FINANCIAL REPORT
FOR THE 2018 FINANCIAL YEAR

Linde AG

LeadIng.

THE LINDE GROUP

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SECTION 1

THE EXECUTIVE BOARD

DR SVEN SCHNEIDER
BORN 1966

Doctorate in Political Science [Dr. rer. pol.]
Business Management Graduate [Dipl.-Kfm.]
Qualified Banker

Spokesman of the Executive Board, Employment Director

Responsible for Gist and the Corporate & Support Functions Corporate Communications & Investor Relations, Corporate Internal Audit, Corporate Office, Corporate Strategy & Market Intelligence, Group Human Resources, Group Information Services, Group Legal & Compliance, SHEQ [Safety, Health, Environment & Quality], Group Accounting & Reporting, Group Insurance, Group Mergers & Acquisitions, Group Risk Management, Group Tax, Group Treasury, Operational Finance, Controlling & Investments, Real Estate and for Finance/Controlling for the EMEA, Americas and Asia/Pacific segments
Member of the Executive Board since 2017

DR CHRISTIAN BRUCH
BORN 1970

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

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

BERND EULITZ
BORN 1965

Degree in Engineering
[Process Technology, Chemical Engineering]

Responsible for the Americas segment of the Gases Division, for the Centre of Excellence [Healthcare, Marketing, Production, Supply Chain], Opportunity & Project Development and for the Corporate & Support Function Global Procurement
Member of the Executive Board since 2015

SANJIV LAMBA
BORN 1964

Chartered Accountant
Bachelor of Commerce

Responsible for the Asia/Pacific segment of the Gases Division, for Global Gases Businesses Helium & Rare Gases, Electronics [electronic gases] and Asia Joint Venture Management
Member of the Executive Board since 2011

EDUARDO MENEZES
BORN 1963

Master of Business Administration [MBA]
Degree in Process Technology

Responsible for the EMEA [Europe, Middle East, Africa] segment of the Gases Division
Member of the Executive Board since 2019

Retired from the Executive Board on 1 March 2019:

PROFESSOR DR ALDO BELLONI
BORN 1950

Doctorate in Engineering [Dr.-Ing.]

Chief Executive Officer
Responsible for Opportunity & Project Development, Programme Management, the Americas segment of the Gases Division, the Corporate & Support Functions Corporate Communications & Investor Relations, Corporate Internal Audit, Corporate Office, Corporate Strategy & Market Intelligence, Group Human Resources, Group Legal & Compliance, Group Information Services and for SHEQ [Safety, Health, Environment, Quality], Gist
Employment Director
Member of the Executive Board since 2016

THE SUPERVISORY BOARD

Members of the Supervisory Board

PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN]
Former Chief Executive Officer of Linde AG

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

FRANZ FEHRENBACH
[SECOND DEPUTY CHAIRMAN]
Chairman of the Supervisory Board of Robert Bosch GmbH,
Managing Partner of Robert Bosch Industrietreuhand KG

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

PROFESSOR DR CLEMENS BÖRSIG[2]
Former Chairman of the Supervisory Board
of Deutsche Bank AG

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

DR THOMAS ENDERS
Chief Executive Officer of Airbus SE

DR HANS-PETER KABALLO[1]
Chairman of the Pullach Works Council,
Engineering Division, Linde AG
(Member of the Supervisory Board since 3 May 2018)

DR MARTIN KIMMICH[1]
Representative for Collective Bargaining
of IG Metall, Bavaria

DR VICTORIA OSSADNIK
Chief Executive Officer of E.ON Energie
Deutschland GmbH and E.ON Energie Holding GmbH

ANDREA RIES[1]
Chair of the Unterschleissheim Works Council,
Gases Division, Linde AG

XAVER SCHMIDT[1]
Head of department, Chairman of
IG Bergbau, Chemie, Energie Hanover

The following member left the Supervisory Board
in the 2018 financial year:

FRANK SONNTAG[1]
Chairman of the Dresden Works Council,
Engineering Division, Linde AG
(Member of the Supervisory Board of Linde AG
until 3 May 2018)

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

Supervisory Board committees

MEDIATION COMMITTEE
[in accordance with § 27 (3) of the German Co-determination Act (MitbestG)]

- PROFESSOR DR WOLFGANG REITZLE [CHAIRMAN]
- FRANZ FEHRENBACH
- GERNOT HAHL[1]
- XAVER SCHMIDT[1]

STANDING COMMITTEE

- PROFESSOR DR WOLFGANG REITZLE [CHAIRMAN]
- DR THOMAS ENDERS
- FRANZ FEHRENBACH
- GERNOT HAHL[1]
- DR MARTIN KIMMICH[1]

AUDIT COMMITTEE

- PROFESSOR DR CLEMENS BÖRSIG[2] [CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- GERNOT HAHL[1]
- PROFESSOR DR WOLFGANG REITZLE
- XAVER SCHMIDT[1]

NOMINATION COMMITTEE

- PROFESSOR DR WOLFGANG REITZLE [CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- FRANZ FEHRENBACH

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

REPORT OF THE SUPERVISORY BOARD LINDE AG

Dear shareholders,
During the reporting year, the Supervisory Board conducted detailed reviews of the company's situation, its prospects and its strategic development, as well as the future long-term positioning of the company and key individual initiatives. The Board focused in particular on the proposed merger with US industrial gases company Praxair, Inc., which has now been completed, and on the planned squeeze-out in accordance with merger law.

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 and to 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. These include Executive Board transactions and measures requiring 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.

In our committees and at meetings of the full Supervisory Board, we conducted critical reviews of the reports and proposed resolutions submitted by the Executive Board and put forward our suggestions. The Chairman of the Supervisory Board also ensured that he remained up to date on the current business situation, significant business transactions and decisions taken by the Executive Board. He maintained close contact with the Chief Executive Officer and the other members of the Executive Board, sharing information and ideas and holding regular consultations with them on the company's strategy, planning, business development, risk situation, risk management and compliance. On the basis of the reports submitted by the Executive Board and the auditor's 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 Act (AktG). At no time during the year did the Supervisory Board have any objections in relation to the sound and efficient management of the company.

Meetings and resolutions of the Supervisory Board

A total of eleven Supervisory Board meetings were held in the 2018 financial year: four scheduled, one constitutive and six extraordinary meetings. Attendance at these meetings continued to be high. The members of the Supervisory Board each took part in well over half the meetings of the Supervisory Board and the committees of which they are members. Details of the attendance of Supervisory Board members at the meetings of the Supervisory Board and of its committees is given below:

DISCLOSURE REGARDING PARTICIPATION IN MEETINGS OF THE SUPERVISORY BOARD AND THE SUPERVISORY BOARD COMMITTEES OF LINDE AG BY THE INDIVIDUAL SUPERVISORY BOARD MEMBERS IN THE 2018 FINANCIAL YEAR[1] 1

Supervisory Board members	Supervisory Board and committee meetings[1]	Participation	Attendance in %
Professor Dr Wolfgang Reitzle (Chairman)	15	14	93
Gernot Hahl (Deputy Chairman)	15	15	100
Franz Fehrenbach (Second Deputy Chairman)	11	11	100
Professor Dr Ann-Kristin Achleitner	15	15	100
Professor Dr Clemens Börsig	15	14	93
Anke Couturier	11	11	100
Dr Thomas Enders	11	9	82
Dr Hans-Peter Kaballo (from 03.05.2018)	9	9	100
Dr Martin Kimmich	11	9	82
Dr Victoria Ossadnik	11	11	100
Andrea Ries	11	11	100
Xaver Schmidt	15	14	93
Frank Sonntag (until 03.05.2018)	2	2	100

[1] This does not include the work of Supervisory Board members outside meetings of the Supervisory Board and meetings of the committees to which they belong.

Once again during the 2018 financial year, the Supervisory Board's advisory and monitoring activities focused on the company's growth prospects, its individual lines of business and its reportable segments. We regularly discussed with the Executive Board the potential impact of the global economic situation and of exchange rate effects, the consequences of the order situation in plant construction and trends in individual markets, as well as plans for the future and the stability of future trends. At several meetings, we dealt in detail with the proposed merger with Praxair, Inc. and the planned squeeze-out in accordance with merger law, and we explored these issues in even greater depth at additional meetings with the Executive Board and in-house and external experts.

After a thorough review of the documents submitted and detailed discussions on the Executive Board's proposals, the Supervisory Board granted all the necessary approvals. In 2018, all Supervisory Board resolutions were passed in its meetings. Supervisory Board members who were unable to attend in person participated in the passing of resolutions by casting their votes in writing. The Supervisory Board focused specifically on the following issues in 2018:

March 2018 – At our meeting on 7 March 2018, on the basis of a proposal from the Standing Committee, we agreed the targets reached in respect of variable cash emoluments as well as the total emoluments for individual Executive Board members for 2017. Moreover, we approved the plan for the remuneration structure for variable emoluments for Executive Board members in 2018. In addition, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2017 and adopted the proposed appropriation of earnings. We also addressed the separate non-financial report and the 2017 mandatory EMIR audit pursuant to § 32 of the German Securities Trading Act (WpHG), a systems audit on compliance with the requirements set out in that Act. Furthermore, 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 2017, as well as the agenda for the Annual General Meeting on 3 May 2018, including the proposed resolutions. In this context, we also discussed the capital measures to be presented at the Annual General Meeting. Moreover, on the basis of a proposal made by the Nomination Committee and taking into account the targets set by the Supervisory Board in terms of its composition and to complete its competency profile, we passed a resolution to propose nominations to the Annual General Meeting for the scheduled re-election of the shareholder representatives to the Supervisory Board. On the recommendation of the Audit Committee, we also approved the proposed resolution for the Annual General Meeting to appoint the auditors. This was based on a declaration by the Audit Committee that its recommendation was free from undue influence by a third party and that no clauses restricting its choice referred to in Art. 16 (6) of the EU Statutory Audit Regulation had been imposed upon it. In addition to its regular reports on business performance and the general position of The Linde Group, the Executive Board also presented us with updated planning for the 2018 financial year and the updated medium-term plan. This included information on variances from the budget submitted in the prior year. The Executive Board also reported on the status of the planned merger with Praxair, Inc.

May 2018 – Immediately before the Annual General Meeting on 3 May 2018, the Executive Board reported on business performance in the first quarter of 2018, current business trends and the economic situation of The Linde Group. Moreover, following a detailed explanation from the Executive Board, we approved a transaction requiring Supervisory Board approval. This related to intra-Group capital measures. At this meeting, the Executive Board also reported on the proposed merger with Praxair, Inc. In addition, the meeting was used to prepare for the subsequent shareholder meeting.

At the constitutive meeting immediately following the Annual General Meeting on 3 May 2018, the Supervisory Board elected its Chairman and the two Deputy Chairmen, and made the necessary committee appointments.

July 2018 – At an extraordinary meeting on 16 July 2018, we reviewed and discussed in detail the material written agreements submitted to us by the Executive Board relating to the sale of the major part of Linde's gases business in North America and of individual business operations in South America. The meeting was also attended by company representatives and legal advisers, who explained the documents which had been submitted in advance of the meeting and answered questions. After careful examination of the documents and detailed consultation, we decided at this meeting by a majority vote to approve the conclusion of a contract to sell certain businesses and investments in North and South America.

September 2018 – Another extraordinary meeting of the Supervisory Board was held on 13 September 2018. At this meeting, the current status of the planned merger with Praxair, Inc. was presented to us. Prior to the meeting, members of the Supervisory Board had had the opportunity to gain detailed insights from company representatives and legal advisers and to have their questions answered. In the presence of company representatives and external advisers, we had in-depth and sometimes controversial discussions. Following a review of the written documents submitted to us in advance and in-depth consultation, we approved by a majority vote, inter alia, an amendment agreement in respect of the contract to sell certain businesses and investments in North and South America.

At our meeting on 24 September 2018, the Executive Board outlined in detail the economic situation facing The Linde Group and its divisions, explained the reclassification of logistics service provider GIST in continuing operations and presented the outlook for the full year 2018, the 2019 budget and the medium-term plan until 2022 including financial, capital expenditure and human resources plans. Moreover, the Executive Board explained to the Supervisory Board the written request for approval it had submitted in advance of the meeting in respect of a transaction requiring Supervisory Board approval. This related to intra-Group capital measures. After detailed discussions, the Supervisory Board approved this request. Finally, the Executive Board reported on the progress of the proposed merger with Praxair, Inc. Moreover, in-house and external advisers described the current status of the preparations for the implementation of a squeeze-out in accordance with merger law, including the documentation required. In addition, we approved the assumption by a member of the Executive Board of an additional Group function.

October 2018 – At an extraordinary meeting on 25 October 2018, the Executive Board informed the Supervisory Board about the current status of the proposed merger between Linde and Praxair, Inc. and of the planned squeeze-out in accordance with merger law with regard to the company valuation, the merger agreement and the cash compensation to be paid to the company's non-controlling shareholders. Reports by external experts were available in each case. Detailed explanations of the written documents were given and they were discussed in depth and reviewed, sometimes with the participation of external experts. One of the main purposes of the meeting was to prepare content for our extraordinary meeting on 1 November 2018 and for the Extraordinary General Meeting on 12 December 2018. At this meeting we also extended the appointment of Chief Executive Officer Professor Dr Aldo Belloni and of Executive Board member Sanjiv Lamba, and reviewed and partially adjusted the remuneration of Sanjiv Lamba, based on benchmarking conducted by an independent external remuneration consultant. Furthermore, we resolved in accordance with the Business Combination Agreement dated 1 June 2017 to cancel the Linde AG Long Term Incentive Plan for a former Executive Board member with effect immediately after the completion of the exchange offer made by Linde plc to the Linde shareholders and established the methodology for the appropriate cash compensation in line with the methodology for lower tiers of management.

November 2018 – At an extraordinary meeting on 1 November 2018, after careful review and in the presence of in-house and external legal advisers, we approved the conclusion of a merger agreement between Linde AG and Linde Intermediate Holding AG, in the course of which the company's non-controlling shareholders were excluded in return for appropriate cash compensation (squeeze-out in accordance with merger law), and adopted the proposed resolution to be presented at the Extraordinary General Meeting on 12 December 2018.

At an extraordinary meeting on 28 November 2018, the Executive Board and other company representatives explained the written documents they had submitted in advance of the meeting about the planned partial sale of another business operation in the United States. Following in-depth consultation and discussion, we gave our approval for the sale.

December 2018 – At our meeting on 6 December 2018, we addressed current business trends. On the basis of comprehensive documentation, we examined a preview of the 2018 financial statements. The Executive Board explained and provided reasons for any variances between the actual results and the plans and targets. We also discussed in detail the Executive Board's request for approval of the 2019 capital expenditure programme. After careful examination, we granted our approval of the programme. In addition, the Executive Board informed us of the progress of the preparations for the Extraordinary General Meeting on 12 December 2018. We also dealt with matters relating to the Executive Board as regards the expiry of the Order to Hold Separate and Maintain Assets issued by the US competition authority (the Federal Trade Commission) and appointed Dr Sven Schneider as spokesman of the Executive Board and Employment Director of the company and Eduardo Menezes as a member of the Executive Board of Linde AG for the phase after the expiry of this Hold Separate Order.

Immediately before the Extraordinary General Meeting on 12 December 2018, the Executive Board explained the written documents submitted in advance concerning the review of the measurement assumptions on which the enterprise value of Linde AG is based and the increase in the appropriate cash compensation for the non-controlling shareholders of the company. On the strength of this, we made the relevant adjustment to the resolution to be proposed at the subsequent Annual General Meeting.

Committees and committee meetings

The Supervisory Board continues to have four committees: the Mediation Committee, formed under § 27 (3) of the German Co-Determination Act (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 on each committee are listed on PAGE 5. The committee chairmen reported in detail on the agendas and outcomes of their committee meetings at the full Supervisory Board meeting following their meetings.

The Standing Committee of the Supervisory Board handled personnel matters relating to the Executive Board and prepared decisions on remuneration for the Supervisory Board. It presented a resolution in writing. No meetings of the Standing Committee were convened.

The Audit Committee met on four occasions in 2018 in the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer. It discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profit and the audit reports, including the report on the audit focus, and the oral presentation by the auditors of the main results of the audit. In addition, the Audit Committee examined the combined separate non-financial report on the basis of a limited assurance review by the auditors. 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 Executive Board also discussed with the Audit Committee the interim report for the first quarter of 2018, the half-year financial report and the quarterly statement for the nine months ended 30 September 2018, taking into account the auditor's review report prior to publication. In addition, the Audit 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 with the auditors. The 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 company'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 they had charged in relation to such services. Furthermore, the Audit Committee kept up to date with 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 company. The Audit Committee also reviewed the evolution of the 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 2018, as well as a report on pension investments in The Linde Group. The Audit Committee was briefed on the effectiveness of the internal control system, risk management system and internal audit system, 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 company and the safeguarding of its liquidity. Other issues included the mandatory EMIR audit pursuant to § 32 of the German Securities Trading Act (WpHG), the impact of the proposed merger with Praxair, Inc. on reporting and internal processes and controls, as well as current legal and accounting developments. A key topic was the introduction of the new standards IFRS 15 and IFRS 9. 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, especially with the Chairman of the Supervisory Board, the Chief Executive Officer, the Chief Financial Officer and the auditors. The Audit Committee and, where necessary, the Supervisory Board were regularly appraised of the outcome of these discussions.

The members of the Nomination Committee addressed succession planning for the Supervisory Board on several occasions outside meetings. They prepared the proposed resolution of the Supervisory Board to be presented at the Annual General Meeting on 3 May 2018 on re-elections to the Supervisory Board.

Once again, the Mediation Committee did not need to be convened in 2018.

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and verify constantly that the provisions are being implemented correctly. In March, the Executive Board and Supervisory Board issued an updated declaration of compliance in accordance with § 161 of the German Stock Corporation Act (AktG) and made it permanently available to its shareholders on the company's website. ▹ *WWW.THE-LINDE-GROUP.COM/EN/INVESTOR_RELATIONS/CORPORATE_GOVERNANCE/CORPORATE_GOVERNANCE_DECLARATION/DECLARATION_OF_COMPLIANCE/INDEX.HTML.*

Annual 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) for the year ended 31 December 2018 including the management report in accordance with German generally accepted standards for the audit of financial statements. The auditors have issued an unqualified opinion on the annual financial statements of Linde AG. KPMG also confirmed that the system for the early identification of risks complies with legal requirements; no risks posing a threat to the company's viability were identified. In the 2018 financial year, the audit focus was the "audit of the application, implementation and enforcement of the rules set out in the business partner compliance guideline in the Gases Division of The Linde Group". 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. KPMG also audited the report of the Executive Board about relationships with affiliated companies in accordance with § 312 of the German Stock Corporation Act (AktG) (the Dependent Company Report) and issued the following unqualified opinion thereon:

"Based on the results of our statutory audit and evaluation we confirm that 1. the actual information included in the report is correct, 2. with respect to the transactions listed in the report, payments by the company were not unduly high, 3. there are no circumstances in favour of a significantly different assessment to that made by the Executive Board in regard to the measures listed in this report."

The documents relating to the financial statements, the dependent company report including the final declaration by the Executive Board, and the audit reports were issued to all members of the Supervisory Board in good time. They were then the subject of extensive deliberations by the Audit Committee and the Supervisory Board. The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board. They reported on the main results of the audits, in particular on the key audit matters and the audit procedures performed, and were available to provide additional information and to answer any questions. For Linde AG, the key audit matters concerned the recoverability of investments in affiliated companies and related companies and the recoverability of work in progress in respect of long-term construction contracts, as well as the completeness of the corresponding provisions for anticipated losses. The Audit Committee also presented the results of its review to the Supervisory Board. We conducted our own examination of all the documents and audit reports submitted 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 for the year ended 31 December 2018 as drawn up by the Executive Board; the annual financial statements of Linde AG are hereby final. We also approve the Executive Board's proposal for the appropriation of profit.

Changes to the composition of the Supervisory Board and Executive Board

The period of office of all the Supervisory Board members ended with the closure of the Annual General Meeting on 3 May 2018. A new Supervisory Board has been elected for a five-year term. The employee representative Frank Sonntag no longer sits on the Supervisory Board. Dr Hans-Peter Kaballo was elected in his place in accordance with the provisions of the German Co-Determination Act (MitbestG) as a new member of the Supervisory Board. Otherwise, those shareholder and employee representatives who stood for re-election were confirmed in their positions on the Supervisory Board. At the constitutive Supervisory Board meeting immediately following the Annual General Meeting, we confirmed the mandates of Professor Dr Wolfgang Reitzle, Gernot Hahl and Franz Fehrenbach as the Chairman, Deputy Chairman and Second Deputy Chairman of the Supervisory Board, as well as the mandates of the members of the Supervisory Board committees.

There were no changes to the Executive Board during the reporting year. With the expiry on 1 March 2019 of the Order to Hold Separate and Maintain Assets made by the US competition authority (the Federal Trade Commission), the appointment of Professor Dr Aldo Belloni as a member of the Executive Board, Chief Executive Officer and Employment Director ended. In future, Dr Sven Schneider will function as the spokesman of the Executive Board. He was also appointed Employment Director by the Supervisory Board. Eduardo Menezes has been a member of the Executive Board of Linde AG since the effective date of the expiry of the Order to Hold Separate and Maintain Assets issued by the US Federal Trade Commission on 1 March 2019.

We would like to thank the gentlemen who have stood down from the Supervisory Board and the Executive Board for their valuable work. We would also like to extend our thanks to the Executive Board and to all employees worldwide for their outstanding personal commitment and exceptional performance during the past financial year.

ON BEHALF OF THE SUPERVISORY BOARD

PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN OF THE SUPERVISORY BOARD OF LINDE AG]

REMUNERATION REPORT

(PART OF THE 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 management report 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 financial statements.

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 corresponding changes to the German Corporate Governance Code. In 2018, a few modifications were required to the variable share-based remuneration component of the Executive Board granted to date under the Long Term Incentive Plan 2012 (LTIP). These were necessary because the LTIP expired following the delivery of the 2017 tranche. No provision was made for a new plan in the light of the proposed merger of the company (completed at the end of 2018) with US company Praxair, Inc.

The amount and structure of the remuneration payable are based on the size and international reach of the company, 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. This remuneration is calculated so that it is competitive at the 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. The amounts of the fixed cash emoluments and the variable remuneration components were subject to a scheduled review on 1 April 2017 and some adjustments were made accordingly.

The remuneration system places particular emphasis on sustainable business development. There is a significant focus on multi-year remuneration components.

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

Remuneration components

In the 2018 financial year, the remuneration system for the Executive Board comprised 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 variable share-based remuneration (exceptionally for 2018, variable remuneration which is paid in cash in the following year) 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 the 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.

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 company. 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 target achievement, 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 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 (or the Linde plc shares received for 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 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 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 (or the Linde plc shares received for 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 Executive Board members. The deferral shares carry dividend rights 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.

The variable remuneration from the Long Term Incentive Plan, which exceptionally for 2018 is being paid in cash, must not exceed 120 percent of the amount of the annual value allocation provided in accordance with the contract of employment.

In exceptional circumstances which lead to an unforeseen increase in 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 special items or the specific impact on both measurement factors (Group ROCE and the operating margin) of any investment or acquisition projects.

Share-based emoluments
Long Term Incentive Plan 2012 (LTIP 2012)

The scheme agreed upon at the Annual General Meeting held on 4 May 2012 provides for the granting of options to purchase Linde shares (performance shares) in annual tranches. Executive Board members and selected executives are required to make a compulsory personal investment in Linde shares at the beginning of the scheme. For the shares acquired by a scheme participant as a personal investment, bonus shares (matching shares) are granted at the end of the four-year 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 target value for each tranche is EUR 1,000,000 for the Chief Executive Officer and between EUR 375,000 and EUR 550,000 for the Executive Board members. 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 the option rights and matching share rights granted to the Executive Board members in terms of content, either in full or in part. The first tranche under the LTIP 2012 was issued after the 2012 Annual General Meeting. The last tranche under the LTIP 2012 was issued in June 2017. This means that the LTIP 2012 has expired.

Options to purchase performance shares

Each option confers the right, if certain targets are met, to purchase one share in the company (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 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.

Further information about the value of the options, the structure, conditions and, in particular, the performance targets of the scheme is given in ▸ NOTE [24] of the Notes to the financial statements.

Personal investment and matching shares

The number of the Linde shares to be contributed as a personal investment by the Executive Board members corresponds to the number of the rights to matching shares granted to them per tranche. For each share in Linde contributed by a scheme participant as a personal investment and held by the participant during the four-year qualifying period for the options, one matching share in Linde is granted free of charge. Conditions for granting matching shares are a personal investment in shares of the company at the appropriate time, the unrestricted holding of such shares during the four-year 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 in the period under review:

OPTIONS, MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

Executive Board members in office at 31.12.2018

		Options					Matching shares				
		At 01.01.	Granted in the financial year	Exercised in the financial year	Forfeited in the financial year	At 31.12.	At 01.01.	Granted in the financial year	Forfeited in the financial year	Allocated in the financial year	At 31.12.
		in units	in units	in units	in units	in units	in units	in units	in units	in units	in units
Professor Dr Aldo Belloni (CEO)	2017	12,801	10,201	–	6,649	16,353	1,461	1,255	–	747	1,969
	2018	16,353	–	910	5,242	10,201	1,969	–	–	714	1,255
Dr Christian Bruch	2017	11,762	5,101	–	997	15,866	1,311	628	–	111	1,828
	2018	15,866	–	136	786	14,944	1,828	–	–	107	1,721
Bernd Eulitz	2017	11,762	5,101	–	997	15,866	1,311	628	–	111	1,828
	2018	15,866	–	136	786	14,944	1,828	–	–	107	1,721
Sanjiv Lamba	2017	25,926	5,611	–	6,649	24,888	2,918	690	–	747	2,861
	2018	24,888	–	910	5,242	18,736	2,861	–	–	714	2,147
Dr Sven Schneider (from 08.03.2017)	2017	3,887[1]	3,826	–	997	6,716	435[1]	471	–	111	795
	2018	6,716	–	136	786	5,794	795	–	–	107	688
TOTAL	2017	**66,138**	**29,840**	**–**	**16,289**	**79,689**	**7,436**	**3,672**	**–**	**1,827**	**9,281**
TOTAL	2018	**79,689**	**–**	**2,228**	**12,842**	**64,619**	**9,281**	**–**	**–**	**1,749**	**7,532**

1 Rights outstanding at the beginning of the reporting period from their time spent as executives in The Linde Group.

The qualifying period for the options held on 31 December 2018 has not yet expired. The exercise price of all the options is currently EUR 2.56 per option. During the reporting period, no Executive Board options expired.

In 2018, the options and matching shares relating to the 2014 tranche were allocated in the form of the payment of their respective equivalent values in cash.

The weighted average remaining term of the options and rights to matching shares of the Executive Board is 1.6 years (2017: 2.2 years).

Information about the rules which apply to the option schemes in the event of a change of control is given on ▸ PAGES 56 TO 59 in the management report (Takeover-related disclosures).

Modification to the Long Term Incentive Plan 2018

The Long Term Incentive Plan 2012 expired following the delivery of the 2017 tranche. No provision was made for a new plan in the light of the proposed merger of the company (completed at the end of 2018) with US company Praxair, Inc. To the extent that the annual allocation for Executive Board members participating in the Long Term Incentive Plan 2012 and achieving the performance targets until now was in the form of share options (80 percent), exceptionally for 2018 it will be paid in cash. To determine the cash amount, exceptionally for 2018 the criteria for one-year variable cash emoluments will be used. These are described in more detail in the section entitled “Variable cash emoluments”. The members of the Executive Board have also committed to make a personal investment for the year 2018 in accordance with the Long Term Incentive Plan 2012 which has applied until now. The personal investment was made in the form of Linde shares which were submitted for exchange in the exchange offer made by Linde plc or in the form of Linde plc shares and is required to be held for at least four years. This holding period continues for the Linde plc shares issued on the completion of the exchange offer. For their personal investment shares, the Executive Board members continue to receive rights to matching shares, which form 20 percent of the annual allocation to Executive Board members participating in the Long Term Incentive Plan 2012 and achieving the performance targets. The members of the Executive Board have agreed that the company may at any time before the expiry of the qualifying period settle the rights to matching shares in cash or replace them with an equivalent form of remuneration at Linde plc level.

As a condition of their participation in the 2018 tranche of the Long Term Incentive Plan, the Executive Board members in office during the financial year made the following personal investment in Linde shares: Professor Dr Aldo Belloni 1,113 (2017: LTIP 2012, 1,255), Dr Christian Bruch 557 (2017: LTIP 2012, 628), Bernd Eulitz 557 (2017: LTIP 2012, 628), Sanjiv Lamba 612 (2017: LTIP 2012, 690) and Dr Sven Schneider 417 (2017: LTIP 2012, 471).

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

During the 2018 financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board in office:

COST OF SHARE-BASED PAYMENTS AND CHANGE IN VALUE OF EXISTING ENTITLEMENT TO VIRTUAL SHARES[1] 3

Executive Board members in office at 31.12.2018

in €		*Cost of share-based payments (without virtual shares)*
Professor Dr Aldo Belloni (CEO)	*2017*	215,677
	2018	320,151
Dr Christian Bruch	*2017*	317,181
	2018	893,079
Bernd Eulitz	*2017*	317,181
	2018	893,079
Sanjiv Lamba	*2017*	421,225
	2018	1,070,980
Dr Sven Schneider (as of 08.03.2017)	*2017*	126,114
	2018	254,207
TOTAL	*2017*	**1,397,378**
TOTAL	*2018*	**3,431,496**

1 In 2012 and 2013, 40 percent of the variable cash remuneration was converted as at the reporting date into virtual shares with dividend entitlement and not paid for another three years. (The amounts paid in each case are dependent on movements in the Linde share price.) In 2018, there was no expense as a result (2017: Sanjiv Lamba EUR 41,526).

Regulations relating to the business combination between Linde and Praxair and the proposed squeeze-out under merger law

Long Term Incentive Plan 2012 (LTIP)

In accordance with the Business Combination Agreement concluded with Praxair, Inc. and other parties on 1 June 2017 and in line with the regulations that apply to the LTIP 2012, the LTIP 2012 and the outstanding options and rights to matching shares were terminated following the conclusion of the exchange offer made by Linde plc to the shareholders of Linde AG in 2018. Upon termination, each share option that had not yet been exercised and each right to matching shares that had not yet fallen due was settled in cash and the part that was attributable to the unexpired qualifying period was replaced by Linde plc share options and Linde plc restricted share units (RSUs). Their vesting depends on ongoing employment until the end of the four-year qualifying period that applies to the individual options and rights to matching shares in Linde AG. The extent to which individual options and rights to matching shares are not replaced with Linde plc share options and Linde plc RSUs but are settled in cash depends on the qualifying period that has elapsed for the individual options and rights to matching shares at the time the exchange offer is completed. The amount of the cash payment to be granted for each Linde share option is defined in accordance with the LTIP 2012 at Linde AG's discretion, taking into account certain criteria set out in the terms and conditions of the Linde LTIP 2012, including (i) the extent to which the performance targets set out in the Linde LTIP 2012 have been reached at the time the exchange offer is completed, (ii) the qualifying period for the Linde LTIP tranches that has expired at the time the exchange offer is completed and (iii) the expected market capitalisation and business outlook of Linde AG (in each case without taking into account the exchange offer and its completion). These criteria also apply to rights to matching shares subject to the necessary adjustments.

Each member of the Executive Board of Linde AG agreed that, in respect of their options and rights to matching shares, the LTIP 2012 would not be cancelled as soon as the exchange offer was completed.

If the proposed squeeze-out under merger law, under which Linde AG would be merged with its majority shareholder Linde Intermediate Holding AG (Linde Intermediate), takes effect within 18 months of the completion of the exchange offer, i.e. by 30 April 2020, Linde Intermediate (as the legal successor of Linde AG) will cancel the LTIP and all outstanding options and rights to matching shares relating to the members of the Executive Board immediately after the merger becomes effective. Both with regard to the cancellation and the cash compensation payable by Linde Intermediate and with regard to the granting of rights by Linde plc under the LTIP 2018, the members of the Executive Board are treated in the same way as all other executives and employees who were participants in the LTIP when the exchange offer was completed, except that the cancellation, the payment of the cash compensation and the granting of new rights are postponed until the date the merger becomes effective. Options held by Executive Board members which are exercisable and exercised following the completion of the exchange offer and before the merger becomes effective and rights to matching shares held by Executive Board members and which fall due following the completion of the exchange offer and before the merger becomes effective will be settled in cash in accordance with the rules of the LTIP; the cancellation rules described above and the granting of rights by Linde plc do not apply. If the merger between Linde AG and Linde Intermediate does not become effective within 18 months of the completion of the exchange offer, the LTIP and the outstanding options and the rights to matching shares not yet due relating to the members of the Executive Board would not be cancelled; outstanding options and rights to matching shares not yet due would be settled in cash when they are exercised or fall due, in each case in accordance with the rules of the LTIP. Neither the exclusion of the non-controlling shareholders nor the merger trigger a bonus payment for the members of the Executive Board of Linde AG.

Personal investment shares

Linde AG allowed the beneficiaries of the LTIP 2012 to submit their individual personal investment shares in the exchange offer without this resulting in the loss of the share options and rights to matching shares awarded under the LTIP. This is, however, subject to the proviso that the members of the Executive Board continue to hold the shares in Linde plc that they receive for the personal investment shares when the exchange offer is completed. This holding obligation applies to all Linde plc shares until the end of the qualifying period defined for the corresponding tranche in the LTIP, as long as the options and rights to matching shares have not yet been cancelled. Following the cancellation and the granting of Linde plc share options and Linde plc RSUs, the holding obligation only applies to the portion of Linde plc shares that is attributable to these Linde plc share options and Linde plc RSUs. In such cases, the holding obligation applies until the end of the qualifying period that applies to the corresponding Linde plc share options and Linde plc RSUs. The current members of the Executive Board have availed themselves of this option and submitted their personal investment shares for exchange. The exchange of these shares for Linde plc shares took place during the reporting year.

Deferral shares

The members of the Executive Board undertook, vis-à-vis Linde AG, to submit their deferral shares for the exchange offer without the submission constituting a breach of the individual obligations under their contract of employment or resulting in a loss of rights under the contract of employment, and the deferral component for the 2017 financial year, which was paid in April 2018, was invested in those Linde shares that have been submitted and then exchanged as part of the exchange offer made by Linde plc on the occasion of the planned merger with Praxair, Inc. (completed at the end of 2018). This applies subject to the proviso that the members of the Executive Board hold the Linde plc shares that they received in return for the deferral shares on the completion of the exchange offer until the end of the qualifying period defined in the contract of employment of the Executive Board member and that they purchase Linde plc shares after the completion of the exchange offer as part of their obligation to purchase deferral shares.

New Linde plc plan

Following the cancellation of the LTIP 2012 and the options and rights to matching shares of the members of the Executive Board and the other LTIP beneficiaries in accordance with the information set out above, Linde plc will grant the members of the Executive Board and the other LTIP beneficiaries Linde plc equity awards. With regard to the cancelled Linde share options, these will take the form of Linde plc share options and with regard to the cancelled rights to matching shares the form of Linde plc RSUs. The number of Linde plc share options and Linde plc RSUs granted to an eligible individual will be calculated using the following parameters: (i) the number of the individual type of equity awards being cancelled (ii) multiplied by the exchange ratio, (iii) adjusted to reflect the remaining part of the four-year qualifying period for that tranche and (iv) also adjusted to reflect the LTIP criteria to be considered by Linde AG at its discretion when determining the cash payment at the time the exchange offer is completed (where applicable). The exercise price for the Linde plc share options will correspond to the exercise price that applied to the cancelled Linde share options (i.e. EUR 2.56 per share) and will be adjusted to reflect the exchange ratio. The qualifying period for the Linde plc equity awards corresponds to the remaining qualifying period for the Linde equity awards based on the calculation of the number of the Linde plc equity awards set out above. The exercise of the Linde plc share options and Linde plc RSUs will depend on an employment relationship being in place during the qualifying period in question (subject to certain “good leaver regulations”). In order to be able to exercise Linde plc share options and receive Linde plc RSUs, the members of the Executive Board must hold a certain number of Linde plc shares until the end of the qualifying period that applies to the corresponding Linde plc RSUs.

Pension commitments

For members joining the Executive Board of the company on or 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 Act (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 invalidity, 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, there are three payment options:

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

On request and with the company's agreement, other payment variants may be selected.

Pension commitments for Sanjiv Lamba, who was already on the Executive Board of the company at 1 January 2012, are set out in an individual contract. 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 company (old age pension from the age of 65, pension for medical disability or incapacity for work, and surviving dependants' pensions in the event of death). Widowed spouses receive 60 percent of the pension of the deceased member of the Executive Board. The commitment also includes 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 an Executive Board member has reached the age of 55 and has 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.

In his contract of employment concluded on 7 December 2016, the Executive Board member Professor Dr Aldo Belloni was not granted any occupational pension benefits.

Emoluments of the Executive Board for 2018

There were no changes in the composition of the Executive Board in the 2018 financial year. Dr Sven Schneider was appointed to the Executive Board in the course of 2017.

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 2018 financial year was EUR 10,577,334 (2017: EUR 9,375,800). Of this amount, EUR 3,647,184 (2017: EUR 3,479,379) related to fixed remuneration components which are not performance-related and EUR 6,930,150 (2017: EUR 5,896,421) to variable short-term or long-term performance-related components. The measurement of benefits in kind and other benefits was based on their value for tax purposes. 60 percent of the one-year variable cash emoluments, i.e. EUR 4,158,090 (2017: EUR 3,537,853), is paid out. 40 percent of the one-year variable cash emoluments, i.e. EUR 2,772,060 (2017: EUR 2,358,568), 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. The total remuneration of the members of the Executive Board in 2018 was EUR 13,518,504 (2017: 12,300,839). Included in the total remuneration are amounts allocated from the Long Term Incentive Plan. To the extent that the annual allocation for Executive Board members participating in the Long Term Incentive Plan 2012 until now was in the form of share options, exceptionally for the 2018 financial year it was granted as variable cash emoluments. The value on allocation was EUR 2,356,230 (2017: EUR 2,340,052). Rights to matching shares granted to members of the Executive Board under the Long Term Incentive Plan are included in each case at their fair value on allocation. In the 2018 financial year, no options were issued to Executive Board members (2017: 29,840 options were issued with a value on allocation of EUR 78.42 per option) and 3,256 rights to matching shares were granted (2017: 3,672) with a value on allocation of EUR 179.65 (2017: EUR 159.31) per right to matching share.

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2018, the emoluments for the individual members of the Executive Board for 2018 (including variable emoluments calculated on the basis of Group ROCE before special items of 10.9 percent) were as follows:

TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD 4

Executive Board members in office at 31.12.2018

in €		Cash emoluments					Long Term Incentive Plan			Total	Pensions
		Fixed emoluments	Benefits in kind/Other benefits	Variable cash emoluments: short-term[1] (60 %)	Variable cash emoluments: long-term[2] (40 %)	Total cash emoluments[2]	Cash emoluments[3]: Value on the grant date	Share options[3]: Value on the grant date	Matching shares: Value on the grant date	Total emoluments	Service cost in financial year[4] HGB
Professor Dr Aldo Belloni (CEO)	2017	1,200,000	3,560	1,115,820	743,880	3,063,260	–	799,962	199,934	4,063,156	0
	2018	1,200,000	3,918	1,251,300	834,200	3,289,418	808,200	–	199,950	4,297,568	0
Dr Christian Bruch	2017	575,000	23,521	578,089	385,392	1,562,002	–	400,020	100,047	2,062,069	233,466
	2018	600,000	24,890	707,280	471,520	1,803,690	401,100	–	100,065	2,304,855	292,854
Bernd Eulitz	2017	575,000	25,123	626,781	417,854	1,644,758	–	400,020	100,047	2,144,825	232,884
	2018	600,000	23,735	718,080	478,720	1,820,535	401,390	–	100,065	2,321,990	288,072
Sanjiv Lamba	2017	636,000	16,681	801,422	534,281	1,988,384	–	440,015	109,924	2,538,323	176,696
	2018	648,000	18,037	911,940	607,960	2,185,937	441,240	–	109,946	2,737,123	205,587
Dr Sven Schneider (from 08.03.2017)	2017	407,258	17,236	415,741	277,161	1,117,396	–	300,035	75,035	1,492,466	199,530
	2018	500,000	28,604	569,490	379,660	1,477,754	304,300	–	74,914	1,856,968	243,140
TOTAL	2017	**3,393,258**	**86,121**	**3,537,853**	**2,358,568**	**9,375,800**	**–**	**2,340,052**	**584,987**	**12,300,839**	**842,576**
(in percent)		**27**	**1**	**29**	**19**	**76**	**–**	**19**	**5**	**100**	**–**
TOTAL	2018	**3,548,000**	**99,184**	**4,158,090**	**2,772,060**	**10,577,334**	**2,356,230**	**–**	**584,940**	**13,518,504**	**1,029,653**
(in percent)		**26**	**1**	**31**	**21**	**79**	**17**	**–**	**4**	**100**	**–**

[1] 60 percent of the variable cash remuneration is paid directly in the year following the reporting date.
[2] 40 percent of the variable cash remuneration is paid out in the year following the reporting date with the obligation to acquire Linde shares (or the Linde plc shares received for these shares) and to hold these for at least four years.
[3] To the extent that the annual allocation of shares to Executive Board members from the Long Term Incentive Plan related to share options, exceptionally in 2018 these were granted as variable cash emoluments. More information is included in the section entitled “Modifications to the Long Term Incentive Plan 2018”.
[4] No past service cost arose in the 2017 or 2018 financial years.

At the reporting date, the present value for accounting purposes of pension commitments accruing to the individual Executive Board members was as follows: Professor Dr Aldo Belloni EUR 4,916,805 (2017: EUR 4,124,916); Dr Christian Bruch EUR 1,583,954 (2017: EUR 1,226,684); Bernd Eulitz EUR 1,537,419 (2017: 1,236,545); Sanjiv Lamba EUR 2,064,378 (2017: EUR 1,304,885); Dr Sven Schneider EUR 1,266,779 (2017: EUR 1,010,646). On the basis of his contract of employment dated 7 December 2016, Professor Dr Aldo Belloni did not acquire any new pension entitlements. The change in the present value of the pension commitments is the result of changes in holdings, the unwinding of interest of entitlements acquired in previous years and actuarial gains/losses. The present values of the pension commitments accruing to Dr Christian Bruch and Bernd Eulitz, who were appointed to the Executive Board on 1 January 2015, and for Dr Sven Schneider, who was appointed to the Executive Board on 8 March 2017, include their vested rights from their time spent as executives within The Linde Group.

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 2018 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 Long Term Incentive Plan is reported at fair value on the grant date. The rights to matching shares are only allocated after a four-year qualifying period has elapsed. 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 the 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 cost.

REMUNERATION ALLOCATED DURING THE YEAR

Executive Board members in office at 31.12.2018

	Professor Dr Aldo Belloni Member of the Executive Board from 08.12.2016 Chief Executive Officer from 08.12.2016				*Dr Christian Bruch Member of the Executive Board from 01.01.2015*			
Remuneration allocated during the year, in €	*2017*	*2018*	*2018 (Min.)*	*2018 (Max.)*	*2017*	*2018*	*2018 (Min.)*	*2018 (Max.)*
Fixed emoluments	1,200,000	1,200,000	1,200,000	1,200,000	575,000	600,000	600,000	600,000
Other benefits	3,560	3,918	3,918	3,918	23,521	24,890	24,890	24,890
TOTAL	**1,203,560**	**1,203,918**	**1,203,918**	**1,203,918**	**598,521**	**624,890**	**624,890**	**624,890**
One-year variable emoluments	1,069,020	1,159,560	0	3,000,000	518,699	616,320	0	1,500,000
Short-term cash emoluments[1,2]	*1,069,020*	*1,159,560*	*0*	*3,000,000*	*518,699*	*616,320*	*0*	*1,500,000*
Multi-year variable emoluments	1,712,576	1,781,190	0	3,417,477	845,866	912,045	0	1,708,845
including long-term cash emoluments (deferral)[3,4]	*712,680*	*773,040*	*0*	*1,980,000*	*345,799*	*410,880*	*0*	*990,000*
including Long Term Incentive Plan (qualifying period: 4 years)[5]								
Cash emoluments[5]	–	*808,200*	*0*	*1,200,000*	–	*401,100*	*0*	*600,000*
Options[5]	*799,962*	–	–	–	*400,020*	–	–	–
Matching shares[6]	*199,934*	*199,950*	*0*	*237,477*	*100,047*	*100,065*	*0*	*118,845*
TOTAL	**3,985,156**	**4,144,668**	**1,203,918**	**7,621,395**	**1,963,086**	**2,153,255**	**624,890**	**3,833,735**
Service cost	0	0	0	0	312,134	369,154	369,154	369,154
TOTAL EMOLUMENTS	**3,985,156**	**4,144,668**	**1,203,918**	**7,621,395**	**2,275,220**	**2,522,409**	**994,044**	**4,202,889**

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 40 percent of the variable cash remuneration is paid out in cash with the obligation to acquire Linde shares (or the Linde plc shares received for these 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 values in terms of amount in accordance with the agreed upper limit: i.e. 165 percent of the fixed emoluments.
5 To the extent that the annual allocation of shares to Executive Board members from the Long Term Incentive Plan related to share options, exceptionally in 2018 these were granted as variable cash emoluments. Capped at 120 percent of the annual allocation of shares under the Long Term Incentive Plan.
6 The value of the matching shares is not limited in terms of amount once the qualifying period has expired. The amounts disclosed are the individual maximum amounts based on the closing price of Linde plc shares at 28 December 2018 (EUR 138.55).

	Bernd Eulitz Member of the Executive Board from 01.01.2015				*Sanjiv Lamba Member of the Executive Board from 09.03.2011*				*Dr Sven Schneider Member of the Executive Board from 08.03.2017*			
	2017	*2018*	*2018 (Min.)*	*2018 (Max.)*	*2017*	*2018*	*2018 (Min.)*	*2018 (Max.)*	*2017*	*2018*	*2018 (Min.)*	*2018 (Max.)*
	575,000	600,000	600,000	600,000	636,000	648,000	648,000	648,000	407,258	500,000	500,000	500,000
	25,123	23,735	23,735	23,735	16,681	18,037	18,037	18,037	17,236	28,604	28,604	28,604
	600,123	**623,735**	**623,735**	**623,735**	**652,681**	**666,037**	**666,037**	**666,037**	**424,494**	**528,604**	**528,604**	**528,604**
	616,853	677,520	0	1,500,000	775,302	842,760	0	1,620,000	398,243	527,580	0	1,250,000
	616,853	*677,520*	*0*	*1,500,000*	*775,302*	*842,760*	*0*	*1,620,000*	*398,243*	*527,580*	*0*	*1,250,000*
	911,302	953,135	0	1,708,845	1,066,807	1,113,026	0	1,859,781	640,566	730,934	0	1,363,974
	411,235	*451,680*	*0*	*990,000*	*516,868*	*561,840*	*0*	*1,069,200*	*265,496*	*351,720*	*0*	*825,000*
	–	*401,390*	*0*	*600,000*	–	*441,240*	*0*	*660,000*	–	*304,300*	*0*	*450,000*
	400,020	–	–	–	*440,015*	–	–	–	*300,035*	–	–	–
	100,047	*100,065*	*0*	*118,845*	*109,924*	*109,946*	*0*	*130,581*	*75,035*	*74,914*	*0*	*88,974*
	2,128,278	**2,254,390**	**623,735**	**3,832,580**	**2,494,790**	**2,621,823**	**666,037**	**4,145,818**	**1,463,303**	**1,787,118**	**528,604**	**3,142,578**
	290,189	342,241	342,241	342,241	288,799	307,530	307,530	307,530	221,700	289,470	289,470	289,470
	2,418,467	**2,596,631**	**965,976**	**4,174,821**	**2,783,589**	**2,929,353**	**973,567**	**4,453,348**	**1,685,003**	**2,076,588**	**818,074**	**3,432,048**

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 cost in and/or for the 2018 financial year. The remuneration received table does not include any remuneration for former members of the Executive Board.

During the term of his contract of employment, Professor Dr Aldo Belloni does not have any entitlement to retirement benefits he would otherwise have as a result of his former activity as a member of the company's Executive Board. In contrast to the multi-year variable emoluments granted which were disclosed above, this table shows the actual value of multi-year emoluments granted in prior years and received in 2018.

REMUNERATION RECEIVED DURING THE YEAR 6

Executive Board members in office at 31.12.2018

Remuneration received during the year, in €	*Professor Dr Aldo Belloni Member of the Executive Board from 08.12.2016 Chief Executive Officer from 08.12.2016*		*Dr Christian Bruch Member of the Executive Board from 01.01.2015*		*Bernd Eulitz Member of the Executive Board from 01.01.2015*		*Sanjiv Lamba Member of the Executive Board from 09.03.2011*		*Dr Sven Schneider Member of the Executive Board from 08.03.2017*	
	2017	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*
Fixed emoluments	1,200,000	1,200,000	575,000	600,000	575,000	600,000	636,000	648,000	407,258	500,000
Other benefits	3,560	3,918	23,521	24,890	25,123	23,735	16,681	18,037	17,236	28,604
TOTAL	**1,203,560**	**1,203,918**	**598,521**	**624,890**	**600,123**	**623,735**	**652,681**	**666,037**	**424,494**	**528,604**
One-year variable emoluments										
Short-term cash emoluments[1]	1,115,820	1,251,300	578,089	707,280	626,781	718,080	801,422	911,940	415,741	569,490
Multi-year variable emoluments	1,698,684	1,991,527	403,326	965,817	435,788	942,342	1,135,358	1,385,937	295,095	745,057
including long-term cash emoluments (Deferral 2017/2018)[1]	*743,880*	*834,200*	*385,392*	*471,520*	*417,854*	*478,720*	*534,281*	*607,960*	*277,161*	*379,660*
(Deferral 2013)[2]	*834,111*	–	–	–	–	–	*480,384*	–	–	–
including Long Term Incentive Plan 2012 (qualifying period: 2013–2017/2014–2018)	*120,693*	*310,427*	*17,934*	*46,447*	*17,934*	*46,447*	*120,693*	*310,427*	*17,934*	*46,447*
including cash emoluments for the Long Term Incentive Plan 2018[3]	–	*846,900*	–	*447,850*	–	*417,175*	–	*467,550*	–	*318,950*
Other	0	0	0	0	0	0	0	0	0	0
TOTAL	**4,018,064**	**4,446,745**	**1,579,936**	**2,297,987**	**1,662,692**	**2,284,157**	**2,589,461**	**2,963,914**	**1,135,330**	**1,843,151**
Service cost	0	0	312,134	369,154	290,189	342,241	288,799	307,530	221,700	289,470
TOTAL EMOLUMENTS	**4,018,064**	**4,446,745**	**1,892,070**	**2,667,141**	**1,952,881**	**2,626,398**	**2,878,260**	**3,271,444**	**1,357,030**	**2,132,621**

[1] 60 percent of the variable cash remuneration is paid in cash with no further obligation incumbent on the Executive Board member. 40 percent of the variable cash remuneration is paid out in cash with the obligation to acquire Linde shares (or the Linde plc shares received for these shares) and to hold them for at least four years.
[2] In 2013, 40 percent of the variable cash remuneration was converted at the reporting date into virtual shares with dividend entitlement and not paid for at least another three years.
[3] To the extent that the annual allocation of shares to Executive Board members from the Long Term Incentive Plan related to share options, exceptionally in 2018 these were granted as variable cash emoluments.

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 2018 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 one-year variable emoluments.

Benefits in the event of the termination of a contract

Executive Board member Sanjiv Lamba, in the event that he is not reappointed between the ages of 55 and 63 for reasons beyond his control, will receive, in accordance with an existing contract, a lump sum severance payment of 50 percent of his 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 his employment.

In compliance with the German Corporate Governance Code, all contracts with members of the Executive Board, with the exception of the contract with Professor Dr Aldo Belloni, 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, the severance cap applies and 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. The contract of employment with Professor Dr Aldo Belloni does not provide for any severance payment in the event that it is terminated prematurely.

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, with the exception of Professor Dr Aldo Belloni, have an entitlement to benefits based on their contractual cash emoluments but limited in extent. The contract of employment of Dr Sven Schneider states that a change of control in connection with the merger with Praxair, Inc. does not constitute a change of control within the meaning of this provision. 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 observed. In accordance with the Code, the Executive Board contracts provide for severance pay in the event of a member resigning from the Board early due to a change of control which is 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 due cause.

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

Executive Board members are generally 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. The contract of employment with Professor Dr Aldo Belloni does not contain a post-contractual restraint clause.

If the member of the Executive Board leaves the company's service as a result of death or incapacity for work, the Executive Board member 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, the Executive Board member or his or her heirs are entitled to that proportion of the variable cash emoluments in respect of the 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

Total emoluments of former members of the Executive Board and their surviving dependants for the 2018 financial year were EUR 3,472,998 (2017: EUR 2,944,748). The total emoluments also include changes in the value of annual tranches of share-based remuneration recognised as an expense and previous claims under virtual shares. They do not, on the other hand, include payments to former members of the Executive Board whose contract of employment ended in 2017. Provisions for these amounts had already been set up in full at 31 December 2016 and are described in detail in the remuneration report for the 2016 financial year. In 2018, the amount includes compensation payable to former Executive Board member Dr Wolfgang Büchele for complying with the post-contractual restraint clause set out in his contract of employment.

A provision of EUR 51,064,278 (2017: EUR 47,625,733) has been made in the financial statements of Linde AG for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants.

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.

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. The 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 members of the Supervisory Board.

Voluntary personal investment

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. The last time the Supervisory Board members fulfilled their personal commitment was in the 2015 financial year. Given the possible restrictions due to insider information and insider trading, Linde AG suspended the obligation of the Supervisory Board members to purchase additional shares until further notice during the negotiations conducted between Linde AG and Praxair, Inc. on a merger of the two companies. In connection with the conclusion of the Business Combination Agreement between Linde AG and Praxair, Inc., Linde AG subsequently released the members of the Supervisory Board from their obligation to hold shares in Linde that they had acquired previously. The shareholder representatives on the Supervisory Board then each submitted the Linde shares they held as part of their personal commitment for the exchange offer made by Linde plc. The exchange took place at the end of October 2018 on the completion of the merger between Linde AG and Praxair, Inc.

Emoluments of the Supervisory Board for 2018

The total emoluments of the Supervisory Board (fixed emoluments and attendance fees) amounted to EUR 2,564,411 (2017: EUR 2,556,616) plus VAT of EUR 487,238 (2017: EUR 485,757). The total cost for the attendance fees was EUR 134,000 (2017: EUR 126,000).

The following table lists the remuneration of the individual members of the Supervisory Board by component in the 2018 and 2017 financial years:

EMOLUMENTS OF THE SUPERVISORY BOARD 7

in €		*Fixed emoluments*[1]	*Emoluments for sitting on committees*[1]	*Attendance fees*[1]	*Total emoluments*[1]
Professor Dr Wolfgang Reitzle (Chairman)	*2017*	450,000	–	13,000	463,000
	2018	450,000	–	13,000	463,000
Gernot Hahl[2] (Deputy Chairman from 01.01.2018)	*2017*	150,000	60,000	14,000	224,000
	2018	225,000	–	14,000	239,000
Franz Fehrenbach (Second Deputy Chairman from 10.05.2017)	*2017*	198,493	10,603	11,000	220,096
	2018	225,000	–	10,000	235,000
Professor Dr Ann-Kristin Achleitner	*2017*	150,000	30,000	12,000	192,000
	2018	150,000	30,000	14,000	194,000
Professor Dr Clemens Börsig	*2017*	150,000	60,000	11,000	221,000
	2018	150,000	60,000	13,000	223,000
Anke Couturier	*2017*	150,000	–	8,000	158,000
	2018	150,000	–	10,000	160,000
Dr Thomas Enders (from 10.05.2017)	*2017*	96,986	19,397	7,000	123,383
	2018	150,000	30,000	8,000	188,000
Dr Hans-Peter Kaballo[2] (from 03.05.2018)	*2017*	–	–	–	–
	2018	99,863	–	9,000	108,863
Dr Martin Kimmich[2,3]	*2017*	150,000	–	8,000	158,000
	2018	150,000	30,000	8,000	188,000
Dr Victoria Ossadnik	*2017*	150,000	–	8,000	158,000
	2018	150,000	–	10,000	160,000
Andrea Ries[2] (from 01.01.2018)	*2017*	–	–	–	–
	2018	150,000	–	10,000	160,000
Xaver Schmidt[2,4]	*2017*	150,000	–	8,000	158,000
	2018	150,000	30,000	13,000	193,000
Frank Sonntag[2] (until 03.05.2018)	*2017*	150,000	–	8,000	158,000
	2018	50,548	–	2,000	52,548
TOTAL[5]	*2017*	**2,250,616**	**180,000**	**126,000**	**2,556,616**
(in percent)		**88**	**7**	**5**	**100**
TOTAL	*2018*	**2,250,411**	**180,000**	**134,000**	**2,564,411**
(in percent)		**88**	**7**	**5**	**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 Member of the Standing Committee from 01.01.2018.
4 Member of the Audit Committee from 01.01.2018.
5 This includes the remuneration paid to the Second Deputy Chairman of the Supervisory Board Michael Diekmann, who left his position with effect from the end of the Annual General Meeting on 10 May 2017 (fixed emoluments: EUR 80,137, attendance fees: EUR 4,000, total emoluments: EUR 84,137), and remuneration paid to the Deputy Chairman of the Supervisory Board Hans-Dieter Katte, who left his position at the end of 31.12.2017 (fixed emoluments: EUR 225,000, attendance fees: EUR 14,000, total emoluments: EUR 239,000).

Loans, advances and other emoluments

At 31 December 2018, there were no advances or loans to members of the Supervisory Board. This was also the case throughout the whole of 2018 and in 2017. Moreover, the members of the Supervisory Board received no payments or advantages in 2018 or 2017 for services they provided individually, in particular advisory or agency services.

Management Report

SECTION 2

FUNDAMENTAL INFORMATION ABOUT LINDE AG

PLANNED MERGER

Squeeze-out under merger law

Linde Intermediate Holding AG, Munich, the majority shareholder of Linde AG which holds around 92 percent of its share capital, submitted a request to the Linde AG Executive Board on 1 November 2018 in accordance with § 62 (1) and (5) of the German Transformation Act (UmwG) in conjunction with §§ 327a ff of the German Stock Corporation Act (AktG) to call an Extraordinary General Meeting of Linde AG at which a resolution would be proposed on the transfer of the shares of the non-controlling shareholders to Linde Intermediate Holding AG in return for the payment of appropriate cash compensation. On that basis, Linde AG and Linde Intermediate Holding AG concluded a merger agreement on the same day, according to which Linde AG transfers its assets to Linde Intermediate Holding AG by means of a merger by absorption in accordance with § 2 No. 1 and § 60 ff of the German Transformation Act (UmwG). The merger agreement specifies in accordance with § 62 (5), sentence 2, of the German Transformation Act (UmwG) that, in connection with the merger, the non-controlling shareholders of Linde AG (the transferring company) should be excluded. It was resolved at the General Meeting of Linde AG on 12 December 2018 to transfer the shares of the non-controlling shareholders in return for the payment of cash compensation of EUR 189.46 per share. At 31 December 2018, the merger had not yet become effective as the necessary entries had not yet been made in the commercial register.

BUSINESS MODEL

Linde AG, which comprises the Linde Gas Division, the Linde Engineering Division and the Corporate Centre, is the holding company and management company of The Linde Group. At 31 December 2018, the number of employees at Linde AG was 5,695 (2017: 6,092).

Gases Division

The company offers a wide range of compressed and liquefied gases as well as chemicals and is therefore the partner of choice across a huge variety of industries. The Gases Division is divided into the following product areas:

- on-site
- healthcare
- cylinder gas
- liquefied gases

In the on-site product area, gases are generally supplied to customers from a production plant on the customer's site, while in other product areas gases are supplied in gas cylinders or tankers.

Engineering Division

The Engineering Division operates worldwide, offering customers comprehensive gas production and processing solutions. It focuses on the following promising market areas: olefin plants, natural gas plants, air separation plants, and hydrogen and synthesis gas plants. In contrast to virtually all its competitors, Linde can rely on its own extensive process engineering know-how in the planning, project development and construction of turnkey industrial plants. The Engineering Division delivers plant components and services either directly to the customer or to the Gases Division, which operates the plants under a gas supply agreement on behalf of the customer.

Corporate Centre

The Corporate Centre is the location of the Executive Board of Linde AG and of various centralised functions required for the management of The Linde Group.

REPORT ON THE ECONOMIC POSITION

MACROECONOMIC ENVIRONMENT

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 have a significant influence on Linde AG's business situation. To put the business performance of Linde into perspective, a summary is given below of economic trends in 2018.

Based on data from the economic forecasting firm Oxford Economics, global economic growth in 2018 was on a par with 2017. According to initial estimates, global real gross domestic product (GDP) rose by 3.0 percent (2017: 3.0 percent). For global industrial production (IP), an important indicator for Linde's business, 2018 was another year of moderate growth (3.3 percent), albeit slightly lower than the 3.7 percent seen in 2017. This continued momentum driving the global economy was sustained by positive economic trends both in the emerging markets and the industrialised nations, with the US economy showing further acceleration in 2018.

EMEA (Europe, Middle East and Africa)[1]

The economy in the EMEA region saw a growth rate of 2.0 percent in 2018 (2017: 2.5 percent). Industrial production rose by 1.7 percent, which was significantly lower than the prior-year figure of 3.2 percent. As in 2017, there were different economic trends in the various sub-regions. In Western Europe, economic growth slowed slightly to 1.8 percent (2017: 2.4 percent), with most economies showing smaller increases in 2018 than in the prior year. In Germany, GDP rose by 1.4 percent in 2018, a slower rate of growth than in 2017 (2.5 percent). GDP in France increased by 1.5 percent (2017: 2.3 percent), while the United Kingdom posted 1.4 percent GDP growth (2017: 1.8 percent). Eastern Europe overall continued delivering robust growth in 2018, reporting a 3.1 percent increase in GDP, similar to the growth rate in 2017. As before, countries in this region saw different economic trends. Romania and the Czech Republic grew by 4.3 percent and 2.8 percent respectively, while Poland saw a slight acceleration, achieving 5.3 percent GDP growth in 2018. Growth in the Middle East was 1.8 percent in 2018, up from the previous year (0.7 percent). African economies were able to keep the traction seen in 2017 and grow by 3.5 percent (2017: 3.7 percent). However, South Africa remained on a very slow growth trajectory, with growth of 0.7 percent in 2018 (2017: 1.3 percent).

Asia/Pacific

The Asia/Pacific region continued to post the highest growth rates compared with other regions. The economies in this region saw growth in 2018 of 5.7 percent, which was similar to the 2017 result. Industrial production rose by 4.8 percent, slightly below the increase of 5.0 percent in 2017. At 6.6 percent, China's GDP growth in 2018 was slightly less dynamic than in the previous year (6.9 percent).

Americas

GDP growth in the Americas region reached 2.4 percent, up on the prior-year figure of 2.0 percent, with the US and Brazil posting higher GDP growth than in 2017. US GDP increased by 2.9 percent in 2018 (2017: 2.2 percent). US industrial production grew by 3.9 percent, more than in the previous year, which saw only modest 1.6 percent growth.

All the macroeconomic data presented here for GDP and industrial production is based on the dataset from Oxford Economics as at 30 January 2019.

[1] The growth rates set out below for individual regions correspond to the average values for the countries in which Linde operates, weighted by economic output (Linde regions).

SECTOR-SPECIFIC BACKGROUND

Gases industry

In 2018, the global gases market grew at a faster rate than in the previous year. While demand varied depending on the region and industrial sector, most geographies and industries showed at least modest growth. The competitive situation was characterised by a continued focus on efficiency measures and further growth in capital expenditure. North America, Europe and Asia remain the largest sales markets for industrial gases, with higher growth rates coming from developing Asia and North America.

Profitability and production volumes in the global steel industry continued their upward trend in most regions in 2018. This was due not only to increased demand and changes in trade barriers, but also to closures of individual Chinese steelworks resulting in consolidation. According to information released by the World Steel Association, global steel production in 2018 was up 4.6 percent year-on-year, with growth in all regions except the EU which saw a 0.3 percent contraction. 2018 was another year of upcycle in global chemical markets caused by robust demand, tight supply and strong profitability. This extended period of profitability has caused a surge in reinvestment planning activity in North America, the Middle East, China and other locations in Asia. There was robust expansion of chemical production in the United States, whereas in China growth in production volumes was modest while profitability improved. European chemical production was weak in 2018 because of higher oil prices, lower demand from the automotive sector and transportation delays caused by unusually low river levels.

Manufacturing industry continued its upward trend in 2018, with some areas seeing their best growth rates for a number of years. The automotive industry has been spurred on by the demand for electric vehicles. Shipbuilding had a strong year because of much tougher sulphur emission standards, creating a high level of demand for new-build LNG vessels. At the same time, railways are being upgraded, with ageing networks being replaced by more energy-efficient high-speed locomotives. The renewables sector, particularly wind energy, saw a buoyant year with the installation of new onshore and offshore turbines with higher output. The construction and civil engineering sectors also continued to perform solidly across the globe, with both new builds and the replacement of ageing infrastructure. Industry 4.0 gained further ground in 2018 as manufacturers embraced digitalisation and ongoing advances in additive manufacturing.

The global food and beverage market has seen healthy growth over the last ten years and this is expected to continue. The food industry is experiencing rapid change, as consumer demand drives new products to the market. The most important trends for the food & beverage industry are: health & wellness, plant-based food products, reductions in food additives, less food packaging, consolidation and regionalisation of the industry, more convenient and healthier foods, home delivery and food transparency.

The global healthcare market continues to grow, driven by the ageing population, lifestyle changes and the increasing prevalence of chronic diseases such as chronic obstructive pulmonary disease (COPD). According to the World Bank, the overall worldwide healthcare market is continuing to expand, thus providing the industrial gases and homecare market segments with growth opportunities. Due to the rising cost of healthcare, the authorities, health insurance companies and other market-players are continuing to look for ways to become more efficient and save costs. This cost stimulus is driving the consolidation of healthcare providers and the implementation of more stringent procurement processes, leading to price pressure in certain markets. At the same time, this provides opportunities for companies to offer solutions that reduce the total cost of care in the system, whilst also leveraging the general trend towards greater prevention and more intensive patient care, not only within but also outside the hospital environment.

Plant construction

The market for international large-scale plant construction remained volatile and was highly competitive in 2018. Investment and market volume both increased significantly when compared with 2017. At the same time, the decision to undertake major long-term projects is being made more difficult by constraints which involve uncertainty such as trade conflicts. Against this backdrop, Linde Engineering was very successful in executing projects and was also able to win new orders.

Air separation plants

In comparison with 2017, the market for air separation plants grew slightly, without reaching the level seen in previous years. Rising demand for air separation plants was evident mainly in Asia, with an increase in demand from the electronics industry and in the refinery business and a number of coal-to-olefin (CTO) and methanol-to-olefin (MTO) projects in China. Despite continuing high levels of competition and strong downward pressure on prices, Linde was able to secure a substantial share of the global air separation market: e.g. in China, Europe, Russia and the Middle East.

Olefin plants

The olefin plant market made a significant recovery in 2018. A high level of demand for the product combined with favourable prices for raw materials resulted in attractive margins, encouraging investors worldwide to invest in new plant capacity. Linde was successful in winning major orders in 2018 in Russia and North America.

Natural gas plants

Investment in the oil and gases industry remained low in 2018 due to persistent volatility in the prices of oil, natural gas and LNG. Nevertheless, Linde was again able to hold its own in the difficult market environment and was awarded, for example, a contract to supply an LNG plant in Inner Mongolia. This will be Linde's seventh LNG plant in China, the largest to date. Linde Engineering was also able to build on previous successes in Russia and obtain follow-up orders for current projects. In addition, it won new orders in the United States, benefiting from the revival in the shale gas market.

Hydrogen and synthesis gas plants

Once again in 2018, demand for basic chemicals did not increase significantly. The chemical industry remained reluctant to invest across the globe. The general slowdown in demand is increasing competitive pressure, which is already relatively high. Despite this difficult envronment, Linde held up well, winning projects especially in the United States. A notable success was the order from Praxair to design and supply equipment for key components for what will be the biggest ever hydrogen plant in Linde's history.

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 annual financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The core financial performance indicator (and also the sole financial performance indicator) of Linde AG is the profit for the year. The dividend payable to Linde AG shareholders is generally distributed out of the profit for the year.

Capital expenditure of Linde AG

The capital expenditure decision-making and allocation process is centralised in Linde AG. Every item of capital expenditure which exceeds specific size criteria must be approved by the member of the Executive Board responsible for that area, by a central investment committee or by the full 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. Against this backdrop, Linde continued to apply its growth-based capital expenditure strategy in 2018. Once more, it invested specifically in those areas in which opportunities exist for above-average growth and which contribute towards increasing the profitability and competitiveness of Linde AG. Linde AG invested EUR 73 m in tangible assets (2017: EUR 96 m). The liquefied gases and cylinder gas product areas were the main focus of these investing activities. Investment in financial assets was EUR 828 m (2017: EUR 85 m), while disposals of financial assets totalled EUR 867 m (2017: EUR 11 m). The additions and disposals were the result of corporate restructuring within The Linde Group.

Net assets of Linde AG

The total assets of Linde AG decreased in 2018 by EUR 198 m, from EUR 20.981 bn to EUR 20.783 bn.

Non-current assets fell by EUR 89 m to EUR 18.053 bn, as investment in non-current assets was less than the amortisation and depreciation charge for the year. Non-current assets comprised 86.9 percent of total assets (2017: 86.5 percent). A significant proportion of non-current assets are financial assets, due to Linde AG's function as the holding company of The Linde Group. Financial assets fell in 2018 by EUR 59 m. Inventories in Linde AG rose during the reporting period by EUR 939 m. The reason for this was the increase in work in progress of EUR 862 m as a result of contract work on projects in the Engineering Division, mainly on three major projects in Russia. Two of those projects relate to the supply of olefin plants to customers in the petrochemical industry. One of the projects relates to the construction of a natural gas plant. Advance payments to suppliers were EUR 70 m higher than in 2017. Advance payments received from customers increased by EUR 1.188 bn to EUR 5.869 bn. Inventories were therefore fully covered by advance payments received. Receivables and other assets increased from EUR 1.810 bn to EUR 2.322 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 2018, the holding of securities fell by EUR 606 m, so that the funds thus released could be used to make the dividend payment to the shareholders. Liquid assets increased by EUR 9 m to EUR 294 m.

Equity (before the appropriation of profit) decreased by EUR 1.119 bn to EUR 8.550 bn. Two contrary effects were the main factors here. On the one hand, the profit for the year of EUR 180 m resulted in an increase in equity, but on the other hand the dividend payment for 2017 of EUR 1.299 bn had the effect of decreasing equity. The equity ratio fell from 46.1 percent to 41.1 percent as a result.

The total for provisions was EUR 1.092 bn, which was above the figure for the prior year. The increase in provisions was mainly due to higher provisions for pensions, as a result of changes in the measurement parameters, especially the fall in the average market discount rate and a modification to the mortality tables on which the measurement is based. The liabilities of Linde AG rose in 2018 by EUR 833 m to EUR 11.123 bn. This was due to two opposing effects. Factors increasing the liabilities figure were short-term capital market liabilities incurred as a result of the issue of commercial papers totalling EUR 675 m and other financial liabilities incurred with Linde Finance BV and Commercium Immobilien- und Beteiligungs-GmbH of EUR 254 m. In addition, advance payments from customers increased by EUR 249 m to EUR 1.967 bn (after offset against inventories). A factor decreasing the liabilities figure, on the other hand, was a redemption payment of EUR 383 m in respect of bonds issued.

BALANCE SHEET OF LINDE AG (SUMMARY) 8

	31.12.2017	31.12.2018	Change	
	in € million	in € million	in € million	in percent
Assets				
Financial assets	17,587	17,528	−59	−0.3
Other non-current assets	555	525	−30	−5.4
Receivables and other assets	1,810	2,322	512	28.3
Securities	606	–	−606	−100.0
Liquid assets	285	294	9	3.2
Sundry assets	138	114	−24	−17.4
TOTAL ASSETS	**20,981**	**20,783**	**−198**	**−0.9**
Equity and liabilities				
Equity	9,669	8,550	−1,119	−11.6
Provisions for pensions	226	338	112	49.6
Sundry provisions	777	754	−23	−3.0
Liabilities	10,290	11,123	833	8.1
Sundry liabilities	19	18	−1	–
TOTAL EQUITY AND LIABILITIES	**20,981**	**20,783**	**−198**	**−0.9**

Financial position of Linde AG

Cash flow from operating activities was EUR 154 m. The cash flow comprised mainly cash outflows from operating activities (inventories, receivables and other assets) of EUR 1.2 bn and cash inflows from operating activities (liabilities, other liabilities) of EUR 1.8 bn. The main reason for the cash inflow was the increase in liabilities due to higher advance payments received from customers relating to the execution of long-term projects in the Linde Engineering Division as a result of the good order situation. Set against this is a cash outflow from the build-up of inventories in line with the level of progress made on the projects being executed. Of the cash flow from investing activities of EUR 889 m, the main component was a cash inflow of EUR 606 m from the repayment of short-term securities-based investment funds. In the financial year, financial assets were acquired and sold. Sale and purchase prices were offset against the corresponding receivables and liabilities. The annual dividend payment to the shareholders of Linde AG of EUR 1.299 bn and the EUR 383 m repayment of a bond led to a cash outflow from financing activities. Cash inflows from financing activities were generated by incurring short-term capital market liabilities through the issue of EUR 675 m of commercial papers. Overall, there was a net cash outflow from financing activities of EUR 1.034 bn. The net cash inflow from operating activities and the net cash inflow from investing activities more than offset the net cash outflow from financing activities, resulting in an increase in cash and cash equivalents affecting the movement of funds of EUR 9 m. The capital structure of Linde AG is determined in such a way as to optimise cost and risk. Financial debt rose in the financial year by EUR 388 m to EUR 7.636 bn (2017: EUR 7.248 bn). Linde AG continues to be financed on a long-term basis. Long-term debt at 31 December 2018 was EUR 5.107 bn (2017: EUR 5.176 bn). Short-term financial debt was EUR 2.529 bn (2017: EUR 2.072 bn).

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 2018 by EUR 583 m, from EUR 6.036 bn to EUR 6.619 bn. The company’s gearing (the ratio of net debt to equity) was 75.9 percent at 31 December 2018 (2017: 74.6 percent). The company was always in a position to meet its financial obligations.

Results of operations of Linde AG

Revenue of Linde AG in the 2018 financial year was EUR 2.197 bn, significantly below the figure for 2017 of EUR 2.958 bn. EBIT fell from a loss of EUR 21 m to a loss of EUR 192 m.

In the Linde Gas Division, revenue rose by 0.9 percent to EUR 1.521 bn (2017: EUR 1.507 bn). Very different trends were to be seen in the on-site, liquefied gases and cylinder gas product areas. The on-site business grew by EUR 43 m or 12.7 percent when compared with the prior year. This was due to higher costs for production factors recharged to customers. Revenue in the liquefied gases business rose from EUR 446 m in 2017 to EUR 472 m in 2018. The main driver of this increase was the completion of hardware and service projects. A declining trend was to be seen in the cylinder gas business, where revenue fell by 6.5 percent to EUR 325 m, mainly as a result of supply bottlenecks in the specialty gas business and due to a shortage of helium. Another revenue item was ancillary revenue for licenses. This is recharged to the Linde AG subsidiaries and fell by EUR 25 m compared with the prior year. In the Linde Engineering Division, Linde AG saw a decrease in revenue in the 2018 financial year to EUR 746 m (2017: EUR 1.518 bn). The fall was mainly due to the fact that in 2017 a major project with a project volume of over EUR 300 m and three major projects each with a project volume of up to EUR 200 m were completed and could be invoiced. In the 2018 financial year, Linde AG recognised revenue in particular from contracts in the United States, India, Singapore, China, Iran and Portugal.

Linde AG generated 53.1 percent (2017: 36.7 percent) of its sales revenue from customers in Germany. Exports accounted for 46.9 percent (2017: 63.3 percent) of revenue, with 35.3 percent (2017: 41.5 percent) relating to Europe, 38.1 percent (2017: 43.9 percent) to the Asia/Pacific region and 24.8 percent (2017: 13.8 percent) to the Americas. Sales to Africa accounted for 1.8 percent of Linde AG’s revenue in 2018 (2017: 0.8 percent). Most of the export business relates to the Linde Engineering Division. As the international plant construction business is project business and revenue is only recognised once the project has been completed, there are always fluctuations in the figures year by year.

The order intake of the Linde Engineering Division increased by 61.7 percent to EUR 2.669 bn (2017: EUR 1.651 bn). The order backlog at 31 December 2018 was EUR 8.836 bn, 26.9 percent higher than the figure at the end of 2017 of EUR 6.963 bn. The average duration of a contract is around three years. The gross margin rose from 28.4 percent to 32.0 percent. The main reason for the increase in the margin was the increase in the proportion of revenue which related to Linde Gas, as the gases business generally has higher gross margins than the engineering business. The total for functional costs was EUR 850 m, a similar figure to that seen in 2017 (EUR 843 m).

The increase in other income and other expenses was mainly due to profits on the disposal of financial assets and expenses associated with the merger with Praxair, Inc. In 2018, the total amount recognised for merger expenses was EUR 250 m (2017: EUR 88 m).

Investment income increased in 2018 to EUR 493 m (2017: EUR 404 m). Included in the figure are dividends of EUR 226 m (2017: EUR 272 m), income from profit-sharing agreements of EUR 271 m (2017: EUR 132 m) and expenses from the transfer of losses of EUR 4 m (2017: EUR 0 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.

RESULTS OF OPERATIONS OF LINDE AG (SUMMARY) 9

	31.12.2017	31.12.2018	Change	
	in € million	in € million	in € million	in percent
Revenue	2,958	2,197	–761	–25.7
Cost of sales	2,117	1,494	–623	–29.4
GROSS PROFIT	**841**	**703**	**–138**	**–16.4**
Functional costs	843	850	7	0.8
Other income	195	436	241	123.6
Other expenses	214	481	267	124.8
EBIT	**–21**	**–192**	**–171**	**0.0**
Investment income	404	493	89	22.0
Other financial result	–162	–222	–60	37.0
PROFIT BEFORE TAXES ON INCOME	**221**	**79**	**–142**	**–64.3**
Income tax expense	9	–101	–110	–1,222.2
PROFIT FOR THE YEAR	**212**	**180**	**–32**	**–15.1**
Transfer to revenue reserves	–	90	90	0.0
Transfer from revenue reserves	1,087	–	–1,087	0.0
UNAPPROPRIATED PROFIT	**1,299**	**90**	**–1,209**	**–93.1**

The main changes under the heading Other financial result relate to the increase of EUR 108 m (2017: EUR 82 m) in the interest cost from pension obligations due to the drop in the discount rate for pension obligations, as well as to losses of EUR 23 m on the measurement of plan assets relating to pension obligations (2017: gains of EUR 10 m). Moreover, impairments of financial assets fell from EUR 43 m in 2017 to EUR 22 m in 2018.

Profit before tax was EUR 79 m, which was lower than the prior-year figure of EUR 221 m.

After taking tax into account, Linde AG generated a profit for the year of EUR 180 m in 2018. This was 15.1 percent lower than the figure for 2017 of EUR 212 m. Profit for the year was originally forecast to be around EUR 200 m.

Unappropriated profit fell significantly, from EUR 1.299 bn to EUR 90 m. In 2018, EUR 90 m was transferred to revenue reserves (2017: EUR 0 m).

Summary of the 2018 financial year for Linde AG

Despite the decline in EBIT (a loss of EUR 192 m), which was mainly due to a lower contribution to operating profit from the Linde Engineering Division, costs relating to the merger with Praxair, Inc. and the increase in other income, Linde AG made a profit for the year of EUR 180 m, almost achieving its forecast of EUR 200 m.

RESEARCH AND DEVELOPMENT

In the 2018 financial year, Linde spent a total of EUR 123 m (2017: EUR 115 m) on research and development (R&D). Where subsidiaries conduct research and development, they charge their costs to Linde AG on a cost-plus basis.

As at 31 December 2018, Linde AG employed a total of 202 staff in research and development (2017: 208). Of these, 116 employees (2017: 122) were in the Linde Gas Division and 86 employees (2017: 86) were in the Linde Engineering Division.

Research and development expenditure in the Linde Gas division in 2018 was EUR 96 m (2017: EUR 89 m). R&D activities focused on the following customer segments: metallurgy & glass, food, manufacturing , the chemical industry & environmental technologies and oil & gas.

In the Linde Engineering Division, Linde AG invested EUR 27 m (2017: EUR 26 m) in the development of new and existing technologies for the main types of plant, especially in the following product lines: 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 safeguard the company's innovations from the competition, various Linde technologies are protected by a large number of patents. Many of these include aspects of sustainability, in areas such as chemistry and the environment, clean energy and hydrogen technologies. More than half the R&D projects in 2018 were pursued due to a direct or an indirect environmental benefit. By drawing on the findings of its research, Linde is continuously tapping into new ways of using its gases and is making constant improvements to its existing processes, plant technologies and applications. Development is almost always set in the context of commissions and therefore involves close liaison with customers, taking into account their requirements. In order to identify new technological and business trends, Linde also enters into targeted cooperation initiatives, allowing it to rely on an extensive network of international partners. By way of example, cooperation opportunities arise with academic institutions, start-ups, small and medium-sized companies and major corporations. The Technology & Innovation Corporate Support Function has been able to exploit the innovation strategy implemented in recent years and step up its activities considerably. In addition, processes have been optimised to make the area more effective. Numerous projects have been developed in close cooperation with the specialist areas within the Linde Gas and Linde Engineering divisions. What is more, Linde now has the "Global Innovation Challenge", a company-wide platform designed to drive the development of innovative ideas and create opportunities for international and cross-functional collaboration.

OPPORTUNITY AND RISK REPORT

Opportunity management

As a company with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. To achieve sustainable profitable growth, it is crucial for the Group 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 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 strategy 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 40 TO 51.

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

The following section therefore focuses on potential future developments that might give rise to a positive variance from Linde's short-term outlook. These are presented in the form of opportunity areas which are considered to be material and of equal relative importance to Linde AG . The assessment of the importance of the opportunity areas is made in the divisions of Linde AG.

Opportunity areas

Opportunities arising from better global economic trends

Linde operates worldwide and supplies almost all industry sectors. Especially in the faster-growing economies, Linde has significant market share in the relevant market areas. Global economic growth and worldwide industrial production have a crucial impact on the company's revenue and earnings growth. Economists are forecasting a 2.7 percent increase in global real gross domestic product in 2019. Worldwide industrial production is also expected to rise by 2.7 percent. ▸ SEE OUTLOOK ON PAGES 90 TO 93. If the economy as a whole were to grow at a faster rate than that originally forecast, this could have a positive impact on the earnings trend in Linde AG.

Opportunities arising from the growing importance of natural gas as a fuel

Modern society still depends on energy supplies which are affordable, reliable and environmentally friendly. Achieving a balanced energy economy also necessitates the application of new technologies to ensure that finite resources are utlised in the most environmentally friendly way possible. Linde has the technical skills required to exploit the market opportunities in this area.

The company is well equipped to meet the rising demand for natural gas. Linde masters technologies along the entire value added chain: from the liquefaction and transport of natural gas to its safe delivery to the end user. Linde also boasts extensive expertise in 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.

Opportunities arising from increased climate protection efforts

The global demand for energy is continuing to rise, and this is also posing a threat to the climate and the environment. The ongoing expansion of renewable energy and the development of applications and solutions (e.g. to recycle waste gases or reduce harmful greenhouse gases) are key steps in achieving balanced environmental outcomes.

Linde is continually developing new processes and techniques that make a considerable contribution to climate protection. In the context of climate change, the greenhouse gas carbon dioxide (CO_2) has a particular role to play. Linde offers various CO_2 reduction and recycling solutions. By way of example, it is developing plants for the purification of waste gases and capture of CO_2 in power stations. Linde is also involved in a research initiative that has developed a competitive system for converting waste gases from furnaces into hydrogen and synthesis gas.

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 and in the production of low-sulphur marine fuels. Linde is a pioneer in the ongoing development of hydrogen technology and is an advocate of the breakthrough of this ecofriendly fuel in a wide variety of fields.

Opportunities arising from regulatory changes in the healthcare sector

The global growth area healthcare is driven by demographic trends and constant improvements in diagnostics and therapies, especially for chronic respiratory disorders. In addition, increasing numbers of people in the emerging economies are gaining access to healthcare. What is more, rising pressure on healthcare budgets is providing private companies with the opportunity to create new cost-effective offerings which make efficient use of resources. 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 positive impact on the company. Infrastructure investment, progress in medical diagnostic procedures and increasing wealth in the emerging economies might also have a positive impact on Linde's revenue and earnings trends.

Opportunities arising from organisational and process-related improvements

Constant improvements in Linde's business processes and strict cost management help to ensure that its profitability and competitiveness continue to increase. Linde has established an ongoing system designed to achieve sustainable efficiency gains and has enshrined the concept in the company ethos. Linde believes that the greatest potential for further optimisation lies in strengthening regional responsibility so that the company can react to market and customer requirements in a much more agile manner in the future.

Opportunities resulting from innovation, research and development

A key element in Linde's long-term business success is its ability to bring innovations to market which offer sustainable value added. Therefore, the company is constantly working on improving the quality of its research and development activities, exploiting the opportunities presented by increasing digitalisation 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 and services will be launched onto the market or will become available sooner than expected. This might have a positive impact on the company.

Financial opportunities

Movements in interest rates influence Linde's financial result and pension obligation. The company monitors events in the international financial markets on an ongoing basis in order to identify and respond swiftly to any opportunities arising.

Exchange rates also have an impact on earnings. 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 revenue and earnings.

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

Opportunities in purchasing

Purchase prices also have an impact on Linde's profitability. This applies particularly to material groups that 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 company. Within the framework of its measures to achieve sustainable efficiency gains, Linde has implemented organisational measures and introduced improved processes so as to continue to improve its purchasing performance and to make controls in this area even more transparent.

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 it to exploit opportunities as they arise. Therefore, Linde deliberately accepts risks, as long as they are reasonable and can be managed and controlled, 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. Linde uses an ERM (Enterprise Risk Management) system, the general principles of which are laid down in Group guidelines and which is reviewed internally and externally for its effectiveness and efficiency on a regular basis.

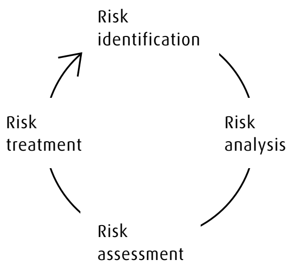
Enterprise Risk Management (ERM) system

The ERM system is based on the Three Lines of Defence Model (TLoD), proposed in the recommendation issued by FERMA (the Federation of European Risk Management Associations) and ECIIA (the European Confederation of Institutes of Internal Auditing) 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 compliance management, risk management, internal control and internal audit. The model is based on three lines of defence: “operating business units”, “central organisational units” and “independent audit units”.

Risk management

The risk management system focuses on the identification and handling of risks. It seeks to address not only those risks that might affect the viability of Linde as a going concern, as required by the German Law on Control and Transparency in Business (KonTraG), but also all significant risks for the company. 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.

RISK MANAGEMENT PROCESS 10



Internal control system (ICS)

The aim of the internal control system is to prevent risks arising in the course of operations by adopting appropriate controls, 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 company, but also includes risks which might have an indirect impact on key financial figures, such as risks to Linde’s reputation. The internal control system comprises all the controls which are embedded in the company’s business operations. The structure of the internal control system is based around the globally recognised framework published in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and entitled “Internal Control – Integrated Framework”.

Compliance management

Linde’s compliance management system(CMS) encompasses the six elements of a modern CMS, including a binding risk analysis process (compliance risk assessment [CRA]) covering the issues of general compliance, antitrust law and corruption. The CRA is closely linked with compliance monitoring, which involves ensuring adherence to processes and controls. A key component of the CMS is face-to-face and e-learning training on the compliance guidelines (guidelines on antitrust law compliance, anti-corruption compliance and business partner compliance).

The Integrity Line also allows both internal and external stakeholders to report any doubts or suspicions they may have, which are then investigated internally. Appropriate sanctions are imposed in cases where reports prove to be justified.

Internal Audit and external auditors

KPMG AG Wirtschaftsprüfungsgesellschaft, an independent external auditing firm, assesses the effectiveness of the early recognition system for risks and submits regular reports about the outcome of their reviews to the Group Executive Board and Supervisory Board. Alongside the external auditors, the Internal Audit department is also involved in the testing of subsystems of the operating units which are relevant to accounting and reporting as well as of the effectiveness and efficiency of the ERM system.

Risk management system

Structure and reporting

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 where the impact and the management of the risk are limited to certain operating segments (business risks).

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. Business risks are managed by those responsible for the operating segments in the divisions. Group risks and corporate risks are identified by members of the Executive Board and/or heads of the Corporate & Support Functions and the Centre of Excellence, and are managed by the personnel to whom the responsibility for those risks has been allocated.

As part of the risk reporting process, the Executive Board is presented with a risk report prepared by the central risk management department every quarter, 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 includes a description of significant Group, corporate and business risks. Each of those risks is also evaluated and prioritised. 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.

The units included in the risk reporting process differ from those included in the consolidation for accounting purposes in accordance with International Financial Reporting Standards 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.

Risk management process

At the very heart of all risk management is a cyclical risk management process, involving a series of steps from the identification of a risk, to the analysis, evaluation and treatment of the risk.

Risk workshops with 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 treat those risks. When identifying risks, a great variety of areas which might entail risk, both within and outside the company, 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. 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 and the estimated 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, 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 assesses the risk on a regular basis and monitors any measures taken to manage 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.

One particular tool 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. Linde constantly ensures that its insurance is at the optimum level, based on the specific requirements of the business units.

Accounting-related internal control system

As part of the harmonisation of business processes over the last few years, global controls have been defined that have to be implemented by all operating units as a mandatory requirement. Once a year, these global controls are assessed to check that they have been put in place and are effective and the global controls are centrally reported as part of a self-assessment completed by the individual units. This process is supported by a workflow-based system. If deviations are identified, the individuals responsible for the controls locally have to take measures to restore their effectiveness. This process is monitored by the central ICS department.

The accounting-related controls, in particular, help to ensure the proper preparation and reliability of the accounting records. Within this context, the company makes a distinction between automated controls, such as reconciliation routines relating to the figures and systems access controls based on the authorisation concept, and manual controls, such as variance and trend analyses based on defined key figures and comparisons with budget figures, as well as plausibility checks. The reliability of the accounting procedures is also underpinned by monthly discussions with the operating units about the principal key figures.

This process is supported by accounting and reporting guidelines which apply across the Group and 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 connection with the outsourcing of parts of the accounting to shared service centres, the pre-existing controls were also transferred and additional controls put in place to ensure the proper preparation of the accounting records.

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 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.

Continuous improvement

Linde’s risk management system is forward-looking. It is continuously being improved in order to enhance its effectiveness.

The accounting-related internal controls, in particular, are reviewed and optimised on a regular basis to ensure an efficient, functional accounting process.

Risk areas

Risks which Linde considers significant and which might have a material adverse impact on the net assets, financial position and results of operations of Linde AG in its capacity as holding company of The Linde Group are described below.

These comprise, firstly, individual Group and 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 relevant 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 highlights 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 segments, although the extent to which they do may vary.

The order in which the following risk areas are shown is based on Linde'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 associated with the global economy

As a company with global operations, Linde is dependent on cyclical trends in the global economy. A number of risk factors are currently responsible for the uncertainty regarding the future development of the global economy. One of these factors remains the high level of sovereign and corporate debt worldwide, currently propped up and sustained by low interest rates. However, in a phase of rising interest rates or of slower growth, this could quickly become a danger to the global economy.

In addition to the high level of debt, political risk factors in key countries for the global economy are increasingly coming to the fore. Noteworthy here is the potential for further escalation of the trade conflict between the United States and the EU and China. Uncertainty for companies and consumers about the effects of Brexit on trade between the European Union and the United Kingdom might also have a negative impact on investment behaviour and the economy.

Moreover, changes lie ahead for major European institutions, bringing uncertainty about the EU's future economic and monetary policy. Worth mentioning here are the forthcoming elections to the European Parliament and the election of the President of the European Commission and President of the European Central Bank. Increasing support for eurosceptic parties in many EU member states is another risk to the stability of the monetary union and the future of the European Union. A break-up of the monetary union would have serious repercussions for both the global real economy and the financial markets.

Uncertainty about the future economic, foreign trade and security policies of the United States following the elections to the Senate and House of Representatives could lead to uncertainty in the global economy and in the financial markets. Risk factors also include the future monetary policy of the US Federal Reserve and its impact on the currencies and the economy of other countries, especially the emerging economies. Further interest rate policy measures might bring other countries' economies under pressure and financial markets might become more volatile, with potential negative consequences for the global economy.

The risk of a more pronounced growth slowdown than expected on the Asian and other high-growth markets, as well as the possibility of a weaker economic environment in the South Pacific region, could also have a negative impact on the world economy.

Further economic risks could arise from uncertain political situations in the world's geopolitical hot spots: for example, in the Middle East and in East Asia.

All these risk factors might occur singly or together and set off chain reactions which might lead overall to a fundamental crisis for the global economy. 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.

In its function as the holding 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 or exchange rates of these Group companies deteriorate. This scenario might have an adverse impact on the profit for the year of Linde AG.

Linde operates in many countries and regions, supplying almost all industry sectors. Because of the high level of diversification of its end customers, both in terms of sector and geographical situation, Linde is not exposed to the volatility of a single end customer market. The impact of individual risks is also 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.

Risks associated with competition

The competitive pressure facing Linde is mounting, both in markets that offer significant growth potential and in more mature markets. This is being fuelled in particular by weak growth prospects, excess capacity and the migration of existing industries. Global competition means that the company is exposed to the risk of losing market share in all product areas, which may in turn result in a fall in revenue and profit.

Linde is responding to these risks associated with competition by taking measures that help to improve its competitive standing, by offering products and services tailored to the market and putting optimised processes in place.

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.

In plant construction, stringent standardisation and modularisation are helping to enhance the competitiveness of the plant portfolio.

In the cylinder gas business, a modular, scalable plant programme for filling plants has been developed, allowing Linde to offer filling plants that have been adapted to suit a variety of market conditions, do not require much space, achieve increased productivity and provide optimal occupational safety.

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.

Sales risks in the Healthcare product area

In the Healthcare product area, cost pressure in the sector, the current trend towards outsourcing by government agencies and health insurance funds and possible defaults mean there is a greater risk that the planned growth and profitability targets cannot be met. These factors are especially evident in sales markets in the United States and Europe. Moreover, markets in the healthcare sector, driven by regulatory and technological developments, are highly dynamic, which can have an adverse impact on sales if companies do not respond to those developments in good time and with suitable products.

To mitigate these risks, Linde is focusing on the development of innovative products and services which take account of the increasing downward pressure on costs. 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. Linde is also actively involved in the development of standards through its participation in standardisation organisations and associations.

Customer and sales risks associated with the commercialisation of new and existing projects

Customer and sales risks associated with the commercialisation of both new customer projects or follow-up 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 or contract, 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, it has taken steps to ensure that all relevant parties are involved in the risk assessment before the project commences. Close customer relationships and market observation, including during the project term, help ensure that any problems can be solved in partnership with the customer at an early stage.

Risks associated with the setting of prices

Risks associated with the setting of prices usually 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 generally 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. In order to counter this risk, processes have been put in place in the regions to ensure that developments in the energy market are reflected in price policies in a structured manner and at an early stage.

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 dvisions, including the distribution of products 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 manufacture of products and construction of plants by Linde 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. Linde's reputation could also suffer if any such event were to occur.

One of the company's main preventive strategies is ensuring high safety standards. By applying clearly structured management standards, it ensures, on the basis of the systematic evaluation of risks which might lead to accidents or damage to property or to the environment, that stringent safety requirements are planned, implemented and monitored for processes with a particularly high exposure to risk. A risk to Linde's employees and to the net assets, financial position and results of operations of the company is also posed by natural disasters, pandemics and terrorist or other criminal attacks. These risks may also have an indirect impact on Linde if its customers are significantly affected by any of them.

Linde addresses these risks, which are covered in some cases by insurance, by taking local risk reduction measures and putting contingency plans in place. 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 company. This risk is particularly relevant if the stoppage affects a large-scale plant or if it is caused by an accident that also results in personal injury or environmental damage.

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, the modular construction of the filling plants and their fitting out with abundant and versatile filling systems, and strict compliance with quality and safety standards and environmental protection standards during the manufacture, storage, transport and use of the products. If, despite these preventive measures, a business interruption should occur, Linde has supply networks operating between its production plants so that any business interruption would have less of an effect or no effect at all on its customers.

Project risks in plant construction

Complex major plant construction projects pose particular problems for risk management. The 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 costing 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. In addition, complex import regulations mean that global material procurement can give rise to significant additional costs due to anti-dumping or countervailing duties. 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. It conducts simulations of the opportunities and risks associated with each project using numerical methods of analysis. By continually monitoring changes in parameters alongside the progress of the project, Linde is able to identify potential project risks at an early stage and to take appropriate measures to counter them. These risk management tools are constantly being updated and modified to meet the increasing demands of the market.

Risks associated with products and services

Risks associated with products and services may in extreme cases result in consequences such as potential liability claims, the loss of customers, the loss of operating permits or damage to Linde's reputation. Principal possible causes of risks associated with products and services are product defects or an inadequate level of customer care for services which are provided by Linde in particular in the Gist Division or in the Healthcare product area.

Linde 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 identified or, if that is not possible, to reduce the risks to an acceptable level.

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 a Vigilance Signal Detection System. 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, share prices and exchange rates. These risks are monitored and managed on an ongoing basis.

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 Group Treasury and Group Accounting & Reporting.

Financing and hedging decisions are based on the financial information obtained from the 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.

One of the main criteria for the management of counterparty risk is the credit rating of the counterparty. Linde also monitors changes in other relevant capital market parameters, such as movements in credit default swaps 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 pursues a prudent and conservative policy of safeguarding liquidity. It continued to have access to the capital markets in the 2018 financial year. In addition, Linde has access to an agreed syndicated credit facility of EUR 2.5 bn provided by an international banking group, which is available until 2020 and has not been used to date.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. These fluctuations affect both interest expense and the fair value of financial instruments. Interest rate risk is centrally managed. On the basis of sensitivity and scenario analyses, the Treasury Committee determines ranges for the fixed-floating ratio of the financial liabilities. The focus is on the main financing currencies: the euro (EUR) and the US dollar (USD). Group Treasury manages the rates within the agreed ranges and submits regular reports to the Treasury Committee about the measures implemented. Methods of hedging exposure to the risk include entering into interest rate hedging transactions with banks and using long-term fixed-interest bonds and loans.

In the case of exchange rate risk, it is important to differentiate between operational transaction risks (currency risks resulting from business and financing activities between different currency zones) and translation risks (currency risks arising from the currency translation of the financial statements of subsidiaries where those subsidiaries have a functional currency other than the Group reporting currency). The Group guideline states that individual business units must monitor transaction risks themselves and agree appropriate hedging transactions with Group Treasury, based on predetermined minimum hedging rates, provided there are no other reasons against hedging the exposure in this way.

As far as translation risks are concerned, only currency-related fluctuations in net asset values at Group level are hedged selectively within authorised ranges. In the Gases Division, Linde 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.

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. 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.

In most pension schemes, the obligation is covered by assets which are maintained separately.

The risks relating to the pension obligations (interest rate, inflation and longevity risks) on the one hand, and those relating to the pension assets (interest rate, spread, exchange rate, equity and other financial market risks) on the other are quantified and evaluated by Linde on a regular basis. There is a natural conflict between a significant reduction in the risk and achievement in the long term of the return on assets required to keep pace with the potential 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 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

Potential risks that Linde might encounter in different countries as a global corporation 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. Linde is currently exposed to such country-related risks due to political instability in Venezuela, for example. Political tension or unrest and wars may also be the cause of indirect risks (economic risks, project risks and risks associated with commercialisation), as a result for instance of political and economic sanctions, which may extend beyond the borders of the actual region in crisis. Linde's plant construction, for example, is exposed to such risks due to the general political environment and the threat of sanctions, especially in Russia. 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 business 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 already in place before the embargo comes into force. To limit these risks, individual capital expenditure projects are evaluated for political risk, and target returns on investment are set accordingly. In addition, the risks are covered, if appropriate, by German government guarantees for direct foreign investment, tailored insurance solutions or similar instruments available in the market. Counterparty risk for export business is also assessed, and limited if necessary by hedging instruments such as Hermes guarantees.

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 addtional statutory levies and other regulatory interventions in the electricity markets (e.g. the mandatory decommissioning of nuclear power stations and coal-fired power stations). The increase in import duties for steel and aluminium imposed by the United States as a result of the trade conflict between the US and the EU and China may lead to higher costs for plant construction projects.

Changes in the regulatory environment can also give rise to new or increased compliance risks, both with regard to the complexity of and costs associated with the measures required to ensure compliance, and with regard to the level of sanctions in the event of non-compliance. Failure to comply with legal provisions can result in substantial penalties, the withdrawal of marketing rights or restrictions on participation in public tenders, or even in exclusion from public tender proceedings, and can also give rise to significant reputational losses and reduced business opportunities. Examples of such risks in the regulatory environment include the Healthcare product area, which is largely state-regulated, and the implementation of European General Data Protection Regulation, which has applied in all member states since 25 May 2018.

Linde is also affected by measures being taken to regulate the international financial markets. In a variety of jurisdictions, Linde must comply with comprehensive 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 the European Market Infrastructure Regulation (EMIR).

Linde counters these risks by conducting continuous proactive observation and analysis of the legal environment in the various business units, by developing the systems required and by delivering appropriate ongoing and systematic training for its employees. In addition, the measures described in the section on risks associated with competition (which are designed to ensure constant customer contact and to develop 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, Linde 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 Linde's business and its earnings.

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 reporting period, the Brazilian competition authority CADE had already 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 does not believe that this decision will stand up to judicial review.

A resolution was passed at the Extraordinary General Meeting on 12 December 2018 to squeeze out non-controlling shareholders of Linde AG who had not submitted their shares for exchange. There is a risk that the stipulated amount of cash compensation for those shareholders will be subject to judicial review. This may lead to higher costs related to the squeeze-out.

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. The lawsuits relate to a number of issues including cost reimbursements by the national healthcare system or 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 its financial position or results of operations. 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 risks. They do not necessarily represent an exhaustive list.

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 faster-growing economies.

Achieving the growth targets entails risks both within and outside the company. Risks arise on the one hand from uncertainty about the future evolution of these growth areas, which are influenced by political, social, legal and economic factors.

On the other hand, there are also risks associated with the internal measures adopted by Linde to achieve its targets. These include the merger with Praxair, which requires certain approvals in accordance with antitrust law and other supervisory legislation. There is the risk that those company sales required to obtain antitrust approvals which have not yet been finalised might not be realised in line with the terms and conditions expected.

Other internal strategic measures associated with risks are acquisition and investment projects, as well as strategic initiatives in areas such as digital transformation, improving customer satisfaction and sustainability performance. Another example is the implementation of a successful market entry strategy for the market for green hydrogen. The risks associated with such projects are principally the result of the uncertainty attached to assumptions about the regulatory environment, the future development of the underlying business model and 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, its feasibility and the specific risks attached to that project. Linde evaluates, for example, country risk and currency risk, the credit rating of the individual customer and trends in the local (gases) markets, as well as the underlying terms and conditions and the cost of the investment.

In addtion, the Executive Board, the Supervisory Board and management personnel hold regular meetings to evaluate the extent to which targets associated with strategic initiatives have been achieved and then implement any corrective measures required.

Overexposure to a single region, customer segment or a particular technology might have an adverse impact on Linde's net assets, financial position and results of operations and on its future growth prospects if the assumed overall circumstances change: e.g. in a situation where economic conditions worsen or customers fail to extend their contracts. To counter this risk, Linde uses portfolio management to define and monitor risk premiums 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 risk concentration.

Linde's good reputation is a key prerequisite for achieving its long-term growth targets. The company uses crisis management and crisis communication standards to prevent the risk of loss of reputation from the mismanagement of crises or insufficient communication about relevant events.

IT risks

Many processes in the Linde organisation are dependent on the availability of 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 Linde's net assets, financial position and results of operations. Breaches of data protection rules, unauthorised data retrieval or the loss of personal data or sensitive corporate data might also result in compensation claims, penalty charges, a loss of competitiveness, long-term damage to Linde's reputation and a loss of confidence in the company.

The current state of the existing security measures is monitored via a security reporting process and is 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 a continuous, sustainable increase in the effectiveness of the security measures. These measures have been combined to form a multi-stage defence of the systems and data from attacks from outside (malware infection, cyber attacks, industrial espionage). The measures also include worldwide training sessions for all users and regular communications measures to raise risk awareness among all employees.

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 a standardised process for the development, testing and use of application software.

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.

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. On the purchasing side, for example, the impact of price volatility risks relating to the procurement of electricity and natural gas is cushioned by long-term purchasing strategies in the deregulated energy markets. Linde's procurement activities in the relevant wholesale energy markets are governed by a global risk guideline which determines the ranges for price hedging over the next few years. Compliance with the guideline is monitored by a global committee. Data transparency is established by means of a professional IT tool for the energy trade. Furthermore, on the sales side, due to the amount of energy consumed in industrial gases production, fluctuations in the price of electricity and natural gas are passed through to customers using appropriate price formulas.

When Linde purchases gases, it counters procurement risks and price risks by means of strict technical apportionment (purchase, own production or purification of gases) and geographical distribution. Unforeseen fluctuations in sales volumes can thus be offset.

Risks may arise for Linde 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.

Personnel risks

A significant risk is that during the integration phase following the completion of the merger there could be negative repercussions for Linde's personnel structure, with the result that the expected potential gains from the merger may not be realised. Moreover, achieving cultural integration following a successful merger poses a challenge. To counter these risks, measures were introduced in the run-up to the merger to prepare for the development and implementation of a common corporate culture once the merger has been completed.

In principle, the success of the company is dependent on the commitment, motivation and skills of its employees and executives. The main risk factors associated with attracting well-qualified staff and ensuring their long-term loyalty are the ever-increasing shortage of skilled personnel and fierce competition in the labour market. Competition for employees of the right calibre is now becoming even more intense, especially in the Asian markets.

To address these risk factors, Linde is adopting a holistic approach towards attracting and supporting its employees. Staff development, the cornerstone of long-term employee loyalty, enhances the skills of management personnel and fosters their commitment to the company. Key aspects of Linde's management development programe 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 are 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 company 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 company is able to offer skilled employees excellent career prospects.

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 based on mutual trust and constructive cooperation plays a particularly significant role here.

Tax risks

As a company 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 Linde'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 company'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 its tax liabilities, profitability and business operations. 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.

Environmental risks

Linde's operating processes, in particular, are associated with risks which might lead to environmental damage. There is also a risk that key customers will terminate their business relationships with Linde if it is unable to demonstrate that it complies with environmental legislation and that it is improving its environmental performance on an ongoing basis. 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. It 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 Linde'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 Linde's success. The company's research and development activities focus primarily on new technologies and gases applications which may form the basis for future business success. Another key area for innovation is the development of new business models: i.e. the way in which Linde will do business with its customers in future using innovative products and services, and how new technologies such as digitalisation can be used to enhance efficiency and customer focus, allowing Linde to set itself apart from the competition.

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 be postponed or might not be able to proceed for technological, economic, legal or safety reasons. Collaboration with research and development partners can give rise to additional risks to the project's success, such as the risk that a partner might become insolvent. 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. In order to be able to combat these risks throughout the entire innovation process, the Technology & Innovation (T & I) Corporate & Support Function monitors the relevant technological trends, checking continually whether ideas for innovation within the company are a good fit with Linde's overall strategy and have the potential to generate profitable growth for Linde. This work is supported by cooperation with leading companies and universities and by strategies to protect the company's intellectual property. Linde is also actively involved in the development of future standards, for example in the field of hydrogen technology, as the marketing of innovations may depend on compliance with those standards.

Executive Board summary of the risk situation

The three major risk areas for Linde AG continue to be economic risks, risks associated with the provision of services, and financial market and country risks. As far as the risk categories of moderate relative significance are concerned, IT risks have moved up one place in the ranking in a year-on-year comparison.

Since the risk categories in the middle and at the bottom of the rankings are very close to each other in terms of their ranking, the risk situation for Linde on the whole has not changed significantly compared with the previous year.

Given the risk management procedures in place, the Executive Board has not identified any risks in the 2018 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 that it makes an appropriate response to such changes.

OUTLOOK

Macroeconomic environment

As of January 2019, economists are rather uncertain about the exact scenario for the global economy in 2019, but what unites the majority of experts is the expectation of weakening global growth in 2019. The main reasons behind that deteriorating outlook are linked to macroeconomic, political and geopolitical risks. Diminishing spare capacity, the moderating boost from energy investments and potentially tougher sanctions are just a few items on the long list of worries weighing on economic sentiment for the months to come. The EU exit negotiations by the United Kingdom and geopolitical tensions, as well as concerns about trade wars, will continue to add further uncertainty in 2019. Against this background, Oxford Economics (OE) is currently predicting growth in global real gross domestic product (GDP) of 2.7 percent in 2019, softer than the rise of 3.0 percent in 2018. Global industrial production (IP) is forecast to grow by 2.7 percent in 2019, a lower rate than that seen in 2018 (3.3 percent).

In the EMEA[1] region (Europe, Middle East, Africa), economists are predicting growth in economic output of 1.6 percent in 2019, down on the value seen in the reporting year (2018: 2.0 percent). Industrial production is expected to rise by 1.4 percent (2018: 1.7 percent). Oxford Economics is forecasting GDP growth of 1.6 percent for Western Europe in 2019, which is slightly lower than the growth seen in 2018 (1.8 percent). A similar trend is expected for industrial production in this region: 1.1 percent growth in 2019 (2018: 1.4 percent). The economic trend in Germany will show a mixed picture in 2019. While GDP growth of 1.4 percent is expected (2018: 1.4 percent), growth in industrial production is forecast to come down to only 0.4 percent compared with the prior-year figure of 1.0 percent. For the Middle East economies, GDP growth of 1.4 percent is forecast (2018: 1.8 percent). In Eastern Europe, GDP growth is also expected to dip slightly to 2.5 percent (2018: 3.1 percent).

As in previous years, the strongest growth rates in 2019 are once again expected in the Asia/Pacific region. Oxford Economics forecasts economic output in this region rising by 5.3 percent (2018: 5.7 percent). Industrial production is expected to increase by 4.1 percent (2018: 4.8 percent). GDP in China is expected to grow by 6.1 percent in 2019, marking another slight deceleration in economic momentum (2018: 6.6 percent). Industrial production is forecast to increase by 4.6 percent (2018: 5.7 percent). As far as India is concerned, Oxford Economics is expecting a GDP growth rate of 7.3 percent (2018: 7.4 percent), with growth in industrial production expected to be 5.3 percent, similar to the figure for the reporting year. Australian GDP is expected to increase by 2.5 percent in 2019 (2018: 3.0 percent) with the continuous support of the mining industry.

Growth in the Americas region is expected to be 2.3 percent (2018: 2.4 percent), mainly driven by strong growth momentum in the US and Brazil. The forecast for industrial production in the Americas is 2.6 percent, down from 3.1 percent in 2018. Oxford Economics is predicting a GDP growth rate of 2.5 percent in the United States in 2019 (2018: 2.9 percent), with Brazil expected to report growth of 2.3 percent (2018: 1.2 percent). Industrial production is expected to slow down in the United States to 2.8 percent (2018: 3.9 percent) and accelerate to 2.9 percent in Brazil (2018: 1.5 percent).

[1] The economic forecasts presented here are based on the dataset from Oxford Economics as at 30 January 2019.

Industry sector outlook

Gases industry
The forecasts for global economic development suggest that growth rates in the global gases market in 2019 may be slightly lower than in 2018. In addition, the uncertainty and risks relating to global and regional crises remain and might significantly affect developments in the gases market in 2019. The healthcare sector continues to have considerable growth potential, although price pressure remains in certain markets and product areas.

Plant construction
Despite uncertainty as a result of increasing trade barriers, volatility in oil prices and economic growth in various regions of the world, our customers continue to be active in developing further major projects. This is true in particular of the producer nations in the Middle East, Russia or the United States, areas with access to cheap raw materials. However, it is difficult to assess the sustainability of this trend. In general, competitive pressures and price pressures in the market remain high. As expected, consolidation in the competitor landscape in the plant construction business continued in 2018 and may be ongoing.

Trends from past years will continue in 2019. These trends include the global increase in demand for energy, ever-rising demand for environmentally friendly technologies and a stronger focus on unconventional energy sources. New prospects are also opening up as a result of rising demand for automation and digitalisation in plant construction. In 2019, the range we offer in this area will continue to expand. Differentiation through service, innovation and technological leadership continues to be the German plant construction business's strong unique selling point when compared to the rest of its competitors.

Outlook – Linde AG

For Linde AG, the holding company of The Linde Group, profit for the year is the core performance indicator. Investment income for the year is the figure which has the greatest influence on this performance indicator.

Depending on investment income, Linde AG expects to achieve a profit for the year in the 2019 financial year of around EUR 200 m, a similar figure to that achieved in 2018.

Planned merger

Squeeze-out under merger law

The forecast is made irrespective of a possible squeeze-out under merger law.

On 1 November 2018, the majority shareholder Linde Intermediate Holding AG, which already holds around 92 percent of the share capital of the company, made a squeeze-out request in accordance with § 62(1) and (5) of the German Transformation Act (UmwG) in conjunction with §§ 327a ff of the German Stock Corporation Act (AktG) in connection with a planned Group merger. On that basis, Linde AG (the transferor) and Linde Intermediate Holding AG (the transferee) concluded a merger agreement on the same day. It was resolved at the Extraordinary General Meeting of Linde AG held on 12 December 2018 to transfer the shares of the non-controlling shareholders to the majority shareholder (Linde Intermediate Holding AG) in return for the payment of cash compensation of EUR 189.46 per share. At 31 December 2018, the required entry in the commercial register has not yet been made. More information about the squeeze-out under merger law can be found on ▹ PAGE 28.

Statements relating to the future

The 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 Linde AG are dependent on a number of risks and uncertainties and may therefore deviate significantly from the statements relating to the future. Linde has no plans to update its statements relating to the future, nor does it accept any obligation to do so.

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289f OF THE GERMAN COMMERCIAL CODE (HGB)

The Executive Board and Supervisory Board of Linde AG have approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Act (AktG) on the recommendations of the German Corporate Governance Code and made it accessible to the public on a permanent basis. The Declaration of Compliance can be found on the Internet at ▶ *WWW.THE-LINDE-GROUP.COM/EN/INVESTOR_RELATIONS/CORPORATE_GOVERNANCE/CORPORATE_GOVERNANCE_DECLARATION/DECLARATION_OF_COMPLIANCE/INDEX.HTML*.

The Declaration on Corporate Governance can be found on the Internet at ▶ *WWW.THE-LINDE-GROUP.COM/EN/INVESTOR_RELATIONS/CORPORATE_GOVERNANCE/INDEX.HTML*.

TAKEOVER-RELATED DISCLOSURES

Composition of capital subscribed

Information about the composition of share capital is given in ▶ *NOTE [7]* of the Notes to the financial statements.

Shareholdings exceeding 10 percent of voting rights

To the company's knowledge, around 92 percent of the shares in Linde AG at 31 December 2018 were held by Linde Intermediate Holding AG, Munich, Germany.

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 Act (AktG) and § 31 of the German Co-Determination Act (MitbestG). Appointments are for a maximum 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 Co-Determination Act (MitbestG), the appointment of members of the Executive Board requires at least a two-thirds majority of the members of the Supervisory Board. If such a majority is not achieved, the Mediation Committee of the Supervisory Board must submit a proposal for the Executive Board appointment to the Supervisory Board within one month of the vote at which the required majority was not achieved. The Supervisory Board then appoints the members of the Executive Board with a majority of the votes of its members. If no candidate is accepted as a result of this second vote, a third voting round is held in which the Chairman of the Supervisory Board has two votes. The same procedure applies to the revocation of the appointment of members of the Executive 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 Act (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 capital subscribed 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

Authorised capital

Based on a resolution passed at the Annual General Meeting held on 3 May 2018, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 47,000,000.00 until 2 May 2023 against cash and/or non-cash contributions by issuing, on one or more occasions, a total of up to 18,359,375 new bearer shares at a notional par value of EUR 2.56 (Authorised Capital I).

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.

Based on a resolution passed at the Annual General Meeting held on 3 May 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 47,000,000.00 until 2 May 2021 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 (Authorised Capital II).

The following applies to Authorised Capital I and Authorised Capital II:

The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of 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 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 this upper limit of 10 percent of capital subscribed, account must be taken of that part of capital subscribed which relates to those shares which have been issued or will be issued to service options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Act (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the capital subscribed 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 Act (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, on the formation of business combinations or on the transfer of other contributable assets including receivables from the company.

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 (in the case of Authorised Capital II: to certain banks specified by the Executive Board), which assume the responsibility of offering them to shareholders (indirect subscription rights).

In the case of Authorised Capital I, the following also applies. That part of the capital subscribed which relates to shares which are issued while excluding the subscription rights of shareholders, with the exception of shares issued to employees of Linde AG and/or one of its affiliated companies while excluding subscription rights, must not exceed in total 20 percent of the company's capital subscribed when this authorisation becomes effective or, if lower, when it is exercised. In determining the limit, account must be taken of that part of capital subscribed which relates to those shares which are issued on the basis of an Executive Board authorisation to service options and/or convertible bonds, to the extent that these are issued while excluding the rights of shareholders during the period until the time the relevant authorisation is exercised, or which relates to those shares which during the period until the relevant authorisation is exercised are issued or sold as a result of another Executive Board authorisation while excluding the rights of shareholders, with the exception of shares which are issued to employees of Linde AG and/or one of its affiliated companies while excluding subscription rights.

Conditionally authorised capital

The share capital can be increased by up to EUR 47,000,000 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 (2018 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 2 May 2023, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 May 2018, 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 2 May 2023, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 3 May 2018, 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. If this is legally permissible, the Executive Board may, with the approval of the Supervisory Board, determine that the new shares to be issued are also entitled to dividend for the immediately preceding financial year, in derogation from the rules set out in § 60 (2) of the German Stock Corporation Act (AktG). The Executive Board is authorised to determine the remaining details of the implementation of the increase in conditionally authorised capital, with the approval of the Supervisory Board.

The share capital can also 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. 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 a 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.

Authorisation to purchase own shares

The Executive Board is authorised until 2 May 2021 by a resolution passed at the Annual General Meeting on 3 May 2016 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 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 or by one of its affiliated companies, and to members of executive bodies of Linde's affiliated companies, or be used to service the rights and obligations to purchase own shares attributable to the persons named heretofore, or
- be redeemed, with the approval of the Supervisory Board.

The company holds a total of 95,109 own shares. This constitutes EUR 243,479.04 or 0.05 percent of the capital subscribed. The shares are used to fulfil the rights to a transfer of the company's shares in the context of the Matching Share Plan to all the plan participants, including the members of the Executive Board.

Authorisation to use derivatives when purchasing own shares

In addition to the resolution passed at the Annual General Meeting held on 3 May 2016 which authorised the Executive Board to purchase own shares, a further resolution passed at the AGM on 3 May 2016 authorised the Executive Board until 2 May 2021 to use equity derivatives as another potential means of acqiring own shares.

The Executive Board is authorised:

- to purchase options that when exercised give the company the right to acquire shares in the company (call options),
- to sell options that when exercised by the option holder give the company the obligation to acquire own shares in the company (put options),
- to enter into forward purchase contracts that give the company the right to acquire shares in the company at a fixed future date, and
- to combine the use of put and call options and forward exchange contracts when acquiring shares in the company (hereinafter all configurations mentioned above will be referred to as derivatives).

The number of shares purchased using derivatives may not exceed 5 percent of the share capital of the company when the resolution was passed or, if lower, of the share capital at the time the authorisation is exercised. The shares acquired as a result of this authorisation being exercised should be taken into account when considering the limit on own shares that may be acquired set out in the authorisation mentioned above.

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

In the financial years 2007 to 2017, 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.

Moreover, there are other significant financing agreements in place, each of which includes specific rules that apply in the event of a change of control. These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party.

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

Under the terms and conditions of the Linde Long Term Incentive Plan 2012 (LTIP 2012) for Executive Board members and lower tiers of management, in the event of a change of control, special rules may be adopted. The special rules that apply to the share options issued in 2012 to 2017 are that, in the event of a change of control, cancellation rights apply, which means that rights associated with options or matching shares may be settled in cash in an amount to be determined. A more detailed description of the rules in place for members of the Executive Board is given in the Remuneration report.

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.

Capital subscribed

The company's subscribed capital at the balance sheet date was 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 Act (AktG), the company is not entitled to dividends or voting rights in respect of the 95,109 own shares it holds at 31 December 2018.

In the 2018 financial year, no new shares were issued. The figure for the company's subscribed capital therefore remained the same at 31 December 2018 as at 31 December 2017.

EVENTS AFTER THE BALANCE SHEET DATE

In 2018, Linde Aktiengesellschaft entered into an agreement with a consortium comprising companies in the Messer Group (a German industrial gases producer) and CVC Capital Partners Fund VII ("CVC Fund VII") for the sale of the major part of Linde's gases business in North America and of individual business operations in South America. On 1 March 2019, the sale was legally completed.

In addition, in February 2019, the sale of further production plants in North America to various buyers was concluded.

On 7 March 2019, a contract was concluded for the sale of the major part of the business activities in South Korea. The completion of the sale is subject to the customary closing conditions and requires the approval of the South Korean competition authority.

The disposals of these businesses were required in order to obtain approvals of the business combination from the relevant competition authorities.

Dependent Company Report

SECTION 3

FINAL DECLARATION BY THE EXECUTIVE BOARD

We declare that Linde AG received appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies, according to the circumstances known to us at the time the transactions were effected or the measures taken or not taken, and that the company did not suffer any detriment as a result of taking or refraining from taking any measures.

NON-FINANCIAL DECLARATION

At 31 December 2018, Linde AG will be included in the consolidated financial statements of its parent company, Linde plc, Dublin. Pursuant to § 289b (2), sentence 2, of the German Commercial Code (HGB), it is exempt from the obligation to prepare a non-financial declaration, as Linde plc will prepare the separate non-financial declaration. This report is published on the Internet at ▹ *WWW.LINDE.COM/NONFINANCIALREPORT*.

Financial Statements

SECTION 4

BALANCE SHEET OF LINDE AG

BALANCE SHEET OF LINDE AG – ASSETS (11)

in € m	Note	31.12.2017	31.12.2018
Intangible assets		63	36
Tangible assets		492	489
Financial assets		17,587	17,528
NON-CURRENT ASSETS	[1]	**18,142**	**18,053**
Inventories	[2]	2,963	3,902
Less advance payments received from customers		–2,963	–3,902
Receivables and other assets	[3]	1,810	2,322
Securities	[4]	606	–
Liquid assets	[5]	285	294
CURRENT ASSETS		**2,701**	**2,616**
PREPAID EXPENSES AND DEFERRED CHARGES	[6]	**138**	**114**
TOTAL ASSETS		**20,981**	**20,783**

BALANCE SHEET OF LINDE AG – EQUITY AND LIABILITIES (12)

in € m	Note	31.12.2017	31.12.2018
Capital subscribed		475	475
Conditionally authorised capital of €57 million (2017: €57 million)			
Nominal value of own shares		–	–
ISSUED SHARE CAPITAL		**475**	**475**
Capital reserve		6,563	6,563
Revenue reserves		1,332	1,422
Unappropriated profit		1,299	90
EQUITY	[7]	**9,669**	**8,550**
Provisions for pensions and similar obligations	[8]	226	338
Other provisions	[9]	777	754
PROVISIONS		**1,003**	**1,092**
LIABILITIES	[10]	**10,290**	**11,123**
DEFERRED INCOME	[6]	**19**	**18**
TOTAL EQUITY AND LIABILITIES		**20,981**	**20,783**

INCOME STATEMENT OF LINDE AG

INCOME STATEMENT OF LINDE AG 13

in € million	*Note*	*2017*	*2018*	*Change from the prior year*
SALES	[11]	**2,958**	**2,197**	**–761**
Cost of sales		2,117	1,494	–623
GROSS PROFIT ON SALES		**841**	**703**	**–138**
Marketing and selling expenses		330	341	11
Research and development costs		115	123	8
General administration expenses		398	386	–12
Other operating income	[12]	195	436	241
Other operating expenses	[13]	214	481	267
Investment income	[14]	404	493	89
Other interest and similar income	[15]	193	145	–48
of which from affiliated companies €110 million (2017: €134 million)				
Amortisation of financial assets and securities held as current assets		43	22	–21
Interest and similar charges	[15]	312	345	33
of which to affiliated companies €72 million (2017: €78 million)				
Taxes on income	[16]	9	–101	–110
PROFIT AFTER TAX/PROFIT FOR THE YEAR		**212**	**180**	**–32**
TRANSFER TO REVENUE RESERVES		**–**	**90**	**90**
TRANSFER FROM REVENUE RESERVES		**1,087**	**–**	**–1,087**
UNAPPROPRIATED PROFIT		**1,299**	**90**	**1,209**

CASH FLOW STATEMENT OF LINDE AG

CASH FLOW STATEMENT

14

in € million			*Linde AG*
1.		Profit/loss for the period (Profit/loss for the year including non-controlling interests)	180
2.	+−	Amortisation/depreciation of non-current assets and impairment reversals	122
3.	+−	Increase/decrease of provisions	89
4.	+−	Other income/expenses not affecting the movement of funds	−99
5.	−+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	−1,242
6.	+−	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,767
7.	−+	Profit/loss on disposal of non-current assets	−325
8.	+−	Interest expense/interest income	316
9.	−	Other investment income	−493
10.	+−	Exceptional income/expenses	
11.	+−	Income tax expense/revenue	−101
12.	+	Cash inflows relating to exceptional income	
13.	−	Cash outflows relating to exceptional expenses	
14.	−+	Income tax payments	−60
15.	=	CASH FLOW FROM CURRENT OPERATIONS (TOTAL OF ITEMS 1 TO 14)	**154**
16.	+	Proceeds on disposal of intangible assets	
17.	−	Payments for intangible assets	−10
18.	+	Proceeds on disposal of tangible assets	22
19.	−	Payments for tangible assets	−73
20.	+	Proceeds on disposal of financial assets	
21.	−	Payments for investments in financial assets	−148
22.	+	Proceeds on disposal of consolidated companies	
23.	−	Payments for investments in consolidated companies	
24.	+	Proceeds relating to short-term financial assets	806
25.	−	Payments relating to short-term financial assets	−200
26.	+	Cash inflows relating to exceptional income	
27.	−	Cash outflows relating to exceptional expenses	
28.	+	Interest received	
29.	+	Dividends received	492
30.	=	CASH FLOW FROM INVESTING ACTIVITIES (TOTAL OF ITEMS 16 TO 29)	**889**
31.	+	Cash inflows from equity contributions from shareholders in the holding company	
32.	+	Cash inflows as a result of equity contributions from non-controlling shareholders	
33.	−	Payments made to shareholders in the holding company as a result of capital reductions	
34.	−	Payments made to non-controlling shareholders as a result of capital reductions	
35.	+	Proceeds from the issue of bonds and the acceptance of financial credit	675
36.	−	Cash outflows for the repayment of bonds and financial credit	−395
37.	+	Cash inflows as a result of subsidies and grants received	
38.	+	Cash inflows relating to exceptional income	
39.	−	Cash outflows relating to exceptional expenses	
40.	−	Interest paid	−15
41.	−	Dividends paid to shareholders in the holding company	−1,299
42.	−	Dividends paid to non-controlling shareholders	
43.	=	CASH FLOW FROM FINANCING ACTIVITIES (TOTAL OF ITEMS 31 TO 42)	**−1,034**
44.		Changes in cash and cash equivalents for items affecting the movement of funds (Total of items 15, 30 and 43)	9
45.	+−	Effects of currency translation and remeasurement	
46.	+−	Effects of changes in the companies included in the consolidation	
47.	+	Cash and cash equivalents at the beginning of the period	285
48.	=	Cash and cash equivalents at the end of the period (Total of items 44 to 47)	294

STATEMENT OF CHANGES IN EQUITY IN LINDE AG

STATEMENT OF CHANGES IN EQUITY IN LINDE AG (15)

in € million	Capital subscribed	Capital reserve	Other retained earnings	Unappropriated profit	Total equity
AT 01.01.2017	**475**	**6,563**	**2,419**	**687**	**10,144**
Dividend payments	–	–	–	–687	–687
Transfer to other retained earnings	–	–	–	–	–
Transfer from other retained earnings	–	–	–1,087	1,087	–
Changes as a result of share option schemes	–	–	–	–	–
Own shares	–	–	–	–	–
Profit for the year	–	–	–	212	212
Change as a result of merger/demerger	–	–	–	–	–
AT 31.12.2017/AT 01.01.2018	**475**	**6,563**	**1,332**	**1,299**	**9,669**
Dividend payments	–	–	–	–1,299	–1,299
Transfer to other retained earnings	–	–	90	–90	–
Transfer from other retained earnings	–	–	–	–	–
Changes as a result of share option schemes	–	–	–	–	–
Own shares	–	–	–	–	–
Profit for the year	–	–	–	180	180
Change as a result of merger/demerger	–	–	–	–	–
AT 31.12.2018	**475**	**6,563**	**1,422**	**90**	**8,550**

NOTES TO THE FINANCIAL STATEMENTS OF LINDE AG

GENERAL INFORMATION

General information

Linde AG, which has its registered office in Munich, is registered at the local court in Munich under the reference number HRB 169850.

The annual financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Where items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation, they have been disclosed separately in the Notes to the financial statements. The income statement has been prepared using the cost of sales method.

The form of presentation and in particular the classification of items in the income statement have not changed. The financial statements include items for 2018 which are not comparable with the figures for the prior year. This applies especially to deferred income and to other financial obligations.

Accounting policies

Intangible assets acquired for consideration are stated at acquisition cost less accumulated amortisation charged on a straight-line basis over the estimated useful life of the asset of from three to five years. Internally generated intangible assets are not recognised as assets. Goodwill acquired for consideration is amortised over ten years in the absence of a reliable estimate of its useful life.

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

The straight-line method is applied. In the case of a prospective permanent diminution in the value of an asset to below its carrying amount, an impairment loss is recognised and the asset is written down to its fair value. Low-value assets are generally written off in full in the year in which they are acquired. If the reasons for the impairment loss no longer exist, the carrying amount of the asset is increased to a maximum figure of the cost of the asset less accumulated depreciation.

Shares in affiliated companies, related companies and securities are stated at cost or, if there has been a permanent diminution in value, at fair value. If the reasons for the impairment loss no longer exist, the carrying amount of the asset is increased to a maximum figure of the cost of the asset.

Non-interest-bearing and low-interest loans are stated at present value and other loans are stated at face value.

Inventories are stated at the lower of average acquisition or manufacturing cost and net realisable value. Manufacturing cost includes both direct costs and indirect material and production costs, as well as wear and tear on non-current assets. The option permitted under § 255 (2), sentence 3, of the German Commercial Code (HGB) was exercised and an appropriate share of expenses for social amenities of the company and of costs of voluntary social benefits was capitalised. Appropriate allowances are made for inventory risks arising from the length of the storage period and any reductions in usability.

For each project, the loss-free valuation of work in progress is based on a comparison between the recoverable amount on the one hand and the manufacturing cost already capitalised plus prime cost still to be incurred before the end of the project on the other. Prime cost includes not only manufacturing cost derived from the project costing, but also additional charges for administration expenses and marketing and selling expenses. For each project, when the comparison is made between the recoverable amount and the manufacturing cost until the end of the project, and the result of the comparison is a loss, the first step is to write down the work in progress. If the capitalised manufacturing cost of the project is insufficient to cover the losses, provisions for anticipated losses are also made.

Receivables are generally reported at face value. Non-interest-bearing and low-interest receivables are stated at present value. Receivables in foreign currency are reported using the restricted fair value method. Under this method, foreign currency receivables are reported at the average spot rate on the balance sheet date. Exchange gains arising are recognised only if they relate to receivables due in less than one year. When measuring receivables and other assets, appropriate allowances are made for identifiable risks.

Securities held as current assets are stated at cost. If there is a diminution in value of the securities, they are written down to their fair value. If the reasons for an impairment loss recognised previously no longer apply, the carrying amount is increased to a figure up to but not exceeding cost.

Liquid assets are stated at face value. Foreign currencies are reported at the average spot rate.

Provisions for pensions and similar obligations are calculated in accordance with the rules set out in the German Accounting Law Modernisation Act (BilMoG), using actuarial principles based on the projected unit credit method and actuarial assumptions. An expected future increase in salaries of 2.5 percent and an expected future increase in pensions of 1.61 percent have been included in the calculations. The discount rate applied is the average market interest rate in the past ten financial years published by Germany's central bank (the Deutsche Bundesbank) for a remaining period assumed to be 15 years. In 2018, this was 3.21 percent. The 2018G mortality tables produced by Heubeck AG are used.

To meet the pension obligations and the commitments arising from deferred compensation (Linde Vorsorgeplan), funds have been invested in various pension schemes. These schemes are administered by Linde Vorsorge Aktiv Fonds e.V., Munich, Germany, on a fiduciary basis on behalf of Linde AG, with the result that other creditors do not have access to the assets held in the schemes. The assets in these pension schemes are measured at fair value and offset against the underlying pension obligations.

Other provisions are measured so as to take account of identifiable risks and obligations of uncertain timing or amount. The amount set aside in each case is the amount required, based on prudent commercial judgement, to meet future payment obligations. The provision takes account of future price and cost increases, to the extent that there is sufficient objective evidence that these will occur.

Provisions due in more than one year are discounted at the average market interest rate for the past seven financial years published by the Deutsche Bundesbank over the remaining period of the provision.

Gains resulting from changes to the discount rate or interest effects arising from a change in the estimate of the remaining period of the provision are disclosed in the financial result.

Liabilities are generally stated at their settlement amount. Liabilities in foreign currency are reported using the restricted fair value method. Under this method, non-current liabilities in foreign currency are reported at the higher of the buying rate on the date the transaction was recorded and the average spot rate on the balance sheet date, while current liabilities in foreign currency are reported at the average spot rate on the balance sheet date.

Since 1 January 2010, deferred tax has been calculated on timing differences between the carrying amount of assets, liabilities, prepayments and deferrals in accordance with German commercial law and the corresponding tax based used in the computation of taxable profit. In Linde AG, this applies not only to timing differences in respect of items in its own financial statements, but also to timing differences in respect of items in the financial statements of the subsidiaries and partnerships in which Linde AG has a direct or indirect interest. The deferred tax calculation includes not only timing differences but also unused tax loss carryforwards. If the net result of this calculation is a future liability to tax, this is disclosed in the balance sheet as a deferred tax liability. If the net result of this calculation were to be a reduction in the future tax liability, Linde AG would not avail itself of the option to recognise this amount as a deferred tax asset.

To hedge against exposure to interest rate, currency and commodity risks, derivative financial instruments are also used in the form of forward exchange transactions, options and swaps. All derivative financial instruments are concluded within fixed limits on the basis of detailed guidelines and are used not only for hedging purposes but also to optimise financing. Micro-hedges are created if possible. Hedges are accounted for using the net hedge presentation method in accordance with IDW Statement 35 (HFA 35) issued by the German Institute of Public Auditors "Hedge accounting in accordance with German commercial law (HGB)". For other derivative financial instruments, provisions are set up in the case of negative fair values.

STATEMENT OF NON-CURRENT ASSET MOVEMENTS IN LINDE AG

STATEMENT OF NON-CURRENT ASSET MOVEMENTS IN LINDE AG 16

	Acquisition/manufacturing cost				
in € million	*01.01.2018*	*Additions*	*Disposals*	*Transfers*	*31.12.2018*
Acquired concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	331	4	15	5	325
Goodwill	2	–	–	–	2
Payments in advance	9	5	–	–5	9
INTANGIBLE ASSETS	**342**	**9**	**15**	–	**336**
Land, land rights and buildings, including buildings on land owned by others	567	11	15	18	581
Technical equipment and machinery	856	9	23	6	848
Fixtures, furniture and equipment	614	17	20	19	630
Payments in advance and plants under construction	56	36	3	–43	46
TANGIBLE ASSETS	**2,093**	**73**	**61**	–	**2,105**
Investments in affiliated companies	17,482	823	863	–	17,442
Loans to affiliated companies	265	–	–	–	265
Investments in related companies	108	5	–	–	113
Loans to related companies	10	–	4	–	6
Other loans	–	–	–	–	–
FINANCIAL ASSETS	**17,865**	**828**	**867**	–	**17,826**
NON-CURRENT ASSETS	**20,300**	**910**	**943**	–	**20,267**

STATEMENT OF NON-CURRENT ASSET MOVEMENTS IN LINDE AG (17)

in € million	Amortisation and depreciation							Net book value	
	Accumulated amortisation/depreciation at 01.01.2018	Charge for the year	Reversal of impairments	Additions	Disposals	Transfers	Accumulated amortisation/depreciation at 31.12.2018	31.12.2017	31.12.2018
Acquired concessions, industrial property rights and similar rights and assets, including licences on such rights and assets	279	36	–	–	15	–	300	52	25
Goodwill	–	–	–	–	–	–	–	2	2
Payments in advance	–	–	–	–	–	–	–	9	9
INTANGIBLE ASSETS	279	36	–	–	15	–	300	63	36
Land, land rights and buildings, including buildings on land owned by others	373	10	–	–	14	–	369	194	212
Technical equipment and machinery	705	24	–	–	15	–	714	151	134
Fixtures, furniture and equipment	522	30	–	–	20	–	532	92	98
Payments in advance and plants under construction	1	–	–	–	–	–	1	55	45
TANGIBLE ASSETS	1,601	64	–	–	49	–	1,616	492	489
Investments in affiliated companies	246	17	–	–	2	–	261	17,236	17,181
Loans to affiliated companies	–	–	–	–	–	–	–	265	265
Investments in related companies	32	5	–	–	–	–	37	76	76
Loans to related companies	–	–	–	–	–	–	–	10	6
Other loans	–	–	–	–	–	–	–	–	–
FINANCIAL ASSETS	278	22	–	–	2	–	298	17,587	17,528
NON-CURRENT ASSETS	2,158	122	–	–	66	–	2,214	18,142	18,053

NOTES TO THE BALANCE SHEET

[1] Non-current assets

Movements in non-current assets are shown on the preceding pages. In 2018, impairment losses of EUR 15 m were recognised in respect of intangible assets (2017: EUR 0 m), impairment losses of EUR 17 m were recognised in respect of investments in affiliated companies (2017: EUR 42 m) and impairment losses of EUR 5 m were recognised in respect of investments in related companies (2017: EUR 0 m).

In 2018 and 2017, no impairment losses were recognised relating to tangible assets as a result of a permanent diminution in value of those assets. No impairment losses were reversed in 2018 or 2017 restoring the asset to its net book value.

Land, land rights and buildings of EUR 41 m (2017: EUR 41 m) were pledged as security for other personnel obligations as required by law.

[2] Inventories

INVENTORIES (18)

in € million	31.12.2017	31.12.2018
Raw materials, consumables and supplies	31	38
Work in progress	2,509	3,371
Finished goods and merchandise	20	20
Prepayments	403	473
	2,963	**3,902**

[3] Receivables and other assets

RECEIVABLES AND OTHER ASSETS (19)

in € million	Of which due within one year	Of which due in more than one year	Total 31.12.2017	Total 31.12.2018
Trade receivables	137	3	162	140
Amounts due from affiliated companies	532	1,517	1,519	2,049
of which relating to trade receivables	169	–	229	169
Amounts due from related companies	9	–	12	9
of which relating to trade receivables	8	–	11	8
Other assets	88	36	117	124
	766	**1,556**	**1,810**	**2,322**

Included in Receivables and other assets are financial receivables of EUR 1.864 bn (2017: EUR 1.272 bn). In addition, Linde AG began to conclude Credit Support Annexes (CSAs) with banks in the 2009 financial year. 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 have been disclosed in Other assets since the agreements came into force in 2010. The amount currently included in Other assets which relates to these agreements is EUR 12 m (2017: EUR 31 m).

[4] Securities

Linde AG holds 100 percent of the shares in a special fund. The shares may be liquidated at any time. The fair value and the carrying amount of the shares at the balance sheet date was EUR 0 m. In 2018, an impairment loss of EUR 1.0 m was reversed. (In 2017, an impairment loss of EUR 0.7 m was recognised.) The distribution made in the 2018 financial year was EUR 0 m (2017: EUR 2 m).

[5] Liquid assets

Liquid assets comprise cheques in hand, cash in hand and cash at banks. Also included under this heading are money market funds which may fall due at any time.

[6] Prepaid expenses and deferred charges and deferred income

Prepaid expenses and deferred charges comprises mainly discounts of EUR 7 m (2017: EUR 9 m) on financial debt. In addition, in July 2013 Linde agreed a EUR 2.5 bn syndicated credit facility. The prepaid fees for this credit facility are also included under this heading. Moreover, prepaid expenses and deferred charges includes payments made for interest rate hedging instruments of EUR 61 m (2017: EUR 81 m). These payments have been made to hedge against Linde AG's exposure to the interest rate risk arising from borrowings. Included in deferred income are payments for interest rate hedging instruments of EUR 3 m (2017: EUR 4 m) which have been received to hedge against exposure to the interest rate risk arising from borrowings. Also included in deferred income are payments from licence agreements of EUR 15 m (2017: EUR 15 m). Until now, these have been disclosed in provisions but were reclassified in 2018.

[7] Equity

EQUITY 20

in €	*31.12.2017*	*31.12.2018*
Capital subscribed	475,476,940.80	475,476,940.80
Nominal value of own shares	243,479.04	243,479.04
ISSUED SHARE CAPITAL	**475,233,461.76**	**475,233,461.76**
AUTHORISED SHARE CAPITAL (TOTAL)	**94,000,000.00**	**94,000,000.00**
Authorised Capital I	47,000,000.00	47,000,000.00
Authorised Capital II	47,000,000.00	47,000,000.00
CONDITIONALLY AUTHORISED CAPITAL (TOTAL)	**57,240,000.00**	**57,240,000.00**
Conditionally authorised capital 2012	10,240,000.00	10,240,000.00
Conditionally authorised capital 2018	47,000,000.00	47,000,000.00

Capital subscribed, authorised and conditionally authorised capital, subscription rights

The company's subscribed capital at the balance sheet date was 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 Act (AktG), the company is not entitled to dividends or voting rights in respect of the 95,109 own shares it holds at 31 December 2018.

In the 2018 financial year, no new shares were issued. The figure for the company's subscribed capital therefore remained the same at 31 December 2018 as at 31 December 2017.

NUMBER OF SHARES 21

	2017	*2018*
NUMBER OF SHARES AT 01.01.	**185,733,180**	**185,733,180**
Change as a result of the Long Term Incentive Plan (LTIP 2007)	–	–
NUMBER OF SHARES AT 31.12.	**185,733,180**	**185,733,180**
Own shares	95,109	95,109
NUMBER OF SHARES OUTSTANDING AT 31.12.	**185,638,071**	**185,638,071**

Authorised capital

At 31 December 2018, the authorised capital comprised the following:

Authorised Capital I:

Based on a resolution passed at the Annual General Meeting held on 3 May 2018, 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 2 May 2023 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 (Authorised Capital I). 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 employees of Linde AG and/or its affiliated companies while excluding the subscription rights of shareholders.

Authorised Capital II:

Based on a resolution passed at the Annual General Meeting on 3 May 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 47,000,000 until 2 May 2021 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 (Authorised Capital II).

The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of options and/or convertible bonds issued by Linde AG or 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 Act (AktG) while excluding the subscription rights of the 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 Act (AktG). The Executive Board was also authorised, with the approval of the Supervisory Board, to exclude the 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 was 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 conditonally authorised capital at 31 December 2018 comprised the following:

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.

2018 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 (2018 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 2 May 2023, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting held on 3 May 2018, 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 2 May 2023, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting held on 3 May 2018, 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, with the approval of the Supervisory Board.

Authorisation to purchase own shares:
The Executive Board is authorised until 2 May 2021 by a resolution passed at the Annual General Meeting held on 3 May 2016 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 purchased 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 options 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 have been 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 Performance Share Programme, which forms part of the Long Term Incentive Plan 2012, 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 AG'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.

The company holds a total of 95,109 own shares. These shares comprise EUR 243,479.04 (or 0.05 percent) of the capital subscribed.

Authorisation to use derivatives when purchasing own shares

In addition to the resolution passed at the Annual General Meeting held on 3 May 2016 which authorised the Executive Board to acquire own shares, a further resolution passed at the AGM on 3 May 2016 authorised the Executive Board until 2 May 2021 to use equity derivatives as another potential means of acquiring own shares.

The Executive Board was authorised:

- to purchase options which when exercised give the company the right to acquire shares in the company (call options),
- to sell options which when exercised by the option holder give the company the obligation to acquire own shares in the company (put options),
- to enter into forward purchase contracts which give the company the right to acquire shares in the company at a fixed future date, and
- to combine the use of put and call options and forward exchange contracts when acquiring shares in the company (hereinafter all configurations mentioned above will be referred to as derivatives).

The number of shares purchased using derivatives must not exceed 5 percent of the share capital of the company when the resolution was passed or, if lower, of the share capital at the time the authorisation is exercised. The shares acquired as a result of this authorisation should be taken into account when considering the limit on own shares that may be acquired set out in the authorisation mentioned above.

Notification of voting rights

In the course of the merger between Linde AG and Praxair, Inc. and the associated completion of the exchange offer made to Linde shareholders, Linde Intermediate Holding AG acquired around 92 percent of the shares in Linde AG on 31 October 2018. At the same time, the shareholdings of those who had until then been the largest single shareholders in the company, such as BlackRock, Inc., Eric Mandelblatt, Soroban Capital GP LLC and Norges Bank, fell accordingly. To the company's knowledge, with the exception of the majority shareholder, Linde Intermediate Holding AG, no other shareholders in the company held 3 percent or more of the shares at the balance sheet date, 31 December 2018.

The amount transferred to Other retained earnings in accordance with § 58 (2) of the German Stock Corporation Act (AktG) in 2018 was EUR 90 m (2017: EUR 0 m).

The amount transferred from Other retained earnings in 2018 was EUR 0 bn (2017: EUR 1.087 bn).

[8] Provisions for pensions and similar obligations

The pension obligation as at 31 December 2018 was EUR 1.083 bn (2017: EUR 994 m).

Provisions for similar obligations are recognised in accordance with the rules set out in the German Accounting Law Modernisation Act (BilMoG) and include in particular bridging payments and the obligation to Linde AG employees in respect of the salary conversion scheme (Linde Vorsorgeplan or Linde Pension Plan). To meet this obligation, monies are held on a fiduciary basis on behalf of Linde AG by Linde Vorsorge Aktiv Fonds e.V. No other creditors have access to these pension assets, which have been offset against the pension liability. As the Linde Pension Plan involves obligations which are tied to securities, any amounts relating to the measurement of those assets at fair value which are offset against the pension obligation are barred from distribution.

PROVISIONS FOR PENSIONS (22)

in € million	*31.12.2017*	*31.12.2018*
Pension obligation	994	1,083
Fair value of plan assets	768	745
NET PENSION PROVISION	**226**	**338**
Historical cost of plan assets	520	520

OBLIGATION FROM LINDE PENSION PLAN (23)

in € million	*31.12.2017*	*31.12.2018*
Settlement amount arising from Linde Pension Plan	148	149
Fair value of plan assets	149	152
NET OBLIGATION FROM LINDE PENSION PLAN	**(1)**	**(3)**
Historical cost of plan assets	110	125

[9] Other provisions

OTHER PROVISIONS (24)

in € million	*31.12.2017*	*31.12.2018*
Tax provisions	193	92
Sundry provisions	584	662
	777	**754**

Sundry provisions include amounts set aside for (in order of materiality):

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

Provisions for warranty obligations are determined on the basis of past experience and prime cost.

The provisions for obligations in Linde AG relating to pre-retirement part-time work are calculated on the basis of individual contractual agreements.

Tax provisions fell in the 2018 financial year mainly as a result of the completion of tax audits and a reassessment of tax risks.

Under the rules set out in the German Accounting Law Modernisation Act (BilMoG), the amount recognised in the financial statements in respect of certain sundry provisions would have been lower than the amount recognised under the old rules. In accordance with Article 67 (1) of the Introductory Act to the German Commercial Code (EGHGB), Linde AG has availed itself of the option to retain the current valuation in respect of these sundry provisions, as it is expected that this effect will reverse by 31 December 2024. The amount that would have been recognised under BilMoG for sundry provisions was EUR 24 m (2017: EUR 24 m), whereas the amount actually recognised under the old rules was EUR 25 m (2017: EUR 25 m).

[10] Liabilities

LIABILITIES (25)

in € million	Due within one year 31.12.2017	Due in one to five years 31.12.2017	Due in more than five years 31.12.2017	Total 31.12.2017	Due within one year 31.12.2018	Due in one to five years 31.12.2018	Due in more than five years 31.12.2018	Total 31.12.2018
Bonds	388	1,005	658	2,051	–	1,664	–	1,664
Commercial papers (CPs)	–	–	–	–	675	–		675
Bank loans and overdrafts	37	–	–	37	26	–	–	26
Advance payments received from customers	–	1,608	110	1,718	1,228	608	131	1,967
Trade payables	196	–	–	196	233	1	–	234
Amounts due to affiliated companies	3,462	2,249	519	6,230	3,075	2,924	519	6,518
of which relating to goods and services	82	–	–	82	86	–	–	86
Amounts due to related companies	2	–	–	2	3	–	–	3
of which relating to goods and services	2	–	–	2	3	–	–	3
Other liabilities	54	2	–	56	34	2	–	36
including taxes of	26	–	–	26	22	–	–	22
including social security of	–	–	–	–	–	–	–	–
LIABILITIES	**4,139**	**4,864**	**1,287**	**10,290**	**5,274**	**5,199**	**650**	**11,123**

Liabilities include financial liabilities of EUR 8.775 bn (2017: EUR 8.199 bn). Of these, EUR 5.271 bn (2017: EUR 5.160 bn) relates to the subsidiary Linde Finance B.V.

The bonds comprise the EUR 1 bn bond issued in September 2012 and the EUR 650 m bond issued in April 2013. The bonds are non-convertible. During the reporting period, a USD 500 m bond (equivalent to EUR 383 m) was redeemed on schedule. In addition, short-term securities were issued as part of the Euro Commercial Paper Programme for the purpose of short-term financing. At the balance sheet date 31 December 2018, EUR 675 m of these commercial papers remained outstanding (2017: EUR 0 m).

Moreover, Linde AG began to conclude Credit Support Annexes (CSAs) with banks in the 2009 financial year. 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 to banks have been disclosed in bank loans and overdrafts since the agreements came into force in 2010. The amount currently disclosed in liabilities which relates to these agreements is EUR 26 m (2017: EUR 37 m).

NOTES TO THE INCOME STATEMENT

[11] Sales

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

REVENUE – ANALYSIS BY DIVISION (26)

in € million	*2017*	*2018*
Linde Gas	1,507	1,521
Linde Engineering	1,518	746
Linde Corporate Centre	2	2
Consolidation	–69	–72
	2,958	**2,197**

REVENUE – ANALYSIS BY GEOGRAPHICAL REGION (27)

in € million	*2017*	*2018*
Germany	1,085	1,166
Other Europe	777	364
Americas	259	256
Asia	796	371
Africa	14	18
Australia	27	22
	2,958	**2,197**

[12] Other operating income

OTHER OPERATING INCOME (28)

in € million	*2017*	*2018*
Profit on disposal of non-current and current assets	13	325
Exchange rate gains	113	49
Income from the release of provisions	49	43
Charges to Group companies	3	5
Financial result from long-term construction contracts	8	8
Sundry income	9	6
	195	**436**

The increase in Other operating income is mainly due to the profit of EUR 303 m arising from the disposal of shares in an affiliated company outside Germany to Commercium Immobilien- und Beteiligungs-GmbH, Munich, Germany.

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

Income from the release of provisions relates mainly to the Linde Engineering Division. In plant construction, it is often the case that there is a change in the evaluation of risk for the execution of major projects. The provisions established are therefore reviewed and adjusted to take account of the latest information available.

[13] Other operating expenses

OTHER OPERATING EXPENSES (29)

in € million	*2017*	*2018*
Exchange rate losses	115	224
Sundry expenses	99	257
	214	**481**

The increase in Other operating expenses is mainly due to expenses relating to the merger with Praxair, Inc. These expenses totalled EUR 250 m in 2018 (2017: EUR 88 m).

[14] Investment income

INVESTMENT INCOME (30)

in € million	2017	2018
Income from profit-sharing agreements	132	271
Investment income	272	226
of which from affiliated companies	272	226
Expense of losses assumed	–	4
	404	**493**

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

[15] Other interest and similar income and charges

OTHER INTEREST AND SIMILAR INCOME AND CHARGES (31)

in € million	2017	2018
Sundry interest and similar income	193	145
OTHER INTEREST AND SIMILAR INCOME	**193**	**145**
Expense from pension obligations (net)	72	131
Interest cost from pension obligations	82	108
Valuation result from plan assets relating to pension obligations	10	(23)
Unwinding of discount of long-term provisions	6	13
Sundry interest and similar charges	234	201
OTHER INTEREST AND SIMILAR CHARGES	**312**	**345**

The interest cost from pension obligations increased as a result of the reduction in the discount rate for pension obligations and as a result of exchange rate losses from the valuation of plan assets relating to pension obligations.

[16] Taxes on income

In the reporting period, tax income of EUR 101 m was recognised (2017: a tax expense of EUR 9 m).This income relates to current tax and does not include any deferred tax income or expense. The figure for the current tax income takes account of the release of tax provisions due to the completion of tax audits and a reassessment of the tax risks.

Deferred tax was calculated on the basis of a review of the temporary differences between the carrying amount of the assets, liabilities, prepayments and deferrals in accordance with German commercial law and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities arising from the recognition of reserves allowable only for tax purposes in accordance with § 6b of the German Income Tax Law (EStG) were offset against deferred tax assets arising from the different treatment of pension provisions for tax purposes and in the financial statements. Since the adoption of the German Accounting Law Modernisation Act (BilMoG) and in the reporting period, the review of differences has resulted in a net deferred tax asset, calculated on the basis of a combined income tax rate of 27.38 percent (Linde AG and its subsidiaries). In accordance with the option for deferred tax assets set out in § 274 (1), sentence 2, of the German Commercial Code (HGB), this has not been recognised as an asset.

SUPPLEMENTARY INFORMATION ON THE NOTES

[17] Contingent liabilities and other financial commitments

CONTINGENT LIABILITIES (32)

in € million	*2017*	*2018*
Guarantees	1	1
Warranties	9,399	8,210
TOTAL	**9,400**	**8,211**
of which relating to affiliated companies	9,400	8,210
of which relating to pensions	–	–

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

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

We regard the risk of any claim being made in respect of the contingent liabilities as extremely low. This assessment is based on many years of experience of such matters.

Other financial commitments

The total amount of other financial commitments at 31 December 2018 in Linde AG was EUR 177 m (2017: EUR 209 m). This comprises capital commitments of EUR 26 m (2017: EUR 25 m), commitments arising from lease agreements of EUR 70 m (2017: EUR 81 m) and purchase commitments of EUR 81 m (2017: EUR 103 m). In the case of purchase commitments, the prior-year figure has been adjusted.

The Linde Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with one of our consortium partners totalling EUR 59 m (2017: EUR 43 m). Based on many years of experience and careful selection of its consortium partners, Linde currently anticipates that there will be no claim on the joint and several liability and has therefore not disclosed any contingent liabilities in respect of these contracts.

Lease agreements which are not required to be disclosed in the balance sheet are an important part of Linde AG's business activities. These lease agreements with third parties relate in particular to land and buildings, commercial vehicles, company cars, and other factory and office equipment. Future lease payments relating to these types of lease agreement fall due as follows:

OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES (33)

in € million	*2017*	*2018*
Total minimum lease payments		
Due within one year	21	19
Due in one to five years	47	42
Due in more than five years	13	9
	81	70

According to the provisions of the German Commercial Code (HGB) and other German principles of proper accounting, there are some transactions which do not require disclosure in the financial statements. In Linde AG, these transactions comprise mainly lease agreements and agreements covering the outsourcing of operating functions. Agreements covering the outsourcing of operating functions relate principally to IT, bookkeeping, and transport and logistics services. These transactions do not have a significant impact on the financial statements of Linde AG.

[18] Auditors' fees and services

AUDITORS' REMUNERATION (34)

in € million	2017 Group	2017 Thereof KPMG AG	2018 Group	2018 Thereof KPMG AG
Audit	11	5	30	13
Other attestation services	2	2	10	4
Tax consultancy	1	0	1	0
Other services	11	11	7	6
	25	**18**	**48**	**23**

The fees relating to the audit of the financial statements comprise the cost of the audit of the Group financial statements and annual financial statements of Linde AG and of the audit of the subsidiaries included in the Group financial statements, as well as the cost of the reviews of the quarterly financial statements and the half-year financial statements. They also include fees for the audit of the reporting packages for the consolidated financial statements of Linde plc and the audit of the IT-supported accounting systems accompanying the project, as well as the audit of the dependent company report and of the internal control system.

Other attestation services relate mainly to the issue of comfort letters, the audit of divestments, and other audits provided for by law or stipulated in a contract, such as that required under the German Renewable Energy Act (EEG) or the audit of the European Market Infrastructure Regulation (EMIR) system.

Tax consultancy costs relate principally to the evaluation of specific tax matters.

The fees for other services relate mainly to advice and quality assurance concerning the implementation of current and potential future regulatory requirements (including the German Money Laundering Act (GwG), the EU Regulation on Energy Market Integrity and Transparency, and the Sarbanes-Oxley Act), as well as support in relation to preparation for the merger with Praxair, Inc.

[19] Related party transactions

Related parties are persons or entities which may exercise an influence on Linde AG or over which Linde AG may have significant influence.

Related party transactions comprise mainly transactions with affiliated companies, joint ventures or associates. They principally concern rental, servicing and financing transactions and the supply of goods. The business relationships with these companies are conducted under the same conditions as for non-related third parties. Related companies which are controlled by Linde AG, whether directly or indirectly, or over which Linde AG may exercise significant influence are disclosed in the list of shareholdings.

At the balance sheet date, there were no charge-free guarantee agreements with associates and joint ventures in The Linde Group.

For related party transactions with individuals, see also the information set out in ▻ NOTE [26].

[20] Cost of materials

COST OF MATERIALS (35)

in € million	2017	2018
Cost of raw materials and supplies and goods purchased for resale	1,299	1,441
Cost of external services	191	120
	1,490	1,561

[21] Personnel expenses

PERSONNEL EXPENSES (36)

in € million	2017	2018
Wages and salaries	708	624
Social security contributions	77	72
Pension costs and staff welfare costs	23	26
of which from pension costs	22	26
	808	722

The decrease in wages and salaries is due to a lower number of employees as a result of the restructuring project.

[22] Income and expenses relating to prior or future periods

In the 2018 financial year, income relating to other accounting periods of EUR 185 m (2017: EUR 87 m) and expenses relating to other accounting periods of EUR 4 m (2017: EUR 5 m) were included in the income statement of Linde AG. The income from other accounting periods relates mainly to income from the release of tax provisions.

[23] Employees

The average number of employees (including part-time employees pro-rata) can be allocated to the different divisions of Linde AG as follows:

AVERAGE NUMBER OF EMPLOYEES (37)

	2017	2018
Linde Gas Division	2,739	2,600
Linde Engineering Division	3,077	2,857
Corporate Centre	276	238
LINDE AG	**6,092**	**5,695**

[24] Share option scheme

Linde Performance Share Programme 2012

On completion of the exchange offer by Linde plc on 31 October 2018, Linde AG closed the Performance Share Programme for management agreed at the Annual General Meeting of Linde AG held on 4 May 2012 (Long Term Incentive Plan 2012 – LTIP 2012) in accordance with the contractual terms for all the beneficiaries of the scheme who were not members of the Executive Board of Linde AG at that date and cancelled all outstanding annual tranches of option rights and rights to matching shares in the LTIP 2012 in respect of these beneficiaries. The cancellation of the scheme established an entitlement to compensation in cash for those beneficiaries of the LTIP 2012 who were affected. Linde AG determined the cash compensation in accordance with the rules set out in the scheme, exercising reasonable discretion and taking certain considerations into account (including the extent that performance targets had been reached when the scheme was cancelled and the qualifying period that had elapsed before the scheme was cancelled) and paid out the relevant cash compensation to those entitled to it.

In the second quarter of 2017, Linde AG agreed with the members of the Executive Board of Linde AG that Linde AG could cancel the LTIP 2012 within eighteen months of the completion of the exchange offer by Linde plc as long as a certain structural measure (such as a squeeze-out of the remaining non-controlling shareholders) regarding the relations between Linde plc and Linde AG had become effective. At the Linde AG shareholders' meeting on 12 December 2018, a resolution to squeeze out the remaining non-controlling shareholders in accordance with merger law was approved. This decision will not become effective until it is entered in the commercial register, which has not yet occurred.

It was resolved at the Annual General Meeting of Linde AG held on 4 May 2012 to introduce the LTIP 2012, under which up to 4 million options could be issued over a total period of five years. For this purpose, the issued share capital could 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 (2012 conditionally authorised capital).

The options could 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, 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 LTIP 2012 is designed as share-based payment with compensation provided in the form of equity instruments. Each individual tranche could 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

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 special 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 adjusted for special 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 special 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 special 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 special items disclosed in the audited Group financial statements of The Linde Group in the appropriate financial year. If no adjustment for special items has been made in that financial year, the relevant figure is the diluted earnngs per share disclosed in the Group financial statements. Special 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 special 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 the options depending 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 the calculation does not result in a round figure, the percentage should be rounded to one decimal point.

"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 AG 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 AG 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 in 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 initial value calculated of the 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 provisions.

At 31 December 2018, 64,619 share options were outstanding.

The average remaining period of the LTIP 2012 is 16 months (2017: 23 months). The exercise price for all the tranches in the LTIP 2012 is EUR 2.56.

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 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 times, 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 qulaifying 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.

In the second quarter of 2017, the members of the Linde AG Executive Board agreed with Linde AG that within a period of eighteen months after the completion of the exchange offer by Linde plc, the options cancelled or exercised and the matching share rights to be fulfilled in this period would be settled in cash.

The allocation of the matching shares in the 2014 tranche was in the form of a payment in cash of EUR 2.1 m (2017: 2013 tranche EUR 2.2 m).

At 31 December 2018, 7,532 matching shares were outstanding.

[25] Derivative financial instruments

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

The main derivatives used in Linde AG are interest rate swaps, cross-currency interest rate swaps, forward exchange transactions and commodity forwards. Occasionally, options are also used.

Measurement information for financial instruments

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 using the Black-Scholes option pricing model. Futures 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.

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

If an asset or liability, or a transaction in the course of completion or a highly probable forecast transaction, is hedged, the derivative and the underlying transaction are treated as a micro-hedge using the net hedge presentation method. In the case of a micro-hedge, the hedging instruments are usually concluded so that they match the risk to be hedged exactly. This ensures that the changes in fair value or the cash flows arising from the derivative and the underlying transaction (which have an equal and opposite effect) occur at the same time.

Provisions of EUR 17 m (2017: EUR 29 m) have been made for financial instruments with negative fair values. Of this amount, EUR 12 m (2017: EUR 24 m) related to swap transactions. In 2018, a provision of EUR 5 m was made in respect of forward exchange transactions (2017: EUR 5 m).

In the 2018 financial year, advance payments received for swap transactions of EUR 4 m (2017: EUR 16 m) were recognised in other liabilities, while advance payments of EUR 2 m (2017: EUR 2 m) were recognised in other receivables and then released to profit or loss over the life of the instrument.

Counterparty risk

Linde AG does not believe it has any significant exposure to counterparty risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to the company's broad and uncorrelated customer base. The counterparty risk from derivative financial instruments is limited due to the fact that the counterparties are banks which have good credit ratings from international rating agencies. In addition, an early warning and monitoring system has been implemented and Credit Support Annexes (CSAs) have been concluded 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 amount included in receivables which relates to these agreements is EUR 12 m (2017: EUR 31 m), while the amount included in liabilities is EUR 26 m (2017: EUR 37 m). The risk positions outstanding are subject to strict limits and are continually monitored.

Currency risks

Linde AG generally enters into forward exchange contracts to hedge the exposure to risks arising from fluctuations in receivables, payables and liabilities denominated in foreign currencies, as well as from contracts in the course of completion and forecast transactions. The forecast transactions which are hedged are mainly planned purchase or sale transactions in foreign currency. Individual hedging relationships are recognised with the derivative and underlying transaction being treated as a micro-hedge.

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

Forward exchange transactions are also used to hedge the exposure to foreign currency risks arising from internal financing.

Interest rate risks

Linde AG is refinanced mainly through the issue of bonds and medium-term notes in various currencies by Linde Finance B.V. or by the issue of its own bonds. Linde hedges the exposure to the resulting future interest rate and currency risks by entering into appropriate interest rate and cross-currency interest rate swaps. Individual hedging relationships are recognised with the derivative and underlying transaction being treated as a micro-hedge.

At the Linde AG level, capital market liabilities passed on are hedged. Interest rate swaps are used for this. These have the effect of transforming liabilities at variable interest rates into fixed-interest liabilities or vice versa.

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

DERIVATIVES AND HEDGE REALTIONSHIPS – 2017 38

	Short-term		*Long-term*				*Total*		
At 31.12.2017	*Due within one year*		*Due in one to five years*		*Due in more than five years*				*Hedged risk*
in € million	*Market value*	*Nominal amount*	*Market value*	*Nominal amount*	*Market value*	*Nominal amount*	*Market value*	*Nominal amount*	*Nominal amount*
Forward exchange contracts									
HEDGE RELATIONSHIP WITH ASSETS AND LIABILITIES	**–**	**–7**	**–**	**–**	**–**	**–**	**–**	**–7**	**–7**
thereof assets	–	–	–	–	–	–	–	–	–
thereof liabilities	–	7	–	–	–	–	–	7	7
HEDGE RELATIONSHIP WITH FIRM COMMITMENTS AND HIGHLY PROBABLE FORECAST TRANSACTIONS	**–2**	**–41**	**–1**	**–23**	**–**	**–**	**–3**	**–64**	**–64**
thereof assets	38	1,339	14	346	–	4	52	1,689	1,689
thereof liabilities	40	1,380	15	369	–	4	55	1,753	1,753
NO HEDGE RELATIONSHIP	**–1**	**13**	**–1**	**–1**	**–**	**–**	**–2**	**12**	
thereof assets	3	140	–	7	–	–	3	147	
thereof liabilities	4	127	1	8	–	–	5	135	
TOTAL	**–3**	**–35**	**–2**	**–24**	**–**	**–**	**–5**	**–59**	
thereof assets	41	1,479	14	353	–	4	55	1,836	
thereof liabilities	44	1,514	16	377	–	4	60	1,895	
Swap transactions									
HEDGE RELATIONSHIP WITH ASSETS AND LIABILITIES	**27**	**–258**	**15**	**–5**	**14**	**–422**	**56**	**–685**	**685**
thereof assets	37	532	18	313	18	100	73	945	945
thereof liabilities	10	790	3	318	4	522	17	1,630	1,630
HEDGE RELATIONSHIP WITH FIRM COMMITMENTS AND HIGHLY PROBABLE FORECAST TRANSACTIONS	**–**	**–**	**–3**	**–83**	**–175**	**–1,600**	**–178**	**–1,683**	**1,683**
thereof assets	16	293	6	104	1	382	23	779	779
thereof liabilities	16	293	9	187	176	1,982	201	2,462	2,462
NO HEDGE RELATIONSHIP	**–**	**59**	**16**	**–150**	**–10**	**–299**	**6**	**–390**	
thereof assets	–	59	26	503	8	304	34	866	
thereof liabilities	–	–	10	653	18	603	28	1,256	
TOTAL	**27**	**–199**	**28**	**–238**	**–171**	**–2,321**	**–116**	**–2,758**	
thereof assets	53	884	50	920	27	786	130	2,590	
thereof liabilities	26	1,083	22	1,158	198	3,107	246	5,348	
Commodity forwards									
HEDGE RELATIONSHIP WITH PENDING TRANSACTIONS	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
thereof assets	2	10	–	–	–	–	2	10	
thereof liabilities	2	10	–	–	–	–	2	10	

DERIVATIVES AND HEDGE RELATIONSHIPS – 2018

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	Short-term		Long-term				Total		
At 31.12.2018	Due within one year		Due in one to five years		Due in more than five years				Hedged risk
in € million	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount	Nominal amount
Forward exchange contracts									
HEDGE RELATIONSHIP WITH ASSETS AND LIABILITIES	–	**–1**	–	–	–	–	–	**–1**	**1**
thereof assets	–	2	–	–	–	–	–	2	2
thereof liabilities	–	3	–	–	–	–	–	3	3
HEDGE RELATIONSHIP WITH FIRM COMMITMENTS AND HIGHLY PROBABLE FORECAST TRANSACTIONS	–	**25**	**–2**	**–5**	–	–	**–2**	**20**	**20**
thereof assets	13	749	2	90	–	–	15	839	839
thereof liabilities	13	724	4	95	–	–	17	819	819
NO HEDGE RELATIONSHIP	**–1**	**–13**	**–1**	**–7**	–	–	**–2**	**–20**	
thereof assets	2	96	–	18	–	–	2	114	
thereof liabilities	3	109	1	25	–	–	4	134	
TOTAL	**–1**	**11**	**–3**	**–12**	–	–	**–4**	**–1**	
thereof assets	15	847	2	108	–	–	17	955	
thereof liabilities	16	836	5	120	–	–	21	956	
Swap transactions									
HEDGE RELATIONSHIP WITH ASSETS AND LIABILITIES	**6**	**71**	**33**	**1,213**	**–7**	**–196**	**32**	**1,088**	**1,088**
thereof assets	6	71	35	1,236	5	58	46	1,365	1,365
thereof liabilities	–	–	2	23	12	254	14	277	277
HEDGE RELATIONSHIP WITH FIRM COMMITMENTS AND HIGHLY PROBABLE FORECAST TRANSACTIONS	–	–	–	–	–	–	–	–	–
thereof assets	1	98	–	–	–	–	1	98	98
thereof liabilities	1	98	–	–	–	–	1	98	98
NO HEDGE RELATIONSHIP	**–3**	**–377**	**23**	**230**	**–6**	**–195**	**14**	**–342**	
thereof assets	1	154	25	530	2	205	28	889	
thereof liabilities	4	531	2	300	8	400	14	1,231	
TOTAL	**3**	**–306**	**56**	**1,443**	**–13**	**–391**	**46**	**746**	
thereof assets	8	323	60	1,766	7	263	75	2,352	
thereof liabilities	5	629	4	323	20	654	29	1,606	
Commodity forwards									
HEDGE RELATIONSHIP WITH PENDING TRANSACTIONS	–	–	–	–	–	–	–	–	
thereof assets	–	–	–	–	–	–	–	–	
thereof liabilities	–	–	–	–	–	–	–	–	

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

Supervisory Board

The emoluments of members of the Supervisory Board are based on the relevant provisions in the articles of association.

EMOLUMENTS OF THE SUPERVISORY BOARD (INCL. VAT) 40

in €	2017	2018
Fixed emoluments	2,892,433	2,892,189
Attendance fees	149,940	159,460
TOTAL EMOLUMENTS	**3,042,373**	**3,051,649**

At 31 December 2018, there were no advances or loans to members of the Supervisory Board. This was also the case throughout 2018 and 2017. Moreover, the members of the Supervisory Board received no payments or advantages in 2018 or 2017 for services they provided individually, in particular advisory or agency services.

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:

EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB) 41

in €	2017	2018
Fixed emoluments/ Benefits in kind/ Other benefits	3,479,379	3,647,184
Variable cash emoluments short-term	3,537,853	4,158,090
Variable cash emoluments long-term	2,358,568	2,772,060
TOTAL CASH EMOLUMENTS	**9,375,800**	**10,577,334**
Long Term Incentive Plan (value on the grant date)	2,925,039	2,941,170
TOTAL EMOLUMENTS	**12,300,839**	**13,518,504**
Service cost for pension obligation	842,576	1,029,653
TOTAL REMUNERATION (HGB)	**13,143,415**	**14,548,157**

SHARES GRANTED FROM SHARE-BASED PAYMENTS 42

	2017		2018	
	Units	Value per unit when granted in €	Units	Value per unit when granted in €
Options(LTIP 2012)	29,840	78.42	–	–
Matching shares (LTIP 2012)	3,672	159.31	–	–
Matching shares (LTIP 2018)	–	–	3,256	179.65

In 2018 and 2017, 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 was EUR 3,472,998 (2017: EUR 2,944,748). A provision of EUR 51,064,278 (2017: EUR 47,625,733) has been made in Linde AG for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants .

No post-employment benefits arose in either 2018 or 2017.

The remuneration report presents the basic features and structure of the remuneration of the Executive Board and Supervisory Board. It is included in the management report.

[27] Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of Linde AG approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Act (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.THE-LINDE-GROUP.COM/EN/INVESTOR_RELATIONS/CORPORATE_GOVERNANCE/CORPORATE_GOVERNANCE_DECLARATION/DECLARATION_OF_COMPLIANCE/INDEX.HTML.

[28] Other Board memberships

[Disclosures regarding other Board memberships are as at 31 December 2018 or as at the date of appointment to or retirement from the Supervisory Board.]

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:

PROFESSOR DR WOLFGANG REITZLE
Chairman of the Supervisory Board of Linde AG,
Former Chief Executive Officer of Linde AG

¬ EXTERNAL OFFICES:
Axel Springer SE
Continental AG (Chairman of the Supervisory Board)
Medical Park AG (Chairman of the Supervisory Board)
Willy Bogner GmbH & Co. KGaA
(Chairman of the Supervisory Board)

¬ EXTERNAL OFFICES:
Ivoclar Vivadent AG
(Member of the Administrative Board)
Linde plc
(Non-Executive Chairman of the Board of Directors)

GERNOT HAHL
Deputy Chairman of the Supervisory Board of Linde AG,
Chairman of the Worms Works Council,
Gases Division, Linde AG

FRANZ FEHRENBACH
Second Deputy Chairman of the Supervisory Board of Linde AG, Chairman of the Supervisory Board of Robert Bosch GmbH, Managing Partner of Robert Bosch Industrietreuhand KG

¬ EXTERNAL OFFICES:
BASF SE
Robert Bosch GmbH
(Chairman of the Supervisory Board)
STIHL AG (Deputy Chairman of the Supervisory Board)

¬ EXTERNAL OFFICES:
Linde plc
(Non-Executive Member of the Board of Directors)
STIHL Holding AG & Co. KG
(Member of the Advisory Board)

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

¬ EXTERNAL OFFICES:
Deutsche Börse Aktiengesellschaft
Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft, Munich

¬ EXTERNAL OFFICES:
ENGIE SA (Member of the Administrative Board)
Linde plc
(Non-Executive Member of the Board of Directors)

PROFESSOR DR CLEMENS BÖRSIG
Former Chairman of the Supervisory Board
of Deutsche Bank AG

¬ EXTERNAL OFFICES:
Daimler AG
Linde Intermediate Holding AG

¬ EXTERNAL OFFICES:
Emerson Electric Co.
(Member of the Board of Directors)
Linde plc
(Non-Executive Member of the Board of Directors)

ANKE COUTURIER
Head of Global Pensions, Linde AG

DR THOMAS ENDERS
Chief Executive Officer of Airbus SE

¬ EXTERNAL OFFICES:
Linde Intermediate Holding AG

¬ GROUP OFFICES:
Airbus Defence and Space GmbH
(Chairman of the Supervisory Board)

¬ EXTERNAL OFFICES:
Linde plc
(Non-Executive Member of the Board of Directors)

¬ GROUP OFFICES:
Airbus SAS (Chairman of the Shareholder Board)

DR HANS-PETER KABALLO
Chairman of the Pullach Works Council,
Engineering Division, Linde AG
(Member of the Supervisory Board from 3 May 2018)

¬ *MEMBERSHIP OF OTHER GERMAN STATUTORY SUPERVISORY BOARDS*

¬ *MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS*

DR MARTIN KIMMICH
Representative for Collective Bargaining,
IG Metall, Bavaria

EXTERNAL OFFICES:
MTU Aero Engines AG
Nokia Solutions and Networks Management GmbH

DR VICTORIA OSSADNIK
Chief Executive Officer of E.ON Energie
Deutschland GmbH and E.ON Energie Holding GmbH

EXTERNAL OFFICES:
Commerzbank AG
Linde Intermediate Holding AG

EXTERNAL OFFICES:
Linde plc
(Non-Executive Member of the Board of Directors)

ANDREA RIES
Chair of the Unterschleissheim Works Council,
Gases Division, Linde AG

XAVER SCHMIDT
Head of Department
Chairman of IG Bergbau, Chemie, Energie Hanover

The following member retired from the Supervisory Board in the 2018 financial year:

FRANK SONNTAG
Chairman of the Dresden Works Council,
Engineering Division, Linde AG
(Member of the Supervisory Board until the end of
the Annual General Meeting on 3 May 2018)

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:

PROFESSOR DR ALDO BELLONI
Chief Executive Officer (until 1 March 2019)

EXTERNAL OFFICES:
Evonik Industries AG

DR CHRISTIAN BRUCH
Member of the Executive Board

BERND EULITZ
Member of the Executive Board

GROUP OFFICES:
African Oxygen Limited, Johannesburg
(Non-Executive Chairman of the Board of Directors)

SANJIV LAMBA
Member of the Executive Board

GROUP OFFICES:
LINDE INDIA LIMITED
(Non-Executive Chairman of the Board of Directors)

DR SVEN SCHNEIDER
Member of the Executive Board
Spokesman of the Executive Board (from 1 March 2019)

EDUARDO MENEZES
Member of the Executive Board (from 1 March 2019)

MEMBERSHIP OF OTHER GERMAN STATUTORY SUPERVISORY BOARDS

MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS

[29] Restrictions on the distribution of profits

In accordance with § 253 (6), sentence 2, and § 268 (8) of the German Commercial Code (HGB), certain amounts included in the unappropriated profit, freely available reserves and profit brought forward are not available for distribution (i.e are barred from distribution).

AMOUNTS BARRED FROM DISTRIBUTION 43

in € million	2017	2018
Resulting from the change in the discount rate for pension obligations	141	165
Resulting from the measurement of plan assets at fair value	248	225
NON-DISTRIBUTABLE AMOUNTS	**389**	**390**

Despite the transfer made from Other retained earnings of EUR 0 m (2017: EUR 1.087 bn), the remaining amount in freely available revenue reserves is sufficient to cover the non-distributable amounts.

[30] List of shareholdings of Linde AG at 31 December 2018 in accordance with § 285 No. 11 of the German Commercial Code (HGB)

The results of companies acquired in 2018 are included as of the date of acquisition. The information about the equity and the profit or loss for the year of the companies is disclosed as at 31 December 2018 and complies with International Financial Reporting Standards, unless specifically disclosed below.

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10) 44

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		–	–	
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	7.1	–3.2	f
LINDE HEALTHCARE MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–	–0.6	f
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		4.0	0.4	
Linde Electronics GmbH	Stadl-Paura	AUT	100		13.1	1.6	
Linde Gas GmbH	Stadl-Paura	AUT	100		321.1	24.2	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		2.1	0.4	
Linde Gas Belgium NV	Grimbergen	BEL	100		5.6	1.6	
Linde Homecare Belgium SPRL	Andenne	BEL	100	100	4.5	0.8	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100		7.8	0.1	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		–	–	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		2.4	2.7	
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		–	–	
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		–	–	
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		–	–	
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–	–	
PanGas AG	Dagmersellen	CHE	100		107.7	21.1	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		–	–	
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	11.8	1.6	
Linde Gas a.s.	Prague	CZE	100		189.4	66.0	
Linde Sokolovská s.r.o.	Prague	CZE	100		30.3	7.4	
Blue LNG Beteiligungsgesellschaft mbH	Hamburg	DEU	90		–	–	i
Blue LNG GmbH & Co. KG	Hamburg	DEU	90		0.1	–	i
Gas & More GmbH	Pullach	DEU	100		0.1	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100	100	3.2	–0.2	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0.1	–	
Linde Electronics GmbH & Co. KG	Pullach	DEU	100	100	21.7	–	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	15.3	2.0	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	354.5	2.0	
Linde Gas Therapeutics GmbH	Oberschleißheim	DEU	100		48.7	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	–	–	
Linde Hydrogen Concepts GmbH	Pullach	DEU	100		8.2	–	a

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			in percent	in percent	in EUR m	in EUR m	
Linde Schweißtechnik GmbH	Pullach	DEU	100		1.2	–	a
Linde Welding GmbH	Pullach	DEU	100		0.4	–	a
MTA GmbH Medizin-Technischer-Anlagenbau	Mainhausen	DEU	100		0.1	–	a
Nauticor Beteiligungs-GmbH	Hamburg	DEU	100	100	–	–	
Nauticor GmbH & Co. KG	Hamburg	DEU	100	100	6.3	–3.4	
Unterbichler Gase GmbH	Munich	DEU	100		0.7	–	a
AGA A/S	Copenhagen	DNK	100		31.9	12.6	
GI/LINDE ALGERIE SPA	Algiers	DZA	100	40	9.0	1.7	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	101.7	11.1	
Abelló Linde, S.A.U.	Puçol	ESP	100	100	155.9	7.4	
LINDE ELECTRONICS, S.L.	Puçol	ESP	100		1.3	–	
Linde Médica, S.L.	Puçol	ESP	100		121.8	6.1	
LINDE MEDICINAL, S.L.	Puçol	ESP	100		264.2	6.4	
AS Eesti AGA	Tallinn	EST	100		27.9	–0.1	
Kiinteistö Oy Karakaasu	Espoo	FIN	100		–2.1	–	c
Kiinteistö Oy Karaportti	Espoo	FIN	100		–3.4	–	c
Oy AGA Ab	Espoo	FIN	100		1,181.0	55.3	c
TK-Teollisuuskaasut Oy	Espoo	FIN	100		–0.5	–	c
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		3.3	0.2	
Linde France S.A.	Saint-Priest	FRA	100		155.3	22.6	
LINDE HOMECARE FRANCE SAS	Saint-Priest	FRA	100		23.5	–1.3	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Guildford	GBR	100		–0.3	–	
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.7	–	
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		0.8	–	
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	–	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Guildford	GBR	100		0.4	–	
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Guildford	GBR	80		2.2	0.5	
GAS & GEAR LIMITED	Guildford	GBR	100		–	–	
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Guildford	GBR	100		–1.2	0.1	
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Guildford	GBR	100		–	–	
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Guildford	GBR	100		12.9	–	
IWS (INDUSTRIAL & WELDING SUPPLIES) LIMITED	Guildford	GBR	100		–0.5	–	
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Guildford	GBR	100		0.5	0.1	
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Guildford	GBR	100		0.2	–	
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Guildford	GBR	100		1.1	–0.2	
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Guildford	GBR	100		–0.6	–	
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		0.9	0.3	
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	–	5.3	
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		–	5.3	
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		–0.2	–	
REMEO HEALTHCARE LIMITED	Guildford	GBR	100		0.5	0.4	
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	88		2.8	0.3	
RYVAL GAS LIMITED	Guildford	GBR	100		–0.1	–	
WELDER EQUIPMENT SERVICES LIMITED	Guildford	GBR	100		0.3	–	
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		–0.3	–	
Linde Hellas Monoprosopi E.P.E.	Mandra	GRC	100	100	38.6	0.4	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100		125.4	37.3	

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
BOC (TRADING) LIMITED	Dublin	IRL	100		–	–	c
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.3	30.0	
BOC Gases Ireland Limited	Dublin	IRL	100		57.3	25.4	c
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	–	
ISAGA ehf.	Reykjavík	ISL	100		29.9	7.2	
Linde Gas Italia S.r.l.	Arluno	ITA	100		143.1	6.3	
LINDE MEDICALE Srl	Arluno	ITA	100		29.7	6.9	
REMEO MEDICALE SRL	Arluno	ITA	100		–	–	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	3.0	3.1	
TOO Linde Technical Gases Temirtau	Almaty	KAZ	100	100	28.3	2.4	
BOC Kenya plc	Nairobi	KEN	65		11.7	1.0	
AFROX (LESOTHO) (PTY) LTD	Maseru	LSO	100		1.8	0.2	
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		–	–	
UAB "AGA"	Vilnius	LTU	100		5.9	0.7	
AGA SIA	Riga	LVA	100		30.8	3.4	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.5	−0.1	
Afrox Moçambique, Limitada	Maputo	MOZ	100		−1.7	0.5	
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		–	–	
Linde Gases Moçambique, Limitada	Maputo	MOZ	100		–	–	
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		–	–	
Afrox Malawi Limited	Blantyre	MWI	79		1.5	1.3	
IGL (PTY) LIMITED	Windhoek	NAM	100		6.5	2.7	
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		0.5	0.1	
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		–	–	
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		–	–	
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		–	–	
BOC Gases Nigeria Plc	Lagos	NGA	60		6.5	0.7	
B.V. Nederlandse Pijpleidingmaatschappij	Rotterdam	NLD	100		0.9	−1.4	
Linde Electronics B.V.	Schiedam	NLD	100		9.4	3.2	
Linde Gas Benelux B.V.	Schiedam	NLD	100		134.2	19.0	
Linde Gas Cryoservices B.V.	Hedel	NLD	100		1.7	1.5	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100		30.1	2.9	
Linde Homecare Benelux B.V.	Nuland	NLD	100		3.0	−1.3	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		286.5	15.0	
OCAP CO2 B.V.	Schiedam	NLD	100		12.8	6.8	
AGA AS	Oslo	NOR	100		51.5	24.1	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		4.9	0.8	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	130.2	16.5	
LINDE GLOBAL SERVICES PORTUGAL, UNIPESSOAL LDA	Maia	PRT	100		0.8	0.2	
LINDE PORTUGAL, LDA	Lisbon	PRT	100		83.7	9.2	
LINDE SAÚDE, LDA	Maia	PRT	100		34.2	9.1	
Gas Pentru Gaze Si Aparatura S.R.L.	Cluj Napoca	ROU	100		–	–	
ITO Industries International SA	Bucharest	ROU	100		0.3	−0.4	
LINDE GAZ ROMANIA S.R.L.	Timişoara	ROU	100		167.4	30.8	
Rodmir Expert SA	Bucharest	ROU	100		−0.4	0.2	
AO "Linde Gas Rus"	Balashikha	RUS	100	100	42.1	−8.0	
AO "Linde Uraltechgaz"	Yekaterinburg	RUS	74	74	9.0	0.2	
Linde Jubail Industrial Gases Factory LLC	Jubail	SAU	100	84	143.8	9.3	

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			in percent	in percent	in EUR m	in EUR m	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		62.5	4.4	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Bečej	SRB	87	87	7.9	0.8	
Aries 94 s.r.o.	Bratislava	SVK	100		3.3	0.6	
Linde Gas k.s.	Bratislava	SVK	100		22.6	5.6	
AB Held	Lidingö	SWE	100		–	–	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		–	–	
AGA Gas Aktiebolag	Lidingö	SWE	100		–	–	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		–	–	
AGA International Investment Aktiebolag	Lidingö	SWE	100		–	–	
AGA Medical Aktiebolag	Lidingö	SWE	100		–	–	
Agatronic AB	Lidingö	SWE	100		0.1	–	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		–	–	
Linde Healthcare AB	Lidingö	SWE	100		21.8	2.6	
NORLIC AB	Lidingö	SWE	90		15.9	0.4	
Svenska Aktiebolaget Gasaccumulator	Lidingö	SWE	100		0.1	–	
Svets Gas Aktiebolag	Lidingö	SWE	100		–	–	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		–	–	
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		1.4	0.8	
Linde Gas Tunisie S.A.	Ben Arous	TUN	60	60	4.3	0.4	
İsdemir Linde Gaz Ortaklığı A.Ş.	Dörtyol	TUR	50		47.0	−1.3	f, i
Linde Gaz Anonim Şirketi	Istanbul	TUR	100	100	71.2	1.7	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.2	−0.1	
BOC Uganda Limited	Kampala	UGA	100		0.9	–	
Private Joint Stock Company "Linde Gas Ukraine"	Dnipro	UKR	100	96	−0.4	8.9	
African Oxygen Limited	Johannesburg	ZAF	56		256.5	27.3	
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		–	–	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		30.2	−0.9	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		–	–	
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		–	–	
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		–	–	
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		–	–	
ISAS TRUST	Johannesburg	ZAF	100		15.0	–	
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		–	–	
NICOWELD (PTY) LIMITED	Sandton	ZAF	100		–	–	
AFROX ZAMBIA LIMITED	Ndola	ZMB	100		4.2	1.5	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		36.4	4.4	
Asia/Pacific							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		0.8	–	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		7.7	–	
BOC GASES FINANCE LIMITED	North Ryde	AUS	100		74.9	63.3	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		−5.8	–	
BOC Limited	North Ryde	AUS	100		232.6	105.5	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		5.0	0.1	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		−10.1	–	
ELGAS LIMITED	North Ryde	AUS	100		220.3	64.8	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		5.2	0.4	

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PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		–1.3	–	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		3.0	1.5	
TIAMONT PTY LIMITED	North Ryde	AUS	100		6.3	0.6	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		19.8	–0.3	
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		0.1	–	
Linde Bangladesh Limited	Dhaka	BGD	60		47.2	10.1	
Anhui JuLan Industrial Gases Co., Ltd.	Lu'an	CHN	100		–	–0.5	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		–	–	
AUECC Shanghai (Fengxian) Co. Ltd.	Shanghai	CHN	100		–1.8	–1.9	
AUECC Shanghai (Baoshan) Co. Ltd.	Shanghai	CHN	100		12.9	–0.5	
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		226.5	23.9	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		55.9	4.8	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		2.3	–2.0	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		15.5	0.1	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		24.9	4.4	
BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		12.0	–0.3	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		12.6	5.3	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		42.8	5.0	
BOCLH Industrial Gases (Waigaoqiao) Co., Ltd.	Shanghai	CHN	100		5.0	2.5	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		8.8	3.4	
BOC-TISCO GASES CO., Ltd	Taiyuan	CHN	50		112.1	31.5	f, i
Fuzhou Linde Lienhwa Gases Co., Ltd	Fuqing	CHN	100		14.9	1.9	
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		0.4	–0.1	f, i
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		6.9	0.6	f, i
Jianyang Linde Medical Gases Company Limited	Jianyang	CHN	100		1.0	–0.4	
KunShan Asia Union Electronic Chemical Corp. Co., Ltd.	Kunshan	CHN	65		11.5	–1.1	
Linde (Quanzhou) Carbon Dioxide Co. Ltd.	Quanzhou	CHN	100		0.7	–0.3	
Linde Arooxy (Xi'an) Life Science Co., Ltd.	Xi'an	CHN	65		2.1	0.2	
Linde Carbonic (Wuhu) Company Ltd.	Wuhu	CHN	60		–3.0	–2.1	i
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	7.1	–0.4	i
Linde Dahua (Dalian) Gases Co., Ltd	Dalian	CHN	50		20.4	–15.6	f, i
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	10.3	–0.4	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		128.5	9.6	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		4.4	–0.3	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.2	0.4	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	41.8	4.5	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		6.6	0.6	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		15.8	3.0	
Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		5.9	–6.1	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		0.4	–1.6	
Linde Gases (Hefei) Co., Ltd.	Hefei	CHN	100		14.2	2.0	
Linde Gases (Huizhou) Co., Ltd.	Huizhou	CHN	100		3.1	–0.1	
Linde Gases (Langfang) Co., Ltd.	Langfang	CHN	100		16.9	4.3	
Linde Gases (Meishan) Co., Ltd.	Meishan	CHN	100		1.0	–4.1	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		–4.9	–0.2	
Linde Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		16.6	1.7	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		9.3	0.6	

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			in percent	in percent	in EUR m	in EUR m	
Linde Gases (Taixing) Co., Ltd.	Taixing	CHN	100		10.1	–	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		17.8	0.4	
Linde Gases (Yantai) Co., Ltd.	Yantai	CHN	90		111.4	10.3	
Linde Gases (Zhangzhou) Co., Ltd.	Zhangzhou	CHN	100		22.0	3.1	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		20.5	4.1	
Linde GISE Gas (Guangzhou) Co., Ltd.	Guangzhou	CHN	50		34.0	12.4	f, i
Linde GISE Gas (Shenzhen) Co., Ltd	Shenzhen	CHN	50		24.0	1.2	f, i
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		5.1	0.3	i
Linde Lienhwa China Holding Co., Ltd.	Shanghai	CHN	100		24.8	−2.0	
Linde Lienhwa Gases (BeiJing) Co., Ltd.	Beijing	CHN	100		16.9	0.7	
Linde Lienhwa Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		16.7	−3.0	
Linde Lienhwa Gases (Wuhan) Co., Ltd	Wuhan	CHN	100		15.8	0.3	
Linde Lienhwa Industrial Gases (Xianyang) Co., Ltd.	Xianyang	CHN	100		7.9	0.2	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		6.8	−0.1	
Linde Qiangsheng Gases (Nanjing) Co., Ltd.	Nanjing	CHN	100		4.8	0.5	
LINDE-SINOCHEM (QUANZHOU) GASES CO., LTD	Quanzhou	CHN	51		10.3	–	i
Ma'anshan BOC-Ma Steel Gases Company Limited	Ma'anshan	CHN	50		72.8	20.3	f, i
Shanghai BOC Gases Co., Ltd.	Shanghai	CHN	100		−1.9	−0.9	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		−0.7	–	
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		89.3	25.1	f, i
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.6	–	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90		−1.3	−0.6	
ZHENJIANG XINHUA INDUSTRIAL GASES CO., LTD.	Zhenjiang	CHN	100		0.2	0.1	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		−0.1	–	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wan Chai	HKG	100		–	–	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	526.1	23.5	
Linde GISE Gases (Hong Kong) Company Limited	Hong Kong	HKG	50		–	–	f, i
Linde HKO Limited	Hong Kong	HKG	100		84.7	44.7	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		0.8	0.6	
P.T. Gresik Gases Indonesia	Jakarta	IDN	93		12.1	0.5	
P.T. Gresik Power Indonesia	Jakarta	IDN	95		−7.4	−9.5	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		−2.1	−0.5	
PT. LINDE INDONESIA	Jakarta	IDN	100		18.7	−6.9	
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bellary	IND	50		12.8	4.2	f, i
LINDE INDIA LIMITED	Kolkata	IND	75		168.4	1.2	
Linde Korea Co., Ltd.	Pohang	KOR	100		412.2	46.4	
PS Chem Co., Ltd.	Gimhae	KOR	100		8.1	1.4	
PSG Co., Ltd.	Busan	KOR	51		38.9	1.2	i
Sam Kwang Gas Tech Co., Ltd.	Seoul	KOR	100		7.7	2.4	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	14.4	–	
Linde EOX Sdn. Bhd.	Petaling Jaya	MYS	100		22.4	0.2	
Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	25.5	4.9	
LINDE INDUSTRIAL GASES (MALAYSIA) SDN. BHD.	Petaling Jaya	MYS	80	80	7.8	–	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		95.6	3.2	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		198.0	29.2	
LINDE ROC SDN. BHD.	Petaling Jaya	MYS	100		0.9	0.2	
LINDE WELDING PRODUCTS SDN. BHD.	Petaling Jaya	MYS	100		0.5	–	
BOC LIMITED	Auckland	NZL	100		54.4	22.4	

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10) 44

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	23.4	
ELGAS LIMITED	Auckland	NZL	100		19.0	2.1	
BATAAN INDUSTRIAL GASES, INC.	Pasig	PHL	100		0.6	–	
BOC (PHILS.) HOLDINGS, INC.	Pasig	PHL	100		20.0	−0.8	d
CIGC CORPORATION	Pasig	PHL	100		1.2	−0.1	
CRYO INDUSTRIAL GASES, INC.	Pasig	PHL	100		0.3	−0.1	
DAVAO OXYGEN CORPORATION	Mandaue	PHL	100		–	–	c, d
GRANDPLAINS PROPERTIES, INC.	Pasig	PHL	40		2.3	0.2	f, i
LINDE GLOBAL SERVICES PHILIPPINES, INC.	Taguig City	PHL	100		0.3	0.1	
LINDE PHILIPPINES (SOUTH), INC.	Mandaue	PHL	100		23.4	–	
LINDE PHILIPPINES, INC.	Pasig	PHL	100		24.3	−0.9	
ROYAL SOUTHMEADOWS, INC.	Mandaue	PHL	40		0.9	–	f, i
BOC Papua New Guinea Limited	Lae	PNG	74		28.7	2.3	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		7.6	1.5	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	45.9	5.1	
LINDE TREASURY ASIA PACIFIC PTE.LTD.	Singapore	SGP	100		0.5	–	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		4.7	0.7	
KTPV (THAILAND) LIMITED	Chachoengsao	THA	100		13.0	–	
Linde (Thailand) Public Company Limited	Samut Prakan	THA	100		173.5	14.4	
Linde Air Chemicals Limited	Samut Prakan	THA	99		35.6	5.6	
Linde HyCO Limited	Samut Prakan	THA	100		21.2	1.5	
MIG Production Company Limited	Samut Prakan	THA	54		65.9	10.8	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		3.1	0.1	
SKTY (Thailand) Limited	Chachoengsao	THA	100		−8.8	18.6	
T.I.G. TRADING LIMITED	Samut Prakan	THA	100		5.0	0.1	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei City	TWN	70		35.7	0.6	
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Taichung	TWN	91		12.3	3.1	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		10.5	1.3	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chiayi	TWN	100		0.1	0.1	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0.1	–	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung	TWN	100		4.1	0.5	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei City	TWN	100		2.2	1.0	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei City	TWN	89		2.9	0.4	c
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.3	0.2	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		−0.2	−0.1	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yilan	TWN	100		0.8	0.3	c
LINDE LIENHWA INDUSTRIAL GASES CO. LTD.	Taipei City	TWN	50		312.1	79.3	c, f, i
LUCK STREAM Co., Ltd.	Taipei City	TWN	100	100	2.3	0.3	
ASIA UNION ELECTRONIC CHEMICALS – RENO, INC.	Reno	USA	100		4.7	−0.3	
TUNG BAO CORPORATION	New Taipei City	TWN	51		23.3	−0.4	c
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	56		164.2	48.6	c
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei City	TWN	60		13.0	1.3	c
AUECC (BVI) HOLDINGS LIMITED	Road Town	VGB	100		14.1	−0.8	
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Road Town	VGB	100		164.4	4.0	
KEY PROOF INVESTMENTS LIMITED	Road Town	VGB	100		1.6	–	
PURE QUALITY TECHNOLOGY LIMITED	Road Town	VGB	100		–	–	c

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10) (44)

	Registered office	Country	Partici-pating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
SHINE SKY INTERNATIONAL COMPANY LIMITED	Road Town	VGB	100		14.1	−0.8	
SKY WALKER GROUP LIMITED	Road Town	VGB	100		0.1	–	c
Linde Gas Vietnam Limited	Bà Ria	VNM	100	100	3.1	0.7	
Linde Vietnam Limited Company	Bà Ria	VNM	100		28.3	−0.4	
Americas							
BOC GASES ARUBA N.V.	Santa Cruz	ABW	100		3.1	−0.1	
Grupo Linde Gas Argentina S.A.	Buenos Aires	ARG	100	70	24.9	6.2	
Linde Salud S.A.	Buenos Aires	ARG	100	90	1.1	0.4	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		24.0	1.7	
Linde Gases Ltda.	Barueri	BRA	100		170.0	28.0	
LINDE-BOC GASES LIMITADA	Barueri	BRA	100		12.2	1.6	
177470 CANADA INC.	Mississauga	CAN	100		0.9	–	
177472 CANADA INC.	Mississauga	CAN	100		2.3	–	
44001 ONTARIO LIMITED	Mississauga	CAN	100		1.1	–	
BOC de Chile S.A.	Providencia	CHL	100		6.9	0.5	
Linde Gas Chile S.A.	Santiago	CHL	100		126.6	9.4	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		7.9	2.3	
Linde Colombia S.A.	Bogotá	COL	100		73.2	3.5	
LINDE ENERGY SERVICES S.A.S.E.S.P.	Bogotá	COL	100		–	–	
REMEO Medical Services S.A.S.	Bogotá	COL	100		1.2	0.5	
Linde Gas Curaçao N.V.	Willemstad	CUW	100		1.9	0.3	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		4.3	0.9	
Agua y Gas de Sillunchi S.A.	Quito	ECU	100		1.2	0.1	
Linde Ecuador S.A.	Quito	ECU	100		55.9	−5.8	
Spectra Gases Limited	Guildford	GBR	100		–	–	
BOC GASES DE MEXICO, S.A. DE C.V.	Mexico City	MEX	100		–	–	
Compañía de Nitrógeno de Cantarell, S.A. de C.V.	Mexico City	MEX	100		143.1	94.8	
Compañía de Operaciones de Nitrógeno, S.A. de C.V.	Mexico City	MEX	100		10.8	2.8	
Linde Hidrógeno, S.A. de C.V.	Mexico City	MEX	100		12.4	0.3	
SERVICIOS DE OPERACIONES DE NITRÓGENO, S.A. DE C.V.	Mexico City	MEX	100		1.7	0.2	
Linde Gas Perú S.A.	Callao	PER	100		8.8	−0.5	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		−5.0	−0.9	
AGA S.A.	Montevideo	URY	100		10.4	−0.1	
East Coast Oxygen Company	Bethlehem	USA	50		5.4	−1.1	f, i
Holox Inc.	Norcross	USA	100		–	–	
LAG Methanol LLC	Wilmington	USA	100		–	–	
Lincare (consolidated financial statements) including:					957.9	89.8	
AHP Alliance of Columbia	Columbia	USA	100				h
AHP Delmarva, LLP	Lutherville Timonium	USA	50				f, h
AHP Home Care Alliance of Gainesville	Brentwood	USA	100				h
AHP Home Care Alliance of Tennessee	Brentwood	USA	100				h
AHP Home Care Alliance of Virginia	Richmond	USA	100				h
AHP Home Medical Equipment Partnership of Texas	Dallas	USA	100				h
AHP Knoxville Partnership	Knoxville	USA	100				h
AHP-MHR Home Care, LLP	Omaha	USA	50				f, h
ALPHA RESPIRATORY INC.	Wilmington	USA	100				h
American HomePatient Arkansas Ventures, Inc.	Dover	USA	100				h
American HomePatient Delaware Ventures, Inc.	Dover	USA	100				h
American HomePatient of Kingstree, LLC	Columbia	USA	100				h

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10) 44

	Registered office	Country	Partici-pating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
American HomePatient of New York, Inc.	New York	USA	100				h
American HomePatient of Sanford, LLC	Asheboro	USA	50				f, h
American HomePatient of Texas, LLC	Dallas	USA	100				h
American HomePatient of Unifour, LLC	Hickory	USA	50				f, h
American HomePatient Tennessee Ventures, Inc.	Dover	USA	100				h
American HomePatient Ventures, Inc.	Knoxville	USA	100				h
AMERICAN HOMEPATIENT, INC.	Wilmington	USA	100				h
American HomePatient, Inc.	Knoxville	USA	100				h
American HomePatient, Inc. (f/k/a AHP NV Corp.)	Carson City	USA	100				h
Baptist Ventures – AHP Homecare Alliance of Montgomery	Montgomery	USA	50				f, h
Blue Ridge Home Care	Brentwood	USA	50				f, h
CARING RESPONDERS LLC	Wilmington	USA	100				h
Catholic Health Home Respiratory, LLC	Williamsville	USA	50				f, h
Coastal Home Care	Conway	USA	70				h
Colorado Home Medical Equipment Alliance, LLC	Centennial	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
CRYOGENIC MEDICAL GASES, A LTD. LIABILITY CO.	Denver	USA	100				h
Designated Companies, Inc.	New York	USA	100				h
DME Supply USA, LLC	Wilmington	USA	100				h
Gamma Acquisition Inc.	Wilmington	USA	100				h
HEALTH CARE SOLUTIONS AT HOME INC.	Wilmington	USA	100				h
HealthCare Solutions IV LLC	Wilmington	USA	100				h
HOME-CARE EQUIPMENT NETWORK INC.	Plantation	USA	100				h
Homelink Home Health Care	Little Rock	USA	50				f, 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
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
Northeast Pennsylvania Alliance, LLC	Harrisburg	USA	100				h
Northwest Washington Alliance, LLC	Olympia	USA	100				h

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10) 44

	Registered office	Country	Partici-pating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
OCT Pharmacy, L.L.C.	Bingham Farms	USA	100				h
OPTIGEN, INC.	Plantation	USA	100				h
Patient Support Services, Inc.	Texarkana	USA	100				h
Piedmont Medical Equipment	Rock Hill	USA	50				f, h
PULMOREHAB LLC	Wilmington	USA	100				h
Raytel Cardiac Services, Inc.	Wilmington	USA	100				h
RCS MANAGEMENT HOLDING COMPANY	Wilmington	USA	100				h
RCS MANAGEMENT CORPORATION	Wilmington	USA	100				h
Shared Care of West Branch, LLC	West Branch	USA	50				f, h
Sleepcair, Inc.	Topeka	USA	100				h
SMS HOLDINGS, INC.	Wilmington	USA	100				h
SMS HOLDINGS (DELAWARE), INC.	Wilmington	USA	100				h
SPECIALIZED MEDICAL SERVICES, INC.	Wilmington	USA	100				h
PREMIER MEDICAL CORPORATION	Denver	USA	100				h
The National Medical Rentals, Inc.	Little Rock	USA	100				h
Total Home Care of East Alabama, L.L.C.	Montgomery	USA	100				h
Linde LLC	Wilmington	USA	100		648.5	48.8	
Linde Delaware Investments Inc.	Wilmington	USA	100		4,214.6	239.4	
Linde Energy Services, Inc	Wilmington	USA	100		−0.8	−0.2	
Linde Gas North America LLC	Wilmington	USA	100		1,240.5	211.8	
Linde HyCO LLC	Wilmington	USA	100		–	–	
Linde Merchant Production, LLC	Wilmington	USA	100		142.6	1.3	
Linde North America, Inc.	Wilmington	USA	100	<0.1	0.5	−206.8	
Linde Services LLC	Wilmington	USA	100		0.7	0.7	
Murray Hill LLC	Wilmington	USA	100		–	–	
AGA Gas C.A.	Caracas	VEN	100		–	–	g
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		−0.9	−1.0	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		–	–	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		5.3	0.2	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	0.3	−3.2	f
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	1.0	–	
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Vinhedo	BRA	100	90	−1.0	−0.9	
Linde Process Plants Canada Inc.	Calgary	CAN	100		0.5	27.2	
Linde Kryotechnik AG	Pfungen	CHE	100	100	17.7	1.8	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	12.8	5.0	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		4.8	4.6	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	58.6	9.6	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	30.4	9.4	
Selas-Linde GmbH	Pullach	DEU	100	100	24.2	–	a
CRYOSTAR SAS	Hésingue	FRA	100		54.4	28.1	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		8.2	0.5	
Linde Engineering India Private Limited	Vadodara	IND	100	100	40.4	4.0	
LPM, S.A. de C.V.	Mexico City	MEX	100	90	8.1	−0.1	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	3.9	0.8	
OOO "Linde Engineering Rus"	Samara	RUS	100	100	12.3	3.8	
Linde Arabian Contracting Co., Ltd.	Riyadh	SAU	100	90	20.1	9.0	

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

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	Registered office	Country	Partici-pating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	12.2	5.7	
CRYO Aktiebolag	Gothenburg	SWE	100		–	–	
Cryostar USA LLC	Wilmington	USA	100		–0.9	–0.5	
Linde Engineering North America Inc.	Wilmington	USA	100		36.2	–23.5	
Linde Engineering South Africa (Pty) Ltd.	Johannesburg	ZAF	100	100	14.8	0.7	
Other Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.3	116.3	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	23.1	
Gist Österreich GmbH	Grieskirchen	AUT	100		–0.3	–	c
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	62	744.7	135.5	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		22.6	–	
Linde Canada Limited	Mississauga	CAN	100		237.8	25.2	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		7.1	0.4	
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	1,932.6	–	a
LINDE INVESTMENTS FINLAND OY	Helsinki	FIN	100		0.9	–	
GIST FRANCE S.A.R.L.	Garges-lès-Gonesse	FRA	100		–0.3	–	c
Linde Holdings SAS	Saint-Priest	FRA	100		400.1	24.9	
The Boc Group S.A.S.	Hésingue	FRA	100		56.7	24.9	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		–	–	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		41.1	–	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	–	
BOC DUTCH FINANCE	Guildford	GBR	100		0.6	–	
BOC GASES LIMITED	Guildford	GBR	100		38.3	–	
BOC HELEX	Guildford	GBR	100		4,466.9	20.1	
BOC HOLDINGS	Guildford	GBR	100		4,650.5	197.0	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		711.9	93.4	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		–	–	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		178.2	23.4	
BOC INVESTMENTS NO.5	Guildford	GBR	100		74.6	10.7	
BOC INVESTMENTS NO.7	Guildford	GBR	100		–	–	
BOC JAPAN	Guildford	GBR	100		–	–	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		110.0	–	
BOC LIMITED	Guildford	GBR	100		723.5	195.7	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		–	–	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		536.2	145.5	
BOC NOMINEES LIMITED	Guildford	GBR	100		–	–	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		–	–	
BOC PENSIONS LIMITED	Guildford	GBR	100		–	–	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		–	–	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		–	–	
BOC SERVICES LIMITED	Guildford	GBR	100		–	–	
BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		–	–	
CRYOSTAR LIMITED	Guildford	GBR	100		–	–	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		–	–	
G.L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		–11.9	–	
GIST LIMITED	Guildford	GBR	100		154.4	8.3	

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	Registered office	Country	Partici-pating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
HANDIGAS LIMITED	Guildford	GBR	100		15.5	–0.1	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		–	–	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		24.5	–	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.0	–	
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		144.5	0.6	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		0.8	10.2	
LINDE FINANCE	Guildford	GBR	100		–	–	
LINDE INVESTMENTS No.1 LIMITED	Guildford	GBR	100		4,031.7	264.7	
LINDE NORTH AMERICA HOLDINGS LIMITED	Guildford	GBR	100		3,796.9	6.0	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	16,247.9	341.0	
LINDE UK PRIVATE MEDICAL TRUSTEES LIMITED	Guildford	GBR	100		–	–	
MEDISHIELD	Guildford	GBR	100		0.4	–	
MEDISPEED	Guildford	GBR	100		277.0	7.1	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		–0.4	–	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		3.5	–	
STORESHIELD LIMITED	Guildford	GBR	100		325.6	0.2	
THE BOC GROUP LIMITED	Guildford	GBR	100		10,307.0	599.8	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	–	
TRANSHIELD	Guildford	GBR	100		15.4	0.1	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.3	–	
BOC NO. 1 LIMITED	Saint Peter Port	GGY	100		1.2	–	
BOC NO. 2 LIMITED	Saint Peter Port	GGY	100		0.3	–	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		8.9	–	
Linde Global Support Services Private Limited	Kolkata	IND	100		1.4	1.0	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		13.6	–	
BOC Investments Ireland Unlimited Company	Dublin	IRL	100		3.0	–	
Gist Distribution Limited	Dublin	IRL	100		16.4	2.8	
ALBOC (JERSEY) LIMITED	Saint Helier	JEY	100		1.7	–	
BOC AUSTRALIAN FINANCE LIMITED	Saint Helier	JEY	100		3.6	–	
BOC PREFERENCE LIMITED	Saint Helier	JEY	100		64.7	–	
BOC Europe Holdings B.V.	Dongen	NLD	100		409.4	19.5	
Gist Containers B.V.	Bleiswijk	NLD	100		–1.0	–0.3	c
Gist Holding B.V.	Bleiswijk	NLD	100		–4.2	2.4	c
Gist Nederland B.V.	Bleiswijk	NLD	100		–6.8	0.9	c
Linde Finance B.V.	Amsterdam	NLD	100		344.9	9.4	c
Linde Holdings Netherlands B.V.	Schiedam	NLD	100	100	1,194.6	61.1	
Linde Holdings Netherlands No. 2 B.V.	Schiedam	NLD	100		–	–	
The BOC Group B.V.	Dongen	NLD	100		50.2	25.1	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	23.4	
BOC GIST INC	Makati	PHL	100		0.1	–	
Linde Global IT Services s.r.o.	Bratislava	SVK	100		0.9	–	
AGA Aktiebolag	Lidingö	SWE	100		2,153.2	38.6	
BOC Intressenter AB	Helsingborg	SWE	100		34.4	0.4	
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	4,549.6	18.9	
DeVine Products, Inc.	Wilmington	USA	100		0.2	–	
Gist USA LLC	Wilmington	USA	100		4.4	1.6	
Linde Holdings, LLC	Wilmington	USA	100		74.8	5.2	
LINDE INVESTMENTS LLC	Wilmington	USA	100		1,230.8	–0.4	

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS (IN ACCORDANCE WITH IFRS 11) (45)

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
Gases Division							
EMEA							
Adnoc Linde Industrial Gases Co. Limited (Elixier)	Abu Dhabi	ARE	49	49	28.3	–19.4	
OOO "Linde Azot Togliatti"	Tolyatti	RUS	50		40.4	7.0	
Asia/Pacific							
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		21.3	5.4	
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		16.5	2.7	
Ningbo Linde-ZRCC Gases Co., Ltd.	Ningbo	CHN	50		32.5	0.5	
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		20.6	5.9	
Americas							
East Coast Nitrogen Company LLC	Wilmington	USA	50		46.1	–	

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (IN ACCORDANCE WITH IAS 28) 46

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in EUR m	Profit/Loss for the year in EUR m	Note
Gases Division							
EMEA							
H_2 Mobility Deutschland GmbH & Co. KG	Berlin	DEU	28	28	42.5	−4.3	b, c, d
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	25.6	−2.2	b, f
Oxígeno de Sagunto, S.L.	Cornellà de Llobregat	ESP	50		13.0	–	c, e
Oy Innogas Ab	Kulloo	FIN	50		1.4	–	b, c
Parhaat Yhdessä koulutusyhdistys ry	Espoo	FIN	25		–	–	c, d
LIDA S.A.S.	Saint-Quentin-Fallavier	FRA	22		0.3	0.3	b, c, d
LIMES S.A.S.	Saint-Herblain	FRA	50		4.9	0.3	b, c, d
Helison Marketing Limited	Saint Helier	GBR	51		15.4	10.5	b, f
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0.6	–	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		14.7	0.6	e
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		–	–	
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		16.8	1.8	b, c, d
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		0.4	–	b, f
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		80.3	16.2	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		–	–	b, f
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	20		−41.7	−4.6	
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		61.6	17.3	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		2.2	0.9	b
Kulim Industrial Gases Sdn. Bhd.	Kuala Lumpur	MYS	50		28.8	5.9	b, c, e
PENGERANG GAS SOLUTIONS SDN. BHD.	Kuala Lumpur	MYS	49		25.1	0.7	b
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		3.7	0.6	b
Blue Ocean Industrial Gases Co., Ltd.	Taipei City	TWN	50		33.7	3.5	b, c, e
LIENHWA UNITED LPG COMPANY LIMITED	Taipei City	TWN	29		9.2	0.6	c
Americas							
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	–	b
Cliffside Refiners, L.P.	Wilmington	USA	27		2.4	1.4	b
High Mountain Fuels, LLC	Wilmington	USA	50		8.9	3.8	b
Hydrochlor LLC	Wilmington	USA	50		5.9	−1.6	b
Spectra Investors, LLC	Branchburg	USA	49		2.0	–	b
Other Activities							
CAPTURE POWER LIMITED	London	GBR	33		−2.6	–	b

NON-CONSOLIDATED SUBSIDIARIES 47

	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/Loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
Gases Division							
EMEA							
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		N/A	N/A	
Linde Schweiz AG	Dagmersellen	CHE	100		0.1	–	c, d
LINDE SPAIN SA	Puçol	ESP	100	100	0.1	–	c
ELECTROCHEM LIMITED	Guildford	GBR	100	100	–	–	c, d
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		–	–	c, d
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0.8	–	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		–	–	c, d
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		–	–	c
CLEAN GAS SOLUTIONS AS	Oslo	NOR	100		–	–	
KS Luftgassproduksjon	Oslo	NOR	100		–	–	c
Norgas AS	Oslo	NOR	100		0.1	–	c
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	–	–	c
OOO "Linde Gas Novotroitsk"	Novotroitsk	RUS	100		–	–	
Linde Technické Plyny spol. s r.o.	Bratislava	SVK	100		0.1	–	c
Goldcup 17259 AB	Sundsvall	SWE	100		–	–	
Goldcup 17829 AB	Sundsvall	SWE	100		–	–	
Nynäshamns Gasterminal AB	Lidingö	SWE	100		–	–	c
Asia/Pacific							
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		–	–	
BOC Bangladesh Limited	Dhaka	BGD	100		–	–	
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		–	–	c
CHATSWOOD INC.	Makati	PHL	62		–	–	c, d
CIGI PROPERTIES, INC.	Mandaluyong	PHL	100		–	–	c, d
ASIA UNION ELECTRONIC CHEMICAL CORP (THAILAND) CO., LTD.	Si Racha	THA	97		0.2	–	
LIEN XIANG ENERGY CORPORATION LIMITED	Tainan	TWN	50		0.9	–	c, d
Engineering Division							
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	0.3	–0.1	c
Linde Engineering Korea Ltd.	Seoul	KOR	100	100	1.1	–0.1	
OOO "CRYOSTAR RUS"	Saint Petersburg	RUS	100	100	0.3	0.1	c
OOO "Linde Power machines"	Saint Petersburg	RUS	74	74	2.1	0.8	
Linde Engineering Taiwan Ltd.	Taipei City	TWN	100		0.7	–	
Linde Engineering US LLC	Wilmington	USA	100	100	–	–	
Other Activities							
Linde Australia Holdings Pty Limited	North Ryde	AUS	100	100	–0.9	–	
GLPS TRUSTEES LIMITED	Guildford	GBR	100		–	–	c, d
Hong Kong Oxygen & Acetylene Company Limited	Kowloon	HKG	100		0.6	–	
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	
SELOX, INC	Nashville	USA	100		N/A	N/A	

Key:
a Profit and loss transfer agreement.
b Joint venture.
c Local GAAP.
d Figures from financial years prior to 2018.
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 annual financial statements under commercial law.
i Distribution of dividend is subject to the approval of non-controlling interests.
N/A = No financial data available.

[31] Events after the balance sheet date

In 2018, Linde Aktiengesellschaft entered into an agreement with a consortium comprising companies in the Messer Group (a German industrial gases producer) and CVC Capital Partners Fund VII ("CVC Fund VII") for the sale of the major part of Linde's gases business in North America and of individual business operations in South America. On 1 March 2019, the sale was legally completed.

In addition, in February 2019, the sale of further production plants in North America to various buyers was concluded.

On 7 March 2019, a contract was concluded for the sale of the major part of the business activities in South Korea. The completion of the sale is subject to the customary closing conditions and requires the approval of the South Korean competition authority.

The disposals of these businesses were required in order to obtain approvals of the business combination from the relevant competition authorities.

There were no other significant events for Linde AG between the balance sheet date and 14 March 2019.

On 15 March 2019, the Executive Board of Linde AG released the financial statements for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to examine the financial statements and to state whether it approves them. The statutory financial statements of Linde AG will be approved at the Supervisory Board meeting on 26 March 2019.

[32] Proposed appropriation of profit of Linde AG

The Executive Board recommends that, when the annual financial statements are approved at the meeting of the Supervisory Board on 26 March 2019, the Supervisory Board proposes that the appropriation of profit of EUR 90,145,209.63 (2017: EUR 1,299,466,497.00) be voted on at the Annual General Meeting:

- payment of a dividend of EUR 0.11 (2017: EUR 7.00) per no par-value share entitled to dividend. The total dividend payout for 185,638,071 (2017: 185,638,071) no par-value shares entitled to dividend amounts to EUR 20,420,187.81 (2017: EUR 1,299,466,497.00).
- carry forward to the following year of the remaining amount of EUR 69,725,021.82 (2017: EUR 0.00).

The 95,109 treasury shares held by the Company without any dividend entitlement at the time of the proposal for the appropriation of profit are not included in the calculation of the amount distributed.

It should be noted that the proposed appropriation of profit will only be voted on at the Annual General Meeting if the Annual General Meeting of Linde AG takes place before the squeeze-out under merger law of the non-controlling shareholders of Linde AG agreed at the General Meeting held on 12 December 2018 and before the merger of Linde AG with Linde Intermediate Holding AG becomes effective when the required entries are made in the commercial register. The Executive Board currently assumes that these measures will probably become effective before the Annual General Meeting of Linde AG has taken place. In that case, a dividend payment would no longer be paid for the 2018 financial year.

MUNICH, 14 MARCH 2019

DR SVEN SCHNEIDER
[SPOKESMAN OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

EDUARDO MENEZES
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

INDEPENDENT AUDITOR'S REPORT

To Linde Aktiengesellschaft, Munich

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Linde Aktiengesellschaft, Munich, which comprise the balance sheet as at 31 December 2018, the statement of profit and loss, statement of cash flows and statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of the company ("management report") for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of investments in affiliated companies

With respect to the accounting policies applied, we refer to the section "Accounting Policies" in the notes to the annual financial statements.

The Financial Statement Risk

In the annual financial statements of Linde AG as at 31 December 2018, the investments in affiliated companies amount to EUR 17,181 million. Their share accounts for 83% of the balance sheet total and thereby has a significant influence on the Company's assets.

Investments in affiliated companies are presented on the balance sheet at acquisition costs or, in case of a reduction in value which is expected to be permanent, at their lower value. The Company determines the value of their investments in affiliated companies using the discounted earnings method.

The cash flows utilised for the discounted earnings method are based on entity specific projections for the upcoming four years with a forward projection on the basis of assumed long-term growth rates. The discount rate is determined on country-specific basis. When the value is lower than the carrying amount, quantitative and qualitative criteria are assessed to determine whether the impairment is expected to be permanent in nature.

The assessment of recoverability, including the calculation of the value using the discounted earnings method, is complex and, in terms of the assumptions made, to a high degree dependent on the Company's estimates and judgements. This is particularly the case for estimates of future cash flows and long-term growth rates, the determination of discount rates as well as the assessments with respect to the longevity of the impairment.

In the last two years, the business prospects for some companies have permanently deteriorated. Therefore, the Company recognised an impairment on investments in affiliated companies in the amount of EUR 17 million in 2018. There is the financial statement risk that the carrying amount of the investments in affiliated companies may not be recoverable.

Our Audit Approach

Initially, we obtained an understanding of the Company's process for assessing the recoverability of the carrying amount of the investments in affiliated companies. This included an intensive review of the Company's approach to the determination of impairments and, based on the information obtained within the scope of our audit, an assessment as to whether there was an indication of the need to recognise an impairment not identified by the Company.

Subsequently, we assessed the appropriateness of the significant assumptions as well as the valuation model underlying the company valuations as prepared by the Company with the involvement of our valuation specialists. We discussed the expected cash flows as well as the assumed long-term growth rates with those responsible for the planning process. Moreover, we assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations. We also assessed the consistency of the assumptions made by management with external market expectations.

We compared assumptions and parameters that determine the discount rate – in particular the risk-free interest rate, the market risk premium and the beta factor – with our own assumptions and publicly available data. To account for the uncertainty of forecast information, we performed a sensitivity analysis to assess possible changes in the discount rate, and in the long-term growth rate on the value by calculating alternative scenarios and comparing these with the Company's valuation results. We recalculated the Company's calculations on the basis of elements selected in a risk-orientated manner to ensure the mathematical accuracy of the valuation model used.

Our Observations

The underlying procedure for the impairment test of the investments in affiliated companies is appropriate and is in line with the applicable valuation principles. The assumptions, parameters and judgements applied by the Company are within an acceptable range and are, as a whole, balanced.

Recoverability of work in progress related to long-term construction contracts, as well as completeness of the related provisions for expected losses

With respect to the accounting policies applied, we refer to the section "Accounting Policies" in the notes to the annual financial statements.

The Financial Statement Risk

In the annual financial statements of Linde AG as at 31 December 2018, the work in progress amounts to EUR 3,371 million. A significant portion of this work in progress relates to long-term construction contracts in the Engineering Division of Linde AG.

The loss-free valuation of work in progress is performed for each project on the basis of a comparison between the realisable proceeds with the already capitalised production costs and costs still to be incurred through the end of the project. The costs still to be incurred include, in addition to the production costs from the project calculation, also surcharges for administrative and selling expenses.

If for an individual project a loss results from the comparison of the realisable proceeds with the already capitalised production costs and costs still to be incurred through the end of the project, then in a first step an impairment is recognised to the work in progress. In the case that the capitalised production costs are not sufficient to cover the losses, a provision for expected losses is additionally recognised.

The continuously updated project calculations and planning are complex, especially in the large-scale plant construction, and contain to a large extent estimates and judgements.

There is the risk for the annual financial statements that the work in progress is overvalued or that expected losses are not identified on a timely basis and respective provisions are not recognised.

Our Audit Approach

We have assessed the reasonableness of the significant estimates and judgements with respect to the costs still to be incurred as well as follow-up costs which have been made by Linde AG in connection with long-term construction contracts. Our focus, among others, was on the assessment of the underlying current cost reports of the projects, the posting logic and on the estimates of those responsible for the projects. In connection with our audit, we assessed the procedures for the contract calculations and the impairment test. Furthermore, we have evaluated the operating effectiveness of internal controls in connection with the project calculations and, based on further risk considerations, performed for selected projects substantive test work. We have discussed these projects, including their inherent risks, with those responsible for the projects and with the management of Linde AG. Furthermore, we have analysed the contract calculations, and for a selected project we have assured ourselves on site as to the stage of completion of the project. For the technical engineering assessment of contract calculations, project progress and project risks, we involved an external expert.

Our Observations

The process for the loss-free valuation of work in progress relating to long-term construction contracts and for the recognition of provisions for expected losses is appropriate. The assumptions made for the valuation and judgements exercised are reasonable.

Other information

Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited annual financial statements and management report and our auditor’s report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Annual Financial Statements and the Management Report

The Executive Board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Executive Board is responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Executive Board is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the Executive Board and related disclosures.
- conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the Executive Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 3 May 2018. We were engaged by the Supervisory Board on 3 May 2018. We have been the auditor of the Linde Aktiengesellschaft without interruption for more than 24 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Harald v. Heynitz.

MUNICH, 14 MARCH 2019

KPMG AG
WIRTSCHAFTSPRÜFUNGS-
GESELLSCHAFT

[ORIGINAL GERMAN VERSION SIGNED BY:]

BECKER
WIRTSCHAFTS-
PRÜFER
[GERMAN PUBLIC AUDITOR]

V. HEYNITZ
WIRTSCHAFTS-
PRÜFER
[GERMAN PUBLIC AUDITOR]

Further Information

SECTION 5

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

MUNICH, 14 MARCH 2019

DR SVEN SCHNEIDER
[SPOKESMAN OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

EDUARDO MENEZES
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