paid an occupational pension and a further 17,181 former employees have acquired a vested claim to a company pension. In total, 30,941 pensioners are drawing an occupational pension within the Group. At Linde, globally binding rules apply to the modification, introduction or closure of pension plans. Any such measure must be agreed 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.

In the course of 2014, Linde extended the range of optional additional benefits it offers its employees in a number of regions. These include, for example, free health checks and the extension of insurance cover to include not just employees but also members of their families.

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 universities and research institutions around the world in order to attract newly qualified graduates. The Group's Engineering Division, for example, has been collaborating with Dresden International University since 2008 on a bachelor's degree for installation engineers which includes a work experience element. To date, almost all the students who have completed this course have joined Linde once they have finished their studies. In the South & East Asia region, the Group concluded its first graduate programme in 2014 where the students completing the programme will be placed in several different countries in the region.

The Group also provides training opportunities in various technical and commercial areas. In Germany alone, Linde offers training in 18 different professions. In the year under review, 47 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 43 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 2014, of which 56 percent were in non-German companies. Human resource plans relating to new positions for apprentices and trainees in Germany were revised in the course of the year.

Continuing professional development

Linde invested around EUR 15 m in the continuing professional development of its employees during the reporting year. Group-wide professional development programmes are provided through Linde University. These cover such subject areas as personnel management, intercultural communications and diversity. In 2014, all Linde employees in Ecuador completed a training programme on handling change processes. As part of the Group-wide Six Sigma programme, Linde provides employee training on successfully identifying opportunities for optimisation in operating and administrative processes. In 2014, more than 2,300 employees took part in these training courses. As a result of this programme, over 1,000 optimisation projects were completed during the financial year, leading to cost savings of around EUR 70 m.

In 2014, the Group also convened 100 focus groups comprising employees from 15 countries on the subject of being an attractive employer. Linde will be able to use the results of these focus groups to strengthen and enhance its good reputation as an employer.

Work-life balance

Linde helps its employees achieve a work-life balance through a range of initiatives. The various measures introduced in this area by the Group are designed to suit the specific local situation and requirements. Activities focus in particular on flexible working models, 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.

Part-time employees in the Group accounted for approximately 2.1 percent of the workforce in 2014. In several regions, such as the Middle East and Eastern Europe, Linde introduced new flexible working schemes in 2014. So far, more than 900 employees in these regions have benefited from such schemes.

At its German sites, Linde introduced new rules on childcare costs during the year. From 2014, it has provided a childcare subsidy for all children of employees at its German business locations. A service bureau is available to help employees find appropriate childcare places. In Germany, a total of 369 employees took parental leave in 2014, 37 percent of whom were fathers. In the same period, 212 employees in Germany returned to Linde after a period of parental leave.

To promote the physical and mental health of its employees, Linde offers a range of 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, Linde introduced a free health advisory service in 2014, which has now been used by more than 1,800 staff. In many regions, the Group supports employees by offering a range of sporting activities or subsidised membership of sports facilities.

Diversity

As a group with global operations, Linde relies on employees who understand local markets and are able to use their different experiences and perspectives to enrich the work of their team. As at 31 December 2014, the Group employed staff from 136 different countries, while 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 54 nations represented at this level. In 2014, around 300 Linde employees were sent on secondment to subsidiaries abroad. The Group is planning to conduct a global analysis in 2015 of the international experience of its senior management.

For several years now, diversity as a value has been an integral part of Linde's executive development programmes. At Executive Board level, Thomas Blades is responsible for Diversity & Inclusion. The promotion of diversity is also one of the targets which is included in the target-setting agreements which are made with individual managers in appropriate positions. In the Engineering Division, the Diversity Committee started work in Germany in 2014. The aim of this committee, which comprises experienced male and female managers, is to ensure that the appointment process is conducted in a transparent manner and takes account of diversity. The Diversity Committee works together with the personnel department to evaluate all applications for management positions not only for diversity, but also to ensure openness and equal opportunities in the application process.

Another of Linde's main priorities in the area of diversity is the promotion of female managers. Based on the DAX-30 commitment it made in 2011, the Group set itself the target of increasing the proportion of women in senior managerial positions to between 13 and 15 percent by 2018. Given the changes which are expected to be made to the German Stock Corporation Law (AktG), Linde will provide more detail about its target in due course. In 2014, the proportion of female senior managers was around 14 percent. In the first half of 2015, Linde is planning to run information and communication workshops on the topic of gender diversity for top management. The Executive Board is also supporting numerous employee initiatives to promote women. These include networking events, training programmes for women with management responsibility or leadership potential, and a pilot scheme for an internal mentoring programme. The proportion of women taking part in the Global Leadership Development Circle, the development programme for senior managers, rose in 2014 to 26.5 percent (2013: 23.4 percent). The proportion of female participants in the development programme for middle management was 26.1 percent (2013: 35.6 percent).

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

Involving employees

Linde keeps its employees informed about changes in the Group. It relies on the experience of its employees and on their feedback to implement improvements. The Group strives to work together with the employee representatives and trade unions on the basis of partnership. Linde's system of employee representation in Germany is two-tiered, consisting of a central works council for the Group as a whole and works councils in the decentralised units. Linde also has a European works council, currently with 27 members, which is responsible for cross-regional issues. Regional-level works councils have been set up in other countries. In the Greater China region, for example, more than 90 percent of the workforce is represented by labour unions. In 2014, five new works council agreements were concluded between management and the central Group works council. Furthermore, the Executive Board of Linde AG and the European Works Council signed an agreement in 2014 about the minimum standards which would apply if efficiency improvement measures with an impact on the Group's headcount were to take place. The measures need to be implemented in a socially responsible manner. The agreement describes, for example, how Linde will provide information and consult with employee representatives in an open and transparent process, and sets out ways in which redundancies for operational reasons can be avoided.

Employee satisfaction is a key factor in Linde's success. Open feedback from staff enables the Group to continue to develop. In 2014, Linde conducted its third global employee survey. Around 85 percent of the Group's employees responded to the survey. The engagement index, which measures employee satisfaction and loyalty to the company, was around 71 percent. This means that just under three-quarters of employees expressed very positive views about Linde as an employer. Areas rated particularly highly by employees were customer focus and global compliance with safety standards. An area where they see a need for improvement is the Group-wide communication of Linde's global corporate strategy. The results are currently being analysed in all regions, and appropriate measures are being devised to respond to the results of the survey. As a consequence, the Group will be focusing in particular on the communication of its strategy at a global level.

Linde also encourages its employees to use their individual skills and experience to come up with ideas for improvement for the Group. In the Engineering Division in Germany, for example, total cost savings of around EUR 400,000 were achieved in 2014 as a result of implementing employee suggestions. Via the internal social collaboration platform, employees in the Information Services department raised more than 160 improvement ideas during the year under review.

Occupational safety and health protection

One of the key aims of Linde's global safety management is to protect its employees. The Group has set out global standards governing occupational safety and health protection to ensure that its staff remain in good health and fit for work. Linde carries out risk assessments and audits to ascertain whether the right conditions are in place to ensure safety at work. In 2014, audits were conducted at 57.4 percent of Linde's operating sites (2013: 58.1 percent).

Linde wants to continue to bring down the number of workplace accidents. The Group therefore set itself a new global target in 2014. By 2020, Linde wants to achieve a continuous reduction in the number of workplace accidents resulting in lost working days per million hours worked by employees in comparison with the figure for 2012. In 2014, the rate of such workplace accidents was 2.4 (2013: 2.3). The equivalent figure for contractors during 2014 was 1.8 (2013: 1.7). It is with the deepest regret that the Group must report that two Linde employees lost their lives whilst working for the Group in 2014 in road accidents in China and Algeria.

Each year, around 30 to 50 percent of workplace accidents and chronic illnesses at Linde can be attributed to manual or repetitive activities. When implementing initiatives relating to health protection, the Group therefore focuses in particular on the risks associated with such activities, concentrating on employee training and improvements to work processes. One such initiative was a pilot project launched by Linde in 2014 on a North American site, in which magnets are used to lift manhole covers, allowing employees to avoid heavy physical exertion. Linde also set up free preventive health checks for employees during the reporting year in several regions, including Asia and South America. In 2015, Linde is planning to introduce training on the optimal use of loading systems for employees at all Lincare sites. Around 30 trainers received instruction on how to deliver this training programme during the 2014 financial year.

Another focus in the area of occupational safety and health protection is road safety. Linde has, for example, devised safety training in the South & East Asia region for employees and contractors who use a motorcycle for work or to take them to and from work. By the end of 2014, more than 1,400 of the 1,600 or so employees affected in the region had taken part in the training.

Labour standards and human rights

Linde commits to the principles of the UN Human Rights Charter, the core labour standards of the International Labour Organisation (ILO) and to other international standards. Through regular reviews across all the regions, the Group collates information on the processes which have been put in place to ensure compliance with labour standards and the upholding of human rights. Furthermore, Linde reviews the extent to which the Group's global guidelines consider human rights. The guidelines and processes which have been reviewed and revised since 2013 include the Code of Conduct, purchasing guidelines and purchasing agreements, the Integrity Line policy and Group risk management. In 2014, the Executive Board of Linde AG adopted an official Group position on human rights, in which it reiterates Linde's support for human rights and describes the Group's processes which confirm this commitment.

Over the past three years, more than 190 audits have been conducted at the Group's business locations which covered social topics such as the avoidance of child labour and the provision of safe, fair working conditions. To detect potential weaknesses, Linde also evaluates the information supplied to the Integrity Line. This is a service which employees and external stakeholders can use to report any breaches of the Group's Code of Conduct. Around 28 percent of the reports received via the hotline in 2014 related to human resources issues. In various regions, Linde took steps to raise employee awareness. During the year, for example, Linde held events in India to provide information and raise awareness of the issue of workplace harassment. More than 60 employees attended these events.

Social commitment

Linde demonstrates its social commitment with a variety of projects around the world. The Group focuses on regions and initiatives which are linked with its business activities and is, above all, committed to projects in the field of education. Linde also promotes projects near its business locations, covering areas such as safety, environmental protection, health and social affairs. The activities selected are based on the needs which have been identified in the regions where Linde operates. Cross-regional involvement in such projects is managed by the Group's Corporate Centre, while local initiatives are coordinated by managers in the region concerned. In 2014, Linde provided funding of several million euro for projects and initiatives worldwide, of which around EUR 2.8 m was donated by the Group. As a result of its social commitment during the year under review, Linde was able to reach, among others, more than 100,000 children, school pupils and students.

As well as providing financial resources, Linde also donates products for charitable purposes. In several regions, the Group donated medical gases or medical devices in 2014 to charities. Linde is a global partner in the Shell Eco-marathon, an annual competition designed to promote sustainable mobility, and supplies the hydrogen to fill the fuel-cell vehicles used in this competition. Linde employees are also engaged in volunteering. The Group supports this by granting staff time off work and, in some regions, by matching employees' donations. In North America, for example, more than 140 employees took part in around 15 social projects in 2014.

Access to education

Linde provided foundation capital of over EUR 8 m to set up the Carl von Linde Academy at the Technical University of Munich (TUM). By the end of the summer semester of 2014, more than 15,000 students had attended courses offered by the Academy. The principal aim of the institution is to provide engineering, IT and natural science students with key skills that extend beyond the limits of their theoretical subjects, covering such areas as business ethics and innovation. Linde has also formed a public-private partnership with the Schloss Hansenberg boarding school (ISH) in Hesse in Germany. The school fosters the talents of pupils with particularly strong academic and social skills. Linde has been involved with ISH since 2004 and more than 550 pupils have completed their schooling there during this time. In 2014, Linde embarked on a cooperative venture with a number of technical schools in South Africa. The local Linde subsidiary donated around EUR 90,000 for the renovation of training centres for welding technology and for teacher training. The Group 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. The Group is supporting the initiative with financial backing which will total EUR 5 m by 2018. In keeping with the importance it places on safety, Linde is involved in a number of traffic education schemes across several countries. In 2014, more than 15,000 children took part in the Child Road Safety Programme organised by Gist, Linde's logistics division. As part of this programme, truck drivers visit primary schools, bringing their vehicles with them, and talk to pupils about road traffic risks.

Ameliorating living conditions and improving health

In many countries, Linde sponsors projects which seek to improve living conditions for the people in that particular region. In 2014, for example, the Group supported around 40 local initiatives in Africa specifically designed to help socially disadvantaged children. In Mexico, Linde is sponsoring an initiative which creates jobs for women in a recycling project.

In 2014, Linde awarded three grants from its REALfund. The beneficiaries of these REALfund grants are three scientists working on projects that have the potential to make significant improvements to the lives of patients with chronic respiratory disease.

30 ADDITIONAL INDICATORS ABOUT EMPLOYEES

		2014	2013
Structure of the workforce			
Age structure of the staff			
Staff up to 30 years old	*in %*	18.4	18.2
Staff between 31 and 50 years old	*in %*	57.5	58.0
Staff over 50 years old	*in %*	24.1	23.8
Temporary staff	*in %*	8.6	6.2
Part-time employees	*in %*	2.1	1.9
Employees on parental leave in Germany (at 31.12.)		369	344
Apprentices and trainees in total workforce	*in %*	0.9	0.9
Apprentices and trainees in Germany	*in %*	3.2	3.1
Proportion of female employees			
in total workforce	*in %*	28.7	27.3
in Germany	*in %*	25.4	25.9
in senior management positions	*in %*	13.9	13.2
Nationalities of employees in Germany		65	65
Non-German nationalities in senior management positions	*in %*	71.0	72.9
Severely disabled employees in Germany	*in %*	3.4	3.5
Staff covered by collective wage agreements	*in %*	46.5	45.6
Employee retention and training			
Number of new hires		12,049	8,955
thereof women	*in %*	46.2	41.6
Staff turnover rate[1]	*in %*	10.0	9.4
Average length of service	*in years*	8.4	8.9
Employees who have taken up training opportunities	*in %*	66.2	60.3
Training days *(per employee)*		3.1	3.0
Expenditure on training programmes *(per employee)*	*in €*	349.8	341.3
Occupational health and safety			
Workplace accidents with at least one day of absence	*per million hours worked*	2.4	2.3
Workplace accidents with at least one day of absence		318	304
Fatal industrial accidents of employees		2	4
Fatal industrial accidents of contractors		3	6
Number of days sick leave *(per employee)*		5.3	4.7

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

SAFETY AND ENVIRONMENTAL PROTECTION

Strategy

The Group's management systems for safety and environmental protection are based on global guidelines and standards. They allow Linde to focus on minimising safety risks and the environmental impact of the Group and on ensuring the efficient use of energy, resources and materials. Linde's products and technologies support customers' efforts to make their business processes more cost-effective, safer and more environmentally friendly.

Across the Group, Linde conducts audits to verify compliance with the prescribed standards. In order to identify areas of weakness, the Group has also implemented a global process to record incidents which have particular relevance for safety and environmental protection. Near-misses from which the Group can learn lessons are documented.

To ensure that it is prepared for events such as natural disasters, serious crime and pandemics, Linde also draws up risk management plans for all its business locations. The Group's top priority is the protection of its employees, business partners, neighbours and property. In 2014, Linde examined a number of potential risks, including those which might arise from the spread of Ebola in Africa. The Group cooperates with the authorities in the areas surrounding its business locations on safety and environmental protection. In the course of the reporting year, for example, it carried out safety training or emergency drills with local fire brigades at around 70 sites worldwide.

Linde systematically trains its employees in occupational health and safety, product safety and environmental risks. In 2013, the Group launched a multi-year global initiative to raise employee awareness of the safety issues of particular relevance to Linde. The emphasis in 2014 was on transport and vehicles, and around 40,000 employees and contractors [SEE GLOSSARY] participated in training sessions as part of the initiative. During the year, senior managers and crisis managers also received training on how to handle the business and safety risks associated with serious crime and conflicts. The focus here was on the Middle East, Eastern Europe, South & East Asia and Africa. Linde plans to deliver this training in South America in 2015.

Once again during the reporting year, Linde received several awards in recognition of its commitment to safety and environmental protection. In Asia alone, the Group won several prizes for particularly good safety performance at its production sites.

Involving suppliers

When selecting suppliers, Linde considers not only commercial criteria such as quality, price and availability, but also aspects such as safety and the environment. In 2013, the Group introduced a global Code of Conduct for Suppliers, setting out minimum requirements in the areas of safety, environmental protection, labour rights and human rights, and corporate integrity. By the end of 2014, around 80 percent of Linde's strategic suppliers had signed up to the Code of Conduct. In addition, Linde had a risk analysis conducted of its supply chain. This analysis focused on country risk and product-specific risk. In 2014, based on the analysis, the Group requested around 100 suppliers in higher-risk areas to provide it with information about their sustainability performance. Once Linde has evaluated the results, it plans to introduce further measures.

Supplier reviews are conducted primarily in Linde's Engineering Division, due to the specific requirements which apply to that division, especially on construction sites. In the course of its supplier approval process, the Group examines whether the various contractors have the necessary procedures in place to meet these requirements. In 2014, Linde carried out safety and environmental evaluations of around 300 contractors involved in its construction sites. Linde investigates any breaches of the Group's requirements. During the year, five cases concerning supplier relationships were reported via the Group's Integrity Line.

Linde also involves its suppliers in its own safety and environmental management processes. The aim is to ensure that suppliers comply with the Group's requirements and that Linde helps its suppliers to improve their performance. In 2014, training was provided on safety issues in contractor management at more than 500 sites which deal with contractors. In addition, Linde invited selected Chinese suppliers during the year to a workshop focusing on the importance of sustainability for successful business relationships. In 2015, the Group is planning to work together with around 50 selected suppliers to develop business continuity plans. These should ensure that the best possible way is found to resume business operations following unexpected events such as natural disasters. The aim is to identify any potential risks and to remedy any weaknesses in procurement processes.

Production

Safety is a top priority at all Linde's sites. Company experts therefore work to identify and assess risks that might arise around the world from the operation of the Group's plants. In addition, the Group has introduced the Major Hazards Review Programme (MHRP, SEE GLOSSARY) to record the greatest potential hazards on a uniform basis worldwide. This Group-wide system enables Linde to set up control mechanisms to minimise the risks arising from its plants. By the end of 2014, the Group had certified more than 85 percent of the relevant plants in accordance with the MHRP process. Moreover, Linde is planning to introduce a global standard for quantitative risk analyses on its sites in 2015. During the reporting year, more than 1,400 safety, environmental protection and health protection audits were carried out on the Group's sites by Linde itself or by third parties. The Group's internal audits are conducted in accordance with the provisions of the international certification processes for quality, environmental management and safety (ISO 9001, ISO 14001 and OHSAS 18001). Several of Linde's sites also have external certifications. Global guidelines for safety and environmental protection apply to all Linde's plants. Therefore, the Group was awarded matrix certification in accordance with ISO 9001, OHSAS 18001 and ISO 14001 in the 2014 financial year for some of its Engineering Division sites. Under the matrix certification, certification granted to selected sites was also granted to plants of the same type in other countries due to the same standards applying worldwide.

Transport

Safety management procedures at Linde cover not only site safety but also the safe transportation of products. The Group works continuously to bring down the number of transport-related incidents. As part of this commitment, a global transport safety target has been introduced that aims to halve the number of serious transport incidents [SEE GLOSSARY] per million kilometres travelled by 2017 compared with 2012. In 2014, this figure had been reduced further to 0.057 (2013: 0.062).

To meet its global target, the Group has defined a series of measures. Linde constantly reviews local and global operating standards for driving and vehicle activities and integrates them into its global standards database. In 2014, Linde's safety standards were adapted, for example, to reduce risks arising from in-vehicle distractions. Linde also issued a global directive during the financial year on the fitting and use of vehicle mirrors. This initiative aims to reduce the risk of blind spots for its drivers. Linde continuously provides training to its employees on transport standards. Suppliers' drivers also participate in the Group's education programmes. Since 2007, uniform safety standards have applied throughout the Group for suppliers providing transport services for Linde. Compliance with these standards is a condition set out in the purchase agreements made by Linde with these suppliers. In 2013, the Group expanded its global defensive driving training programme beyond commercial vehicle drivers, making it compulsory for drivers of all vehicle types. In 2014, training was provided, for example, to around a third of Linde car drivers in Germany. The number of serious incidents involving passenger vehicles fell during the reporting year. In addition, Linde has continued to work on improving its commercial vehicle rollover avoidance training programmes. Since 2007, the annual number of rollovers across the Group's commercial vehicle fleet has fallen by 65 percent. Therefore, Linde has not only improved its safety performance, but also achieved cost savings of several million euro. Over the past five years, around a quarter of the drivers used by Linde (both its own drivers and contractors) have completed a transport safety training programme.

Linde has introduced a global audit programme to review the measures it has implemented. By the end of 2014, more than 100 transport auditors had been trained and certified by the Group. The aim is to audit 20 percent of sites with transport operations per year.

Product stewardship

Linde monitors product safety along the entire product value chain. Activities are based on globally applicable product stewardship standards which relate both to the use of products and to their transportation. The Group systematically examines potential risks which might arise from established products, products which are used in new applications or new products to be introduced into the market. Risk assessments are prioritised on the basis of sales volumes and properties of the products such as toxicity.

During the reporting year, Linde paid particular attention to safety initiatives relating to acetylene gas cylinders. The Group conducted pilot projects in Malaysia and Bangladesh, where acetylene cylinders were fitted with a new type of sealing cap which is better at preventing damage to the valves and gas leaks when the cylinders are being transported in customers' vehicles. From 2015, Linde is planning to fit the relevant acetylene cylinders around the world with these sealing caps. In parallel, the Group launched a training initiative in 2014 to raise awareness among customers of potential risks which might arise when acetylene is transported. Linde invested a total amount of just under EUR 40,000 in these measures.

For those sites where highly hazardous chemicals are handled, Linde has developed standardised product safety assessments. In 2014, it focused its work in this area in particular on the regions of South & East Asia, the Middle East and Europe. To date, Linde has conducted such audits in 23 countries. Risk assessments have now been carried out for those sites that account for around 70 percent of the global sales revenue of the Group derived from the products concerned.

Depending on the risk potential, Linde also assesses whether conditions are in place for the proper handling of gases on customer sites. In addition, the Group offers other gas handling services, such as inspection, maintenance and repairs relating to the supply of gases to the customer. Linde also organises training for both its employees and its customers to assist with the responsible handling of its products. Through an in-house training programme, around 5,800 participants in nine European countries received instruction in 2014 on how to handle gases safely.

Linde holds more than 18,000 safety data sheets in a variety of languages which contain transparent product information. Currently, the Group is investing in a global system to ensure that this product information is up to date and consistent across all regions and languages. The Group has set aside more than EUR 3 m for this purpose.

International standards

Linde continuously checks the Group's compliance with legal regulations. By 31 May 2013, the second registration deadline of REACH *[SEE GLOSSARY]*, the EU regulation on chemicals, the Group had registered five substances with an annual production volume of more than 100 tonnes with the European Chemical Agency (ECHA). Around 4 percent of Linde's sales revenue is derived from products which are subject to registration under the REACH rules. Not only does Linde work actively together with the European Industrial Gases Association (EIGA), it also seeks to engage with customers and suppliers to ensure the successful implementation of the provisions of REACH. Using its global Internet platform, Linde provides information about what the Group is doing to comply with its statutory obligations and which substances it has registered. As the legally responsible manufacturer of medical devices, Linde is implementing the requirements of the European RoHS Directive (Restriction of the Use of Hazardous Substances, *SEE GLOSSARY)* in its Healthcare business around the world. When operating production plants for medical gases, Linde's Healthcare product area complies with good manufacturing practice *[SEE GLOSSARY]* for pharmaceutical products. Against this background, the Group invested around EUR 24 m in Brazil in the period from 2011 to 2014 to continue to improve quality assurance in production processes.

Through its product stewardship programme, the Group 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 (GHS) of Classification and Labelling of Chemicals.

Raw materials

Linde reduces its environmental impact and cuts costs by making efficient use of resources. The most important raw material used by Linde in the production of its gases is air from the Earth's atmosphere. More than 80 percent of the weight of gases sold by Linde in 2014 was derived from this renewable resource. In the case of carbon dioxide, another of the Group's main products, around 80 percent of the raw material required is recovered from recycling processes. Another raw material used by Linde is natural gas. In addition, key materials processed include steel and aluminium. These metals are required in particular for the manufacture of components used in plant construction. In order to manufacture products, Linde's other principal input is energy. The key packaging material for Linde is gas cylinders. In general, these are reused. A typical Linde cylinder has a lifespan of many years and is refilled on average four times a year. Currently, there are around 25 million Linde cylinders in circulation.

In 2014, the Group conducted a supply chain analysis regarding conflict minerals *[SEE GLOSSARY]* listed in the US Dodd-Frank Act.

Renewable raw materials

The Group also works together with its customers to promote a responsible approach to the consumption of resources. Industrial gases from Linde contribute, for example, towards reducing energy requirements and emissions compared with conventional recycling techniques when processing various materials, such as aluminium and rubber. Linde technologies also help promote the use of renewable energy and renewable raw materials. As from 2014, Linde's customers in Scandinavia have also been able to purchase hydrogen which is produced entirely from renewable energy (such as hydropower) delivered with a guarantee of origin.

Energy and climate protection

Linde places great importance on global energy management in order to improve the efficiency of the company's plants and processes and to reduce greenhouse gas emissions. The Group provides its customers across different branches with gases and technologies that reduce the consumption of natural resources and encourage the use of renewable energies.

In the reporting year, Linde was included in CDP's regional Carbon Disclosure Leadership DACH index for the third time in a row. In this way, the independent organisation has once again recognised the quality of Linde's reporting on climate protection.

Emissions balance sheet

The Linde Group reports its energy consumption and greenhouse gas emissions worldwide according to the guidelines set out in the Greenhouse Gas Protocol's Global Standard *[SEE GLOSSARY]*. In 2014, Linde took part in the European Union's Emissions Trading System *[SEE GLOSSARY]* at seven of its hydrogen production sites. There were 1.3 million tonnes of CO_2 emissions at these plants during the year. In 2014, Linde was allocated emissions allowances for around 0.9 million tonnes of CO_2. Further certificates were purchased.

To make the CO_2 balance sheet of individual products transparent for its customers, the Group has developed a standard formula for its main air gases. The method has been externally certified.

Global targets

Around 60 percent of the Group's CO_2 emissions are by-products of electricity generation by energy providers and are reported by Linde as indirect emissions. Most of this electricity is required for the operation of more than 400 air separation plants *[SEE GLOSSARY]*. 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. Linde achieved this target early by the end of the financial year. In 2014, the Group replaced older plant components and plants with new ones which deliver average intensity improvements of around 25 percent. Linde also carried out technical upgrades on existing plants. By the end of 2014, Linde had achieved average efficiency improvements in the plants concerned of 5.4 percent. It is planning to decide on new targets for 2015.

Direct emissions at Linde stem mainly from the operation of hydrogen plants (HyCO plants). The Group has set itself the target of increasing the energy efficiency of its hydrogen plants installed around the world by 2 percent by the end of 2015 compared with the reference year of 2009. The benchmark is the actual energy efficiency of those plants when they are in operation. In 2014, Linde was able to improve the energy efficiency by 1.9 percent. In order to achieve the target, it improved plant capacity and installed cooling units which are more energy-efficient.

Another key focus of the Group's climate protection measures is the transportation of products. Linde's transport fleet covered more than 520 million kilometres in 2014. Various measures are being taken by the Group to reduce the number of kilometres travelled, to cut the amount of fuel consumed and to bring down the level of transport emissions. Optimised routes, better use of transport capacity and training drivers how to drive in a more environmentally friendly manner are all contributing to this.

Energy consumption

The Group's energy consumption rose by more than 2 percent in 2014, mainly as a result of increased production in the regions of South & East Asia and Greater China.

In the reporting year, Linde identified around 250 projects worldwide that helped reduce the Group's energy consumption. Implementing these projects brought about cost savings for the Group of over EUR 24 m. In 2014, for example, Linde extended a programme developed in North America to achieve optimal capacity utilisation of production plants to cover Europe. CO_2 emissions were reduced as a result and cost savings of around EUR 4 m were achieved. Since 2012, around 85 percent of Linde Gas production plants in Germany have been certified according to ISO 50001. The global standard testifies to systematic energy management, which allows efficiency potential to be recognised.

As an energy-intensive company, Linde requires a reliable and competitively priced energy supply. The Group is exploring the use of renewable energy, the current level of which largely reflects the energy mix applicable in the various regions. In Sweden, Linde has a shareholding in VindIn, a wind energy company. The aim of this long-term cooperation is to provide around 1 million MWh of electricity per annum. In 2014, the initiative supplied around 2 percent of the local electricity needs of AGA Sweden. At one site in North America, close cooperation with the local authorities has made it possible for Linde to source over 9 million kWh of electricity on average each year from wind energy rather than from fossil fuels, avoiding 7,000 tonnes of CO_2 emissions per annum.

Products for energy efficiency and climate protection

The Group offers its customers solutions that cover many areas of sustainable electricity and fuel generation. In 2014, the application of Linde oxyfuel technology alone cut CO_2 emissions by around 20 million tonnes. This technology, which is installed at customers' sites, involves using pure oxygen instead of ambient air to make the combustion process more efficient: for example, in a steelworks. Since 2014, Linde has been cooperating with North American start-up company Solidia Technologies® to make a new process for the manufacture of precast concrete ready for the market. Compared to traditional production methods, this technology reduces CO_2 emissions by up to 70 percent and limits the waste produced as a result.

Emissions to air

Linde monitors emissions worldwide not only of greenhouse gases but also of air pollutants in accordance with relevant local legislation. Normally, the operation of the Group's air separation plants results in hardly any direct emissions to air. Other production processes, for example in hydrogen plants and steam boilers, can result in emissions of inorganic gases such as carbon monoxide (CO), sulphur oxides (SO_X), nitrogen oxides (NO_X) and ammonia (NH_3).

Volatile organic compounds (VOCs) are mainly released during the coating and cleaning of metals such as those used in gas cylinders, storage tanks and plant components.

In 2014, the Group embarked on a central analysis of its emission calculations. The aim of this analysis is to enhance Linde's overview of the global impact of its business operations on the environment and to use it as a basis from which to devise additional measures to reduce the environmental impact.

Linde is cooperating with its customers and other partners to develop solutions which will reduce emissions to air. LoTOx™ technology which is installed on customers' sites is being used, for example, to separate nitrogen oxides from waste gases arising from combustion processes. The LoTOx systems, which have so far been installed mainly in plants in the United States and in China, are preventing more than 15,000 tonnes of NO_x per annum being emitted into the air. In 2014, Linde licensed an American company to sell this technology to power station operators in the United States.

Water

Linde works continuously to ensure the efficient use of water on its sites and the lowest possible level of emissions to water. The Group offers its customers products and technologies which can be used throughout the water cycle.

In 2014, Linde identified more than 20 projects which can help the Group to use water more efficiently and to cut costs by more than EUR 300,000. At two locations, one in the Czech Republic and the other in the Netherlands, Linde was able to optimise water flow and reduce water consumption by around 2.6 million cubic metres by using improved valves. In a long-term collaborative project in Europe, Linde experts in plant construction, water and water chemistry have joined forces to create an interdisciplinary network. The aim of this project is to optimise the use of water and cooling water systems. To achieve this aim, Linde has to date inspected 39 plants in the region to ensure sustainable use of water resources and has implemented a number of improvements. The cost savings achieved so far already exceed the investment made in the project. The Group is expecting to achieve total cost savings of more than EUR 2 m by 2016 from this initiative.

Water use

More than 85 percent of Linde'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 further treatment. The Group takes care to ensure that the temperature reached does not pose any risk to the surrounding ecosystem. Water is also used in the manufacture of products, as a source of steam and in office buildings. In 2014, the Group's water consumption was around 50.7 million cubic metres (2013: 44.5 million cubic metres). Total water use in 2014, including cooling water, was around 682 million cubic metres (2013: 681 million cubic metres). The Group 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 at the plants, only a small proportion of the water therefore needs to be replaced.

Waste water

The amount of waste water produced at the Group's locations worldwide in 2014 was around 13.2 million cubic metres (2013: 13.8 million cubic metres). Linde measures emissions of phosphates, nitrates and organic compounds to water in accordance with regulatory requirements. In 2014, the Group implemented a number of projects reducing the quantity of chemicals used in water treatment. A project launched in Romania, for example, enabled Linde to make cost savings in the reporting year of around EUR 150,000.

In addition, the Group conducted an analysis in 2014 of the collection of key data relating to waste water. The aim of this analysis was to obtain more accurate information about the global environmental impact of Linde's sites.

Linde gases help to identify and eliminate harmful substances in drinking water, bodies of water and swimming pools. They allow raw materials to be re-used, thereby conserving natural resources. Our environmental solutions support all industrial waste water treatment processes and enable companies to comply with stricter environmental regulations. Through the Solvocarb® process from Linde already installed by customers in Germany, around 250 million cubic metres of water were brought up to drinking water quality in 2014. During the reporting year, product development for water management focused on eliminating residues of medicinal products in customers' waste water and sewage treatment plants.

Waste

Linde aims to avoid the creation of waste as much as possible or to reduce waste. The Group'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 Linde to increase both its material efficiency and resource efficiency and to cut the volume of waste produced. Lime slurry, for example, a by-product of acetylene production, can be re-used in other industries without any further treatment being required. Any waste which is not suitable for re-use or recycling is disposed of in an environmentally sound manner and in accordance with local regulations. Linde classifies its waste as hazardous or non-hazardous in accordance with the relevant legislation in the country in which it is operating. The Group is focusing in particular on further reducing its hazardous waste. In 2014, Linde launched an initiative designed to record gas cylinders stored worldwide which require special means of disposal. The aim is to ensure the disposal of these cylinders in the most efficient and environmentally friendly way possible.

Linde's other waste management objectives are based on regional requirements, as the type of waste produced differs greatly from one site to another depending on the processes being carried out. During the financial year, the Group achieved the regional target it had set itself of increasing the waste recycling rate in the UK to 65 percent by 2014. As a result, the target has been raised and extended. By the end of 2015, the aim is to achieve a 70 percent recycling rate for waste in the region.

The Group is currently analysing the results of a pilot waste management project undertaken in South & East Asia in order to develop measures that can be applied across the regions to reduce both costs and the environmental impact of waste. Linde is also constantly working on cutting waste still further in the Healthcare product area. One example of this is the reduction it has achieved in the proportion of electrical waste generated by medical devices.

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		2014	2013
Use of resources			
Electricity consumption	in million MWh	26.2	23.4
of which by air separation plants	in million MWh	23.5	20.7
Natural gas consumption	in million MWh	39.5	36.4
of which by HyCO plants	in million MWh	24.9	23.0
Consumption of other energy sources[1]	in million MWh	10.7	14.8
Water consumption[2]	in million m^3	50.7	44.5
Emissions			
Direct CO_2 emissions	in million t	7.3	7.2
of which by HyCO plants	in million t	4.0	4.2
Linde transport fleet	in million t CO_2 e	0.47	0.49
Indirect CO_2 emissions	in million t	15.0	13.0
of which by air separation plants	in million t	13.5	11.8
Emissions of other greenhouse gases[3]	in million t CO_2 e	1.5	1.5
Total greenhouse gas emissions	in million t CO_2 e	24.3	22.2
Waste[4]	in thousand t	94.1	124.9
Non-hazardous waste	in %	76	76
Hazardous waste	in %	24	24
Waste water[5]	in million m^3	13.2	13.8
Audits and training			
Production sites certified to ISO 9001	in %	72.1	77.9
Production sites certified to ISO 14001	in %	30.5	31.8
Production sites certified to OHSAS 18001	in %	15.7	17.8
Sites where occupational health and safety audits have been conducted[6]	in %	57.4	58.1
Sites where environmental audits have been conducted[6]	in %	50.0	51.8
Employees of Linde Gas who have taken up HSE training opportunities	in %	62.6	57.8
Transport safety			
Serious transport incidents involving trucks	per 1 million km	0.057	0.062

[1] Other energy sources include for example thermal energy, heating oil, biofuel energy, propane, butane and diesel fuel. In 2014, Linde sold a plant in Southern Europe which previously consumed mainly other energy sources. Indicators for this plant are no longer included in the reported figure.
[2] Water consumption relates to used drinking water and industrial water. Once-through water is drawn from a natural sources, solely warmed and then piped back into the original source at a temperature posing no risk to the surrounding ecosystem.
[3] Includes greenhouse gases specified in the Kyoto Protocol: methane (CH_4), nitrous oxide (laughing gas, N_2O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). In 2014, Linde has refined the determination method of the indicator for these GHGs to include additional emitters and emission sources. The reported figure for 2013 was recalculated based on this new method.
[4] The lower figure for waste in 2014 is mainly due to a reduction in construction waste.
[5] The definition of waste water was changed in 2014. Process water which was discharged without further treatment into natural sources is no longer included in the reported indicator.
[6] 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. SEE RISK REPORT, PAGES 134 TO 147.

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 has already been recognised in the Group's strategy and goals, in its outlook for 2015 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 growth regions. Linde is therefore particularly strong in those markets which are expected to expand 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 2015, economists are forecasting that global gross domestic product will rise by 2.9 percent and that the same percentage increase will apply to worldwide industrial production. SEE OUTLOOK, PAGES 148 TO 150. If the economy were to grow at a faster rate than that originally forecast, 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 way 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 increased 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 growth area healthcare is driven by demographic trends and improvements in diagnostics and therapies, especially in the case of chronic respiratory disorders. In addition, increasing numbers of people are gaining access to healthcare, especially 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 might 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, PAGES 117 TO 119.

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, PAGES 109 TO 110.

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 could 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 High Performance Organisation (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 2015, 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 competitiveness 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, PAGES 148 TO 150. 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, PAGES 120 TO 124, AND PERSONNEL RISKS, PAGE 145.* 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 the 2012 financial year, Linde has had a global presence 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 regional industrial gases business or in the healthcare sector could have a more positive impact on revenue and earnings trends of The Linde Group and Linde AG than is currently being projected.

Risk management and internal control system

Risk policy

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 System or ERM system), 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.

Enterprise Risk Management system

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 recommendation 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 around the globally recognised framework published in 2013 by COSO (the Committee of Sponsoring Organisations of the Treadway Commission) and entitled "Internal Control – Integrated Framework".

Internal control system

The heads of the Corporate & 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 Corporate & Support Functions conduct risk reviews on a regular basis to harmonise their risk management activities, adapting them to any change 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 Group 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.
- **Anti-corruption compliance:** To avoid the risk of corruption, Linde has introduced a Group guideline on how employees should deal with gifts, hospitality and invitations. In the Healthcare product area, these rules are set out in greater detail and supplemented by the global Healthcare Compliance Guide.
- **Code of Conduct for Suppliers of The Linde Group:** To prevent the occurrence of ecological, social and compliance risks in the supply chain, Linde introduced a global Code of Conduct for Suppliers. In addition, the Group 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.
- **Compliance guideline for business partners:** In the course of preventing corruption, there is a significant risk in the improper engagement of agents, commercial representatives, sponsors, advisors and comparable persons (business partners). Linde issued the Group guideline about dealing with business partners, so that payments to business partners are disclosed solely for legitimate activities and so as to avoid even the appearance of misconduct. So, for example, before a contract is concluded, a review of the business partner must be conducted which is based on certain criteria.

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 functionality of the system.

A review of the internal control system is performed at regular intervals by the operating units and by the Corporate & Support Functions, based on self-assessment. The self-assessment involves companies and the Corporate & 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 in shared service centres in order to centralise and standardise its processes. Shared service centres are now to be found in Europe and Asia and provide services for countries in Europe, Asia and North America. 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 monthly 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 analyses based on defined key figures and comparisons with budget figures. The reliability of the accounting procedures is also underpinned by monthly discussions with the operating units about the principal key figures.

The accounting-related internal control system ensures that the 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

Structure and responsibilities

The central risk management department is responsible for devising a standardised Group-wide risk management process and for risk reporting. Those with local responsibility for risk in the operating units are responsible for the implementation of the centrally devised risk management process.

Linde distinguishes between risks which relate to the entire Group (Group risks and corporate risks) and risks arising from the activities of the operating segments (business risks). Group risks and corporate risks are identified by members of the Executive Board and/or heads of the Corporate & 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.

The management team of each operating unit within the Group analyses the main risks affecting that unit. 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 operating 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.

The operating units record the information gathered by the risk management process in risk registers. These registers are updated at least every quarter. 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.

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 units which are either fully consolidated or included in the Group financial statements on a line-by-line basis, and for which the annual revenue exceeds a certain figure determined internally. In addition, other operating 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. Moreover, 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 information relating to the status of significant Group, corporate and business risks and any changes in those risks, as well as a description of the activities of the central risk management department.

The significance of each risk is evaluated and reported using the central risk assessment system to award risk ratings based on the potential impact of the risk and the expected probability of its occurrence.

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 enhance 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 the operating units and Corporate & 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 & corporate 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 main direct cause of the risk. A description is given not only of the potential impact of the risk but also of the principal 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 compared with the other risk areas, 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 as well as 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 global 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, ongoing economic stagnation in large parts of Europe and the associated feelings of insecurity about future developments in the eurozone, doubts as to whether the positive economic growth outlook in the United States will remain stable, potential for even greater deceleration in growth in the Asian markets and other growth markets, the weak economic environment in the South Pacific region and the unpredictable political future in geopolitical trouble spots around the world. 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. Should the global economy weaken significantly, there would be 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 these Group companies change for the worse. This scenario might 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. Increased competition is to be seen in markets with good growth potential, despite high barriers to market entry. More mature markets tend to be more stable. At the same time, weaker growth prospects and the migration of existing industries to lower-cost economies are increasing the economic pressure on these markets.

An example of an increase in the risk of price competition can be seen in the Healthcare product area, due to cost pressure in the healthcare sector and the current trend towards outsourcing by government agencies and health insurance funds. These factors are especially evident in sales markets in the United States and in Europe.

Linde's overriding strategy is to counter the 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 case of industrial gases, for example, Linde is able to stand out from the competition as a result of its technical expertise with gases applications and its profile as an integrated provider of gases and engineering services which can offer various construction and operating models. Another example of Linde countering the risks posed by price competition can be seen in the Group's Healthcare product area, where it is focusing on the development of innovative 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 patients spend in hospital, and the use of new technologies which make it possible to treat homecare patients more efficiently. These innovations are also promoted by conducting specific healthcare customer surveys on a regular basis.

By streamlining its organisational structures, thus making for more rapid decision-making, and by increasing the delegation of responsibilities to the regions, the Group is aiming to continue to improve its customer focus and its ability to act quickly when implementing tailor-made product developments and integrated gases projects.

Moreover, Linde 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, a modular, scalable plant programme for filling plants was developed.

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 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 the 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 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 and setting prices, not taken into consideration in good time, or taken into consideration only to suffer a loss in market share. To counter this risk, Linde's Pricing Central tool, which was developed as part of an HPO initiative, is currently being rolled out in the regions, together with standards and training programmes on the Group's pricing policy. By taking account of a wide variety of factors, the Pricing Central tool makes it possible to arrive at more effective, more differentiated pricing. This will maintain product profitability in future, while at the same time successfully preserving market share.

Risks associated with the provision of services

Risks associated with the provision of services comprise all those risks arising from processes taking place at the operating sites of Linde's divisions, 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 any such event were to occur.

Linde strives to be a leader in the areas of safety, health protection and environmental protection. All these aspects are integrated into its management systems. The Group-wide HSE (Health, Safety, Environment) function manages the continuous process of improvement in these areas.

One of the Group'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 also 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 an indirect 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 HSE function, local risk reduction measures and contingency plans are implemented. The aim is to minimise as far as possible the potential consequences of serious events and to ensure the fastest possible return to normal operations, even in the case of highly improbable events or losses of a grave nature.

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 storage facilities and filling plants. Many of these 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 storage facilities and filling plants ensures high standards of delivery, short delivery times and minimal transport costs in each region.

A lengthy stoppage at one of the Group's main plants 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 pose particular problems for 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 and execution 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. Such risks may cause project delays and cost overruns. 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, contracts failing to be extended and damage to the Group's reputation. Principal possible causes of risks associated with products and services are product defects or an inadequate level of customer care when Linde 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 that 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 measures which are necessary 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 Corporate & Support Functions 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 2014 financial year. In addition, the EUR 2.5 bn syndicated credit facility which serves as a liquidity reserve and was originally due to expire in 2018 has been extended by one year as a result of the exercise of one of the options to extend the period for which the facility is available. As a result, Linde has access to agreed unutilised financing commitments of EUR 2.5 bn available until 2019 which are provided by an international banking group. There is one remaining option to extend the facility by one year which may be exercised in 2015, 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 Linde Group and the fair value of financial instruments. Interest rate risk is centrally managed. On the basis of the operational business model and using the results of sensitivity and scenario 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 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 2014, on average 59 percent of the exposure of the Group was financed at fixed rates, while at 31 December 2014 the figure was 62 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 there are no other reasons not to hedge the exposure in this way.

Translation risks are hedged within authorised ranges. It should be observed that the translation risk arises in respect of operating profit and/or revenue only when the financial statements of Linde's subsidiaries are translated into the reporting currency (EUR). The fact that there is considerable volatility in the financial result at the level of the profit for the year may however have a mitigating effect on this risk. In the Group's view, it is therefore not possible to make a meaningful hedge against the exposure to this particular risk. On the other hand, Linde does hedge against the exposure to currency-related fluctuations in net asset values at Group level.

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 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. Political unrest and wars may also be the cause of indirect risks (economic risks, project risks and risks associated with commercialisation), as a result for example of political and economic sanctions which may extend beyond the borders of the actual region in crisis. For example, the current conflict between Russia and Ukraine might have an impact on Linde's plant construction in Russia, leading to delays or cancellations relating to the implementation of existing projects or to the loss of potential new projects. There could also be an indirect negative impact on Linde companies in other countries in the Gases Division and in other markets in the Engineering Division if Linde customers were to change their plans as a result of the unrest or due to the potential escalation of sanctions.

There is the fundamental risk that embargoes are 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 growth areas of energy, the environment and health, as well as on dynamic trends in the growth regions.

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 growth areas, which are influenced by social, legal and economic factors. The current fall in the oil price, for example, entails the risk that in the short term the order intake for plant construction projects in the petrochemical and natural gas processing industry might not grow in line with original expectations and that it might not be possible to plug the gap fully with new orders such as those from downstream industries.

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. The risks associated with such projects are principally the result of the uncertainty attached to assumptions about the future development of the underlying business model and to the amount of the net investment in an acquisition project or the net cash inflow from an investment project. Investments in tangible assets, acquisitions and sales are discussed and approved by the investment committee or at meetings of the Executive Board. At the beginning of the project, careful consideration is given to the assumptions about the project, the feasibility of the project and the specific risks attached to that project. The Group evaluates, for example, country risk and currency risk, the credit ratings of individual customers and trends in the local (gases) markets, as well as the underlying terms and conditions of the contract and the cost of the investment.

In 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 is based on following strategic trends in the tonnage business as they develop and expanding in other segments, targeting customers such as those 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 then 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 the increase in electricity prices as a result of additional statutory levies.

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 European Market Infrastructure Regulation (EMIR).

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 adverse 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, export control, data protection, 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. 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, including some in which claims for damages in high amounts have been asserted, 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.

IT risks

Many processes in the Linde organisation are dependent on the reliability of the IT infrastructure, software applications and data. Therefore, breakdowns or interruptions in the relevant systems or data loss generally have a negative impact on business processes or production. Longer-term shutdowns or critical data loss could adversely affect 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 might result in compensation claims, penalty charges, long-term damage to reputation and a loss of confidence in the company.

The relevance, stage of maturity and current state of the existing security measures are monitored via self-assessments and reviewed by the IT internal audit department and external IT auditors. These regular assessments and audits identify any amendments and improvements that might be required, thus contributing to continuous, sustainable improvement in the effectiveness of the security measures. In 2014, the Group introduced defensive measures in areas which are exposed to new or increased risks, based on the relevance of these areas and the extent of their vulnerability. These measures have been combined to form a multi-stage defence of the systems and data against attacks from outside (malware infection, cyber attacks, invasion attempts). Risk reduction measures have been implemented in particular to deal with the scenario of a computer virus attack, which could have a significant adverse impact on control at major production sites. The principal aim of these measures is to contain the spread of computer viruses across individual production sites.

For applications which are relevant to the Group's business, processes designed to protect the security of data and application software and to store both at a site which is remote from the data source are well-established. This will ensure that, in the event of a catastrophic breakdown or loss of data, it will be possible to restore the systems within a reasonable period of time. Emergency recovery plans are tested on a regular basis to make certain that they are workable.

The Group is continually adopting measures to keep the current IT landscape (including software applications) technically up to date, based on a long-term programme of consolidation. This will make a significant contribution towards ensuring information security and the provision of adequate support for the Group's business processes. So, for example, high-risk systems are identified, and updated or replaced with new systems.

To counter the risk that insufficient resources and expertise will be available to maintain company-specific application software developed in-house (which might mean, in the worst-case scenario, that business-critical processes were inadequately supported), Linde has devised a bespoke training and project management programme. As a further risk control measure, Linde has introduced a standardised process for the development, testing and use of application software.

Linde Template is a major initiative within the Group's 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. There are some project risks attached to the project, due to its size and to the fact that some of the applications are business-critical and will be affected when the project is implemented. In the current roll-out phase of Linde Template to the operating units, there is the risk that, when the changeover from the current processes to the standardised processes takes place, complications might arise in some countries. In the worst case, these might result in breakdowns or temporary interruptions in business processes. To counter this risk, the initiative is being introduced sequentially in different countries. Moreover, in each country where the changeover is taking place, change management techniques will be used to involve the personnel responsible in planning and preparing for it before the operation actually commences. The Group will therefore be able to benefit from the experience it has acquired in countries which have already adopted the new Linde Template.

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.

The volatile and demanding 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 has 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 particularly significant role here.

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

In past years, Linde has paid particular attention to well-targeted 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, mentoring and coaching programmes, the early identification and advancement of high achievers and those with potential, and attractive remuneration packages in line with market rates.

Linde's 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 these measures and collaborating more closely with selected higher education institutions, the Group is able to offer skilled employees excellent professional prospects. In the 2014 financial year, Linde conducted another global employee survey. The results relating to employee satisfaction again show that staff are very satisfied with Linde as an employer. The detailed results will be analysed in depth in the regions to devise new measures. These surveys enable Linde to recognise at an early stage any changes in feelings of loyalty to the Group that might occur and to adopt appropriate measures to manage that situation.

Purchasing 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. Where take-or-pay agreements have been concluded with gases suppliers, sales risks might possibly arise for the Group if it has not also entered into corresponding agreements with customers. Linde has established management processes to identify, evaluate and, if necessary, limit such risks.

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.

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 identified and evaluated on an ongoing basis by the Group.

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 completely ruled out.

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 of the technologies and markets and the fast rate of change associated with them, projects might 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 Technology & Innovation Corporate & Support Function monitors major technological trends, checking continually whether innovative projects within the Group are a good fit 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. For example, Linde has assembled its expertise in medical therapies, gases and devices within a single innovation and development unit. This has improved knowledge sharing and has allowed Linde to streamline its R & D processes, accelerating the speed of innovation and contributing towards reducing the technological risks associated with innovation.

In the Gases Division, global teams of experts in the customer-focused development of applications ensure that development projects are geared towards the current and future requirements of various industries around the world. A rigorous customer-focused 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.

Executive Board summary of the risk situation

In terms of the relative importance of risk areas, there has been no significant change in Linde’s risk situation compared to 2013. The three major risk areas continue to be economic risks, risks associated with the provision of services, and financial market risks and country risk. Purchasing and supply chain risks have declined in relative importance for Linde AG, falling behind personnel risks and IT risks. It should, however, be noted that those three risk areas are very close together in terms of their importance. The same is true for the change in the ranking positions of the last three risk areas. Tax risks have risen in relative importance compared with environmental risks and research and development risks.

Given the risk management procedures in place, the Executive Board has not identified any risks in the 2014 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 Linde 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. Linde 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 slightly stronger growth in the global economy in 2015 than was achieved in 2014. The experts are assuming that recession can be avoided in the eurozone countries and that China's economy will not face a hard landing. They are also relying on positive momentum being generated by structural reform in the emerging economies and on an increase in global consumption as a result of lower oil prices.

Nevertheless, there are still a number of risks that might have an impact on the global economy. Economic development could be adversely affected by the large number of geopolitical crises. Other factors which might continue to hamper growth are considerable ongoing government deficits, currency fluctuations and persistently high unemployment in many industrialised countries. In addition, uncertainty has been created by high levels of volatility in the financial markets.

Against this background, the international forecasting institute The Economist Intelligence Unit (EIU) is predicting growth in global gross domestic product (GDP) for 2015 of 2.9 percent, following a rise of 2.5 percent in 2014. Global industrial production (IP) is also forecast to increase by 2.9 percent in 2015. In 2014, IP rose by 2.6 percent.

It is expected that there will again be considerable variations in economic trends in different regions of the world in 2015. In the EMEA region (Europe, Middle East, Africa), economists are expecting an increase in economic output of 1.5 percent, the same figure as was achieved in 2014. The experts are forecasting a slight upward trend in industrial production. Here, the EIU is predicting an increase in IP in 2015 of 1.6 percent. The actual figure for 2014 was 1.4 percent.

In Western Europe and in the eurozone, the economic forecasters are expecting the economy to stabilise at a relatively low level. The EIU is forecasting growth of 1.4 percent for Western Europe in 2015, compared with actual growth of 1.2 percent in 2014. The EIU forecast for GDP growth in the eurozone in 2015 is 1.0 percent, compared with actual growth in 2014 of 0.8 percent. In Germany, economic trends are expected to weaken. Here, the experts are forecasting GDP growth of only 1.2 percent for 2015, compared with actual GDP growth of 1.5 percent in 2014.

The economic climate in Eastern Europe is expected to continue to deteriorate. GDP growth here is forecast to be only 1.0 percent in 2015, compared with the actual figure of 1.4 percent for 2014.

Robust GDP growth of 3.3 percent is being forecast in the Middle East. However, this is below the actual figure achieved in 2014 of 4.2 percent. The EIU is expecting a slight improvement in the economic climate in South Africa in 2015, forecasting GDP growth here of 2.5 percent, compared with the actual figure for 2014 of 1.6 percent.

In the view of the forecasting institute, economic prospects for the United States are improving and it is therefore predicting an increase in economic output here in 2015 of 3.3 percent (compared with actual GDP growth in 2014 of 2.3 percent), while industrial production is expected to rise by 3.2 percent (compared with an actual rise of 3.9 percent in 2014).

In South America, the experts are expecting only a very slight improvement in the economic situation in 2015 compared with 2014. They are forecasting a growth rate in this region of 1.2 percent (compared with actual growth in 2014 of 0.7 percent). Industrial production, which shrank in 2014 by 2.2 percent, is now predicted to rise by 1.4 percent over the coming year.

As in previous years, the strongest growth rates in 2015 are expected to be seen in the Asia/Pacific region. The EIU is forecasting that economic output here will rise by 5.8 percent (compared with an actual increase in 2014 of 5.6 percent). An increase in industrial production of 6.0 percent is expected, compared with the actual rise in 2014 of 5.5 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 7.1 percent in 2015 (compared with an actual increase in 2014 of 7.3 percent). Chinese industrial production is forecast to increase in 2015 by 8.1 percent. The actual increase in IP in China in 2014 was 8.4 percent.

The experts are predicting GDP growth in Australia in 2015 of 2.8 percent, compared with the actual figure for 2014 of 2.9 percent. Nevertheless, trends in manufacturing industry here are expected to remain relatively weak, as in 2014.

Industry sector outlook

Gases industry

Forecasts of global economic trends indicate that the world market for gases will grow at a slightly faster pace in 2015 than was the case in 2014. It is anticipated that this year the highest growth rates in the sector will continue to be in the emerging economies, especially in Asia. The robust economy which is forecast for the United States should also have a positive impact on the market environment.

Plant construction

Industry experts are anticipating that investment activity in the international market for large-scale plant construction will not reach the high level achieved in 2014. Against the background of the recent significant fall in oil prices, it might be necessary to re-evaluate major projects, especially those in the petrochemical and natural gas processing industry. In the recent past, major oil companies have already postponed capital expenditure they were planning to incur in 2015.

On the other hand, 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 2015.

Outlook – Group

Given the macroeconomic trends and industry sector outlook described above, the Group assumes that it will be able to continue to deliver a steady business performance. Depending on economic trends and exchange rate movements, Linde expects to achieve Group revenue of between EUR 18.2 bn and EUR 19.0 bn in the 2015 financial year. It anticipates that it will achieve an increase in Group operating profit (after adjusting for non-recurring items) in 2015 to between EUR 4.1 bn and EUR 4.3 bn. The non-recurring items relate to costs recognised for structural and organisational measures designed to enhance efficiency.

Linde is seeking to achieve a return on capital employed (ROCE) of between 9 percent and 10 percent in the 2015 financial year.

If the economy were to see stronger growth this year, especially in the growth regions, than is being forecast at the date of completion of this report, this might result in the performance indicators described above turning out better than Linde is currently expecting.

N.B.: A detailed description of the Group's medium-term targets is given in *TARGETS AND STRATEGY OF THE LINDE GROUP, PAGES 85 TO 87*.

Outlook – Gases Division

Recent economic forecasts indicate that the global economy will grow at a slightly faster pace in 2015 than was the case in 2014. However, considering the geopolitical crises in some parts of the world Linde expects parts of the gases market to be volatile. The Group remains committed to its target in the gases business of outperforming the market and continuing to increase productivity.

Linde's on-site project pipeline will make a contribution to revenue and earnings in the 2015 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, stable business trends are expected.

Depending on sector-specific trends and exchange rate movements, Linde is seeking to achieve the following targets in the Gases Division in the 2015 financial year: revenue of between EUR 14.9 bn and EUR 15.4 bn and operating profit of between EUR 4.05 bn and EUR 4.25 bn. The margins which are achieved in 2015 in the individual reportable segments (EMEA, Asia/Pacific and Americas) are expected to be around the same as those actually achieved in 2014.

Outlook – Engineering Division

It is anticipated that the market environment in the international large-scale plant construction business will be much more volatile in 2015 than in previous years. Nevertheless, the Group 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 assumes that it will be able to generate revenue in the Engineering Division in the 2015 financial year of between EUR 3.0 bn and EUR 3.3 bn, with an operating margin of around 8 percent.

Capital expenditure

Linde's investment strategy targets opportunities which offer above-average growth rates. The Group will continue to pursue the same strategy in the 2015 financial year.

Based on the investment decisions it has already made and the great number of investment opportunities still available, Linde expects that it will invest around the same amount in its Gases Division in 2015 as it did in 2014. The ratio of investment to revenue in this division will probably be around 13 percent.

Financing

In the 2015 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 by 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 remain the most important criteria for Linde's dividend policy in future. As in previous years, the Group will generally determine the level of the dividend for the 2015 financial year on the basis of the operating profit figures, while at the same time taking wider macroeconomic trends into account.

Outlook – 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, PAGES 114 TO 116*. 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 an improvement in the net income for the year of Linde AG of between 5 and 10 percent in 2015, compared with the figure for 2014.

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 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 50 TO 57 OF THE ANNUAL 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 a 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 the financial years 2007 to 2014, Linde AG issued benchmark bonds under its EUR 10 bn Debt Issuance Programme, either itself or via Linde Finance B.V. Under the terms and conditions of the bond issues, in the event of a change of control, the bond creditor may demand immediate repayment if the change of control leads to withdrawal of the rating or to a reduction in the rating to or below certain rating levels for unsubordinated unsecured liabilities.

There are also other significant financing agreements in place, each of which includes specific rules which apply in the event of a change in 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 the employment contracts of the members of the Executive Board are terminated, the 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 effect of the rules on change of control on Executive Board members is given in the Remuneration report.

EVENTS AFTER THE BALANCE SHEET DATE

The Linde AG Supervisory Board appointed Dr Christian Bruch and Bernd Eulitz as new members of the Executive Board with effect from 1 January 2015. Bruch and Eulitz succeed Professor Dr Aldo Belloni, who stepped down from the Linde AG Executive Board and retired when his contract ran out on 31 December 2014.

Christian Bruch is assuming Belloni's responsibility on the Linde AG Executive Board for the Group's Engineering Division.

Bernd Eulitz will be the Executive Board member responsible for the EMEA segment of the Group's gases business.

No other significant events occurred for The Linde Group between the balance sheet date and 24 February 2015.

MUNICH, 24 FEBRUARY 2015

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

Notes to the Group Financial Statements

Group Financial Statements

SECTION 3

GROUP STATEMENT OF PROFIT OR LOSS

32 GROUP STATEMENT OF PROFIT OR LOSS

in € million	*Note*	*2014*	*2013*
Revenue	[8]	17,047	16,655
Cost of sales		11,297	10,642
GROSS PROFIT		**5,750**	**6,013**
Marketing and selling expenses		2,476	2,512
Research and development costs		106	92
Administration expenses		1,488	1,419
Other operating income	[9]	486	358
Other operating expenses	[9]	303	193
Share of profit or loss from associates and joint ventures (at equity)		22	16
EBIT		1,885	2,171
Financial income	[11]	50	98
Financial expenses	[11]	415	475
PROFIT BEFORE TAX		**1,520**	**1,794**
Income tax expense	[12]	358	364
PROFIT FOR THE YEAR		**1,162**	**1,430**
attributable to Linde AG shareholders		1,102	1,317
attributable to non-controlling interests		60	113
Earnings per share *in €* – undiluted	[13]	5.94	7.10
Earnings per share *in €* – diluted	[13]	5.91	7.08

GROUP STATEMENT OF COMPREHENSIVE INCOME

33 GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

in € million, SEE NOTE [22]	*2014*	*2013*
PROFIT FOR THE YEAR	1,162	1,430
OTHER COMPREHENSIVE INCOME (NET OF TAX)	147	–1,001
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	648	–1,040
Unrealised gains/losses on available-for-sale financial assets	–10	16
Unrealised gains/losses on derivative financial instruments	–650	269
Currency translation differences	1,308	–1,325
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–501	39
Remeasurement of defined benefit plans	–501	39
TOTAL COMPREHENSIVE INCOME	**1,309**	**429**
attributable to Linde AG shareholders	1,185	366
attributable to non-controlling interests	124	63

GROUP STATEMENT OF FINANCIAL POSITION

34 GROUP STATEMENT OF FINANCIAL POSITION

in € million	*Note*	*31.12.2014*	*31.12.2013*
Assets			
Goodwill	[14]	11,055	10,395
Other intangible assets	[14]	2,922	3,076
Tangible assets	[15]	12,151	11,384
Investments in associates and joint ventures (at equity)	[16]	240	214
Other financial assets	[16]	85	115
Receivables from finance leases	[18]	248	277
Trade receivables	[18]	3	8
Other receivables and other assets	[18]	549	702
Income tax receivables	[18]	3	3
Deferred tax assets	[12]	306	342
NON-CURRENT ASSETS		27,562	26,516
Inventories	[17]	1,155	1,088
Receivables from finance leases	[18]	50	50
Trade receivables	[18]	3,061	2,784
Other receivables and other assets	[18]	723	804
Income tax receivables	[18]	216	146
Securities	[19]	521	170
Cash and cash equivalents	[20]	1,137	1,178
Non-current assets classified as held for sale and disposal groups	[21]	–	13
CURRENT ASSETS		6,863	6,233
TOTAL ASSETS		**34,425**	**32,749**

35 GROUP STATEMENT OF FINANCIAL POSITION

in € million	Note	31.12.2014	31.12.2013
Equity and liabilities			
Capital subscribed		475	475
Conditionally authorised capital € 62 million (2013: € 62 million)			
Capital reserve		6,730	6,712
Revenue reserves		6,564	6,523
Cumulative changes in equity not recognised through the statement of profit or loss		–363	–944
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	[22]	13,406	12,766
Non-controlling interests	[22]	861	820
TOTAL EQUITY		14,267	13,586
Provisions for pensions and similar obligations	[23]	1,265	1,027
Other non-current provisions	[24]	492	457
Deferred tax liabilities	[12]	1,726	1,968
Financial debt	[25]	8,562	8,416
Liabilities from finance leases	[26]	51	56
Trade payables	[27]	2	2
Other non-current liabilities	[27]	648	400
NON-CURRENT LIABILITIES		12,746	12,326
Current provisions	[24]	1,012	897
Financial debt	[25]	1,294	1,161
Liabilities from finance leases	[26]	23	22
Trade payables	[27]	3,485	3,100
Other current liabilities	[27]	1,073	1,033
Liabilities from income taxes	[27]	525	624
CURRENT LIABILITIES		7,412	6,837
TOTAL EQUITY AND LIABILITIES		34,425	32,749

GROUP STATEMENT OF CASH FLOWS

36 GROUP STATEMENT OF CASH FLOWS

in € million, SEE NOTE [30]	Note	2014	2013
Profit before tax		1,520	1,794
Adjustments to profit before tax to calculate cash flow from operating activities			
Amortisation of intangible assets/depreciation of tangible assets	[14], [15]	1,969	1,795
Impairments of financial assets	[16]	1	5
Profit/loss on disposal of non-current assets		–77	–35
Net interest	[11]	368	368
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	[11]	19	24
Share of profit or loss from associates and joint ventures (at equity)	[16]	–22	–16
Distributions/dividends received from associates and joint ventures	[16]	15	10
Income taxes paid	[12]	–599	–552
Changes in assets and liabilities			
Change in inventories	[17]	–23	–50
Change in trade receivables	[18]	–214	–301
Change in provisions	[23], [24]	31	–144
Change in trade payables	[27]	299	375
External funding/allocation to plan assets re. defined benefit plans	[23]	–300	–
Change in other assets and liabilities		14	–129
CASH FLOW FROM OPERATING ACTIVITIES		3,001	3,144
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17		–1,957	–2,162
Payments for investments in consolidated companies	[3]	–65	–143
Payments for investments in financial assets		–52	–41
Payments for investments in securities	[19]	–656	–176
Proceeds on disposal of securities	[19]	306	827
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17		151	148
Proceeds on disposal of consolidated companies and from purchase price repayment claims		99	20
Proceeds on disposal of non-current assets held for sale and disposal groups	[21]	42	–
Proceeds on disposal of financial assets		69	3
CASH FLOW FROM INVESTING ACTIVITIES		–2,063	–1,524

37 GROUP STATEMENT OF CASH FLOWS

in € million, SEE NOTE [30]	Note	2014	2013
Dividend payments to Linde AG shareholders and non-controlling interests	[33]	–645	–563
Cash inflows/outflows due to changes of non-controlling interests		–	52
Proceeds from issue of employee shares	[28]	–	1
Cash outflows for the purchase of own shares	[22]	–5	–4
Interest received	[11]	168	186
Interest paid	[11]	–526	–565
Proceeds of loans and capital market debt	[25]	3,003	4,033
Cash outflows for the repayment of loans and capital market debt	[25]	–2,976	–4,793
Cash outflows for the repayment of liabilities from finance leases	[26]	–21	–22
CASH FLOW FROM FINANCING ACTIVITIES		**–1,002**	**–1,675**
NET CASH INFLOW/OUTFLOW		**–64**	**–55**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	[20]	**1,178**	**1,284**
Effects of currency translation		23	–51
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	[20]	**1,137**	**1,178**

STATEMENT OF CHANGES IN GROUP EQUITY

38 STATEMENT OF CHANGES IN GROUP EQUITY

in € million, SEE NOTE [22]	*Capital subscribed*	*Capital reserve*
AT 01.01.2013	**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**
Acquisition/disposal of non-controlling interests without change in control	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
OTHER CHANGES	–	–
AT 31.12.2013/01.01.2014	**475**	**6,712**
Profit for the year	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	18
Repurchase of own shares	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**–**	**18**
OTHER CHANGES	–	–
AT 31.12.2014	**475**	**6,730**

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*
−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**
–	1,102	–	–	–	1,102	60	1,162
−498	–	1,240	−9	−650	83	64	147
−498	**1,102**	**1,240**	**−9**	**−650**	**1,185**	**124**	**1,309**
–	−557	–	–	–	−557	−88	−645
–	–	–	–	–	18	–	18
–	−5	–	–	–	−5	–	−5
–	**−562**	**–**	**–**	**–**	**−544**	**−88**	**−632**
–	**−1**	**–**	**–**	**–**	**−1**	**5**	**4**
−980	**7,544**	**61**	**5**	**−429**	**13,406**	**861**	**14,267**

SEGMENT INFORMATION

(PART OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS)

39 SEGMENT INFORMATION

	Reportable segments	
	Gases Division	
in € million, SEE NOTE [31]	2014	2013
Revenue from third parties	13,966	13,961
Revenue from other segments	16	10
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	13,982	13,971
OPERATING PROFIT	3,835	3,846
Restructuring costs (non-recurring item)	64	–
Amortisation of intangible assets and depreciation of tangible assets	1,937	1,760
EBIT	1,834	2,086
Capital expenditure (excluding financial assets)	1,890	2,254

in € million
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
Restructuring costs (non-recurring item)
Amortisation of intangible assets and depreciation of tangible assets
EBIT
Capital expenditure (excluding financial assets)

Reportable segments							
Engineering Division		Other Activities		Reconciliation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
2,516	2,132	565	562	–	–	17,047	16,655
590	747	2	1	−608	−758	–	–
3,106	2,879	567	563	−608	−758	17,047	16,655
300	319	62	54	−277	−253	3,920	3,966
–	–	–	–	2	–	66	–
35	36	33	32	−36	−33	1,969	1,795
265	283	29	22	−243	−220	1,885	2,171
41	33	13	14	10	−33	1,954	2,268

Reportable segments							
Gases Division							
EMEA		Asia/Pacific		Americas		Total Gases Division	
2014	2013	2014	2013	2014	2013	2014	2013
5,969	6,080	3,792	3,749	4,205	4,132	13,966	13,961
11	10	20	18	109	99	16	10
5,980	6,090	3,812	3,767	4,314	4,231	13,982	13,971
1,778	1,759	1,010	1,005	1,047	1,082	3,835	3,846
38	–	17	–	9	–	64	–
665	651	645	493	627	616	1,937	1,760
1,075	1,108	348	512	411	466	1,834	2,086
946	883	413	854	531	517	1,890	2,254

40 REVENUE BY LOCATION OF CUSTOMER

in € million	2014	2013
Europe	6,560	6,416
Germany	1,261	1,322
UK	1,559	1,448
Asia/Pacific	5,079	4,981
China	1,299	1,136
Australia	1,124	1,228
North America	4,238	3,898
USA	3,734	3,411
South America	623	725
Africa	547	635
GROUP REVENUE	**17,047**	**16,655**

41 NON-CURRENT ASSETS BY LOCATION OF COMPANY

in € million	2014	2013
Europe	10,468	10,207
Germany	1,198	1,201
UK	1,544	1,480
Asia/Pacific	8,076	7,611
China	1,616	1,574
Australia	1,310	1,328
North America	6,406	5,591
USA	2,411	2,101
South America	471	760
Africa	707	686
NON-CURRENT SEGMENT ASSETS	**26,128**	**24,855**

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 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 2014 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 on the application of International Accounting Standards in the European Union. The consolidated financial statements also comply with the additional requirements set out in § 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 Group 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 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 and expenses and accounts receivable and payable are eliminated.

Intra-Group profits and losses arising from intra-Group deliveries of non-current assets and inventories are also eliminated.

The same principles apply to the measurement of companies accounted for using the equity method as for the consolidation of subsidiaries.

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. Linde made no significant acquisitions in the 2014 financial year. Therefore, acquisitions made during the year are described below in aggregate rather than on an individual basis.

In 2014, Linde made acquisitions to expand its industrial gases business and in the Healthcare product area in the EMEA, Americas and Asia/Pacific reportable segments. The total purchase price for these acquisitions (including existing shares restated at fair value) was EUR 70 m, of which EUR 59 m was settled in cash. The total purchase price includes deferred purchase price payments of EUR 6 m and contingent consideration. Liabilities arising from contingent purchase price payments amounted to EUR 2 m. Sometimes separate transactions were agreed with former owners. In the course of successive acquisitions, revenue of EUR 1 m was generated from the measurement of existing shares (EUR 2 m) at fair value and recognised in the share of profit or loss from associates and joint ventures.

In the course of these 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 62 m, including fair value adjustments in the course of purchase price allocations of EUR 12 m. Part of the goodwill (EUR 43 m) is tax-deductible. Receivables acquired, which are all trade receivables, have a fair value of EUR 5 m. The gross value of the receivables is EUR 6 m. The difference between the gross value of the receivables and their fair value is a provision for doubtful debts.

Since their respective dates of acquisition, the companies acquired have generated revenue of EUR 44 m and profit after tax of EUR 15 m. If the companies acquired had already belonged to the Group as at 1 January 2014, they would have contributed EUR 65 m to Group revenue and EUR 22 m to the Group's profit after tax in the 2014 financial year.

42 IMPACT OF ACQUISITIONS ON NET ASSETS

Opening balance at acquisition date	*Fair value*
in € million	
Non-current assets	18
Inventories	3
Other current assets	6
Cash and cash equivalents	1
Equity (attributable to Linde AG)	10
Liabilities	18

[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 given in NOTE [7].

Associates over which Linde AG can exercise significant influence as defined by IAS 28 are also accounted for using the equity method. Significant influence is presumed if Linde AG holds (directly or indirectly) 20 percent or more of the voting rights in an investee, unless it can be clearly demonstrated that this is not the case.

Non-consolidated subsidiaries, when taken together, are immaterial from the Group's point of view in terms of total assets, revenue and profit or 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:

43 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	At 31.12.2013	*Additions*	*Disposals*	*At 31.12.2014*
CONSOLIDATED SUBSIDIARIES	**538**	**19**	**22**	**535**
of which within Germany	18	–	–	18
of which outside Germany	520	19	22	517
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**5**	**–**	**–**	**5**
of which within Germany	–	–	–	–
of which outside Germany	5	–	–	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**36**	**5**	**6**	**35**
of which within Germany	2	1	–	3
of which outside Germany	34	4	6	32
NON-CONSOLIDATED SUBSIDIARIES	**61**	**5**	**7**	**59**
of which within Germany	2	–	1	1
of which outside Germany	59	5	6	58

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.

Disposals relate principally to mergers. Significant additions during the financial year are shown in NOTE [3].

In the 2014 financial year, there were no effects on the equity of The Linde Group from changes in ownership interests in subsidiaries which did not result in either a loss of control or the acquisition of control:

44 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

in € million	31.12.2014	31.12.2013
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
Consideration paid	–	2
GAIN (+)/LOSS (–) FROM ACQUISITION OF INTERESTS IN OWNERSHIP	–	**–43**

The following fully-consolidated subsidiaries are exempt under the provisions of § 264 (3) and § 264b of the German Commercial Code (HGB) from the duty to prepare full annual financial statements and a management report in accordance with the rules for corporations set out in §§ 264 ff. HGB and to have them audited and publish them.

45 COMPANIES EXEMPT FROM THE DUTY TO PREPARE FINANCIAL STATEMENTS

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	Oberschleissheim
Linde Remeo Deutschland GmbH	Blankenfelde-Mahlow
Linde Schweißtechnik GmbH	Pullach
Linde Welding GmbH	Pullach
MTA GmbH Medizin-Technischer Anlagenbau	Mainhausen
Selas-Linde GmbH	Pullach
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg
Unterbichler Gase GmbH	Munich

A list of the shareholdings of The Linde Group is given in NOTE [41].

[5] Foreign currency translation

Transactions in foreign currency are translated into the relevant functional currency of the individual entity on the transaction date. After initial recognition, foreign currency fluctuations relating to monetary items are recognised in profit or loss. For non-monetary items, historic translation rates continue to form the measurement basis.

Translation differences arising from the translation of items into the reporting currency continue to be recognised in 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 which report in a functional currency which is the currency of a hyperinflationary economy are adjusted for the change in purchasing power arising from the inflation.

On 24 March 2014, the government in Venezuela introduced the new auction-based exchange rate system SICAD II, under which currency can be acquired at a rate which is not fixed. The exchange rate under the SICAD II system at 31 December 2014 was 50.0 bolivars to the US dollar, significantly higher than the exchange rate fixed by the government of 6.3 bolivars to the US dollar which applied until 24 March 2014.

Since 1 January 2010, Linde's activities in Venezuela, which is classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been reported after adjustment for the effects of inflation. The rate of inflation is calculated using the country's inflation index INPC, which is published at monthly intervals by the Banco Central de Venezuela in so far as a rise or fall in the index is reflected in exchange rate movements.

The Linde Group has felt the impact (on its foreign currency translation and on its transactions) of applying the new SICAD II exchange rate from 1 April 2014 and of adjusting for the effects of inflation by using hyperinflationary accounting. Whereas the impact on Linde's foreign currency translation arises solely from the translation of the local currency into the reporting currency (the euro), the impact on Linde's transactions arises from the measurement of business transactions in foreign currency.

[6] Currencies

The principal exchange rates used are set out below:

46 PRINCIPAL EXCHANGE RATES

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date 31.12.2014	Mid-rate on balance sheet date 31.12.2013	Average rate for the year 2014	Average rate for the year 2013
Argentina	ARS	10.24078	8.95964	10.77206	7.27507
Australia	AUD	1.48084	1.54138	1.47214	1.37667
Brazil	BRL	3.21518	3.24694	3.11940	2.86785
Canada	CAD	1.40591	1.46024	1.46599	1.36795
China	CNY	7.50845	8.32176	8.18499	8.16437
Czech Republic	CZK	27.65959	27.34217	27.53506	25.96746
Hungary	HUF	316.60565	297.42220	308.69539	296.90981
Malaysia	MYR	4.23024	4.50663	4.34290	4.18422
Norway	NOK	9.04242	8.34149	8.35564	7.80717
Poland	PLN	4.28704	4.15335	4.18442	4.19676
South Africa	ZAR	13.99917	14.42918	14.39463	12.82153
South Korea	KRW	1,323.45492	1,451.19958	1,398.12305	1,453.83893
Sweden	SEK	9.43320	8.85071	9.09911	8.64963
Switzerland	CHF	1.20289	1.22759	1.21463	1.23084
Turkey	TRY	2.82439	2.94955	2.90375	2.53154
UK	GBP	0.77679	0.83017	0.80610	0.84924
USA	USD	1.20985	1.37460	1.32851	1.32799

[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

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 2014:

- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (early adopted in the Group financial statements for the year ended 31 December 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (early adopted in the Group financial statements for the year ended 31 December 2013)

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 2014, as they are either not yet effective and/or have not yet been adopted by the European Union:

- IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments and Subsequent Amendments (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 as well as Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures) (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- 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)
- Improvements to IFRSs (2012–2014), (first-time application according to IASB in financial years beginning on or after 1 January 2016)

IFRS 15

The new standard on revenue recognition seeks to create a framework which brings together the multiplicity of rules which have until now been set out in a number of different standards and interpretations. At the same time, its objective is to establish a uniform set of basic principles which will apply to all industry sectors and all categories of revenue transactions.

In future, companies preparing their financial statements in accordance with IFRS will determine when to recognise revenue (at what time or over which period) and how much revenue to recognise by applying five steps. In addition to the five-step model, the standard includes a number of additional rules covering various issues in detail, such as accounting for contract costs and changes to contracts.

In particular, the new rules set out below may give rise to changes from existing practice:

- Recognition of revenue when control is transferred. The point in time at which (or the period of time over which) revenue is recognised is determined by the transfer of control over the goods or services to the customer (control approach). The transfer of risks and rewards (risk and reward approach) is only an indication that a transfer of control may have taken place.
- Specific rules on arrangements with multiple elements
- New criteria for revenue recognition over the period in which the performance obligation is satisfied
- More extensive disclosures in the notes to the financial statements

The new rules become effective for financial years beginning on or after 1 January 2017. Earlier application is permitted and recommended. IFRS 15 has not yet been endorsed by the EU.

IFRS 15 will replace IAS 11 Construction Contracts and IAS 18 Revenue, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

A detailed analysis is currently being conducted to evaluate the impact of IFRS 15.

IFRS 9

The rules for the recognition and measurement of financial instruments set out in IAS 39 will be replaced by those set out in IFRS 9. In future, financial assets will be divided into only two classifications: those measured at amortised cost and those measured at fair value. The group of assets measured at amortised cost will comprise those financial assets for which the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and in respect of which the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. All other financial assets are included in a group which is measured at fair value. IFRS 9 contains an option, as before, to designate a financial asset in the first category as measured at fair value through profit or loss if certain conditions apply (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 the 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.

According to the rules of the IASB, the first-time application of IFRS 9 and Subsequent Amendments will be in financial years beginning on or after 1 January 2018. Earlier application is permitted. IFRS 9 has not yet been endorsed by the EU.

IFRS 9 may result in changes in the classification and measurement of financial assets and financial liabilities 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.

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. 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 are 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.

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:

47 USEFUL LIVES FOR TANGIBLE ASSETS

Buildings	10–40 years
Technical equipment	6–15 years
Fixtures, furniture and equipment	3–20 years

If significant events or market developments indicate 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 2014 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 2014 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 in 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 in 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, see 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 in functional costs.

In previous years, companies in The Linde Group acted as reinsurers in respect of some of the above-mentioned insurance contracts. The provisions of this type which still exist fall within the scope of IFRS 4 Insurance Contracts. Insurance risks are recognised in the Group financial statements in the form of a provision for unsettled claims. The provision for payment obligations comprises insurance claims which have arisen by the balance sheet date but which have not yet been settled. Provisions for claims which have been notified by the balance sheet date are based on estimates of the future costs of the claims including loss adjustment expenses. These are set up on the basis of individual obligations. Provisions for claims incurred but not reported at the balance sheet date (IBNR) 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.

Income tax provisions are disclosed in income tax liabilities.

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 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 measurement 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 to a large extent 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 at a future date 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 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 prices. 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.

Companies for which the principal object is the construction and operation of gas production plants, and yet in which Linde holds less than 100 percent of the voting rights, are fully consolidated if Linde holds the advantage in terms of know-how. In these cases, The Linde Group has assumed responsibility for the operation of the companies' plants and the companies are therefore dependent on Linde technology. This is also reflected in the licensing agreements in force and by 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, companies are fully consolidated if Linde exerts increased management authority in those companies and 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, Linde 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.

Linde accounts on a line-by-line basis in accordance with the rules set out in IFRS 11 for certain joint arrangements where the sole object is to supply the shareholders. In the absence of any fixed supply quotas, the assets and liabilities are accounted for on the basis of the share of equity held in these companies by The Linde Group.

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

[8] Revenue

Revenue is analysed by activity in the segment information in the Group financial statements. In 2014, there were no customers from whom the Group derived over 10 percent of its revenue. For a detailed analysis of revenue by product in the Gases Division and by plant type in the Engineering Division, *SEE PAGES 100 TO 104 OF THE COMBINED MANAGEMENT REPORT.*

Revenue is derived from the following activities:

48 REVENUE

in € million	*2014*	*2013*
Revenue from the sale of goods and services	14,910	14,905
Revenue from long-term construction contracts	2,137	1,750
TOTAL	**17,047**	**16,655**

[9] Other operating income and expenses

49 OTHER OPERATING INCOME

in € million	*2014*	*2013*
Exchange gains	130	65
Profit on disposal of non-current assets	73	45
Operating dividend income	29	57
Compensation payments received	77	8
Income arising from changes to pension schemes	–	3
Ancillary revenue	14	15
Income from release of provisions	24	15
Financial income from long-term construction contracts	19	10
Income from freestanding foreign currency hedges	6	4
Miscellaneous operating income	114	136
TOTAL	**486**	**358**

The profit on disposal of non-current assets primarily relates to profits on disposal of land and buildings.

50 OTHER OPERATING EXPENSES

in € million	*2014*	*2013*
Exchange losses	116	76
Expenses from freestanding foreign currency hedges	6	2
Loss on disposal of non-current assets	16	10
Expenses related to pre-retirement part-time work schemes	2	3
Miscellaneous operating expenses	163	102
TOTAL	**303**	**193**

The increase in other operating expenses from EUR 193 m to EUR 303 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 2014 financial year, personnel costs of EUR 3.536 bn (2013: EUR 3.423 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

51 FINANCIAL INCOME

in € million	2014	2013
Net interest income from defined benefit plans, SEE NOTE [23].	13	10
Finance income from finance leases in accordance with IFRIC 4/IAS 17	20	24
Income from a redemption penalty	–	27
Income from investments	1	2
Other interest and similar income	16	35
TOTAL	**50**	**98**

The decrease in financial income was due on the one hand to lower interest income from interest rate derivatives and liquid funds in 2014 than in 2013. On the other hand, it should be noted that the prior-year figure included one-off income of EUR 27 m relating to the buying out of minority shareholders in a subsidiary.

52 FINANCIAL EXPENSES

in € million	2014	2013
Net interest expense from defined benefit plans, SEE NOTE [23].	30	36
Impairment of financial assets	1	13
Other interest and similar charges	384	426
TOTAL	**415**	**475**

Financial expenses have fallen, mainly as a result of low interest rates and favourable refinancing deals.

In interest income and interest expenses, gains and losses from fair value hedge accounting are offset against each other, in order to give a fair presentation of the economic effect of the underlying hedging relationship. Interest income and interest expenses relating to derivatives are also disclosed net.

[12] Taxes on income

Taxes on income in The Linde Group can be analysed as follows:

53 TAXES ON INCOME

in € million	2014	2013
Current tax expense (+) and income (–)	485	589
Tax expense (+) and income (–) relating to prior periods	–53	–96
Deferred tax expense (+) and deferred tax income (–)	–74	–129
TOTAL	**358**	**364**

Included under the "Tax expense and income relating to prior periods" heading in the 2014 financial year are current tax income of EUR 54 m (2013: EUR 163 m) and a deferred tax expense of EUR 1 m (2013: EUR 67 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 52 m (2013: EUR 96 m) relates to the change in temporary differences.

The income tax expense disclosed for the 2014 financial year of EUR 358 m is EUR 58 m lower than the expected income tax expense of EUR 416 m, a theoretical figure arrived at by applying the German tax rate of 27.4 percent (2013: 27.4 percent) to Group earnings before taxes on income. Tax effects recognised directly in equity are shown in detail in NOTE [22].

The difference between the expected income tax expense and the figure disclosed is explained below:

54 EXPECTED AND DISCLOSED TAX EXPENSE

in € million	2014	2013
Profit before tax	1,520	1,794
Income tax rate of Linde AG (including trade tax, *(in %)*)	27.4	27.4
EXPECTED INCOME TAX EXPENSE	**416**	**491**
Foreign tax rate differential	–28	–43
Effect of associates	–6	–1
Reduction in tax due to tax-free income	–98	–71
Increase in tax due to non-tax-deductible expenses	65	52
Tax expense and income relating to prior periods	–53	–96
Effect of changes in tax rate	3	–39
Change in other permanent differences	–15	19
Other	74	52
INCOME TAX EXPENSE DISCLOSED	**358**	**364**
Effective tax rate *(in %)*	23.6	20.3

In the 2014 financial year, the corporate income tax rate in Germany was 15.0 percent (2013: 15.0 percent). Taking into account an average rate for trade earnings tax of 11.6 percent (2013: 11.6 percent) and the solidarity surcharge (0.8 percent in both 2014 and 2013), this gives a tax rate for German companies of 27.4 percent (2013: 27.4 percent). This tax rate of 27.4 percent (2013: 27.4 percent) was also used to calculate deferred tax for German companies.

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 178 m (2013: EUR 176 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 84 m (2013: EUR 37 m). The recognition of a deferred tax asset in respect of losses brought forward not previously recognised and temporary differences had a positive impact in 2014 of EUR 13 m. The utilisation of tax credits not previously recognised had a positive impact in 2013 of EUR 3 m, while the positive impact of the utilisation of tax loss carryforwards in respect of which no deferred tax asset had yet been recognised was EUR 2 m in 2013.

55 DEFERRED TAX ASSETS AND LIABILITIES

	2014		2013	
in € million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	8	820	10	828
Tangible assets	256	1,080	254	1,012
Financial assets	90	160	90	155
Current assets	507	963	492	759
Provisions	357	143	225	164
Liabilities	959	493	837	651
Tax loss carryforwards and tax credits	62	–	35	–
Amounts offset	−1,933	−1,933	−1,601	−1,601
TOTAL	**306**	**1,726**	**342**	**1,968**

The tax credits in the 2014 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 408 m (2013: EUR 162 m). Of this amount, deferred tax assets of EUR 350 m (2013: deferred tax assets of EUR 177 m) related to provisions, while deferred tax assets of EUR 58 m (2013: deferred tax liabilities of EUR 15 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 866 m (2013: EUR 470 m) was therefore reduced by EUR 208 m (2013: EUR 105 m), as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 708 m (2013: EUR 437 m) and deductible temporary differences of EUR 158 m (2013: EUR 33 m) will be utilised. Of the revised figure for total potential reductions in the tax base of EUR 708 m (2013: EUR 437 m) which relate to adjusted tax loss carryforwards and tax credits, EUR 182 m (2013: EUR 123 m) may be carried forward for up to ten years and EUR 526 m (2013: EUR 314 m) may be carried forward for longer than ten years.

Deferred tax assets relating to tax loss carryforwards and tax credits of EUR 62 m (2013: EUR 35 m) are recognised mainly because it is projected that there will be taxable profit against which the unused tax losses and tax credits may be offset.

56 TAX LOSS CARRYFORWARDS

in € million	*2014*	*2013*
May be carried forward for up to 10 years	203	92
May be carried forward for longer than 10 years	3	16
May be carried forward indefinitely	508	363[1]
TOTAL	**714**	**471**

[1] Adjusted.

The movement in tax loss carryforwards is mainly due to additions in Brazil, Russia, Saudi Arabia and China. There are also tax loss carryforwards relating to US state tax of EUR 289 m (2013: EUR 240 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

57 EARNINGS PER SHARE

in € million	*2014*	*2013*
Profit for the year – attributable to Linde AG shareholders	1,102	1,317
Shares in thousands		
Weighted average number of shares outstanding	185,635	185,420
Dilution as a result of share option schemes	730	637
Weighted average number of shares outstanding – diluted	186,365	186,057
EARNINGS PER SHARE *in €* – **UNDILUTED**	**5.94**	**7.10**
EARNINGS PER SHARE *in €* – **DILUTED**	**5.91**	**7.08**

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.

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 2014 financial year and in the previous year were as follows:

58 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACQUISITION COST

in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
AT 01.01.2013	**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 31.12.2013/01.01.2014	**10,400**	**3,417**	**481**	**1,262**	**15,560**
Currency adjustments	600	176	35	60	871
Additions due to acquisitions	62	14	–	–	76
Additions	–	–	–	56	56
Disposals	–	–	–	32	32
Transfers	–	–	–	8	8
AT 31.12.2014	**11,062**	**3,607**	**516**	**1,354**	**16,539**

59 MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACCUMULATED AMORTISATION

in € million	Goodwill	Customer relationships	Brands	Other intangible assets	Total
AT 01.01.2013	**6**	**990**	**149**	**712**	**1,857**
Currency adjustments	–	–101	–13	–36	–150
Amortisation	–	243	27	116	386
Disposals	–	1	–	5	6
Transfers	–1	1	–	1	1
Reclassification as assets held for sale	–	–	–	1	1
AT 31.12.2013/01.01.2014	**5**	**1,132**	**163**	**789**	**2,089**
Currency adjustments	2	74	14	36	126
Amortisation	–	227	25	104	356
Impairments	–	11	–	10	21
Disposals	–	–	–	31	31
Transfers	–	–	–	1	1
AT 31.12.2014	**7**	**1,444**	**202**	**909**	**2,562**
NET BOOK VALUE AT 31.12.2014	**11,055**	**2,163**	**314**	**445**	**13,977**
NET BOOK VALUE AT 31.12.2013	**10,395**	**2,285**	**318**	**473**	**13,471**

In the statement of financial position at 31 December 2014, the total figure for goodwill is EUR 11.055 bn (2013: EUR 10.395 bn). Goodwill arising on acquisitions made in the 2014 financial year was EUR 66 m.

The total net book value of trademarks acquired in the course of acquisitions was EUR 314 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 2014, their net book value was EUR 213 m (2013: EUR 229 m).

The brand names acquired in the course of Lincare acquisition have indefinite useful lives and are included in the North America region. These were the subject of an impairment test in 2014, based on assumptions of a pre-tax interest rate of 9.8 percent and growth in the terminal value of 1.0 percent. The carrying amount of these brand names at 31 December 2014 was EUR 101 m.

The amortisation expense for intangible assets with finite useful lives of EUR 356 m (2013: EUR 386 m) 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 14 m (2013: EUR 9 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 (2013: EUR 2 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.

During the 2014 financial year, the closure of a customer site and the resulting non-renewal of a customer contract in the South Pacific region led to an impairment loss being recognised in respect of a contractual customer relationship acquired as part of the BOC deal. When the customer relationship was originally valued in the course of the purchase price allocation, the assumption was made that the contract would be extended. The impairment loss recognised was EUR 11 m and was calculated on an undiscounted basis due to the short measurement horizon. The impairment loss relating to the customer relationship was recognised in marketing and selling expenses.

Another impairment loss recognised of EUR 10 m related to software solutions in Brazil. This impairment loss was recognised in administration expenses.

An impairment test of goodwill was carried out at 30 September 2014. No impairment losses were recognised as a result. Neither were any impairment losses recognised when a further impairment test of goodwill was carried out at 31 December 2014.

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 0.5 and 1 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 0.5 percentage points 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 Pacific cash-generating unit, an increase of 2.8 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 exceeded the carrying amount.
- A decrease in Linde's operating profit margin of 7.2 percentage points over all periods including perpetuity would have resulted in the value in use equalling the carrying amount at the level of the Greater China cash-generating unit. Assuming the same percentage decline in operating profit in the remaining CGUs in the Gases Division, the value in use would still have 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 1.7 percent and 8.6 percent. The average annual growth rates assumed for operating profit in the regions within the Gases Division were between 1.8 percent and 10.3 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:

60 ASSUMPTIONS FOR THE IMPAIRMENT TEST OF GOODWILL

	Book value of allocated goodwill		Pre-tax WACC based on region-specific premiums and discounts at impairment test date		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 31.12.2014	at 31.12.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013	2014	2013
EMEA								
RBU Africa & UK	1,214	1,142	6.9	7.7	5.6	6.4	0.8	1.5
RBU Continental & Northern Europe	3,412	3,365	7.0	7.2	5.4	5.6	0.5	1.0
RBU Middle East & Eastern Europe	392	393	7.7	8.7	6.7	7.7	1.0	2.0
ASIA/PACIFIC								
RBU Greater China	405	366	6.6	7.4	5.4	6.3	1.0	2.0
RBU South & East Asia	395	365	8.4	9.4	6.7	7.6	1.0	2.0
RBU South Pacific	1,153	1,107	7.4	7.2	5.4	5.4	0.5	1.0
AMERICAS								
RBU Americas	3,483	3,087	7.9	8.5	5.3	6.1	0.5	1.0
ENGINEERING DIVISION	**272**	**269**	**9.4**	**13.7**	**7.0**	**10.3**	**0.8**	**1.5**
OTHER ACTIVITIES	**329**	**301**	**6.8**	**7.4**	**5.5**	**6.2**	**0.8**	**1.5**
GROUP	**11,055**	**10,395**						

[15] Tangible assets

Movements in the tangible assets of The Linde Group in the 2014 financial year were as follows:

61 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACQUISITION COST

in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
AT 01.01.2013	**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 31.12.2013/01.01.2014	**2,919**	**21,144**	**1,547**	**1,761**	**27,371**
Currency adjustments	22	974	–31	44	1,009
Additions due to acquisitions	–	–	–	4	4
Additions	28	436	72	1,362	1,898
Disposals	40	408	71	3	522
Transfers	88	979	50	–1,081	36
AT 31.12.2014	**3,017**	**23,125**	**1,567**	**2,087**	**29,796**

62 MOVEMENT SCHEDULE TANGIBLE ASSETS – ACCUMULATED DEPRECIATION

in € million	Land, land rights and buildings	Technical equipment and machinery	Fixtures, furniture and equipment	Plants under construction	Total
AT 01.01.2013	**1,323**	**13,188**	**1,146**	**23**	**15,680**
Currency adjustments	–39	–718	–59	–1	–817
Depreciation	87	1,153	99	–	1,339
Impairments	–	69	–	1	70
Disposals	38	257	50	–	345
Transfers	–1	60	–	–18	41
Reclassification as assets held for sale	11	7	1	–	19
AT 31.12.2013/01.01.2014	**1,343**	**13,502**	**1,137**	**5**	**15,987**
Currency adjustments	–11	525	–24	9	499
Depreciation	85	1,195	99	–	1,379
Impairments	14	74	5	120	213
Disposals	26	379	70	–	475
Transfers	1	63	–22	–	42
AT 31.12.2014	**1,406**	**14,980**	**1,125**	**134**	**17,645**
NET BOOK VALUE AT 31.12.2014	**1,611**	**8,145**	**442**	**1,953**	**12,151**
NET BOOK VALUE AT 31.12.2013	**1,576**	**7,642**	**410**	**1,756**	**11,384**

Tangible assets include leased buildings, technical equipment and machinery, and fixtures, with a carrying amount totalling EUR 77 m (2013: 87 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 77 m, EUR 30 m (2013: EUR 32 m) relates to buildings, EUR 8 m (2013: EUR 9 m) to technical equipment and machinery and EUR 39 m (2013: EUR 46 m) to vehicles.

Also included in tangible assets is technical equipment held under embedded operating leases on the sales side. Of the total minimum lease payments due in future from the customer from such embedded operating leases, EUR 51 m is due within one year (2013: EUR 31 m), EUR 360 m is due within one to five years (2013: EUR 290 m) and EUR 1.047 bn is due in more than five years (2013: EUR 1.065 bn).

Impairment tests were based on the recoverable amount of the assets examined, 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 213 m were recognised in respect of tangible assets in 2013 (2012: EUR 70 m). The impairment losses related mainly to technical equipment and machinery and were allocated to the following reportable segments: EUR 4 m (2013: EUR 5 m) to EMEA, EUR 119 m (2013: EUR 6 m) to Asia/Pacific and EUR 90 m (2013: EUR 59 m) to the Americas. The impairment losses relating to tangible assets were recognised in cost of sales and in administration expenses.

At the Chongqing Chemical Park, China, where Linde (together with its partner Chongqing Chemical & Pharmaceutical Holding Group Company (CCPHC)) intended to supply gases to various industrial customers, Linde recognised a total impairment loss of EUR 100 m relating to parts of a plant complex. It was necessary to recognise the impairment loss because of a change in the structural organisation at this site, which had an impact on both the raw gas available as feedstock and the purchase volumes of the plant complex.

Due to a change in economic circumstances at a site in Vietnam, Linde recognised an impairment loss of EUR 18 m on an air separation plant and the related distribution network. The pre-tax discount rate applied was 13.4 percent.

The continuous slowdown of the business in Brazil required the recognition in the 2014 financial year of a further impairment loss of EUR 90 m on operating cash-generating units. The cash-generating units comprise mainly air separation plants and the distribution networks to filling stations and end customers. The pre-tax discount rate applied was 10.6 percent.

There were no reversals of impairment losses in 2014 or in 2013.

Borrowing costs for construction periods over one year of EUR 42 m (2013: EUR 49 m) were capitalised, based on a pre-tax interest rate of 3.6 to 3.8 percent (2013: 3.8 to 4.5 percent).

The cost of tangible assets was reduced in the 2014 financial year by government grants for air separation plants of EUR 9 m (2013: EUR 6 m).

Tangible assets of EUR 56 m (2013: EUR 56 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 2014 financial year were as follows:

63 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACQUISITION COST

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans[1]
AT 01.01.2013	**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 31.12.2013/01.01.2014	**223**	**104**	**31**
Currency adjustments	20	6	1
Additions	33	17	5
Disposals	20	54	7
Transfers	–5	–	–
AT 31.12.2014	**251**	**73**	**30**

[1] EUR 15 m (2013: EUR 17 m) of the non-current loans relates to loans to associates and joint ventures.

64 MOVEMENT SCHEDULE FINANCIAL ASSETS – ACCUMULATED AMORTISATION

in € million	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans
AT 01.01.2013	**11**	**15**	**1**
Currency adjustments	–	–1	–
Impairments	–	1	4
Transfers	–2	–	–
AT 31.12.2013/01.01.2014	**9**	**15**	**5**
Currency adjustments	2	1	–
Impairments	–	–	1
Disposals	–	4	–
AT 31.12.2014	**11**	**12**	**6**
NET BOOK VALUE AT 31.12.2014	**240**	**61**	**24**
NET BOOK VALUE AT 31.12.2013	**214**	**89**	**26**

65 NET BOOK VALUE OF FINANCIAL ASSETS

	Investments in associates and joint ventures (at equity)	Other investments	Non-current loans	Total
Net book value at 31.12.2014	240	61	24	325
Net book value at 31.12.2013	214	89	26	329

The share of profit or loss from associates and joint ventures in the Gases Division in the 2014 financial year was EUR 22 m (2013: EUR 16 m). Within the Gases Division, EUR 9 m of the total figure related to the EMEA reportable segment (2013: EUR 4 m) and EUR 12 m to the Asia/Pacific segment (2013: 12 m), while EUR 1 m was recognised in the Americas segment.

Of the profit or loss from associates and joint ventures, there were unrecognised losses of EUR 2 m (2013: EUR 1 m).

In addition, there were contingent liabilities at 31 December 2014 in respect of shares in associates and joint ventures of EUR 4 m (2013: EUR 8 m) which related mainly to charge-free guarantee agreements. These are also disclosed as contingent liabilities in *NOTE [38]*.

At 31 December 2014, there were open orders from joint ventures and associates of EUR 36 m (2013: EUR 25 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 to Linde.

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 those joint ventures held by Linde:

66 AGGREGATE FINANCIAL INFORMATION ABOUT JOINT VENTURES (AT EQUITY)

in € million	2014	2013
Profit for the year	19	9
Other comprehensive income (net of tax)	10	–1
TOTAL COMPREHENSIVE INCOME	**29**	**8**

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

67 INVENTORIES

in € million	31.12.2014	31.12.2013
Raw materials and supplies	118	113
Work in progress, unfinished goods and services	200	196
Finished goods	497	430
Merchandise	231	236
Payments in advance to suppliers	109	113
GROUP	**1,155**	**1,088**

At 31 December 2014, the total inventory allowance was EUR 108 m (2013: EUR 88 m).

[18] Receivables from finance leases, trade receivables, other receivables and other assets and income tax receivables

68 RECEIVABLES AND OTHER ASSETS

in € million	Current 31.12.2014	Current 31.12.2013	Non-current 31.12.2014	Non-current 31.12.2013	Total 31.12.2014	Total 31.12.2013
RECEIVABLES FROM FINANCE LEASES	50	50	248	277	298	327
Receivables from percentage of completion contracts	511	421	–	–	511	421
Other trade receivables	2,550	2,363	3	8	2,553	2,371
TRADE RECEIVABLES	3,061	2,784	3	8	3,064	2,792
Other tax receivables	226	257	34	32	260	289
Derivatives with positive fair values	151	115	258	340	409	455
Prepaid pension costs	–	–	171	243	171	243
Miscellaneous receivables and assets	346	432	86	87	432	519
OTHER RECEIVABLES AND OTHER ASSETS	723	804	549	702	1,272	1,506
INCOME TAX RECEIVABLES	216	146	3	3	219	149

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:

69 RECEIVABLES FROM FINANCE LEASES

in € million	31.12.2014	31.12.2013
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	363	405
due within one year	67	69
due in one to five years	206	223
due in more than five years	90	113
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	298	327
due within one year	50	50
due within one to five years	167	177
due in more than five years	81	100
UNEARNED FINANCE INCOME INCLUDED IN THE MINIMUM LEASE PAYMENTS	65	78

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 4.174 bn (2013: EUR 3.922 bn), offset against advance payments of EUR 4.473 bn (2013: EUR 3.972 bn), giving rise to receivables of EUR 511 m (2013: EUR 421 m) and liabilities of EUR 810 m (2013: EUR 471 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.

70 FINANCIAL ASSETS PAST DUE BUT NOT IMPAIRED

2014, in € million	< 30 days	30–60 days	60–90 days	90–180 days	>180 days
Trade receivables	261	49	44	1	1
Miscellaneous receivables and assets	4	–	–	–	–
2013, in € million					
Trade receivables	280	56	34	1	3
Miscellaneous receivables and assets	4	–	–	–	–

In the case of financial assets which are neither past due nor impaired, there were no indications at the balance sheet date of any potential impairment.

[19] Securities

Short-term securities increased during the 2014 financial year from EUR 170 m to EUR 521 m, mainly as a result of purchases.

There were held-to-maturity securities at 31 December 2014 of EUR 12 m (2013: 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 1.137 bn (2013: EUR 1.178 bn) comprised mainly cash at banks and money market funds which have maturities of three months or less.

71 CASH AND CASH EQUIVALENTS

in € million	31.12.2014	31.12.2013
Bank balances	663	772
Money market funds	264	200
Cheques	1	1
Cash	2	2
Cash equivalents	207	203
TOTAL	1,137	**1,178**

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. At 31 December 2014, an amount of EUR 141 m was disclosed in cash and cash equivalents as a result of these agreements (2013: EUR 0 m).

[21] Non-current assets classified as held for sale and disposal groups

Assets which were disclosed at 31 December 2013 as non-current assets held for sale were sold as planned during the 2014 financial year. The total figure for these assets of EUR 13 m comprised land with a carrying amount of EUR 3 m from the EMEA segment and land and buildings with a carrying amount of EUR 10 m from the Asia/Pacific segment.

[22] Equity

72 EQUITY

in €	31.12.2014	31.12.2013
CAPITAL SUBSCRIBED	475,476,940.80	475,261,214.72
Nominal value of own shares	243,479.04	156,439.04
ISSUED SHARE CAPITAL	475,233,461.76	475,104,775.68
AUTHORISED CAPITAL (TOTAL)	84,119,265.28	84,119,265.28
Authorised Capital I	47,000,000.00	47,000,000.00
Authorised Capital II	37,119,265.28	37,119,265.28
CONDITIONALLY AUTHORISED CAPITAL (TOTAL)	62,082,237.44	62,297,963.52
2007 conditionally authorised capital	4,842,237.44	5,057,963.52
2012 conditionally authorised capital	10,240,000.00	10,240,000.00
2013 conditionally authorised capital	47,000,000.00	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 475,476,940.80 and is fully paid up. It is divided into 185,733,180 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 or to voting rights in respect of the 95,109 own shares it holds at 31 December 2014.

In the 2014 financial year, 84,268 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 215,726.08.

Overall, share capital in the 2014 financial year increased by EUR 215,726.08, from EUR 475,261,214.72 to EUR 475,476,940.80, divided into 185,733,180 shares.

73 NUMBER OF SHARES

	2014	2013
NUMBER OF SHARES AT 01.01.	185,648,912	185,225,376
Exercise of Long Term Incentive Plan (LTIP 2007)	84,268	423,536
Number of shares at 31.12.	185,733,180	185,648,912
Own shares	95,109	61,109
NUMBER OF SHARES OUTSTANDING AT 31.12.	185,638,071	185,587,803

Authorised capital

At 31 December 2014, the authorised capital comprised the following:

Authorised Capital I:

Based on a resolution passed at the Annual General Meeting held 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 option rights and/or conversion rights or conversion obligations 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 option rights and/or conversion 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 the authorised capital, or sold after repurchase 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 and/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 2014 comprised the following:

2007 conditionally authorised capital:

The issued share capital can be increased by up to EUR 4,842,237.44 by the issue of up to 1,891,499 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 2014 financial year, options from the Long Term Incentive Plan were exercised. As a result, the 2007 conditionally authorised capital was reduced by EUR 215,726.08, from EUR 5,057,963.52 to EUR 4,842,237.44, divided into 1,891,499 shares. The issued share capital increased in the 2014 financial year as a result.

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/or creditors 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/or creditors 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 in the context of 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 4 December 2014, the company purchased 34,000 shares at an average price of EUR 154.2499, on the basis of the resolution passed at the Annual General Meeting on 4 May 2012. The total price was EUR 5,244,496.60. Own shares acquired during the 2014 financial year comprised EUR 87,040 (or 0.018 percent) of the capital subscribed. These shares together with the 61,109 own shares acquired in the 2012 and 2013 financial years comprised EUR 243,479.04 (or 0.05 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 asset of EUR 173 m (2013: deferred tax liability of EUR 21 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).

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:

74 MOVEMENT IN CUMULATIVE CHANGES IN EQUITY NOT RECOGNISED THROUGH THE STATEMENT OF PROFIT OR LOSS

	2014			2013		
in € million	*Before tax*	*Tax effect*	*Net*	*Before tax*	*Tax effect*	*Net*
MOVEMENT IN CURRENCY TRANSLATION DIFFERENCES	**1,308**	**–**	**1,308**	**–1,325**	**–**	**–1,325**
MOVEMENT IN UNREALISED GAINS/LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**–14**	**4**	**–10**	**23**	**–7**	**16**
Movement in accumulated unrealised gains/losses	–	–1	–1	23	–7	16
Realised gains/losses	–14	5	–9	–	–	–
MOVEMENT IN UNREALISED GAINS/LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS	**–721**	**71**	**–650**	**296**	**–27**	**269**
Movement in accumulated unrealised gains/losses	–705	67	–638	306	–30	276
Realised gains/losses	–16	4	–12	–10	3	–7

Non-controlling interests

The interests of the non-controlling shareholders in equity relate mainly to the following Group companies:

75 NON-CONTROLLING INTERESTS

in € million	*31.12.2014*	*31.12.2013*
LINDE LIENHWA INDUSTRIAL GASES CO. LTD., Taiwan	256	232
BOC-TISCO GASES CO., Ltd., China	81	78
African Oxygen Limited, South Africa	80	81
Shanghai HuaLin Industrial Gases Co. Ltd., China	47	41
Ma'anshan BOC-Ma Steel Gases Company Limited, China	45	41
LINDE INDIA LIMITED, India	44	41
MIG Production Company Limited, Thailand	34	29
Linde Gas Algerie S.p.A., Algeria	32	29
Saudi Industrial Gas Company, Saudi Arabia	29	26
Linde Engineering (Dalian) Co. Ltd., China	25	22
Various other companies	188	200
TOTAL	**861**	**820**

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 246 TO 258.

Capital structure management

Linde's capital structure management is based on various financial performance indicators such as the equity ratio and the dynamic indebtedness factor. The aim of the capital structure management is to obtain unrestricted access to the capital market and to achieve a stable credit rating. Further information about this can be found in the COMBINED MANAGEMENT REPORT ON PAGES 106 TO 107 AND 109 TO 110.

[23] Provisions for pensions and similar obligations

76 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in € million	31.12.2014	31.12.2013
Provisions for pensions	1,247	1,011
Provisions for similar obligations	18	16
TOTAL PROVISIONS	**1,265**	**1,027**
Pension assets	171	243

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 obligation other 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 periods 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 to a great extent 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:

77 ASSUMPTIONS USED TO CALCULATE THE PROVISIONS FOR PENSIONS

	Germany		UK		Other Europe		USA		Other countries	
in percent	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	2.20	3.70	3.60	4.65	1.95	3.35	3.50	4.00	4.72	5.37
Growth in future benefits	2.25	2.50	2.50	3.00	2.63	2.96	–	–	4.05	4.22
Growth in pensions	1.64	1.92[1]	3.19	3.50	1.34	1.16	1.95	1.92	1.72	2.99

[1] Adjusted.

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 the other actuarial assumptions remain the same. The impact of any correlation between the various assumptions has not been taken into account.

78 SENSITIVITY ANALYSIS

	Change	Germany		UK	
in € million		31.12.2014	31.12.2013	31.12.2014	31.12.2013
	+50 bp	–111	–72	–336	–260
Discount rate	–50 bp	128	82	385	285
	+50 bp	12	8	–	–
Growth in future benefits	–50 bp	–13	–9	–	–
	+50 bp	74	56	316	228
Growth in pensions	–50 bp	–64	–52	–281	–212

For the pension plans in Germany, an increase of one year in life expectancy would result in an increase in the defined benefit obligation of 5.1 percent. The sensitivity analysis of life expectancy in Germany is based on pension funds held at 31 December 2012. The underlying assumptions have not changed significantly between that date and the balance sheet date (31 December 2014).

For the pension plans in the UK, an increase of one year in life expectancy would result in an increase in the DBO of 3.0 percent (2013: 3.0 percent). For the pension plans in the United States, no sensitivity analysis of life expectancy was prepared, 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 22.0 years for a male pensioner aged 65 (2013: 22.1 years) and 23.5 years for a female pensioner aged 65 (2013: 24.1 years), while the future average life expectancy at the pensionable age of 65 for active members of the pension plans is currently 23.8 years for men aged 45 (2013: 23.3 years) and 26.0 years for women aged 45 (2013: 25.2 years).

Other Europe		USA		Other countries		Total	
31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
-60	-55	-25	-22	-15	-13	-547	-422
71	63	27	24	17	15	628	469
17	11	2	2	8	6	39	27
-15	-10	-2	-2	-6	-5	-36	-26
61	51	–	–	4	6	455	341
-54	-50	–	–	-3	-5	-402	-319

Reconciliation of the defined benefit obligation and of the plan assets:

79 RECONCILIATION OF THE DBO AND OF THE PLAN ASSETS

	Germany		UK	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
AT 01.01.2013	**1,138**	**–425**	**3,160**	**–3,284**
Service cost	26	–	38	–
Current service cost	26	–	37	–
Past service cost	–	–	1	–
Interest expense (+)/interest income (–)	39	–15	137	–143
Remeasurements	–24	27	135	–49
Return on plan assets (excluding amounts included in interest expenses and income)	–	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 31.12.2013/01.01.2014	**1,139**	**–423**	**3,291**	**–3,342**
Service cost	24	–	36	–
Current service cost	24	–	36	–
Past service cost	–	–	–	–
Interest expense (+)/interest income (–)	42	–23	156	–159
Remeasurements	269	–33	380	–160
Return on plan assets (excluding amounts included in interest expenses and income)	–	–33	–	–160
Actuarial gains (–)/losses (+)	269	–	380	–
Effects from changes in demographic assumptions	–	–	–83	–
Effects from changes in financial assumptions	266	–	474	–
Effects from changes in experience assumptions	3	–	–11	–
Employers' contributions	–	–302	–	–62
Employees' contributions	9	–9	1	–1
Pension payments made	–50	1	–123	123
Settlement payments	–	–	–	–
Effects of changes in exchange rates	–	–	243	–239
Changes in Group structure/other changes	–1	1	–	2
AT 31.12.2014	**1,432**	**–788**	**3,984**	**–3,838**

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*
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**
20	–	17	–	10	–	107	–
20	–	16	–	11	–	107	–
–	–	1	–	−1	–	–	–
23	−18	19	−21	14	−16	254	−237
177	−48	13	24	26	−7	865	−224
–	−48	–	24	–	−7	–	−224
177	–	13	–	26	–	865	–
1	–	12	–	–	–	−70	–
185	–	16	–	17	–	958	–
−9	–	−15	–	9	–	−23	–
–	−19	–	−1	–	−7	–	−391
5	−5	–	–	1	−1	16	−16
−27	20	−26	23	−26	23	−252	190
–	–	–	–	–	–	–	–
−8	–	63	−66	14	−13	312	−318
2	−2	–	–	–	–	1	1
894	**−598**	**536**	**−553**	**298**	**−291**	**7,144**	**−6,068**

During the reporting period, Linde transferred an amount of EUR 300 m in respect of the German defined benefit pension plans to the existing Contractual Trust Arrangement (CTA). The funds allocated were obtained by issuing a bond for the same amount. The increase in plan assets led to a reduction in the net interest expense in respect of defined benefit pension obligations in Germany.

In 2013, a reorganisation of the pension obligations in the Netherlands led to a plan settlement 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.

In 2013, the retrospective application of new IFRSs NOTE [7] resulted in an addition of EUR 7 m to the defined benefit obligation in the "Other Europe" category and of EUR 8 m to the defined benefit obligation in the "Other countries" category.

Actual income from plan assets in external pension funds in 2014 was EUR 461 m (2013: EUR 254 m). This was significantly higher than the interest income from plan assets of EUR 237 m (2013: EUR 201 m) calculated at the corresponding DBO interest rate.

Employer's contributions in the 2014 financial year totalled EUR 391 m (2013: EUR 84 m). This figure includes the amount of EUR 300 m transferred to the existing Contractual Trust Arrangement (CTA) to fund the German defined benefit pension plans.

Payments of employer's contributions to increase plan assets in external pension funds in the 2015 financial year are expected to amount to EUR 88 m. These include EUR 30 m (2014: 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.

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 balance sheet date.

The weighted average duration of the defined benefit obligations in The Linde Group at 31 December 2014 is 16.4 years (2013: 15.2 years).

During the reporting period, the following items relating to defined benefit obligations were recognised in the Group statement of profit or loss.

80 PENSION EXPENSE RELATING TO DEFINED BENEFIT PLANS

	Germany		UK	
in € million	*2014*	*2013*	*2014*	*2013*
Service cost	24	26	36	38
Current service cost	24	26	36	37
Past service cost	–	–	–	1
Net interest expense (+)/income (–)	19	24	–3	–6
Interest expense from DBO	42	39	156	137
Interest income from plan asset	–23	–15	–159	–143
Other effects recognised in the statement of profit or loss	–	–	2	3
Total net pension cost	43	50	35	35

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). In 2014, there was no asset ceiling.

Other Europe		USA		Other countries		Total	
2014	2013	2014	2013	2014	2013	2014	2013
20	21	17	16	10	11	107	112
20	22	16	16	11	14	107	115
–	–1	1	–	–1	–3	–	–3
5	6	–2	–	–2	2	17	26
23	22	19	14	14	15	254	227
–18	–16	–21	–14	–16	–13	–237	–201
–	–	–	–	1	–	3	3
25	27	15	16	9	13	127	141

Funding status of the defined benefit obligation:

81 FUNDING STATUS OF THE DEFINED BENEFIT OBLIGATION

	Germany		UK	
in € million	2014	2013	2014	2013
Actuarial present value of pension obligations (defined benefit obligation)	1,432	1,139	3,984	3,291
of which unfunded pension obligations	64	420	–	–
of which funded pension obligations	1,368	719	3,984	3,291
Fair value of plan assets	–788	–423	–3,838	–3,342
NET OBLIGATION	**644**	**716**	**146**	**–51**
AMOUNT AT 31.12.	**644**	**716**	**146**	**–51**
of which pension provision (+)	644	716	173	4
of which pension asset (–)	–	–	–27	–55

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.

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 a 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.

82 PORTFOLIO STRUCTURE OF PENSION ASSETS

	Germany		UK	
in € million	2014	2013	2014	2013
Shares	224	140	690	638
Fixed-interest securities	423	230	2,493	2,285
Property	38	29	140	121
Insurance	–	–	–	–
Other	103	24	515	298
TOTAL	**788**	**423**	**3,838**	**3,342**

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 2014 was EUR 186 m (2013: EUR 169 m). Of this amount, contributions to state pension schemes in 2014 totalled EUR 90 m (2013: EUR 84 m).

Other Europe		USA		Other countries		Total	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
894	702	536	450	298	259	7,144	5,841
164	129	73	67	39	35	340	651
730	573	463	383	259	224	6,804	5,190
−598	−526	−553	−512	−291	−270	−6,068	−5,073
296	**176**	**−17**	**−62**	**7**	**−11**	**1,076**	**768**
296	**176**	**−17**	**−62**	**7**	**−11**	**1,076**	**768**
296	176	74	68	60	47	1,247	1,011
–	–	−91	−130	−53	−58	−171	−243

Other Europe		USA		Other countries		Total			
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*in %*	*2013*	*in %*
149	153	140	178	104	114	1,307	21.5	1,223	24.1
319	281	356	275	108	102	3,699	61.0	3,173	62.5
40	38	–	–	15	13	233	3.8	201	4.0
52	45	–	–	16	14	68	1.1	59	1.2
38	9	57	59	48	27	761	12.6	417	8.2
598	**526**	**553**	**512**	**291**	**270**	**6,068**	**100.0**	**5,073**	**100.0**

[24] Other provisions

At the balance sheet date, other provisions had the following maturity structure:

83 OTHER PROVISIONS

in € million	Current 2014	Current 2013	Non-current 2014	Non-current 2013	Total 2014	Total 2013
PROVISIONS FOR TAXES	21	23	–	–	21	23
Obligations from delivery transactions	160	134	77	86	237	220
Warranty obligations and risks from transactions in course of completion	105	96	64	74	169	170
Obligations relating to personnel	493	450	86	66	579	516
Insurance obligations	–	–	7	7	7	7
Dismantling obligations	6	6	206	179	212	185
Other obligations	227	188	52	45	279	233
MISCELLANEOUS PROVISIONS	991	874	492	457	1,483	1,331
TOTAL	1,012	897	492	457	1,504	1,354

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 2014 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 8 m (2013: EUR 6 m).

84 MOVEMENTS IN OTHER PROVISIONS

in € million	At 01.01.2014	Changes in Group structure[1]	Utilisation	Release	Addition	Transfer	At 31.12.2014
PROVISIONS FOR TAXES	23	12	22	20	28	–	21
Obligations from delivery transactions	220	–	51	25	96	−3	237
Warranty obligations and risks from transactions in course of completion	170	8	41	57	86	3	169
Obligations relating to personnel	516	21	212	31	285	–	579
Insurance obligations	7	–	–	–	–	–	7
Dismantling obligations	185	12	2	2	19	–	212
Other obligations	233	11	62	54	151	–	279
MISCELLANEOUS PROVISIONS	1,331	52	368	169	637	–	1,483
TOTAL	1,354	64	390	189	665	–	1,504

[1] Including currency differences.

[25] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group, analysed as follows:

85 FINANCIAL DEBT

	Current		Non-current				Total	
	Due within one year		Due in one to five years		Due in more than five years			
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Subordinated bonds	–	–	–	–	1,049	1,037	1,049	1,037
Other bonds	710	417	3,717	3,476	3,095	3,267	7,522	7,160
Commercial papers (CP)	75	81	–	–	–	–	75	81
Bank loans and overdrafts	490	643	394	208	125	248	1,009	1,099
Other financial liabilities	19	20	158	171	24	9	201	200
GROSS FINANCIAL DEBT	**1,294**	**1,161**	**4,269**	**3,855**	**4,293**	**4,561**	**9,856**	**9,577**
Less: Securities	521	170	–	–	–	–	521	170
Less: Cash and cash equivalents	1,137	1,178	–	–	–	–	1,137	1,178
NET FINANCIAL DEBT	**–364**	**–187**	**4,269**	**3,855**	**4,293**	**4,561**	**8,198**	**8,229**

Of the subordinated bonds and other bonds at 31 December 2014, EUR 650 m and EUR 2.603 bn respectively (2013: EUR 606 m and EUR 2.386 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 1.049 bn would have been EUR 30 m lower and the other bonds of EUR 7.522 bn would have been EUR 81 m lower. In total, financial debt has increased by a total of EUR 111 m (2013: EUR 91 m) as a result of fair value hedging relationships.

Of the other bonds, EUR 713 m was in a cash flow hedging relationship at 31 December 2014 (2013: EUR 529 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 80 m (2013: EUR 228 m).

In the 2014 and 2013 financial years, there were no defaults or breaches of loans payable.

The bonds are analysed as follows:

86 FIXED-INTEREST BONDS

Issuer	Nominal volume in relevant currency (ISO code)	€ million[1]	Weighted average residual term (in years)[2]	Weighted average effective interest rate (in percent)[2,3]
Linde Finance B.V., Amsterdam/Linde AG, Munich	EUR 6,100 m	6,159	4.4	3.9
Linde Finance B.V., Amsterdam	GBP 750 m	999	4.1	6.9
Linde Finance B.V., Amsterdam/Linde AG, Munich	USD 700 m	569	2.1	5.7
Linde AG, Munich	NOK 2,000 m	221	2.8	2.8
Linde Finance B.V., Amsterdam	AUD 100 m	67	4.5	4.3
TOTAL		**8,015**		

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.

87 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 490 m	405	3.7	0.8
Linde Finance B.V., Amsterdam	AUD 150 m	101	0.6	3.6
Linde Finance B.V., Amsterdam	EUR 50 m	50	3.4	0.7
TOTAL		**556**		

[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 (3-month Euribor +4.125 percent for the euro bond and 3-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.

Other bonds

In May 2014, Linde Finance B.V. issued a ten-year EUR 300 m bond under the EUR 10 bn Debt Issuance Programme with a coupon of 1.875 percent. The bond is guaranteed by Linde AG. The money generated by the bond was used to provide additional external funding for the pension plans in Germany.

In addition, in August 2014, Linde Finance B.V. issued two new bonds to refinance a USD 400 m bond which fell due in November 2014. The two bonds issued were a five-year USD 200 m bond with a variable coupon of 47 basis points above 3-month USD LIBOR and a twelve-year USD 200 m bond with a fixed coupon of 3.434 percent. The maturing USD 400 m bond was repaid on schedule in November 2014.

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 2014, there were no commercial papers outstanding under this programme.

Bank loans and overdrafts

In July 2013, Linde 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. In 2014, Linde successfully extended the facility until 2019. One option to extend the facility by one year remains.

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 2014 and 2013 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:

88 LIABILITIES FROM FINANCE LEASES

in € million	31.12.2014	31.12.2013
TOTAL MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	**114**	**104**
due within one year	23	24
due in one to five years	36	30
due in more than five years	55	50
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**74**	**78**
due within one year	23	22
due in one to five years	30	32
due in more than five years	21	24
FINANCE CHARGE INCLUDED IN THE MINIMUM LEASE PAYMENTS	**40**	**26**

The carrying amounts of assets held under finance leases are disclosed principally under tangible assets. SEE 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

89 TRADE PAYABLES AND OTHER LIABILITIES

	Current		Non-current		Total	
in € million	2014	2013	2014	2013	2014	2013
Percentage of completion (PoC)	810	471	–	–	810	471
Other	2,675	2,629	2	2	2,677	2,631
TRADE PAYABLES	3,485	3,100	2	2	3,487	3,102
Advance payments received from customers	163	191	12	13	175	204
Other taxes	171	175	5	2	176	177
Social security	61	56	1	1	62	57
Derivatives with negative fair values	158	83	377	103	535	186
Sundry liabilities	520	528	253	281	773	809
OTHER LIABILITIES	**1,073**	**1,033**	**648**	**400**	**1,721**	**1,433**
INCOME TAX PAYABLES	**525**	**624**	–	–	**525**	**624**
TOTAL	**5,083**	**4,757**	**650**	**402**	**5,733**	**5,159**

Percentage of completion trade payables of EUR 810 m (2013: EUR 471 m) relate to advance payments received on construction contracts, where these exceed the state of completion of the contract.

The increase in derivatives with a negative fair value is due mainly to interest rate hedges of future refinancing transactions.

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:

90 OPTIONS – LONG TERM INCENTIVE PLAN 2012

	LTIP Number of options
AT 01.01.2013	**406,200**
granted	343,200
exercised	–
forfeited	15,435
expired	–
AT 31.12.2013/01.01.2014	**733,965**
of which exercisable at 31.12.2013	–
granted	302,199
exercised	–
forfeited	32,328
expired	–
AT 31.12.2014	**1,003,836**
of which exercisable at 31.12.2014	–

The average remaining period in the LTIP 2012 is 29 months (2013: 36 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:

91 MONTE CARLO SIMULATION MODEL – LTIP 2012

	1st tranche 2012	2nd tranche 2013	3rd tranche 2014
Date of valuation	*02.07.2012*	*03.06.2013*	*02.06.2014*
Expected share volatility *(in %)*	22.54	21.08	19.95
Risk-free interest rate *(in %)*	0.44	0.36	0.24
Expected dividend yield *(in %)*	2.50	2.50	2.50
Initial value of Linde share *(in €)*	120.60	147.85	154.55
Exercise price *(in €)*	2.56	2.56	2.56
Number of participants	1,001	1,020	1,048

The volatility figure underlying the valuation is based on historical and implicit volatility, taking the remaining periods of the share options into account.

92 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**
3rd tranche 2014					
Earnings per share	137.72	50	68.86	40	27.54
Relative total shareholder return	74.96	50	37.48		37.48
TOTAL		**100**	**106.34**		**65.02**

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 2014 as it was in 2013.

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. The fair value of the entitlement to one matching share in the third tranche (2014) is EUR 140.01.

93 MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

	LTIP – Number of matching shares
AT 01.01.2013	**36,382**
granted	29,929
expired	–
forfeited	26
allocated	–
AT 31.12.2013/01.01.2014	**66,285**
granted	29,102
expired	–
forfeited	3,123
allocated	–
AT 31.12.2014	**92,264**

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.

94 PERSONNEL EXPENSES – LONG TERM INCENTIVE PLAN 2012

in € million	2014	2013
TOTAL	**17**	**9**

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 and exercised for the last time in the 2014 financial year.

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.

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. 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:

95 OPTIONS – LONG TERM INCENTIVE PLAN 2007

	LTIP Number of options
AT 01.01.2013	**866,591**
granted	–
exercised	423,536
forfeited	58,045
expired	–
AT 31.12.2013/01.01.2014	**385,010**
of which exercisable at 31.12.2013	–
granted	–
exercised	84,268
forfeited	300,434
expired	308
AT 31.12.2014	**–**
of which exercisable at 31.12.2014	–

In 2014, 84,268 options in the 2011 tranche were exercised, which increased capital subscribed by EUR 215,726.08 (2013: EUR 1 m).

The LTIP 2007 expired in the 2014 financial year. At 31 December 2013, the average remaining period in the LTIP 2007 was six 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 2011 tranche were exercised was EUR 155.10.

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:

96 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.

97 OPTIONS PER EXERCISE HURDLE – LONG TERM INCENTIVE PLAN 2007

	Option price	Weighting	Fair value	Probability	Calculated value at 31.12.
1st tranche 2007	*in €*	*in percent*	*in €*	*in percent*	*in €*
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.

98 PERSONNEL EXPENSES – LONG TERM INCENTIVE PLAN 2007

in € million	*2014*	*2013*
TOTAL	1	**4**

[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.

99 FINANCIAL ASSETS AT 31 DECEMBER 2014

	Financial instruments	
	Fair value	*Carrying amount*
in € million		*Cash and cash equivalents*
Investments and securities at fair value	554	–
Investments and securities at amortised cost	20	–
Receivables from finance leases	344	–
Trade receivables	2,553	–
Receivables from percentage of completion contracts	511	–
Derivatives with positive fair values	409	–
Miscellaneous receivables and assets	603	–
Cash and cash equivalents	1,137	1,137
TOTAL	**6,131**	**1,137**

100 FINANCIAL LIABILITIES AT 31 DECEMBER 2014

in € million
Financial debt
Liabilities from finance leases
Trade payables (excluding PoC)
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
–	–	–	–	554	554	–	554
6	14	–	–	–	20	–	20
–	–	–	–	–	–	298	298
2,553	–	–	–	–	2,553	–	2,553
511	–	–	–	–	511	–	511
–	–	126	283	–	409	–	409
266	–	–	–	–	266	337	603
–	–	–	–	–	1,137	–	1,137
3,336	**14**	**126**	**283**	**554**	**5,450**	**635**	**6,085**

	Financial instruments					Balance sheet figures	
	Fair value	Carrying amount					
		Financial liabilities at amortised cost	Freestanding derivatives	Derivatives designated as hedging instruments	Total	Financial instruments outside scope of IAS 39	Total
	10,481	9,856	–	–	9,856	–	9,856
	71	–	–	–	–	74	74
	2,677	2,677	–	–	2,677	–	2,677
	535	–	28	507	535	–	535
	773	599	–	–	599	174	773
	14,537	**13,132**	**28**	**507**	**13,667**	**248**	**13,915**

101 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**

102 FINANCIAL LIABILITIES AT 31 DECEMBER 2013

in € million
Financial debt
Liabilities from finance leases
Trade payables (excluding PoC)
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**

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:

103 INTEREST CURVES

2014, in percent	EUR	USD	GBP	JPY	AUD	SEK	RUB	DKK
Interest for six months	0.11	0.29	0.62	0.08	3.03	0.31	24.64	0.13
Interest for one year	0.16	0.44	0.65	0.14	2.51	0.24	20.20	0.41
Interest for five years	0.36	1.76	1.47	0.22	2.54	0.64	13.02	0.64
Interest for ten years	0.81	2.27	1.89	0.52	3.03	1.26	12.23	1.13
2013, in percent								
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

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 their 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.

104 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31 DECEMBER 2014

in € million	Level 1	Level 2	Level 3
Investments and securities	511	–	–
Freestanding derivatives with positive fair values	–	126	–
Derivatives designated as hedging instruments with positive fair values	–	283	–
Freestanding derivatives with negative fair values	–	28	–
Derivatives designated as hedging instruments with negative fair values	–	507	–

105 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	–

In 2014, there were no transfers of the fair value calculations between Levels 1, 2 and 3. Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 43 m (2013: EUR 3 m) for which a fair value cannot be reliably determined. These include investments of EUR 38 m in respect of which a Level 2 fair value was determined in 2013. 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 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 2014 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 methods described above been used.

In the 2014 financial year, net financial gains and losses arose as follows:

106 NET FINANCIAL GAINS AND LOSSES

in € million	2014	2013
From freestanding derivatives	204	–85
From held-to-maturity financial assets	–	–
From loans and receivables	100	–83
From available-for-sale financial assets	2	20
of which: transfers to profit or loss	14	–
of which: transfers to cumulative changes in equity	–12	20
From financial liabilities at amortised cost	–341	81
TOTAL	**–35**	**–67**

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 fluctuations. 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.

The financial result includes fees and other costs of capital of EUR 13 m (2013: EUR 22 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:

107 IMPAIRMENT LOSS ON FINANCIAL ASSETS AT 31 DECEMBER 2014

in € million	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2014 financial year
Investments and securities at fair value	556	2	554	1
Investments and securities at amortised cost	25	5	20	–
Receivables from finance leases	298	–	298	–
Trade receivables	2,848	295	2,553	62
Receivables from percentage of completion contracts	511	–	511	–
Derivatives with positive fair values	409	–	409	–
Miscellaneous receivables and assets	606	3	603	–
Cash and cash equivalents	1,137	–	1,137	–

108 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	25	5	20	4
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	768	6	762	3
Cash and cash equivalents	1,178	–	1,178	–

Impairment losses on trade receivables can be analysed as follows:

109 IMPAIRMENT LOSS ON TRADE RECEIVABLES

in € million	Cumulative impairment loss
AT 01.01.2013	**303**
Currency adjustments	–20
Additions due to acquisitions	5
Increase in impairment losses recorded in the statement of profit and loss	64
Write-offs charged against cumulative impairment losses	–47
AT 31.12.2013/01.01.2014	**305**
Currency adjustments	13
Additions due to acquisitions	–
Increase in impairment losses recorded in the statement of profit and loss	62
Write-offs charged against cumulative impairment losses	–85
AT 31.12.2014	**295**

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:

110 INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

in € million	2014	2013
Interest income	37	42
Interest expense	354	365
TOTAL	**−317**	**−323**

Not included here are the interest income and interest expense from derivatives or the interest income and interest 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, please refer to the disclosures in the combined management report. SEE OPPORTUNITY AND RISK REPORT, PAGES 132 TO 147.

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 rating of the relevant counterparty. 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 issued EUR 141 m (2013: EUR 0 m) as collateral for derivatives with negative fair values and received EUR 80 m (2013: EUR 228 m) as collateral for derivatives with positive fair values. The Linde Group also has financial assets with a carrying amount of EUR 4 m (2013: EUR 3 m) which are pledged as collateral for liabilities or contingent liabilities. In the 2014 and 2013 financial years, no additional significant collateral was held by The Linde Group apart from the CSAs described above.

111 FINANCIAL ASSETS/LIABILITIES SUBJECT TO OFFSETTING OR ENFORCEABLE MASTER AGREEMENTS FOR FINANCIAL DERIVATIVE TRANSACTIONS

31.12.2014, 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
Derivatives with positive fair values	409	–	409	−303	106	−57	9	58
Derivatives with negative fair values	−535	–	−535	303	−232	−23	132	−123
Trade receivables	5	3	2	–	2	–	–	2
Trade payables	4	3	1	–	1	–	–	1
TOTAL	**−117**	**6**	**−123**	**–**	**−123**	**−80**	**141**	**−62**
31.12.2013, in € million								
Derivatives with positive fair values	455	–	455	−151	304	−197	–	107
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	**277**	**4**	**273**	**–**	**273**	**−228**	**–**	**45**

[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:

112 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES – 2014

in € million	Due within one year	Due in one to five years	Due in more than five years
Cash outflows from non-derivative financial liabilities	4,865	6,344	3,599
Cash outflows from derivatives with negative fair values	128	1,100	785
of which settled gross	121	1,036	342
related cash inflows as a result of gross settlement	108	920	304

113 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES – 2013

in € million	Due within one year	Due in one to five years	Due in more than five 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	–

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 2014, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 8.139 bn (2013: EUR 8.085 bn). Of these, EUR 3.112 bn (2013: EUR 3.257 bn) related to instruments bearing interest at variable interest rates and EUR 5.028 bn (2013: EUR 4.828 bn) to instruments bearing interest at fixed rates. This is equivalent to a Group-wide fixed-rate ratio of 62 percent (2013: 60 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 Euro of EUR 4.879 bn (2013: EUR 5.007 bn) [fixed-rate ratio: 49 percent (2013: 47 percent)], in British Pounds of GBP 75 m (2013: GBP 202 m) [fixed-rate ratio: 91 percent (2013: 100 percent)], in US Dollars of USD 2.264 bn (2013: USD 2.466 bn) [fixed-rate ratio: 85 percent (2013: 72 percent)] and in Australian Dollars of AUD 910 m (2013: AUD 712 m) [fixed-rate ratio: 54 percent (2013: 70 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):

114 EFFECT OF CHANGES IN INTEREST RATES – 2014

Currency, in € million	Change	Income statement	Recognised in equity
EUR	+ 100 bp	–25	104
	– 100 bp[1]	2	–178
GBP	+ 100 bp	–	–9
	– 100 bp[1]	–	9
USD	+ 100 bp	–3	75
	– 100 bp[1]	–	–76
AUD	+ 100 bp	–3	8
	– 100 bp[1]	3	–8
Other currencies	+ 100 bp	–	1
	– 100 bp[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.

115 EFFECT OF CHANGES IN INTEREST RATES – 2013

Currency, in € million	Change	Income statement	Recognised in equity
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.

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 encompasses all the operating activities of the Group. This gross exchange rate risk is reduced by around 86 percent (2013: 88 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 14 percent from the total of all operating activities involving foreign currency (2013: 12 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 2014, the value-at-risk was EUR 17 m (2013: EUR 12 m). This value is derived by excluding the discontinuity in the time series of the Venezuelan bolivar due to the changeover to the new auction-based exchange rate system SICAD II, see also NOTE [5] on foreign currency translation.

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 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 non-current assets and inventories.

The following table presents a reconciliation of the reserve for cash flow hedges:

116 RESERVE FOR CASH FLOW HEDGES

in € million	*2014*	*2013*
AT 01.01.	**–14**	**–99**
Additions	–229	95
Transfers to the statement of profit or loss	–16	–10
of which relating to revenue	–4	3
of which relating to cost of sales	–13	–14
of which relating to financial income	1	1
AT 31.12.	**–259**	**–14**

The reserve for cash flow hedges mainly relates to interest rate hedges for future financing measures.

In the 2014 financial year, income of EUR 1 m (2013: EUR 1 m) was recognised in the financial result which related to forecast transactions which did not take place. Most of the amount related to currency hedges in respect of forecast revenue in foreign currency.

No amounts were recognised in 2014 or 2013 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:

117 CASH FLOWS, GAINS AND LOSSES FROM CASH FLOW HEDGES – 2014

in € million	*Within one year*	*In one to five years*	*In more than five years*	*Total*
Cash flows from hedging instruments	–33	–322	–252	–607
Gain/loss	–8	–62	–189	–259

118 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 hedging instruments	–41	–139	–41	–221
Gain/loss	–17	–3	6	–14

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 deemed 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.

119 FAIR VALUE HEDGES

in € million	*2014*	*2013*
From hedged transactions	–44	89
From hedging instruments	41	–85
INEFFECTIVENESS	–3	4

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 and cross-currency interest rate swaps. 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 2014 or 2013 as a result of ineffectiveness in net investment hedges.

Fair value of financial instruments designated as hedges:

120 FAIR VALUE OF FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

in € million	2014	2013
Cash flow hedges		
Forward exchange transactions	2	10
Interest rate/cross-currency interest rate swaps	–203	93
Commodities	–18	–20
Financial liabilities	155	105
Fair value hedges		
Interest rate swaps	123	80
Net investment hedges		
Forward exchange transactions	–110	51
Cross-currency interest rate swaps	–18	40
Financial liabilities in foreign currencies	1,373	1,232
TOTAL	**1,304**	**1,591**

[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 statement of financial position: 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 9 m (2013: EUR 23 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 42 m (2013: EUR 50 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, please refer to the Group statement of cash flows. SEE TABLES 36 AND 37, PAGES 160 TO 161. In the Group statement of financial position, an amount of EUR 8 m (2013: EUR 5 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 1 m (2013: EUR 18 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 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. In the course of internal restructuring of the business in the Americas reportable segment, RBU South America was merged with RBU North America with effect from 1 January 2014. The new Regional Business Unit, RBU Americas combines the respective regional 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 Gases Division is therefore now divided between the following seven Regional Business Units: Americas, 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 39, PAGES 164 TO 165.

A brief description of the reportable segments is given below:

Gases Division (EMEA, Asia/Pacific and Americas):

The activities of the Gases Division comprise 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 activities of the Engineering Division comprise the design and realisation of turnkey olefin plants, plants for the production of hydrogen and synthesis gases and the processing of natural gas, and air separation 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 124 m (2013: EUR 117 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 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:

121 RECONCILIATIONS OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	*2014*	*2013*
Revenue		
Total revenue from the reportable segments	17,655	17,413
Consolidation	–608	–758
GROUP REVENUE	**17,047**	**16,655**
Operating profit		
Operating profit from the reportable segments	4,197	4,219
Operating profit from corporate activities	–246	–225
Restructuring costs (non-recurring item)	66	–
Amortisation and depreciation	1,969	1,795
Financial income	50	98
Financial expenses	415	475
Consolidation	–31	–28
PROFIT BEFORE TAX	**1,520**	**1,794**

[32] Employees

The average number of employees (including part-time employees pro-rata) can be analysed as follows:

122 EMPLOYEES BY REPORTABLE SEGMENT

	2014	*2013*
Gases Division	52,361	51,463
EMEA	21,669	21,597
Asia/Pacific	12,205	11,976
Americas	18,487	17,890
Engineering Division	7,192	6,790
Other Activities	4,769	4,823
GROUP	**64,322**	**63,076**

In 2014, the average number of employees in the companies included in the Group financial statements on a line-by-line basis was 164 (2014: 169).

[33] Recommendation for the approval of the annual financial statements and appropriation of profit of Linde AG

The unappropriated profit of Linde Aktiengesellschaft at 31 December 2014 was EUR 584,759,923.65 (2013: EUR 556,763,409.00).

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).

123 BALANCE SHEET OF LINDE AG – ASSETS

in € million	31.12.2014	31.12.2013
Intangible assets	111	110
Tangible assets	381	370
Financial assets	17,601	17,528
NON-CURRENT ASSETS	18,093	18,008
Inventories	2,345	1,655
less advance payments received from customers	–2,345	–1,655
Receivables and other assets	1,668	1,486
Securities	500	149
Liquid assets	379	491
CURRENT ASSETS	2,547	2,126
Prepaid expenses and deferred charges	23	20
TOTAL ASSETS	20,663	20,154

124 BALANCE SHEET OF LINDE AG – EQUITY AND LIABILITIES

in € million	31.12.2014	31.12.2013
Capital subscribed	475	475
Conditionally authorised capital of € 62 million (2013: € 62 million)		
Capital reserve	6,564	6,562
Revenue reserves	2,138	2,075
Unappropriated profit	585	557
EQUITY	9,762	9,669
Provisions for pensions and similar obligations	184	512
Other provisions	772	840
PROVISIONS	956	1,352
LIABILITIES	9,945	9,133
TOTAL EQUITY AND LIABILITIES	20,663	20,154

125 INCOME STATEMENT OF LINDE AG

in € million	2014	2013
REVENUE	1,888	2,193
Cost of sales	1,134	1,442
GROSS PROFIT	754	751
Marketing and selling expenses	297	294
Research and development costs	128	126
General administration expenses	358	348
Other operating income	297	395
Other operating expenses	231	248
Investment income	680	600
Other interest and similar income	279	270
of which from affiliated companies € 214 million (2013: € 229 million)		
Amortisation of financial assets and securities held as current assets	11	13
Interest and similar charges	402	421
of which to affiliated companies € 232 million (2013: € 232 million)		
PROFIT ON ORDINARY ACTIVITIES	583	566
Income tax expense	–70	4
PROFIT FOR THE YEAR	653	562
Transfer to revenue reserves	–68	–5
UNAPPROPRIATED PROFIT	585	557

The Executive Board recommends that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 13 March 2015, the Supervisory Board proposes that the appropriation of profit of EUR 584,759,923.65 (2013: EUR 556,763,409.00) be voted on at the Annual General Meeting on 12 May 2015:

- payment of a dividend of EUR 3.15 (2013: EUR 3.00) per no-par value share entitled to dividend. The total dividend payout for 185,638,071 (2013: 185,587,803) no-par value shares entitled to dividend amounts to EUR 584,759,923.65 (2013: EUR 556,763,409.00).

The 95,109 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 companies are generally conducted under the same conditions as for non-related third parties. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings, arranged by division.

The full list of Group shareholdings (SEE 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:

126 REVENUE WITH RELATED PARTIES

in € million	2014 Non-consolidated subsidiaries	2014 Associates or joint ventures	2014 Other related parties	2014 Total	2013 Non-consolidated subsidiaries	2013 Associates or joint ventures	2013 Other related parties	2013 Total
Sales of goods	–	12	–	12	1	5	–	6
Revenue based on PoC	–	19	–	19	–	4	–	4
Other revenue	–	1	–	1	–	1	–	1

Services provided by related parties to the Group:

127 PURCHASED GOODS AND SERVICES FROM RELATED PARTIES

in € million	2014 Non-consolidated subsidiaries	2014 Associates or joint ventures	2014 Other related parties	2014 Total	2013 Non-consolidated subsidiaries	2013 Associates or joint ventures	2013 Other related parties	2013 Total
Goods and services purchased from related parties	5	120	–	125	8	117	–	125

Related persons are mainly the members of the Executive Board and Supervisory Board. In 2014, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board or their family members 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:

128 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

in € million	31.12.2014 Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	31.12.2013 Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Receivables from related parties	3	14	–	17	4	38	–	42
Liabilities to related parties	1	36	–	37	1	37	–	38

In addition, there were charge-free guarantee agreements at the balance sheet date relating to associates and joint ventures of EUR 4 m (2013: EUR 8 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 36 m (2013: EUR 25 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) 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 are 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 comprised two elements: an element based on those articles of association which applied until 29 May 2013 and an element based on those articles of association which applied from 30 May 2013 onwards.

The total emoluments of the Supervisory Board shown in the table below are based on the cost incurred in the financial year in accordance with IAS 24.17:

129 EMOLUMENTS OF THE SUPERVISORY BOARD (INCL. VAT)

in €	2014	2013
Fixed emoluments	2,891,700	2,129,509
Variable emoluments	–	720,241
Attendance fees	94,010	68,425
TOTAL EMOLUMENTS	**2,985,710**	**2,918,175**

At 31 December 2014, there were no advances or loans to members of the Supervisory Board. This was also the case at 31 December 2013.

Executive Board

The total emoluments of the Executive Board in accordance with the provisions of the German Commercial Code (HGB) and German Accounting Standard DRS 17 were as follows:

130 EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in €	2014	2013
Fixed emoluments/Benefits in kind/Other benefits	4,263,230	3,926,278
Variable cash emoluments short-term	4,622,705	5,649,615
Variable cash emoluments long-term	3,081,804	3,766,410
TOTAL CASH EMOLUMENTS	**11,967,739**	**13,342,303**
Long Term Incentive Plan (value on the grant date)	3,124,883	3,500,320
TOTAL EMOLUMENTS	**15,092,622**	**16,842,623**
Service cost for pension obligation	1,022,807	1,676,183
TOTAL EMOLUMENTS (HGB)	**16,115,429**	**18,518,806**

131 SHARES GRANTED FROM SHARE-BASED PAYMENTS

	2014		2013	
	units	Value per unit when granted in €	units	Value per unit when granted in €
Options (LTIP 2012)	38,450	65.02	46,543	60.16
Matching shares (LTIP 2012)	4,463	140.01	5,228	133.95
Virtual shares	–	–	25,870	145.59

In 2014 and 2013, 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 3,290,586 (2013: EUR 2,830,896). A provision of EUR 58,273,773 (2013: EUR 37,150,987) 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 44,793,684 (2013: EUR 32,921,398).

The emoluments of the Executive Board in accordance with IAS 24.17, based on the cost incurred in the financial year, were as follows:

132 EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH IFRS

in €	2014	2013
Short-term cash emoluments	8,885,935	9,575,893
Long-term cash emoluments	3,081,804	3,766,410
TOTAL CASH EMOLUMENTS	**11,967,739**	**13,342,303**
Change in value of virtual shares	285,411	472,661
Cost Long Term Incentive Plan	4,869,835	2,064,218
Service cost for pension obligation	1,228,535	2,092,301
TOTAL EMOLUMENTS (IFRS)	**18,351,520**	**17,971,483**

In addition, post-employment benefits of EUR 582 thousand arose in the course of 2014.

The remuneration report presents the basic features and structure of the remuneration of the Executive Board. It is presented on PAGES 58 TO 74 OF THE 2014 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 § 289a of the German Commercial Code (HGB)

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Law (AktG) on the recommendations of the German Corporate Governance Code and made it accessible to the shareholders on a permanent basis. The Declaration of Compliance has been published on the Internet at WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE.

The Declaration on Corporate Governance can be found on the Internet at WWW.LINDE.COM/CORPORATEGOVERNANCE.

A detailed commentary on corporate governance at Linde is set out in the Corporate Governance section of the Financial Report.

[37] Other Board memberships

[Disclosures regarding other Board memberships are as at 31 December 2014]

Supervisory Board

Members of the Supervisory Board of Linde Aktiengesellschaft are members of the following other German statutory 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,
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.
(Member of the Administrative Board)

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)
Istituto per le Opere di Religione (IOR)
(Member of the Board of Superintendence)

ANKE COUTURIER
Head of Global Pensions, Linde AG

FRANZ FEHRENBACH
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:
STIHL Holding AG & Co. KG
(Member of the Advisory Board)

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

DR MARTIN KIMMICH
Second Authorised Representative, IG Metall Munich

¬ EXTERNAL OFFICES:
MTU Aero Engines AG
Nokia Solutions and Networks Management GmbH

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:
Parker Hannifin Corporation
(Member of the Board of Directors)

¬ *MEMBERSHIP OF OTHER GERMAN STATUTORY 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
Chairman of the Works Council of Linde Engineering Dresden GmbH

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 statutory supervisory boards and comparable German and foreign boards:

DR WOLFGANG BÜCHELE
Member of the Executive Board (from 1 May 2014)
Chief Executive Officer (from 20 May 2014)

EXTERNAL OFFICES:
Merck KGaA (Chairman)

EXTERNAL OFFICES:
E. Merck KG
(Member of the Board of Partners)
Kemira Oyi, Finland
(Member of the Board of Directors)

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)

The following members retired from the Executive Board in the 2014 financial year: (The information provided relates to the date of retirement.)

PROFESSOR DR WOLFGANG REITZLE
Chief Executive Officer
(retired on 20 May 2014)

EXTERNAL OFFICES:
Axel Springer SE (from 16 April 2014)
Continental AG (Chairman)
Medical Park AG

EXTERNAL OFFICES:
Holcim Ltd., Switzerland
(President of the Administrative Board from 29 April 2014)

MEMBERSHIP OF OTHER GERMAN STATUTORY SUPERVISORY BOARDS.

MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS.

[38] Contingent liabilities and other financial commitments

133 CONTINGENT LIABILITIES

in € million	31.12.2014	31.12.2013
Guarantees	3	1
Warranties	15	14[1]
Other contingent liabilities	64	32
TOTAL	82	47

[1] Adjusted.

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 1.106 bn (2013: EUR 1.129 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.

134 OTHER FINANCIAL COMMITMENTS

in € million	31.12.2014	31.12.2013
Obligations under non-cancellable operating leases	564	564
Capital expenditure commitment (tangible fixed assets)	383	375
Capital expenditure commitment (intangible assets)	8	11
TOTAL	955	950

Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

135 PROCUREMENT LEASES

in € million	31.12.2014	31.12.2013
Total minimum lease payments (gross investment)		
due within one year	145	152
due in one to five years	284	274
due in more than five years	135	138
TOTAL	564	564

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 2014 financial year, costs arising from operating leases of EUR 246 m (2013: EUR 237 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 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:

136 AUDITORS' FEES AND SERVICES

	2014		2013	
in € million	Group	Thereof KPMG AG[1]	Group	Thereof KPMG AG[1]
Audit (including expenses)	10	3	10	3
Other attestation services	2	1	2	1
Tax consultancy	1	–	1	–
Other services	–	–	1	1
TOTAL	**13**	**4**	**14**	**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

The key financial figures relating to The Linde Group are presented below after adjusting for non-recurring items. Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of the earning capacity of The Linde Group in the capital market.

137 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

	31.12.2014			31.12.2013		
in € million	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*
Revenue	17,047	–	17,047	16,655	–	16,655
Cost of sales	–11,297	223	–11,074	–10,642	–	–10,642
GROSS PROFIT	**5,750**	**223**	**5,973**	**6,013**	**–**	**6,013**
Research and development costs, marketing, selling and administration expenses	–4,070	68	–4,002	–4,023	–	–4,023
Other operating income and expenses	183	4	187	165	–	165
Share of profit or loss from associates and joint ventures (at equity)	22	–	22	16	–	16
EBIT	**1,885**	**295**	**2,180**	**2,171**	**–**	**2,171**
Financial result	–365	–	–365	–377	–	–377
Income tax expense	–358	–25	–383	–364	–	–364
PROFIT FOR THE YEAR	**1,162**	**270**	**1,432**	**1,430**	**–**	**1,430**
attributable to Linde AG shareholders	**1,102**	**221**	**1,323**	**1,317**	**–**	**1,317**
attributable to non-controlling interests	60	49	109	113	–	113
EBIT	**1,885**	**295**	**2,180**	**2,171**	**–**	**2,171**
Amortisation of intangible assets and depreciation of tangible assets	–1,969	229	–1,740	–1,795	–	–1,795
OPERATING PROFIT	**3,854**	**66**	**3,920**	**3,966**	**–**	**3,966**
Equity including non-controlling interests	14,267	270	14,537	13,586	–	13,586
Plus: Financial debt	9,856	–	9,856	9,577	–	9,577
Plus: Liabilities from finance leases	74	–	74	78	–	78
Less: Receivables from finance leases	298	–	298	327	–	327
Less: Cash, cash equivalents and securities	1,658	–	1,658	1,348	–	1,348
Plus: Net pension obligations	1,094	–	1,094	784	–	784
CAPITAL EMPLOYED	**23,335**	**270**	**23,605**	**22,350**	**–**	**22,350**
EARNINGS PER SHARE *in €* **– UNDILUTED**	**5.94**		**7.13**	**7.10**		**7.10**
EARNINGS PER SHARE *in €* **– DILUTED**	**5.91**		**7.10**	**7.08**		**7.08**
RETURN ON CAPITAL EMPLOYED (ROCE) *in %*	**8.3**		**9.5**	**9.7**		**9.7**

[41] List of shareholdings of The Linde Group and Linde AG at 31 December 2014 in accordance with the provisions of § 313 (2) No. 4 of the German Commercial Code (HGB)

The results of companies acquired in 2014 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 2014 and complies with International Financial Reporting Standards, unless specifically disclosed below.

138 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		–0.1	0.4	c, d
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	11.4	–1.7	f
LINDE HEALTH CARE MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–1.1	–2.9	f
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		3.4	0.2	
Linde Electronics GmbH	Stadl-Paura	AUT	100		10.8	2.1	
Linde Gas GmbH	Stadl-Paura	AUT	100		230.8	24.9	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		0.5	0.1	
Chemogas N.V.	Grimbergen	BEL	100		8.0	2.5	
Linde Gas Belgium NV	Grimbergen	BEL	100		1.2	0.8	
Linde Homecare Belgium SPRL	Scalyn	BEL	100	100	4.0	0.0	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100		8.8	0.1	
Linde Gas BH d.o.o.	Zenica	BIH	85	85	3.9	–0.3	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	1.2	0.1	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		0.0	0.0	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		1.4	1.3	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		0.3	0.0	d
PanGas AG	Dagmersellen	CHE	100		86.2	31.3	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0.0	0.0	c
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	8.8	0.6	
Linde Gas a.s.	Prague	CZE	100		190.7	51.0	
Linde Sokolovská s.r.o.	Prague	CZE	100		56.9	6.8	
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	25.2	–0.3	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	5.6	1.6	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	338.9	–4.2	

138 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	Oberschleissheim	DEU	100		46.8	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	0.1	0.0	
Linde Remeo Deutschland GmbH	Blankenfelde-Mahlow	DEU	100		4.8	–	a
Linde Schweißtechnik GmbH	Pullach	DEU	100		1.2	–	a
Linde Welding GmbH	Pullach	DEU	100		0.3	–	a
MTA GmbH Medizin-Technischer Anlagenbau	Mainhausen	DEU	100		0.1	–	a
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100	6	1.9	–	a
Unterbichler Gase GmbH	Munich	DEU	100		0.8	–	a
AGA A/S	Copenhagen	DNK	100		13.7	4.4	
GI/LINDE ALGERIE	Algiers	DZA	100	40	10.8	2.1	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	89.4	13.4	
Abelló Linde, S.A.	Barcelona	ESP	100	100	133.9	22.7	
LINDE ELECTRONICS, S.L.	Barcelona	ESP	100		–3.6	–0.3	
Linde Médica, S.L.	Barcelona	ESP	100		121.9	4.1	
LINDE MEDICINAL, S.L.	Barcelona	ESP	100		262.9	19.3	
AS Eesti AGA	Tallinn	EST	100		25.1	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		634.2	53.5	c
Teollisuuskaasut Suomi Oy	Espoo	FIN	100		2.4	0.0	c
TK-Teollisuuskaasut Oy	Espoo	FIN	100		–0.3	0.0	c
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		2.7	–0.1	
Linde France S.A.	Saint-Priest	FRA	100		141.0	18.4	
LINDE HOMECARE FRANCE SAS	Saint-Priest	FRA	100		39.5	1.3	
REMEO FRANCE SAS	Saint-Priest	FRA	100		0.0	0.0	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.2	0.0	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.6	0.1	
BOC HELEX	Guildford	GBR	100		4,368.4	127.0	
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		1.4	0.2	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	0.0	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Nottingham	GBR	100		1.4	0.5	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Nottingham	GBR	80		1.7	0.2	c, d
GAS & GEAR LIMITED	Nottingham	GBR	100		0.0	0.0	c
GAS INSTRUMENT SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c
GWYNEDD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Nottingham	GBR	100		–0.6	–0.1	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Nottingham	GBR	100		–2.0	0.0	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Nottingham	GBR	100		0.4	0.2	c, d
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Nottingham	GBR	100		9.5	7.0	c, d
IWS (INDUSTRIAL & WELDING SUPPLIES) LIMITED	Guildford	GBR	100		0.0	0.0	c
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Nottingham	GBR	100		1.4	0.3	c, d
LEENGATE HIRE & SERVICES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d

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LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Nottingham	GBR	100		0.3	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Nottingham	GBR	100		1.9	0.3	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Nottingham	GBR	100		-0.3	-0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.5	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
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		0.8	0.8	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
REMEO HEALTHCARE LIMITED	Guildford	GBR	100		0.0	0.0	
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	88		1.6	0.3	c, d
RYVAL GAS 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		0.3	0.1	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		-0.3	0.1	c, d
Linde Hellas Monoprosopi E.P.E.	Mandra	GRC	100	100	38.6	-0.5	
LINDE PLIN d.o.o.	Karlovac	HRV	100	100	4.6	0.6	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100		136.7	33.9	
BOC (TRADING) LIMITED	Dublin	IRL	100		0.3	0.0	c
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.1	30.0	
BOC Gases Ireland Limited	Dublin	IRL	100		29.1	24.8	c
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	0.0	
ISAGA ehf.	Reykjavík	ISL	100		9.2	2.8	
Linde Gas Italia S.r.l.	Arluno	ITA	100		150.2	15.6	
LINDE MEDICALE Srl	Arluno	ITA	100		24.9	3.0	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	19.3	1.2	
BOC Kenya Limited	Nairobi	KEN	65		14.4	1.2	
AFROX LESOTHO (PTY) LIMITED	Maseru	LSO	100		1.2	0.1	d
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		0.0	0.0	c
AGA UAB	Vilnius	LTU	100		5.3	0.2	
AGA SIA	Riga	LVA	100		19.7	2.6	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.5	-0.1	
Afrox Moçambique, Limitada	Maputo	MOZ	100		3.7	0.6	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		2.1	1.1	d
IGL (PTY) LIMITED	Windhoek	NAM	100		4.6	2.6	d
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		0.5	0.1	d
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		0.7	-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		9.2	1.2	
AGA International B.V.	Schiedam	NLD	100		221.3	4.4	
B.V. Nederlandse Pijpleidingmaatschappij	Rotterdam	NLD	100		10.1	-2.2	

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Linde Electronics B.V.	Schiedam	NLD	100		7.3	2.3	
Linde Gas Benelux B.V.	Schiedam	NLD	100		115.7	25.9	
Linde Gas Cryoservices B.V.	Eindhoven	NLD	100		1.2	0.9	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100		50.2	5.0	
Linde Homecare Benelux B.V.	Nuland	NLD	100		6.1	–1.4	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		275.0	50.1	
OCAP CO2 B.V.	Schiedam	NLD	100		4.7	7.7	
AGA AS	Oslo	NOR	100		29.1	27.2	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		4.8	0.3	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	135.7	14.5	
LINDE GLOBAL SERVICES PORTUGAL, UNIPESSOAL LDA	Maia	PRT	100		0.1	–0.3	
LINDE PORTUGAL, LDA	Lisbon	PRT	100		93.2	11.2	
LINDE SAÚDE, LDA	Maia	PRT	100		37.7	6.2	
LINDE GAZ ROMANIA S.R.L.	Timisoara	ROU	100		140.0	17.9	
OAO "Linde Gas Rus"	Balashikha	RUS	100	100	41.2	–3.6	
OAO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	7.7	0.7	
Linde Jubail Industrial Gases Factory LLC	Al-Khobar	SAU	100	84	6.7	–0.2	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		63.5	2.3	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Bečej	SRB	87	87	10.1	0.8	
Aries 94 s.r.o.	Bratislava	SVK	100		2.2	0.7	
Linde Gas k.s.	Bratislava	SVK	100		27.9	4.2	
LINDE PLIN d.o.o.	Celje	SVN	100	100	10.3	1.4	
AB Held	Lidingö	SWE	100		0.0	0.0	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		0.0	0.1	
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		14.0	2.5	
NORLIC AB	Lidingö	SWE	90		13.6	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		1.3	1.1	d
Linde Gas Tunisie S.A.	Ben Arous	TUN	60	60	5.8	–0.3	
Linde Gaz Anonim Şirketi	Istanbul	TUR	100	100	61.9	–1.9	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.8	0.1	
BOC Uganda Limited	Kampala	UGA	100		0.8	0.0	
PJSC "Linde Gaz Ukraina"	Dnipropetrovsk	UKR	100	96	10.3	–2.2	
African Oxygen Limited	Johannesburg	ZAF	56		236.0	6.0	
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		0.0	0.0	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		18.3	1.1	d
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		0.0	0.0	

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AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		2.3	1.1	d
AFROX SAFETY (PTY) LIMITED	Johannesburg	ZAF	100		0.8	1.9	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		0.0	–0.1	d
ISAS TRUST	Johannesburg	ZAF	100		2.7	–1.4	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		5.8	2.5	d
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		22.2	2.9	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		86.7	0.0	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		8.4	0.0	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		26.6	40.8	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		–3.4	0.0	
BOC Limited	North Ryde	AUS	100		279.2	116.2	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		4.0	0.5	
CIG PRODUCTS PTY LIMITED	North Ryde	AUS	100		0.0	0.0	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		4.5	0.0	
ELGAS LIMITED	North Ryde	AUS	100		219.2	33.7	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		3.8	0.5	
FLEXIHIRE PTY LIMITED	North Ryde	AUS	100		22.9	1.0	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		–1.4	0.0	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		23.3	5.9	
TIAMONT PTY LIMITED	North Ryde	AUS	100		4.3	0.7	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		20.2	1.3	
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		6.8	0.0	
Linde Bangladesh Limited	Dhaka	BGD	60		27.6	6.0	
Anhui JuLan Industrial Gases Co., Ltd.	Lu'an	CHN	100		2.1	–0.3	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		0.0	0.0	
AUECC Shanghai	Shanghai	CHN	100		2.5	0.0	
AUECC Shanghai Co. Ltd.	Shanghai	CHN	100		16.2	–2.1	
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		161.3	14.3	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		6.6	0.9	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		48.5	3.7	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		14.8	–2.1	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		15.2	0.2	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		13.2	–0.7	

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BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		13.1	–0.3	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		–3.4	1.7	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		34.5	–1.3	
BOCLH Industrial Gases (Waigaoqiao) Co., Ltd.	Shanghai	CHN	100		–0.3	–0.2	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		–0.4	–2.1	
BOC-TISCO GASES CO., Ltd	Tayiuan	CHN	50		161.6	7.6	f, i
Dalian Xizhong Island Linde Industrial Gases Co., Ltd.	Dalian	CHN	70		0.1	0.0	
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		43.3	11.9	f, i
Guangzhou GISE Gases Co., Ltd.	Guangzhou	CHN	50		29.1	0.9	f, i
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		8.1	–4.0	f, i
Hefei Juwang Industrial Gas Co., Ltd.	Hefei	CHN	100		8.7	0.0	
Jianyang Linde Medical Gases Company Limited	Jianyang	CHN	100		1.2	–0.1	
Linde (Quanzhou) Carbon Dioxide Co. Ltd.	Quanzhou	CHN	100		1.7	0.0	
Linde Carbonic (Wuhu) Company Ltd.	Wuhu	CHN	60		4.1	–0.5	i
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	11.6	–0.5	i
Linde Dahua (Dalian) Gases Co., Ltd	Dalian	CHN	50		30.2	0.5	f, i
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	6.7	–1.0	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		110.5	1.2	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		6.4	1.7	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.3	0.4	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	42.6	4.1	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		2.1	–0.4	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		15.9	–2.4	
Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		10.5	0.0	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		3.4	–1.0	
Linde Gases (Huizhou) Co., Ltd.	Huizhou	CHN	100		0.5	0.0	
Linde Gases (Jilin) Co., Ltd.	Jilin	CHN	100		20.3	–1.6	
Linde Gases (Langfang) Co., Ltd.	Langfang	CHN	100		9.8	–0.2	
Linde Gases (Meishan) Co., Ltd.	Meishan	CHN	100		13.9	–0.6	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		–0.7	–1.8	
Linde Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		17.6	2.1	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		9.2	0.4	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		22.6	2.8	
Linde Gases (Yantai) Co., Ltd.	Yantai	CHN	90		48.5	0.6	
Linde Gases (Zhangzhou) Co., Ltd.	Zhangzhou	CHN	100		13.7	1.7	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		11.1	0.8	
Linde GISE Gas (Shenzhen) Co., Ltd	Shenzhen	CHN	50		9.7	–0.1	f
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		5.5	0.5	i
Linde Lienhwa Gases (BeiJing) Co., Ltd.	Beijing	CHN	100		14.8	–0.1	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		9.4	–2.7	
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	60		–31.3	–99.9	
Ma'anshan BOC-Ma Steel Gases Company Limited	City of Maanshan	CHN	50		90.9	18.5	f, i

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Nanjing Qiangsheng Industrial Gases Co., Ltd.	Nanjing	CHN	100		1.6	0.3	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		0.1	-0.1	
Shanghai BOC Industrial Gases Company Limited	Shanghai	CHN	100		9.1	-2.5	
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		93.3	14.2	f, i
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.8	0.0	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90		1.1	0.2	
Shenzhen South China Industrial Gases Co. Ltd.	Shenzhen	CHN	50		10.8	1.3	f, i
Wuxi Boc Gases Co., Limited	Wuxi	CHN	100		1.2	0.0	
ZHENJIANG XINHUA INDUSTRIAL GASES CO., LTD.	Zhenjiang	CHN	100		0.4	0.0	
BOC (FIJI) LIMITED	Lami Suva	FJI	90		3.0	1.3	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		0.0	0.0	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wan Chai	HKG	100		-0.1	0.0	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	422.6	10.7	
Linde GISE Gases (Hong Kong) Company Limited	Hong Kong	HKG	50		0.0	0.0	f
Linde HKO Limited	Hong Kong	HKG	100		91.7	15.1	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		0.8	0.7	
P.T. Gresik Gases Indonesia	Jakarta	IDN	93		13.5	-0.7	
P.T. Gresik Power Indonesia	Jakarta	IDN	92		8.6	-0.2	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		-0.2	0.0	
PT. LINDE INDONESIA	Jakarta	IDN	100		26.3	-6.4	
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bellary	IND	50		13.1	1.9	f, i
LINDE INDIA LIMITED	Calcutta	IND	75		177.1	1.6	
Linde Korea Co., Ltd.	Pohang	KOR	100		268.2	19.9	
PS Chem Co., Ltd.	Gyeongsang-nam-do	KOR	100		8.1	1.1	
PSG Co., Ltd.	Busan	KOR	51		23.4	4.3	i
Sam Kwang Gas Tech Co., Ltd.	Seoul	KOR	100		4.7	1.1	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	20.6	0.2	
DAYAMOX SDN BHD	Petaling Jaya	MYS	100		0.0	0.0	
Linde EOX Sdn. Bhd.	Petaling Jaya	MYS	100		26.3	1.9	
Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	19.6	1.1	
LINDE INDUSTRIAL GASES (MALAYSIA) SDN. BHD.	Petaling Jaya	MYS	80	80	8.7	0.0	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		79.6	14.5	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		178.9	38.6	
LINDE ROC SDN. BHD.	Petaling Jaya	MYS	100		-0.3	-0.3	
LINDE WELDING PRODUCTS SDN. BHD.	Petaling Jaya	MYS	100		0.9	0.4	
BOC LIMITED	Auckland	NZL	100		36.6	20.5	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	15.6	
ELGAS LIMITED	Auckland	NZL	100		21.3	1.7	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0.2	0.0	
Linde Pakistan Limited	Karachi	PAK	60		13.9	0.9	
BATAAN INDUSTRIAL GASES INC	Pasig City	PHL	100		0.6	0.1	

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Net income/net loss	Note
			in percent	in percent	in € million	in € million	
BOC (PHILS.) HOLDINGS, INC.	Pasig City	PHL	100		21.0	0.0	
CHATSWOOD INC	Makati City	PHL	62		0.0	0.0	c, e
CIGC CORPORATION	Pasig City	PHL	100		1.4	0.4	
CRYO INDUSTRIAL GASES, INC	Pasig City	PHL	100		0.4	0.1	
GRANDPLAINS PROPERTIES, INC	Pasig City	PHL	40		2.2	0.4	f, i
LINDE PHILIPPINES (SOUTH), INC.	Mandaue City	PHL	100		18.6	0.3	
LINDE PHILIPPINES, INC.	Pasig City	PHL	100		27.7	2.3	
ROYAL SOUTHMEADOWS, INC	Mandaue City	PHL	40		0.8	0.0	f, i
BOC Papua New Guinea Limited	Lae	PNG	74		29.8	6.5	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		11.8	5.1	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	104.2	15.2	
LINDE TREASURY ASIA PACIFIC PTE.LTD.	Singapore	SGP	100		0.2	–0.1	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		2.8	0.9	
KTPV (THAILAND) LIMITED	Chachoengsao	THA	100		13.0	6.5	
Linde (Thailand) Public Company Limited	Samut Prakan	THA	100		201.6	27.4	
Linde Air Chemicals Limited	Samut Prakan	THA	99		43.6	9.1	
Linde HyCO Limited	Samut Prakan	THA	100		24.2	2.0	
MIG Production Company Limited	Samut Prakan	THA	54		68.8	10.7	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2.7	0.1	
SKTY (Thailand) Limited	Chachoengsao	THA	100		45.0	12.6	
TIG TRADING LIMITED	Samut Prakan	THA	100		4.6	0.0	
BOC (TONGA) LIMITED	Nuku'alofa	TON	100		0.1	0.0	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	100		33.1	2.1	c
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Wuchi Town	TWN	89		9.0	0.9	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		8.9	1.0	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	0.2	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung Hsien	TWN	100		3.8	0.7	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2.1	1.0	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2.8	0.2	c
LIEN JIAN LPG COMPANY LIMITED	Su'ao	TWN	60		0.3	0.0	c, d
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.4	0.4	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		0.1	0.0	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yilan	TWN	100		0.7	0.4	c
LIEN YI LPG COMPANY LIMITED	Taoyuan City	TWN	60		1.8	0.0	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		8.3	0.4	c
LINDE LIENHWA INDUSTRIAL GASES CO. LTD.	Taipei	TWN	50		258.9	68.6	c, f, i
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	55		120.9	27.4	c
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		11.5	1.2	c
AUECC (BVI) HOLDINGS LIMITED	Tortola	VGB	100		0.7	0.0	
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Tortola	VGB	100		107.6	0.1	

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KEY PROOF INVESTMENTS LIMITED	Tortola	VGB	100		1.6	0.0	
PURE QUALITY TECHNOLOGY LIMITED	Tortola	VGB	100		0.0	0.0	
SHINE SKY INTERNATIONAL COMPANY LIMITED	Tortola	VGB	100		0.7	0.0	
SKY WALKER GROUP LIMITED	Tortola	VGB	100		1.7	−0.5	c
Linde Gas Vietnam Limited	Ba Ria	VNM	100	100	2.3	−0.3	
Linde Vietnam Limited Company	Ba Ria	VNM	100		9.4	−14.5	
BOC Samoa Limited	Apia	WSM	96		1.2	0.2	
Americas							
BOC GASES ARUBA N.V.	Santa Cruz	ABW	100		2.9	0.1	
Grupo Linde Gas Argentina S.A.	Buenos Aires	ARG	100	65	34.1	3.7	
Linde Salud S.A.	Buenos Aires	ARG	100	90	1.9	−0.5	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		41.2	52.1	
Linde Gases Ltda.	Barueri	BRA	100		203.7	−145.2	
LINDE-BOC GASES LIMITADA	Sao Paulo	BRA	100		9.2	1.0	
1142091 Ontario Inc.	London	CAN	100		0.0	0.0	c
2961-8303 Québec Inc.	Montréal	CAN	100		1.6	0.2	c, d
Cen-Alta Welding Supplies Ltd.	Calgary	CAN	100		2.3	0.1	c, d
Contact Welding Supplies Ltd.	London	CAN	100		0.0	0.0	c
Oxygène Sorel-Tracy Inc.	Sorel-Tracy	CAN	100		0.2	0.1	c, d
Soudures Industrielles du Richelieu Métropolitain Inc.	Sorel-Tracy	CAN	100		1.3	0.2	c, d
BOC de Chile S.A.	Providencia	CHL	100		6.8	0.6	
Linde Gas Chile S.A.	Santiago	CHL	100		119.3	5.6	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		2.7	1.4	
Linde Colombia S.A.	Bogotá	COL	100		90.5	3.3	
REMEO Medical Services S.A.S.	Bogotá	COL	100		0.1	0.0	
Linde Gas Curaçao N.V.	Willemstad	CUW	100		2.4	0.3	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		6.3	1.1	
Agua y Gas de Sillunchi S.A.	Quito	ECU	100		0.7	−0.4	
Linde Ecuador S.A.	Quito	ECU	100		64.5	5.6	
Spectra Gases Limited	Guildford	GBR	100		1.1	0.0	
BOC GASES DE MEXICO, S.A. DE C.V.	Mexico	MEX	100		0.0	0.0	
Compañía de Nitrógeno de Cantarell, S.A. de C.V.	Santa Fe	MEX	100		111.5	35.5	
Compania de Operaciones de Nitrogeno, S.A. de C.V.	Santa Fe	MEX	100		5.7	2.1	c, d
SERVICIOS DE OPERACIONES DE NITROGENO, S.A. DE C.V.	Santa Fe	MEX	100		1.5	0.3	c, d
Linde Gas Perú S.A.	Callao	PER	100		13.8	0.6	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		1.3	−0.5	
AGA S.A.	Montevideo	URY	100		14.1	2.3	
East Coast Oxygen Company	Bethlehem	USA	50		10.4	−3.5	f, i
Holox Inc.	Norcross	USA	100		0.0	0.0	
LAG Methanol LLC	Wilmington	USA	100		0.0	0.0	
Lincare (consolidated financial statements) including:					601.9	184.6	
1536502 Ontario Inc.	Hamilton	USA	100				h
ACRO PHARMACEUTICAL SERVICES LLC	Harrisburg	USA	100				h
ALPHA RESPIRATORY INC.	Wilmington	USA	100				h

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CARING RESPONDERS LLC	Wilmington	USA	100				h
COMMUNITY PHARMACY SERVICES, LLC	Wilmington	USA	100				h
Complete Infusion Services, LLC	Bingham Farms	USA	100				h
CONVACARE SERVICES, INC.	Bloomington	USA	100				h
CPAP SUPPLY USA LLC	Wilmington	USA	100				h
Gamma Acquisition Inc.	Wilmington	USA	100				h
HCS Lancaster LLC	Wilmington	USA	100				h
HEALTH CARE SOLUTIONS AT HOME INC.	Wilmington	USA	100				h
HOME-CARE EQUIPMENT NETWORK INC.	Plantation	USA	100				h
LINCARE EQUIPMENT LLC	Wilmington	USA	100				h
LINCARE HOLDINGS INC.	Wilmington	USA	100				h
LINCARE INC.	Wilmington	USA	100				h
LINCARE LEASING LLC	Wilmington	USA	100				h
LINCARE LICENSING INC.	Wilmington	USA	100				h
LINCARE OF CANADA ACQUISITIONS INC.	Wilmington	USA	100				h
LINCARE OF CANADA INC.	Toronto	USA	100				h
LINCARE OF NEW YORK, INC.	New York	USA	100				h
LINCARE PHARMACY SERVICES INC.	Wilmington	USA	100				h
LINCARE PROCUREMENT INC.	Wilmington	USA	100				h
LINCARE PULMONARY REHAB MANAGEMENT, LLC	Wilmington	USA	100				h
Lincare Pulmonary Rehab Services of Missouri, LLC	Clayton	USA	100				h
LINCARE PULMONARY REHAB SERVICES OF OHIO, LLC	Cleveland	USA	100				h
Linde RSS LLC	Wilmington	USA	100				h
Longcap DNS, LLC	Wilmington	USA	100				h
mdINR, LLC	Wilmington	USA	100				h
MED 4 HOME INC.	Wilmington	USA	100				h
MediLink HomeCare, Inc.	Trenton	USA	100				h
MEDIMATICS LLC	Wilmington	USA	100				h
MidSouth Distribution, Inc.	Texarkana	USA	100				h
MRB ACQUISITION CORP.	Plantation	USA	100				h
OCT Pharmacy, L.L.C.	Bingham Farms	USA	100				h
OPTIGEN, INC.	Plantation	USA	100				h
Palm Drug, Inc.	Highland	USA	100				h
Patient Support Services, Inc.	Texarkana	USA	100				h
PULMOREHAB LLC	Wilmington	USA	100				h
Raytel Cardiac Services, Inc.	Wilmington	USA	100				h
Sleepcair, Inc.	Topeka	USA	100				h
Linde Canada Investments LLC	Wilmington	USA	100		14.9	0.3	
Linde Delaware Investments Inc.	Wilmington	USA	100		296.9	45.5	
Linde Energy Services, Inc	Wilmington	USA	100		-0.3	0.0	
Linde Gas North America LLC	Wilmington	USA	100		757.2	113.1	
Linde Merchant Production, Inc	Wilmington	USA	100		146.8	-0.9	
Linde North America, Inc.	Wilmington	USA	100	< 0.1	615.1	-68.8	
AGA Gas C.A.	Caracas	VEN	100		22.5	14.7	g
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		-0.3	-1.8	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		-0.3	-0.3	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		4.4	-0.1	

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Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	28.9	21.5	f
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	1.0	0.1	
Linde Process Plants Canada Inc.	Calgary	CAN	100		0.4	0.8	
Arboliana Holding AG	Pfungen	CHE	100		4.8	0.8	
Bertrams Heatec AG	Pratteln	CHE	100		6.5	-0.4	
Linde Kryotechnik AG	Pfungen	CHE	100		15.0	7.8	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	8.3	3.5	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		0.3	0.0	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	57.9	7.7	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	36.4	16.4	
Linde Engineering Dresden GmbH	Dresden	DEU	100	6	63.9	–	a
Selas-Linde GmbH	Pullach	DEU	100	100	31.6	–	a
CRYOSTAR SAS	Hésingue	FRA	100		68.2	31.6	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		5.8	0.0	
Linde Engineering India Private Limited	New Delhi	IND	100	100	16.1	0.5	
Linde Impianti Italia S.r.l.	Fiumicino	ITA	100	100	1.4	-0.8	
LPM, S.A. de C.V.	Mexico	MEX	100	90	7.9	-0.3	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	-0.8	-0.5	
OOO "Linde Engineering Rus"	Samara	RUS	100	100	-7.6	-10.3	
Linde Arabian Contracting Company Ltd.	Riyadh	SAU	100	90	11.5	-9.0	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	16.1	5.5	
Linde Engineering North America Inc.	Wilmington	USA	100		-22.6	-45.7	
Linde Process Plants, Inc.	Tulsa	USA	100		71.3	23.5	
Linde Process Plants (Pty.) Ltd.	Johannesburg	ZAF	100	100	9.1	3.3	
Cryostar USA LLC	Wilmington	USA	100		0.2	0.0	
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.7	209.3	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	42.0	
Gist Österreich GmbH	Wallern an der Trattnach	AUT	100		0.1	0.0	c, d
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	62	752.7	134.2	
Gist Belgium BVBA	Lochristi	BEL	100		-0.3	0.0	c, d
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		23.9	0.0	
Linde Canada Limited	Mississauga	CAN	100		317.5	59.8	
Linde Holding AG	Dagmersellen	CHE	100	100	21.8	16.5	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		3.1	0.6	
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	2,350.0	–	a
Linde US Beteiligungs GmbH	Munich	DEU	100		448.3	28.7	
LINDE INVESTMENTS FINLAND OY	Helsinki	FIN	100		1.0	0.1	
GIST FRANCE S.A.R.L.	Garges Les Gonesse	FRA	100		0.1	0.0	c, d
Linde Holdings SAS	Saint-Priest	FRA	100		174.7	49.1	
LOGI FRANCE SARL	Rungis Cedex	FRA	100		-0.7	-0.1	c, d
The Boc Group S.A.S.	Hésingue	FRA	100		64.7	20.8	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		3.3	0.0	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		41.3	0.0	

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BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	0.0	
BOC DUTCH FINANCE	Guildford	GBR	100		0.7	0.0	
BOC GASES LIMITED	Guildford	GBR	100		40.5	0.2	
BOC HOLDINGS	Guildford	GBR	100		4,266.2	474.9	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		711.9	167.5	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		0.0	0.0	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		178.2	42.1	
BOC INVESTMENTS NO.5	Guildford	GBR	100		364.3	9.9	
BOC INVESTMENTS NO.7	Guildford	GBR	100		0.0	1.0	
BOC IRELAND FINANCE	Guildford	GBR	100		0.0	0.0	
BOC JAPAN	Guildford	GBR	100		0.0	0.0	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		114.2	0.9	
BOC LIMITED	Guildford	GBR	100		636.7	228.2	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		0.0	0.0	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		524.5	442.1	
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 RSP TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	
BOC SEPS TRUSTEES 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		280.3	7.5	
GIST LIMITED	Guildford	GBR	100		152.9	52.3	
GIST PEOPLE SERVICES LIMITED	Guildford	GBR	100		2.3	0.0	
HANDIGAS LIMITED	Guildford	GBR	100		16.4	0.0	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		0.0	0.0	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		14.7	0.0	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.7	0.0	
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		–168.3	–21.1	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		283.0	34.0	
LINDE FINANCE	Guildford	GBR	100		0.0	0.0	
LINDE INVESTMENTS No.1 LIMITED	Guildford	GBR	100		3,942.1	0.0	
LINDE NORTH AMERICA HOLDINGS LIMITED	Guildford	GBR	100		1,703.2	0.3	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	14,688.0	580.2	
LINDE UK PRIVATE MEDICAL TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	c
MEDISHIELD	Guildford	GBR	100		0.4	0.0	
MEDISPEED	Guildford	GBR	100		299.9	14.9	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		–0.5	0.0	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		392.2	5.0	
STORESHIELD LIMITED	Guildford	GBR	100		328.2	80.5	
THE BOC GROUP LIMITED	Guildford	GBR	100		9,146.9	1,648.2	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	0.0	
TRANSHIELD	Guildford	GBR	100		17.3	0.2	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.2	0.0	
BOC NO.1 LIMITED	Saint Peter Port	GGY	100		1.4	0.0	

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BOC NO. 2 LIMITED	Saint Peter Port	GGY	100		0.4	0.0	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		8.6	0.0	
Linde Global Support Services Private Limited	Calcutta	IND	100		0.5	0.0	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		15.7	0.0	
BOC Investments Ireland	Dublin	IRL	100		3.5	0.0	
Gist Distribution Limited	Dublin	IRL	100		6.6	4.4	
PRIESTLEY DUBLIN REINSURANCE COMPANY LIMITED	Dublin	IRL	100		25.1	0.3	
Gist Italy S.r.l.	Milan	ITA	100		0.1	0.0	c, d
ALBOC (JERSEY) LIMITED	Saint Helier	JEY	100		1.7	5.6	
BOC AUSTRALIAN FINANCE LIMITED	Saint Helier	JEY	100		3.6	73.2	
BOC PREFERENCE LIMITED	Saint Helier	JEY	100		65.0	0.0	
BOC Europe Holdings B.V.	Dongen	NLD	100		409.5	201.5	
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		−0.2	−0.7	c, d
Gist Forwarding B.V.	Bleiswijk	NLD	100		0.8	0.1	c, d
Gist Holding B.V.	Bleiswijk	NLD	100		−1.1	−5.8	c, d
Gist Nederland B.V.	Bleiswijk	NLD	100		3.0	−4.4	c, d
Linde Finance B.V.	Amsterdam	NLD	100		206.4	165.0	
Linde Holdings Netherlands B.V.	Schiedam	NLD	100	100	2,121.6	90.2	
The BOC Group B.V.	Dongen	NLD	100		58.9	25.1	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	15.6	
BOC GIST INC	Mkati City	PHL	100		0.1	0.0	
Linde Global IT Services s.r.o.	Bratislava	SVK	100		0.9	0.1	
AGA Aktiebolag	Lidingö	SWE	100		1,504.1	20.3	
BOC Intressenter AB	Helsingborg	SWE	100		35.8	1.1	
Fred Butler Sweden Aktiebolag	Lidingö	SWE	100		2.1	0.0	
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	3,704.5	117.0	
Linde Holdings, LLC	Wilmington	USA	100		175.6	45.0	
LINDE INVESTMENTS LLC	Wilmington	USA	100		498.5	0.0	
Linde LLC	Wilmington	USA	100		576.7	160.6	

139 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	277.2	68.4	
OOO "Linde Azot Togliatti"	Togliatty	RUS	50		5.3	–0.2	
Asia/Pacific							
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		37.0	4.7	
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		24.2	1.6	
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		45.3	7.2	

140 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		0.3	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	6.7	–4.4	b, c
Gasbus Beteiligungsgesellschaft mbH	Hamburg	DEU	100		0.0	0.0	b, c, f
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	40.5	5.2	b, f
Messer Algerie SPA	Algiers	DZA	40		3.8	1.8	b, c
Oxígeno de Sagunto, S.L.	Barcelona	ESP	50		12.9	5.3	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		0.2	0.2	b, c, e
LIMES SAS	Saint-Herblain	FRA	50		4.3	0.0	b, d
Helison Marketing Limited	Saint Helier	GBR	51		20.6	13.7	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		6.4	0.5	e
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		0.0	0.0	d
Gasbus NL One B.V.	Rotterdam	NLD	100		0.0	0.0	b, c, f
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		15.7	4.4	b, c
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		2.0	–0.1	b, c, f
Dalian BOC Carbon Dioxide Co. Ltd.	Dalian	CHN	50		1.6	–0.5	b
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		70.1	5.7	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		1.0	–0.3	b, f
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		67.9	12.2	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		2.2	0.7	b
Kulim Industrial Gases Sdn. Bhd.	Kuala Lumpur	MYS	50		29.4	2.6	b, c, e
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		7.7	–1.1	b, c
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50		23.4	1.4	b, c, e
LIEN RUEY ENERGY CORPORATION LIMITED	Taipei	TWN	50		0.3	0.0	b, c
Americas							
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	0.0	b
Cliffside Refiners, L.P.	Wilmington	USA	27		7.2	3.0	b
High Mountain Fuels, LLC	Wilmington	USA	50		10.2	0.2	b
Hydrochlor LLC	Wilmington	USA	50		11.4	–1.4	b
Spectra Investors, LLC	Branchburg	USA	49		1.9	0.2	b
Other Activities							
"Caravell" Kühlgerätevertriebs GmbH	Ratingen	DEU	50	50	0.0	0.0	b
CAPTURE POWER LIMITED	Selby	GBR	33		–2.9	–2.8	b

141 NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in € million	Net income/net loss in € million	Note
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
COTSWOLD INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c, d
ELECTROCHEM LIMITED	Guildford	GBR	100	100	3.9	0.0	c
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		–2.0	0.0	c
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	1.0	0.0	c
INTELLEMETRICS LIMITED	Glasgow	GBR	100		0.0	0.0	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (CANNOCK) LIMITED	Nottingham	GBR	100		0.2	0.0	c, d
SEABROOK INDUSTRIAL & WELDING SUPPLIES LIMITED	Nottingham	GBR	100		0.0	0.0	c
Linde Gas Jordan Ltd	Zarqa	JOR	100		0.0	–0.1	c
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
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	0.0	0.0	c
ZAO "LH GermaneLabs Rus"	Moscow	RUS	51	51	0.0	0.0	c
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
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		0.0	0.0	c
Guangzhou Linde GISE Gases Company Limited	Guangzhou	CHN	50		0.2	0.0	c, d
BOC NOUVELLE-CALEDONIE SAS	Nouméa	NCL	100		0.0	0.0	c
BOC PAKISTAN (PVT.) LIMITED	Karachi	PAK	100		0.0	0.0	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
LIEN XIANG ENERGY CORPORATION LIMITED	Tainan	TWN	50		0.8	0.0	c
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100	100	2.0	0.0	c
Americas							
177470 CANADA INC.	Mississauga	CAN	100		1.0	0.0	c
177472 CANADA INC.	Mississauga	CAN	100		2.6	0.0	c
44001 ONTARIO LIMITED	Mississauga	CAN	100		1.2	0.0	c

141 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	1.0	–0.1	c
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	1.4	0.1	c
Linde Engineering Far East, Ltd.	Seoul	KOR	100	100	0.8	0.0	c
LINDE SAUDI ARABIA LLC	Jubail	SAU	65	65	0.5	–0.6	c
Linde Engineering Taiwan Ltd.	Taipei	TWN	100		0.7	0.1	c
Other Activities							
Linde Australia Holdings Pty. Ltd.	North Ryde	AUS	100	100	0.0	0.0	c
CRIOSBANC FRANCE S.A.R.L.	Trappes	FRA	100		0.0	0.0	c
Hong Kong Oxygen & Acetylene Company Limited	Kowloon	HKG	100		0.6	0.2	c
GLPS TRUSTEES LIMITED	Guildford	GBR	100		0.0	0.0	c
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	
SELOX, INC	Nashville	USA	100		N/A	N/A	

142 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		13.1	–1.3	c, d
TKD TrockenEis und Kohlensäure Distribution GmbH	Fraunberg	DEU	50	50	0.5	0.1	c
AGA Føroyar Sp/f	Tórshavn	DNK	50		0.7	0.2	c, d
AGA HiQ Center Aps	Hillerød	DNK	50		0.4	0.0	c, d
Carburo del Cinca S.A.	Monzón	ESP	20		6.4	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		0.0	0.0	b, c
HON CHEN Enterprise Co., Ltd.	Kaohsiung	TWN	50		0.7	0.0	c, d
SUN HSIN LPG COMPANY LIMITED	Yunlin	TWN	50		0.3	0.1	c, d
Americas							
HERA, HYDROGEN STORAGE SYSTEMS INC	Longueuil	CAN	20		0.0	0.0	
RECUPERADORA INTEGRAL DE NITROGEO, SAPI DE C.V.	Mexico	MEX	50		0.0	0.0	b, c
TOMOE TRANSTECH SPECIALTY GASES PTE LTD	Singapore	SGP	25		2.3	0.4	b, c, d
Other Activities							
InfraLeuna GmbH	Leuna	DEU	25	25	338.9	2.3	c

Key:
a Profit/loss transfer agreement.
b Joint venture.
c Local GAAP.
d Figures from financial years prior to 2014.
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 The distribution of dividend for 2008 is subject to foreign exchange restrictions.
h No preparation of individual financial statements under commercial law.
i 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

The Linde AG Supervisory Board appointed Dr Christian Bruch and Bernd Eulitz as new members of the Executive Board with effect from 1 January 2015. Bruch and Eulitz succeed Professor Dr Aldo Belloni, who stepped down from the Linde AG Executive Board and retired when his contract ran out on 31 December 2014.

Christian Bruch is assuming Belloni's responsibility on the Linde AG Executive Board for the Group's Engineering Division.

Bernd Eulitz will be the Executive Board member responsible for the EMEA segment of the Group's gases business.

No other significant events occurred for The Linde Group between the balance sheet date and 24 February 2015.

On 24 February 2015, 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 16 March 2015 after they have been approved at the Supervisory Board meeting on 13 March 2015.

MUNICH, 24 FEBRUARY 2015

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[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 financial year from 1 January to 31 December 2014.

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 [Institute of Public Auditors in Germany] (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 2014 as well as the results of operations for the financial 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 financial year from 1 January to 31 December 2014. 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, 24 FEBRUARY 2015

KPMG AG
[WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT]

BECKER
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

SCHENK
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

Further Information

SECTION 4

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, 24 FEBRUARY 2015

LINDE AKTIENGESELLSCHAFT
THE EXECUTIVE BOARD

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

MANAGEMENT ORGANISATION

AS AT 24 FEBRUARY 2015

143 MANAGEMENT ORGANISATION EXECUTIVE BOARD

Executive Board Member	*Responsibilities*	*Corporate & Support Functions*
Dr Wolfgang Büchele, Chief Executive Officer	Gist, Opportunity & Project Development	Corporate Communications & Investor Relations, Corporate Internal Audit, Corporate Office, Corporate Strategy & Market Intelligence, Group Human Resources, Group Legal & Compliance, HSE (Health, Safety, Environment), Project Management Office/LEAP
Thomas Blades	Americas segment, Global Governance Centres Deliver, Healthcare, Operations, Global Gases Businesses Helium & Rare Gases	
Dr Christian Bruch	Engineering Division	Technology & Innovation
Bernd Eulitz	EMEA segment	
Sanjiv Lamba	Asia/Pacific segment, Global Governance Centres Merchant & Packaged Gases and Electronics	
Georg Denoke	Finance/Financial Control for the segments EMEA, Americas, Asia/Pacific	Group Accounting & Reporting, Group Information Services, Group Insurance, Group Mergers & Acquisitions, Group Procurement, Group Risk Management, Group Tax, Group Treasury, Investments, Operational Finance, Controlling & Investments, Real Estate

144 DIVISIONS

Gases Division	*Engineering Division*	*Gist*
See diagram below for organisation	Jürgen Nowicki	Martin Gwynn
	Steve Bertone	
	Tilman Weide	

145 GASES DIVISION

EMEA segment (Europe, Middle East, Africa)	*Americas segment*	*Asia/Pacific segment*
RBU Northern Europe Bo Dyrvold	RBU Americas Pat Murphy	RBU East Asia Steven Fang
RBU Central Europe Olaf Reckenhofer	Finance/Financial Control Americas Jens Lühring	RBU South Asia & ASEAN Rob Hughes
RBU Southern Europe Arnold Coppin		RBU South Pacific Colin Isaac
RBU Africa & UK Mike Huggon		Finance/Financial Control Asia/Pacific Binod Patwari
RBU Middle East & Eastern Europe Dr Hans-Hermann Kremer		
Finance/Financial Control EMEA Matthias v. Plotho		

146 GLOBAL GOVERNANCE CENTRES (GGCS) AND GLOBAL FUNCTIONS

GGC Merchant & Packaged Gases Jens Waldeck	GGC Electronics Andreas Weisheit	GGC Healthcare Dr Christian Wojczewski	GGC Operations Rudolf Lamm	GGC Deliver Ian Rennie
			Opportunity & Project Development N.N.	

147 CORPORATE & SUPPORT FUNCTIONS

Corporate Communications & Investor Relations	Ullrich Porwollik
Corporate Internal Audit	Thomas Müller
Corporate Office	Andrea Reutershahn
Corporate Strategy & Market Intelligence	Holger Kirchner
Group Accounting & Reporting, Group Risk Management, Group Insurance, Real Estate	Björn Schneider
Group Human Resources	Werner Boekels
Group Information Services	Sandeep Sen
Group Legal & Compliance	Solms U. Wittig
Group Mergers & Acquisitions	Tim Husmann
Group Procurement	Christoph Clausen
Group Tax	Dr Wolfgang Salzberger
Group Treasury	Dr Sven Schneider
HSE (Health, Safety, Environment)	Phil Graham
Operational Finance, Controlling & Investments	Michael Ullrich
Project Management Office/LEAP	Dr Alexander Unterschütz
Technology & Innovation	Dr Andreas Opfermann

GLOSSARY

[A]

AIR SEPARATION PLANT
Air separation plants use Linde processes to produce oxygen, nitrogen and argon.

ASEAN
ASEAN is the acronym for the Association of Southeast Asian Nations. An international organisation based in Jakarta, Indonesia, which aims to promote economic, political and social co-operation between countries in South-East Asia who have also joined together to create a common economic space.

[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 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.

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.

CONTRACTORS
Employees from third party firms who provide services on Linde's behalf, especially transport services.

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]

GOOD MANUFACTURING PRACTICE

Good manufacturing practice refers to quality assurance guidelines which apply to the production of pharmaceutical products and active ingredients.

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]

HSE

Abbreviation for Health, Safety and Environment.

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.

[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.

RESTRICTION OF THE USE OF CERTAIN HAZARDOUS SUBSTANCES (ROHS)

The revised RoHS EU Directive (2011/65/EU) is designed to restrict the use of certain hazardous substances in electrical and electronic equipment.

[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.

[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

Shipping company AG EMS (Aktien-Gesellschaft EMS) and Bomin Linde LNG announce that they have signed the first ever contract for the supply of liquefied natural gas (LNG) to German ferries. Under this agreement, Bomin Linde LNG will supply liquefied natural gas, an environmentally friendly fuel, to the passenger ferry MS Ostfriesland (operated by AG EMS) following her retrofit.

2 / 1

In Hammond, Indiana, USA, Linde brings a production plant for specialty gases on stream. This new production facility, which complements an existing plant for industrial and medical gases, supplies gases to customers in the food, pharmaceutical and biotechnology industries, as well as to laboratories and universities.

FEBRUARY

1 / 2

Linde signs a long-term contract with Nynas AB, one of the world leaders in naphthenic specialty oils and bitumen, to supply hydrogen on site to the Nynas refinery site in Hamburg, Germany. The Engineering Division of The Linde Group is to build a new steam reformer for this purpose. Investment in the project is around EUR 30 m.

2 / 2

The Group is to supply two hydrogen plants for the refinery operator PSC TAIF-NK in Nizhnekamsk, Republic of Tatarstan, Russian Federation. Each of the two new hydrogen plants will have a capacity of around 110,000 normal cubic metres per hour and will produce high-purity hydrogen for the facility for the conversion of heavy petroleum residues at the refinery on the Nizhnekamsk site. The order is worth around EUR 120 m.

MARCH

1 / 3

Linde also makes progress in the promising liquefied natural gas (LNG) business, bringing on stream a new LNG refuelling station in Avonmouth near Bristol in the UK. This had been commissioned by British supermarket chain Asda, which has set itself the target of reducing the emissions of its transport fleet by 60 percent by 2015. The new refuelling station will enable Linde to supply fuel for Asda's fifty dual fuel (LNG and diesel) trucks.

2 / 3

Shell Global Solutions International B.V. signs an Enterprise Framework Agreement designating Linde as its preferred partner for the construction of ethane crackers worldwide. The agreement runs for ten years with an option to extend the agreement term.

APRIL

1 / 4

Linde signs a long-term on-site contract with Finnish oil company Neste Oil for the supply of hydrogen. The project involves the construction of a new hydrogen plant for Neste Oil's refinery in Porvoo, Finland. The total investment being made by the two companies is around EUR 100 m. Linde's Engineering Division is responsible for building the turnkey plant, which will be operated by Linde subsidiary AGA. The new plant is expected to come on stream in 2016.

2 / 4

In London, Linde launches the Europe-wide HyFIVE initiative together with a number of partners. The EUR 38 m project aims to coordinate the construction of more hydrogen refuelling stations with the delivery of the first fuel cell production vehicles in Europe.

MAY

1 / 5

The foundation stone is laid by Linde and its partners at the Mainz Energy Park in Germany. In the pilot project, a plant which been jointly developed will produce large quantities of hydrogen from 2015 onwards, using energy sources including green electricity from nearby wind turbines. The hydrogen is then stored on site, loaded into tank trailers or fed directly into the natural gas grid, for use in generating electricity or heat at a later date. Electricity from renewable energy sources can be stored in this way for long periods.

2 / 5

In Berlin-Schönefeld, TOTAL opens a multi-energy filling station, a green hydrogen hub. Linde is responsible for all the handling of the hydrogen from its production in the electrolyser to refuelling at the pump. This process includes storage of the gaseous H_2 in a 45-bar deep tank, its compression to 900 bar, subsequent pressurised storage in high-pressure tanks and the refuelling of cars and buses. The Group also supplies some of the sustainably produced hydrogen to industrial customers.

JUNE

1 / 6

Siluria Technologies, a pioneer in natural gas-based production of fuels and chemicals, enters into an ethylene technology partnership with Linde. The aim is to optimise Siluria's innovative process for the direct production of ethylene from natural gas through oxidative methane coupling for use on a commercial scale and to devise an integrated solution. The two partners are each bringing their own technological skills to the table.

2 / 6

Linde and BASF are planning a development partnership for the on-purpose production of butadiene. BASF will develop the process technology, catalysts and extraction technologies, while Linde is providing its expertise for the integration, optimisation and commercialisation of the process. The new process will deliver an on-purpose route from butane to butadiene via butenes.

JULY

1 / 7

The joint research programme being conducted by BASF, Linde and RWE Power for CO_2 scrubbing at the power station site Niederaussem is proceeding to the next stage. Testing will continue for at least another two years at the pilot plant in the Coal Innovation Centre on new detergents and cutting-edge measuring techniques for the optimisation of the process for separating carbon dioxide (CO_2) from power station flue gases. The team wants to use its research findings to continue to improve the efficiency of the plant and its cost-effectiveness.

2 / 7

In Vienna, Austria, Linde begins operations at the world's very first small-series production facility for hydrogen filling stations. Many ground-breaking hydrogen fuelling innovations have originated over the past few years from this research and development hub, including the wear-free, low-maintenance ionic compressor.

AUGUST

1 / 8

Linde and Solidia Technologies intend to work together on developing a technology which should make it possible to manufacture pre-cast concrete components in a more cost-effective and environmentally friendly manner. The process should also reduce the amount of water used in the production, shorten the curing time and have a positive impact on product quality.

2 / 8

The Group is expanding its range of food gases to include BIOGON® H. The food-grade hydrogen is used to test packaging in a shielding gas atmosphere to ensure the integrity of the packaged goods. BIOGON® H serves here as a detection gas for the leak test using the MAPAX® LD system developed by Linde. Even the smallest leakage can be detected swiftly, safely and without destroying the product.

SEPTEMBER

1 / 9

Linde wins a contract to provide engineering and procurement services for a natural gas liquefaction plant (LNG plant) in Canada. The contract was awarded by Woodfibre LNG Limited, a subsidiary of the company Pacific Oil & Gas, which specialises in the development of energy resources. The new plant near Vancouver will have a capacity of 2.1 million tonnes per annum. Linde will use its own LIMUM® technology, a process which is very highly energy-efficient.

2 / 9

Once again Linde is included in the Dow Jones Sustainability World Index (DJSI). Analysts recognise the continuous progress made by the technology group in the area of sustainability. Linde was cited in particular for its activities in the fields of customer relationships, compliance, and risk and crisis management.

OCTOBER

1 / 10

Linde and Daimler intend to work together with their partners, oil companies TOTAL, OMV, Avia and Hoyer, to increase significantly the number of hydrogen refuelling stations in Germany. The two companies are each investing around EUR 10 m in this project. A TOTAL multi-energy filling station was officially opened in Berlin, Germany, the first of a total of twenty public filling stations for fuel cell vehicles initiated by Daimler and Linde. It is planned that twelve further stations will be open by the end of 2015.

2 / 10

Linde is to build a new air separation plant in Eisenhüttenstadt, Germany. From the new plant, the Group will supply oxygen and nitrogen to ArcelorMittal's steelworks. The plant will also produce large quantities of liquefied products for the regional gases market. Combining the production of gases and liquefied products in the new air separation plant will achieve significant increases in energy efficiency when oxygen is produced at the integrated steelworks. Investment in the project is around EUR 85 m.

NOVEMBER

1 / 11

For the twentieth time in a row, Linde supplies the helium to fill the balloons at Macy's Thanksgiving Day Parade® in New York. 8,000 people take part in the parade following a three-kilometre route through the city streets.

DECEMBER

1 / 12

The Supervisory Board appoints Dr Christian Bruch and Bernd Eulitz as new members of the Executive Board with effect from 1 January 2015. Bruch and Eulitz succeed Professor Dr Aldo Belloni, who steps down from the Linde AG Executive Board and retires when his contract runs out on 31 December 2014. Christian Bruch assumes Belloni's responsibility on the Linde AG Executive Board for the Group's Engineering Division. Bernd Eulitz will be the Executive Board member responsible for the EMEA segment of the Group's gases business.

TABLES AND CHARTS

FINANCIAL CALENDAR

[1]
PRESS CONFERENCE ON THE ANNUAL RESULTS PUBLICATION OF THE GROUP FINANCIAL STATEMENTS
16 March 2015
Carl von Linde Haus, Munich, Germany

[2]
INTERIM REPORT JANUARY TO MARCH 2015
30 April 2015

[3]
ANNUAL GENERAL MEETING 2015
12 May 2015, 10 a.m.
International Congress Centre, Munich, Germany

[4]
DIVIDEND PAYMENT
13 May 2015

[5]
INTERIM REPORT JANUARY TO JUNE 2015
29 July 2015

[6]
AUTUMN PRESS CONFERENCE 2015
28 October 2015
Carl von Linde Haus, Munich, Germany

[7]
INTERIM REPORT JANUARY TO SEPTEMBER 2015
28 October 2015

[8]
ANNUAL GENERAL MEETING 2016
3 May 2016, 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.

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The Annual Report of The Linde Group is 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 is available at this address. Supplementary information about Linde can be obtained from us free of charge.

[DATE OF PUBLICATION]

16 MARCH 2015

FIVE-YEAR SUMMARY

		2010	2011	2012 adjusted[1]	2013	2014
REVENUE	*€ million*	**12,868**	**13,787**	**15,833**	**16,655**	**17,047**
In Germany	*%*	9.5	9.0	8.2	7.9	7.4
Outside Germany	*%*	90.5	91.0	91.8	92.1	92.6
Earnings						
Operating profit[2]	*€ million*	2,925	3,210	3,686	3,966	3,920
EBIT	*€ million*	1,679	2,152	2,055	2,171	1,885
EBIT (before non-recurring items)	*€ million*	1,679	2,152	2,055	2,171	2,180
Profit before tax (EBT)	*€ million*	1,399	1,619	1,734	1,794	1,520
Profit for the year (attributable to Linde AG shareholders)	*€ million*	1,005	1,174	1,232	1,317	1,102
Earnings per share – undiluted[3]	*€*	5.94	6.88	6.93	7.10	5.94
Earnings per share – undiluted (before non-recurring items)[3]	*€*	5.94	6.88	6.93	7.10	7.13
Dividend	*€ million*	375	428	500	500	585
Dividend per share	*€*	2.20	2.50	2.70	3.00	3.15
No. of shares (at 31.12.)	*000s*	170,297	171,061	185,189	185,588	185,638
Asset structure						
Intangible, tangible and financial assets	*€ million*	21,044	21,269	25,971	25,184	26,453
Inventories	*€ million*	956	1,036	1,112	1,088	1,155
Receivables[4]	*€ million*	2,247	2,382	3,093	3,111	3,362
Cash and cash equivalents and securities	*€ million*	1,176	2,674	2,108	1,348	1,658
Other assets	*€ million*	1,465	1,554	2,013	2,018	1,797
Total assets	*€ million*	26,888	28,915	34,297	32,749	34,425
Capital structure						
Equity	*€ million*	11,362	12,144	13,658	13,586	14,267
Provisions	*€ million*	2,886	2,838	2,613	2,381	2,769
Financial debt	*€ million*	6,673	7,768	10,581	9,577	9,856
Other liabilities	*€ million*	5,967	6,165	7,445	7,205	7,533
Total equity and liabilities	*€ million*	26,888	28,915	34,297	32,749	34,425
Cash flow statement						
Cash flow from operating activities	*€ million*	2,422	2,426	2,664	3,144	3,001
EMPLOYEES AS AT 31.12.		**48,430**	**50,417**	**62,765**	**63,487**	**65,591**
In Germany	*%*	14.8	14.6	12.1	12.3	12.3
Outside Germany	*%*	85.2	85.4	87.9	87.7	87.7
Key figures and ratios						
Capital expenditure	*€ million*	1,302	1,367	2,038	2,268	1,954
Equity ratio	*%*	42.3	42.0	39.8	41.5	41.4
Return on capital employed (before non-recurring items)	*%*	10.3	11.0	10.2	9.7	9.5
EBIT margin	*%*	13.0	15.6	13.0	13.0	11.1
Cash flow from operating activities as percentage of revenue	*%*	18.8	17.6	16.8	18.9	17.6

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs.
[2] EBIT (before non-recurring items) 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.

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